

FAIRVIEW TOWNSHIP FIRE DEPARTMENT  
NEW CUMBERLAND, PENNSYLVANIA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001

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## INDEPENDENT AUDITOR'S REPORT

To the Officers of  
Fairview Township Fire Department  
New Cumberland, Pennsylvania

We have audited the accompanying statement of assets and net assets - cash basis of the Fairview Township Fire Department (a non-profit organization) as of December 31, 2001 and the related statement of support, revenue, expenses and changes in net assets - cash basis for the year then ended. These financial statements are the responsibility of the Fire Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets - cash basis of the Fairview Township Fire Department as of December 31, 2001, and its support, revenue, expenses and changes in net assets - cash basis for the year then ended, on the basis of accounting described in Note 1.

*Chubb and Associates*  
CHUBB AND ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

June 4, 2002

FAIRVIEW TOWNSHIP FIRE DEPARTMENT  
STATEMENT OF ASSETS AND NET ASSETS - CASH BASIS  
DECEMBER 31, 2001

ASSETS

CURRENT ASSETS	
Cash	153,380
Investments	<u>70,298</u>
TOTAL CURRENT ASSETS	<u>223,678</u>

NET ASSETS

NET ASSETS	
Unrestricted	<u>223,678</u>
TOTAL NET ASSETS	<u>223,678</u>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP FIRE DEPARTMENT  
 STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN NET ASSETS - CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

SUPPORT AND REVENUE	
Bingo	33,611
Donations	805
Hall Rental Income	16,766
Billed Service and Contract Fees	10,126
Community Fest Fundraiser	20,970
Miscellaneous Fundraisers	66,707
Sale of Equipment	39,560
Dividend Income	114
Interest Income	5,148
Miscellaneous Income	4,055
Ladies Auxiliary	3,265
Fire Police	8,350
Increase in Fair Market Value of Investments	2,242
Firemen's Relief Contributions	<u>9,025</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<b><u>220,744</u></b>
EXPENSES	
Auto Expenses	656
Bank Charges	80
Bingo Expenses	9,537
Equipment Repairs and Maintenance	9,106
Equipment Purchases	15,199
Building Maintenance	13,900
Utilities	14,531
Community Fest Fundraiser Expenses	14,736
Fundraiser Expenses	10,516
Uniforms	326
Advertising	289
Food and Entertainment	6,458
Insurance	15,790
Office Expenses	2,486
Miscellaneous	4,746
Telephone	6,383
Ladies Auxiliary	759
Fire Police	<u>8,905</u>
<b>TOTAL EXPENSES</b>	<b><u>134,403</u></b>
<b>CHANGE IN NET ASSETS</b>	<b><u><u>86,341</u></u></b>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP FIRE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**NATURE OF THE ORGANIZATION** - The Fairview Township Fire Department is an all volunteer organization which provides fire fighting, education and prevention services to the residents in its area. The Company's support and revenues are generated mostly from donations and fund raising events. Fairview Township assesses a real estate tax for fire purposes against the residents of Fairview Township in order to pay for certain expenses of the Fire Department. During 2001, the Township paid for Fire Company expenses of approximately \$170,470. These expenses included the purchase of fire equipment for \$3,497, the payment of long-term debt on behalf of Fire Company expenses of \$139,090 and other operating expenses of approximately \$27,883.

**BASIS OF ACCOUNTING** - The Organization prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). The cash basis has been modified only to report investments at fair value. Under this basis, revenues are recognized when collected rather than when earned, and expenses are recognized when paid rather than when incurred.

Each year the Fire Company is allowed to submit, for payment or reimbursement, specified expenses to the Firemen's Relief Association (see Note 4). In order to expedite the payment of their accounts payable, the Company sometimes pays such invoices directly and then submits them to Firemen's Relief for reimbursement.

Net assets and support, revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Company and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Company and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of support, revenue, expenses and changes in net assets - cash basis as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Company. The Company currently has no permanently restricted net assets.

As of December 31, 2001, the Fire Company has only unrestricted assets.

**PROPERTY AND EQUIPMENT** - The Organization values its fixed assets based on estimated fair values based on market and/or insured values. Fixed assets have not been included as a part of these financial statements; however, a supplemental Schedule of Fixed Assets is presented herewith. Purchases of fixed assets are recorded as expenditures at the time of purchase; therefore, no depreciation has been recorded on fixed assets. Fixed assets which were purchased with Firemen's Relief or Township funds are not included in the Schedule of Fixed Assets because the Firemen's Relief Association and/or Township retains title to such property.

FAIRVIEW TOWNSHIP FIRE DEPARTMENT  
 NOTES TO THE FINANCIAL STATEMENTS - CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS - Investments are stated at fair value, measured by quoted prices in an active market.

DONATED GOODS AND SERVICES - The time of the many Fire Company volunteers is donated to the Organization. The value of these contributed services is not included in these financial statements because it is not susceptible to objective measurement or valuation.

INCOME TAXES - The Organization is classified as a non-profit organization under Section 501(c)(4) of the Internal Revenue Code. Accordingly, no income tax is incurred unless the entity earns income considered to be unrelated business income.

