

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

YEARS ENDED
DECEMBER 31, 2017 AND 2016



Independent Auditors' Report

Officers
Fairview Township Fire Department
New Cumberland, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Fairview Township Fire Department (Fire Department or Organization) (a nonprofit organization and component unit of Fairview Township), which comprise the statements of assets and net position – cash basis as of December 31, 2017 and 2016, and the related statements of support, revenue, expenses and changes in net position – cash basis for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net position of Fairview Township Fire Department as of December 31, 2017 and 2016, and its support, revenue, expenses and changes in net position for the years then ended in accordance with the cash basis of accounting as described in Note 1.

Emphasis of Matter

The Fairview Township Fire Department has determined that for financial reporting purposes it is a governmental nonprofit organization as a result of it being a component unit of Fairview Township. 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.

Other Matter

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

Basis of Accounting

We draw attention to Note 1, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Brown Schultz Steidman & Fritz

Camp Hill, Pennsylvania
March 8, 2018

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

STATEMENTS OF ASSETS AND NET POSITION – CASH BASIS

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets, cash	<u>\$ 77,181</u>	<u>\$ 63,991</u>
NET POSITION		
Net position, unrestricted	<u>\$ 77,181</u>	<u>\$ 63,991</u>

See notes to financial statements.

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

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Support and revenue:		
Donations	\$ 2,376	\$ 1,672
Lewisberry Borough contribution	2,123	
Billed service and contract fees	1,840	2,225
Ladies auxiliary	1,498	2,295
Miscellaneous fundraisers	67,463	72,665
Interest income	121	63
Miscellaneous reimbursements	1,902	1,660
Fire police	52	50
Total support and revenue	77,375	80,630
Expenses:		
Transfers to Fairview Township	60,000	60,000
Fundraising expenses	374	
Food and entertainment	1,000	
Memorial gift	589	
Miscellaneous	1,472	
Ladies auxiliary	750	
Building and equipment repairs		1,118
Total expenses	64,185	61,118
Changes in net position	13,190	19,512
Net position:		
Beginning of year	63,991	44,479
End of year	\$ 77,181	\$ 63,991

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, 2017 AND 2016

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. In 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, substantially all assets of the Fire Department are to be turned over to the Township for management. As of December 31, 2017, 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 allocates a portion of the Local Services Tax (LST), charged to all employees working within the Township, in order to pay for certain expenses of the Fire Department. During 2017 and 2016, the Township paid for Fire Department expenses of \$315,138 and \$468,831, respectively. The 2017 and 2016 expenses paid for by the Township are not included in these financial statements, but are included in the Township's financial statements.

During 2017 and 2016, the Fire Department transferred \$60,000, to the Township to cover the operating expenses of the Fire Department paid for by the Township.

Basis of accounting:

The Organization prepares its financial statements on the cash basis of accounting, which is a 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 its 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, 2017 AND 2016

1. Summary of significant accounting policies (continued):

Basis of accounting (continued):

Net assets, support and revenues are classified based on the existence or absence of donor-imposed restrictions. As of December 31, 2017 and 2016 and for the years 2017 and 2016, the Fire Department has only unrestricted net assets.

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 since they do not meet the criteria for recognition as contributed services and are not required under the cash basis of accounting.

Income taxes:

The Organization is recognized as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income tax is incurred unless the Fire Department earns income considered to be unrelated business income.

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.

Subsequent events:

The Organization has evaluated subsequent events through March 8, 2018, the date which the financial statements were available to be issued.

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

YEARS ENDED DECEMBER 31, 2017 AND 2016

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, expenses and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Concentration of credit risk:

The Fire Department's cash deposits are held at two banks and is Federal Deposit Insurance Corporation (FDIC) insured up to \$250,000. From time to time during the year, the Fire Department may have balances in excess of \$250,000; therefore, amounts in excess of \$250,000 are uninsured and uncollateralized.

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.

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, 2017, the total balance of those accounts was \$101,009. 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 2017 and 2016.

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

YEARS ENDED DECEMBER 31, 2017 AND 2016

3. 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 accounts; the nature of expenditures to be paid from the accounts; the determination and timing of the 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.

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.

5. Functional expenses:

Expenses by function for the year ended December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Program services	\$ 63,222	\$ 61,118
Fundraising	<u>374</u>	<u> </u>
	<u>\$ 63,596</u>	<u>\$ 61,118</u>