

**FAIRVIEW TOWNSHIP FIRE DEPARTMENT**  
***(a component unit of Fairview Township)***

**YEARS ENDED**  
**DECEMBER 31, 2007 AND 2006**

## Independent Auditors' Report

To the Officers  
Fairview Township Fire Department  
New Cumberland, Pennsylvania

We have audited the accompanying statements of assets and net assets - cash basis of the Fairview Township Fire Department (a nonprofit organization and component unit of Fairview Township) as of December 31, 2007 and 2006 and the related statements of support, revenue, expenses and changes in net assets - cash basis for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide 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 accounting principles generally accepted in the United States of America.

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, 2007 and 2006, and its support, revenue, expenses and changes in net assets - cash basis for the years then ended, on the basis of accounting described in Note 1.

The Fairview Township Fire Department has determined that for financial reporting purposes it is a governmental nonprofit organization as a result of it being included as a component unit of Fairview Township. The Fairview Township Fire Department is using enterprise fund accounting and financial reporting on the basis of accounting described in paragraph three above. The Fairview Township Fire Department has not presented the management's discussion and analysis that the GASB requires to supplement, although not to be a part of, the basic financial statements.

*Brown Schulte Sheridan & Fritz*

April 24, 2008

**FAIRVIEW TOWNSHIP FIRE DEPARTMENT**  
**(a component unit of Fairview Township)**

STATEMENTS OF ASSETS AND NET ASSETS – CASH BASIS

DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets, cash	<u>\$ 179,853</u>	<u>\$ 209,717</u>
NET ASSETS		
Net assets, unrestricted	<u>\$ 179,853</u>	<u>\$ 209,717</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP FIRE DEPARTMENT**  
**(a component unit of Fairview Township)**

STATEMENTS OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN NET ASSETS –  
CASH BASIS

YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Support and revenue:		
Donations	\$ 7,205	\$ 2,025
Hall rental income	170	
Billed service and contract fees	2,105	3,898
Sales of equipment	75,650	
Miscellaneous fundraisers	75,292	77,524
Interest income	7,338	4,434
Miscellaneous reimbursements	17,308	2,253
Fire police	116	
Grant income		12,023
	185,184	102,157
 Expenses:		
Bank charges	48	543
Equipment repairs and maintenance		22,423
Equipment purchases		18,068
Building maintenance		163
Utilities		9,906
Fund-raiser expenses		14,794
Uniforms		913
Food and entertainment		9,709
Insurance		11,436
Office expenses		1,974
Miscellaneous		4,547
Telephone		3,829
	48	98,305

(continued)

**FAIRVIEW TOWNSHIP FIRE DEPARTMENT**  
**(a component unit of Fairview Township)**

STATEMENTS OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN NET ASSETS –  
CASH BASIS (CONTINUED)

YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Change in net assets before transfers	\$ 185,136	\$ 3,852
Transfers to the Township	<u>(215,000)</u>	<u>          </u>
Change in net assets	(29,864)	3,852
Net assets:		
Beginning of year	<u>209,717</u>	<u>205,865</u>
End of year	<u><u>\$ 179,853</u></u>	<u><u>\$ 209,717</u></u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP FIRE DEPARTMENT**  
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NOTES TO FINANCIAL STATEMENTS - CASH BASIS

YEARS ENDED DECEMBER 31, 2007 AND 2006

**1. Summary of significant accounting policies:**

*Nature of the Organization:*

The Fairview Township Fire Department (Fire Department or Organization) is an all volunteer organization which provides fire fighting, education and prevention services to the residents in its area. The Fire Department's support and revenues are generated mostly from donations and fund-raising events. During 2005, Fairview Township (Township) acquired control over the operations of the Fire Department and became financially accountable for the fiscal matters of the Organization. The Township is required to report the Organization as a component unit of the Township under the criteria provided by the Governmental Accounting Standards Board. In exchange for these services, all assets of the Fire Department are to be turned over to the Township for management. As of December 31, 2007, the assets and activities reported in these financial statements remained under the control of the Fire Department.

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 2007 and 2006, the Township paid for Fire Department expenses of approximately \$640,084 and \$88,543, respectively. The 2007 and 2006 expenses paid for by the Township are not included in these financial statements, but are included in the Township's financial statements. During 2007, the Township paid all expenses of the Fire department, including a new fire truck for \$501,679. The Fire Department transferred funds to the Township to cover a portion of these expenses.

*Basis of accounting:*

The Organization prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis, revenues are generally recognized when collected rather than when earned, and expenses are generally recognized when paid rather than when incurred.

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

**FAIRVIEW TOWNSHIP FIRE DEPARTMENT**  
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NOTES TO FINANCIAL STATEMENTS - CASH BASIS (CONTINUED)

YEARS ENDED DECEMBER 31, 2007 AND 2006

**1. Summary of significant accounting policies (continued):**

*Property and equipment:*

Fixed assets have not been included as a part of these financial statements. 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 Relief Association or Township funds are not included in the financial statements because the Relief Association and/or Township retains title to such property.

*Donated services:*

The time of the many Fire Department volunteers is donated to the Organization. The value of these contributed services is not included in these financial statements and is not required under the cash basis of accounting.

*Income taxes:*

The Organization is recognized as a nonprofit 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 Fire Department 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.

*Use of estimates:*

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

**FAIRVIEW TOWNSHIP FIRE DEPARTMENT**  
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NOTES TO FINANCIAL STATEMENTS - CASH BASIS (CONTINUED)

YEARS ENDED DECEMBER 31, 2007 AND 2006

**2. New fire station:**

The Township financed 100% of the construction of the new fire station which the Fire department officially moved into during 2007. The Organization also maintains operations at its station at 520 Locust Road. The transition into the new station cancelled bingo operations indefinitely and reduced hall rental income. The transition also reduced expenses related to building maintenance, insurance and utilities during the construction of the new station.

The Township borrowed \$2,500,000 to prepare and construct the new station at 340 Lewisberry Road. The Township incurred construction, equipment, engineering, legal, architectural and environmental fees of approximately \$749,136 and \$2,795,729 during 2007 and 2006, respectively.

**3. Firemen's Relief Association funding:**

As disclosed in Note 1, some of the Fire Department's expenses are paid by the 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. A copy of the audit report is available at the Township's office. Fairview Township Fire Department submits specifically approved expenses to be reimbursed by the Relief Association each year.

**4. Fishing Creek Community Association:**

The Fire Department owns real estate at 520 Locust Road in Fairview Township as joint tenants with the Fishing Creek Community Association (FCCA). The Fire Department uses a portion of the property as a fire station to serve the southern portion of the Township. The FCCA and the Fire Department share two bank accounts used to operate the building. As of December 31, 2006, the total balance of those accounts is \$50,528. The year-end balances are included in these financial statements. The Fire department has not received or paid funds to or from these accounts during 2007 and 2006.

***FAIRVIEW TOWNSHIP FIRE DEPARTMENT***  
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NOTES TO FINANCIAL STATEMENTS - CASH BASIS (CONTINUED)

YEARS ENDED DECEMBER 31, 2007 AND 2006

**4. Fishing Creek Community Association (continued):**

On June 12, 2001, an agreement was executed between the Fire Department 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.

**5. Contingencies:**

The Fire Department is exposed to various risks of loss related to the nature of the activity performed by the Fire Department. The Fire Department maintains commercial insurance covering these risks of loss. Management believes coverage is sufficient to preclude any significant uninsured losses. Previous claims have not exceeded this commercial coverage.