CONCENTRATIONS OF CREDIT RISK - At various times throughout the year, the Company may have a cash balance in excess of \$100,000 in various banks. These funds are FDIC insured up to \$100,000 at each bank; therefore, amounts in excess of \$100,000 are uninsured and uncollateralized. Investments held in stock of Waypoint Financial Corp. are not covered by FDIC or collateral and are subject to market risk.

USE OF ESTIMATES - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

2. INVESTMENTS

The Investments at December 31, 2001 are as follows:

<u>Description</u>	<u>Fair Value</u>
Certificates of Deposit:	
Waypoint Bank, 1.49% -	
3.54%, Maturing through 6/1/02	60,710
Certificates of Deposit:	
New Cumberland Federal Credit Union,	
1.93% - 2.16%, Maturing through 3/29/02	2,666
Common Stock Equities	
Waypoint Financial Corp., 459 Shares	<u>6,922</u>
	<u>70,298</u>

FAIRVIEW TOWNSHIP FIRE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2001

3. LONG-TERM DEBT

During 1999, Fairview Township borrowed \$133,000 to purchase a 1995 Darley Pumper Fire engine for the Fire Department. The Township has pledged the full faith, credit and taxing power of the Township towards the 1999 General Obligation debt. The debt is due on December 1, 2003 with an interest rate of 4.32%. Monthly payments of \$2,460 include principal and interest and are paid by the Township directly from tax revenues apportioned for fire department expenses. These payments totaled \$31,040 during 2001. The outstanding principal balance as of December 31, 2001 was \$59,578. The fire engine is titled in the name of the Township and is not included as an asset of the fire department.

During 2000, Fairview Township borrowed \$250,702 to purchase a 2001 Kenworth tanker truck for the Fire Department. The Township pledged the full faith, credit and taxing power of the Township towards the 2000 general obligation debt. The debt is due February 4, 2003 with an interest rate of 5.79% per annum. Monthly payments of principal and interest of \$8,996 are paid by the Township directly from tax revenues apportioned for fire department expenses. These payments totaled \$107,954 during 2001. The outstanding principal balance as of December 31, 2001 was \$121,504. The fire engine is titled in the name of the Township and is not included as a asset of the fire department.

4. FIREMEN'S RELIEF ASSOCIATION FUNDING

As disclosed in Note 1, some of the Fire Company's expenses are paid by the Firemen's Relief Association. The Relief Association receives the majority of its funding from foreign fire insurance tax which Fairview Township receives from the State and, by law, is required to pass on to the Relief Association. The Relief Association is audited annually by the State Auditor General's Office in accordance with State laws. Fairview Township Fire Department submits specifically approved expenses to be reimbursed by the Relief Association each year. During 2001, the Association contributed \$9,025 towards the payment of the long-term debt recorded on the Fire Department's financial statements.

5. FISHING CREEK COMMUNITY ASSOCIATION

The Fire Company owns real estate at 520 Locust Road in Fairview Township as joint tenants with the Fishing Creek Community Association (FCCA). The Fire Company uses a portion of the property as a fire station to serve the southern end of the Township. The Community Association and the Fire Company share the rental income derived from the property. The property is included on the supplementary schedule of fixed assets at 50% of its insured value as of December 31, 2001. A bank account is also shared 50/50. As of December 31, 2001, the total balance of that account is \$16,665. The 2001 receipts and disbursements recorded in the checking account were \$16,119 and \$11,814, respectively. Neither 2001 transactions nor the year-end balance is included in these financial statements.

On June 12, 2001, an agreement was executed between the Fire Company and FCCA establishing a minimum monthly balance requirement (\$12,000) of the joint checking account; nature of expenditures to be paid from the account; determination and timing of accounts surplus distribution to joint owners; expenditures approval documentation and check signatories procedures; investment policies for interim excess funds, and annual audit and tax reporting requirements.

**SUPPLEMENTAL INFORMATION**

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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Officers of Fairview  
Township Fire Department  
New Cumberland, Pennsylvania

Our report on our audit of the financial statements of the Fairview Township Fire Department for the year ended December 31, 2001, appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of fixed assets is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Chubb and Associates*

CHUBB AND ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

June 4, 2002

FAIRVIEW TOWNSHIP FIRE DEPARTMENT  
SCHEDULE OF FIXED ASSETS  
(AT ESTIMATED FAIR VALUES AND/OR INSURED VALUES)  
DECEMBER 31, 2001

Land and Buildings *	815,000
Vehicles and Fire Fighting Equipment **	596,000
Furniture, Fixtures and Other Equipment (Other than Fire Fighting Equipment)	<u>112,000</u>
TOTAL	<u>1,523,000</u>

\* Includes property located at 520 Locust Road owned 50/50 with the Fishing Creek Community Association. Presented at 50% of fair value.

\*\* Excludes 1995 Darley Pumper, two vehicles, two utility vehicles and 2001 Kenworth Pumper titled to Fairview Township.

See Independent Auditor's Report on Supplemental Information.