

FAIRVIEW TOWNSHIP FIRE DEPARTMENT  
NEW CUMBERLAND, PENNSYLVANIA  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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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, 2003 and 2002 and the related statement 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 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, 2003 and 2002, 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.

*C. Chubb and Associates*

CHUBB AND ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

April 8, 2004

FAIRVIEW TOWNSHIP FIRE DEPARTMENT  
STATEMENT OF ASSETS AND NET ASSETS - CASH BASIS  
DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	205,354	129,471
Investments	<u>31,536</u>	<u>71,378</u>
<b>TOTAL CURRENT ASSETS</b>	<u><b>236,890</b></u>	<u><b>200,849</b></u>
<b>NET ASSETS</b>		
<b>NET ASSETS</b>		
Unrestricted	<u>236,890</u>	<u>200,849</u>
<b>TOTAL NET ASSETS</b>	<u><b>236,890</b></u>	<u><b>200,849</b></u>

See Notes to the Financial Statements.

FAIRVIEW TOWNSHIP FIRE DEPARTMENT  
 STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN NET ASSETS - CASH BASIS  
 FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
<b>SUPPORT AND REVENUE</b>		
Bingo	36,335	27,709
Donations	2,720	1,113
Hall Rental Income	13,447	12,178
Billed Service and Contract Fees	5,975	5,585
Community Fest Fundraiser		19,848
Miscellaneous Fundraisers	72,092	78,590
Dividend Income	233	184
Interest Income	2,127	3,890
Miscellaneous Income	5,687	1,981
Ladies Auxiliary	8,378	4,318
Fire Police	7,849	9,989
Increase in Fair Market Value of Investments	1,698	1,248
Grant Income	<u>41,306</u>	<u>10,000</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u><b>197,847</b></u>	<u><b>176,633</b></u>
<b>EXPENSES</b>		
Bank Charges	161	106
Bingo Expenses	12,038	9,680
Equipment Repairs and Maintenance	18,598	44,763
Equipment Purchases	26,937	6,333
Building Maintenance	13,384	21,394
Utilities	15,942	12,485
Community Fest Fundraiser Expenses		18,221
Fundraiser Expenses	7,691	9,862
Uniforms	598	1,289
Food and Entertainment	7,618	6,626
Insurance	23,873	23,556
Office Expenses	5,712	4,292
Miscellaneous	5,954	3,261
Telephone	9,359	7,738
Ladies Auxiliary	3,601	513
Fire Police	6,652	10,443
Firemen's Relief Reimbursements	<u>3,688</u>	<u>18,900</u>
<b>TOTAL EXPENSES</b>	<u><b>161,806</b></u>	<u><b>199,462</b></u>
<b>CHANGE IN NET ASSETS</b>	36,041	(22,829)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u><b>200,849</b></u>	<u><b>223,678</b></u>
<b>NET ASSETS, END OF YEAR</b>	<u><b>236,890</b></u>	<u><b>200,849</b></u>

See Notes to the Financial Statements.

FAIRVIEW TOWNSHIP FIRE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS - CASH BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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 2003 and 2002, the Township paid for Fire Company expenses of approximately \$75,463 and \$162,117, respectively. The 2003 expenses included the payment of long-term debt on behalf of Fire Company expenses of \$49,297 and other operating expenses of approximately \$26,166.

**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, 2003 and 2002, 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 YEARS ENDED DECEMBER 31, 2003 AND 2002

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 since it does not meet the criteria for recognition as contributed services.

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, 2003 and 2002 are as follows:

<u>Description</u>	2003 Fair <u>Value</u>	2002 Fair <u>Value</u>
Certificates of Deposit:		
Waypoint Bank, 0.90% -		
1.29%, Maturing through 6/1/04	20,290	61,854
Certificates of Deposit:		
New Cumberland Federal Credit Union,		
1.35%, Maturing through 3/29/04	1,377	1,354
Common Stock Equities		
Waypoint Financial Corp., 459 Shares	<u>9,869</u>	<u>8,170</u>
	<u>31,536</u>	<u>71,378</u>

FAIRVIEW TOWNSHIP FIRE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS - CASH BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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 pledged the full faith, credit and taxing power of the Township towards the 1999 General Obligation debt. The debt was due on December 1, 2003 with an interest rate of 4.32%. Monthly payments of \$2,460 included principal and interest and were paid by the Township directly from tax revenues apportioned for fire department expenses. These payments totaled \$31,304 and \$29,009 during 2003 and 2002, respectively. The outstanding principal balance as of December 31, 2003 was paid in full. 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 was due February 4, 2003 with an interest rate of 5.79% per annum. Monthly payments of principal and interest of \$8,996 were paid by the Township directly from tax revenues apportioned for fire department expenses. These payments totaled \$17,992 and \$103,641 during 2003 and 2002, respectively. The outstanding principal balance as of December 31, 2003 was paid in full. 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. 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. During 2003, the Fire Department contributed \$3,688 to the Relief Association to reimburse the Relief Association for the purchase of various equipment.

During 2003, the Fire Company received a grant of \$36,306 from the Federal Emergency Management Agency to purchase specific fire fighting equipment. The grant was deposited into the Fire Company's accounts, but the equipment expenditures were paid out of the Relief Association. As of December 31, 2003, the Fire Company owes the Relief Association the grant funds of \$36,306. This liability has not been accrued on these cash basis financial statements. If the liability was recorded, the Fire Company's net income for 2003 would be reduced by \$36,306. The liability is expected to be satisfied during 2004.

FAIRVIEW TOWNSHIP FIRE DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS - CASH BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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 portion 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, 2003. A bank account is also shared 50/50. As of December 31, 2003, the total balance of that account is \$16,109. The 2003 and 2002 receipts and disbursements recorded in the checking account were \$22,978 and \$32,656 and \$19,906 and \$10,784, respectively. Neither 2003 and 2002 transactions nor the year-end balance are 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.

6. CONTINGENCIES

The Fire Company is exposed to various risks of loss related to the nature of the activity performed by the Fire Company. The Fire Company 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.

During May 2003, the Fire Company was named as a defendant in a lawsuit filed by a victim of a near collision with a Fire Company vehicle. The suit demands a jury trial and is claiming damages in excess of \$30,000. The matter has been turned over to the Fire Company's insurance carrier. The financial impact to the Fire Company can not be determined at this time.

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 years ended December 31, 2003 and 2002, 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

April 8, 2004

FAIRVIEW TOWNSHIP FIRE DEPARTMENT  
 SCHEDULE OF FIXED ASSETS  
 (AT ESTIMATED FAIR VALUES AND/OR INSURED VALUES)  
 DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Land and Buildings *	900,000	855,000
Vehicles and Fire Fighting Equipment **	600,000	580,000
Furniture, Fixtures and Other Equipment (Other than Fire Fighting Equipment)	<u>132,000</u>	<u>132,000</u>
TOTAL	<u>1,632,000</u>	<u>1,567,000</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, three vehicles, two utility vehicles and 2001 Kenworth Pumper titled to Fairview Township.

See Independent Auditor's Report on Supplemental Information.