

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

**YEARS ENDED**  
**DECEMBER 31, 2011 AND 2010**



Independent Auditors' Report

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, 2011 and 2010 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, 2011 and 2010, 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*

March 6, 2012

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

STATEMENTS OF ASSETS AND NET ASSETS – CASH BASIS

DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
	ASSETS	
Current assets, cash	<u>\$ 45,681</u>	<u>\$ 44,587</u>
	NET ASSETS	
Net assets, unrestricted	<u>\$ 45,681</u>	<u>\$ 44,587</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP FIRE DEPARTMENT**  
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STATEMENTS OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN NET ASSETS –  
CASH BASIS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Support and revenue:		
Donations	\$ 879	\$ 4,180
Hall rental income	70	
Billed service and contract fees	4,900	1,050
Ladies auxiliary	972	2,187
Miscellaneous fundraisers	73,562	84,769
Interest income	131	954
Sale of equipment		80
Miscellaneous reimbursements	265	677
Fire police	315	675
Grant income	10,455	11,722
	91,549	106,294
Expenses:		
Transfers to Fairview Township	80,000	228,000
Transfer to Fairview Township Firemen's Relief Association	10,455	11,724
Bank charges		32
	90,455	239,756
Change in net assets	1,094	(133,462)
Net assets:		
Beginning of year	44,587	178,049
End of year	\$ 45,681	\$ 44,587

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, 2011 AND 2010

**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. Under this arrangement, all assets of the Fire Department are to be turned over to the Township for management. As of December 31, 2011, the assets and activities reported in these financial statements remained under the control of the Fire Department. 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.

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 2011 and 2010, the Township paid for Fire Department expenses of approximately \$550,874 and \$1,826,533, respectively. The 2011 and 2010 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 refinanced the outstanding fire station loan and paid the debt service of \$1,524,127 on the loan in 2010.

During 2011 and 2010, the Fire Department transferred \$80,000 and \$228,000, respectively, to the Township to cover the operating expenses of the Township.

In September 2011, Fairview Township executed a five-year agreement with Lewisberry Township to provide their residents with fire protection services. In exchange for these services, Lewisberry Township will pay the Township an annual fee of \$5,000, plus all Firemen's Relief funds they receive on an annual basis. Fairview Township will have unrestricted use of the downstairs portion of Lewisberry Township's fire station to house firefighting equipment.

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

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

*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.

*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.

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

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

*Income taxes (continued):*

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 2008.

*Subsequent events:*

The Organization has evaluated subsequent events through March 6, 2012, the date which the financial statements were available to be issued.

*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. 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.

During 2011 and 2010, the Fire Department transferred \$10,455 and \$11,724 to the Relief Association, respectively. The Relief Association used the funds to purchase equipment on the Fire Department's behalf.

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NOTES TO FINANCIAL STATEMENTS - CASH BASIS (CONTINUED)

YEARS ENDED DECEMBER 31, 2011 AND 2010

**3. 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, 2011, the total balance of those accounts was \$63,606. The year-end balances and activity from these accounts are not included in these financial statements. The Fire Department has not received or paid funds to or from these accounts during 2011 and 2010.

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.

**4. 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.