

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

**YEARS ENDED**  
**DECEMBER 31, 2008 AND 2007**



Independent Auditors' Report

A Professional Corporation

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, 2008 and 2007 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, 2008 and 2007, 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 Governmental Accounting Standards Board requires to supplement, although not to be a part of, the basic financial statements.

*Brown Schultz Sheridan & Fritz*

March 17, 2009

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

STATEMENTS OF ASSETS AND NET ASSETS – CASH BASIS

DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets, cash	<u>\$ 97,086</u>	<u>\$ 179,853</u>
NET ASSETS		
Net assets, unrestricted	<u>\$ 97,086</u>	<u>\$ 179,853</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, 2008 AND 2007

	2008	2007
Support and revenue:		
Donations	\$ 1,710	\$ 7,205
Hall rental income	70	170
Billed service and contract fees	4,375	2,105
Sales of equipment		75,650
Miscellaneous fundraisers	77,370	75,292
Interest income	2,797	7,338
Miscellaneous reimbursements	341	17,308
Fire police		116
	86,663	185,184
Expenses:		
Bank charges	238	48
Equipment purchased	13,072	
Office expenses	1,120	
	14,430	48
Change in net assets before transfers	72,233	185,136
Transfers to the Township	(155,000)	(215,000)
Change in net assets	(82,767)	(29,864)
Net assets:		
Beginning of year	179,853	209,717
End of year	\$ 97,086	\$ 179,853

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS - CASH BASIS

YEARS ENDED DECEMBER 31, 2008 AND 2007

**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, 2008, 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 2008 and 2007, the Township paid for Fire Department expenses of approximately \$587,070 and \$1,389,220, respectively. The 2008 and 2007 expenses paid for by the Township are not included in these financial statements, but are included in the Township's financial statements. Included in the amounts noted above, the Township paid debt service on the new fire station loan of \$327,777 in 2008 and a new fire truck for \$501,679 and debt service of \$327,777 in 2007. The Fire Department transferred funds both years 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, 2008 AND 2007

**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 retain 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.

*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.

**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.

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

YEARS ENDED DECEMBER 31, 2008 AND 2007

**2. New fire station (continued):**

The Township borrowed \$2,500,000 to prepare and construct the new station at 340 Lewisberry Road. The Township incurred construction and equipment expenses of approximately \$288,136 and \$749,136 during 2008 and 2007, 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, 2008, the total balance of those accounts is estimated to be approximately \$70,000. The year-end balances are not included in these financial statements. The Fire Department has not received or paid funds to or from these accounts during 2008 and 2007.

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 account's 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.

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NOTES TO FINANCIAL STATEMENTS - CASH BASIS (CONTINUED)

YEARS ENDED DECEMBER 31, 2008 AND 2007

**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, paid for by the Township, covering these risks of loss. Management believes coverage is sufficient to preclude any significant uninsured losses. Previous claims have not exceeded this commercial coverage.