

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

**YEARS ENDED**  
**DECEMBER 31, 2009 AND 2008**



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, 2009 and 2008 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, 2009 and 2008, 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 governmental 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*

April 14, 2010

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

STATEMENTS OF ASSETS AND NET ASSETS – CASH BASIS

DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets, cash	<u>\$ 178,049</u>	<u>\$ 97,086</u>
NET ASSETS		
Net assets, unrestricted	<u>\$ 178,049</u>	<u>\$ 97,086</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, 2009 AND 2008

	2009	2008
Support and revenue:		
Donations	\$ 2,725	\$ 1,710
Hall rental income		70
Billed service and contract fees	6,758	4,375
Ladies auxiliary	659	
Miscellaneous fundraisers	73,847	77,370
Interest income	1,343	2,797
Miscellaneous reimbursements	590	341
Fire police	615	
Total support and revenue	86,537	86,663
Expenses:		
Bank charges	27	238
Equipment purchased	100	13,072
Office expenses	5,447	1,120
Total expenses	5,574	14,430
Change in net assets before transfers	80,963	72,233
Transfers to the Township		(155,000)
Change in net assets	80,963	(82,767)
Net assets:		
Beginning of year	97,086	179,853
End of year	\$ 178,049	\$ 97,086

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, 2009 AND 2008

**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, 2009, 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 2009 and 2008, the Township paid for Fire Department expenses of approximately \$571,877 and \$587,070, respectively. The 2009 and 2008 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 2009 and 2008. The Fire Department transferred funds in 2008 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**  
**(a component unit of Fairview Township)**

NOTES TO FINANCIAL STATEMENTS - CASH BASIS (CONTINUED)

YEARS ENDED DECEMBER 31, 2009 AND 2008

**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.

Effective January 1, 2009, the Organization adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, as now codified in FASB Accounting Standards Codification (ASC) 740, to account for uncertainty in income taxes. There was no impact on the net assets or changes in net assets from the adoption. The Organization files a Form 990, Return of Organization Exempt from Income Tax, with the Internal Revenue Service and a Bureau of Charitable Organization's registration form with the Commonwealth of Pennsylvania. The Organization is no longer subject to examination of its returns for the years prior to 2006.

*Subsequent events:*

The Organization has evaluated subsequent events through April 14, 2010, the date which the financial statements were available to be issued.

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

NOTES TO FINANCIAL STATEMENTS - CASH BASIS (CONTINUED)

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

*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 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 during 2008.

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.

**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. The 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, 2009, the total balance of those accounts was \$86,959. 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 2009 and 2008.

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

YEARS ENDED DECEMBER 31, 2009 AND 2008

**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; the nature of expenditures to be paid from the account; the determination and timing of the 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.

**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.



April 14, 2010

To the Officers  
Fairview Township Fire Department  
New Cumberland, Pennsylvania

We have audited the financial statements of the Fairview Township Fire Department for the year ended December 31, 2009, and have issued our report thereon dated March 17, 2010. Professional standards require that we provide you with the following information related to our audit.

#### **Our responsibility under U.S. generally accepted auditing standards**

As stated in our engagement letter dated October 4, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

#### **Planned scope and timing of the audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our letter requesting information dated December 31, 2009.

#### *Qualitative aspects of accounting practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Fairview Township Fire Department are described in Note 1 of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the 2009 financial statements.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. There were no sensitive disclosures affecting the 2009 financial statements.

#### *Difficulties encountered in performing the audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and uncorrected misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management representations*

We have requested certain representations from management that are included in the management representation letter dated April 14, 2010.

#### *Management consultations with other independent accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other audit findings or issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the officers and management of the Fairview Township Fire Department and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Brown Schulte Sheridan & Fritz*