



Western Berks Fire Department

111 Stitzer Ave. | Wernersville PA 19565

"Dedicated to protecting the life, property and environment within the community through a proactive program of education, prevention, and emergency response while recognizing the importance of a constant commitment to excellence."

WESTERN BERKS FIRE DEPARTMENT

FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees
Western Berks Fire Department
Wernersville, Pennsylvania**

We have audited the accompanying financial statements of Western Berks Fire Department (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows 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 accounting principles generally accepted in the United States of America; this includes 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.

Auditor's 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 audits 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 financial position of Western Berks Fire Department as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Herbein + Company, Inc.

**Reading, Pennsylvania
May 20, 2014**

WESTERN BERKS FIRE DEPARTMENT
STATEMENTS OF FINANCIAL POSITION

December 31

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	\$ 837,765	\$ 770,712
Prepaid expenses	1,900	1,875
Deposits	<u>34,715</u>	<u>2,000</u>
TOTAL CURRENT ASSETS	874,380	774,587
INVESTMENTS	254,239	251,676
PROPERTY AND EQUIPMENT		
Land	9,126	9,126
Buildings and improvements	72,232	72,232
Equipment	1,411,583	1,411,583
Construction in progress	<u>23,111</u>	<u>-</u>
	1,516,052	1,492,941
Less: accumulated depreciation	<u>(1,280,018)</u>	<u>(1,190,901)</u>
NET PROPERTY AND EQUIPMENT	236,034	302,040
TOTAL ASSETS	\$ 1,364,653	\$ 1,328,303
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 12,214	\$ 24,033
Accrued payroll	14,433	13,378
Accrued expenses	8,689	9,281
Current portion of long-term debt	<u>33,586</u>	<u>55,711</u>
TOTAL CURRENT LIABILITIES	68,922	102,403
LONG-TERM DEBT	<u>119,389</u>	<u>153,075</u>
TOTAL LIABILITIES	188,311	255,478
NET ASSETS		
Unrestricted net assets	<u>1,176,342</u>	<u>1,072,825</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 1,364,653	\$ 1,328,303

See accompanying notes.

WESTERN BERKS FIRE DEPARTMENT

STATEMENTS OF ACTIVITIES

Year Ended December 31

	2013	2012
REVENUE		
Township and municipal support	\$ 846,574	\$ 869,112
Contributed support	42,037	13,604
Grants	52,466	48,748
Interest income	15,840	10,099
Realized loss on investments	(4,085)	(1,166)
Unrealized loss on investments	(2,489)	(933)
Other income	2,386	13,111
	TOTAL REVENUE	952,729
		952,575
EXPENSES		
Payroll and incentive bonus	251,505	162,778
Payroll taxes	20,238	14,106
Employee benefits	48,968	40,524
Building and equipment repairs and maintenance	14,947	73,237
Communications	7,598	6,739
Depreciation	89,117	69,183
Fundraising	-	1,312
Insurance	68,097	63,758
Interest	5,664	8,074
Miscellaneous	29,479	6,074
Occupancy	43,627	40,666
Office and general expense	12,236	12,511
Portable equipment	2,338	6,572
Professional fees	21,740	13,038
Small tools	705	158
Supplies	5,812	18,063
Training	6,546	4,099
Uniforms	3,784	30,609
Vehicle maintenance and expense	216,811	206,152
	TOTAL EXPENSES	777,653
		174,922
CHANGE IN UNRESTRICTED NET ASSETS	103,517	174,922
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	1,072,825	897,903
UNRESTRICTED NET ASSETS AT END OF YEAR	\$ 1,176,342	\$ 1,072,825

See accompanying notes.

WESTERN BERKS FIRE DEPARTMENT

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 103,517	\$ 174,922
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	89,117	69,183
Realized and unrealized loss on investments	6,574	2,099
Changes in:		
Prepaid expenses	(25)	4,762
Accounts payable	(11,819)	20,525
Accrued payroll	1,055	10,493
Accrued expenses	(592)	1,148
Deposits	(32,715)	1,872
	155,112	285,004
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(23,111)	-
Purchases of investments	(9,137)	(253,775)
	(32,248)	(253,775)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on long-term debt	(55,811)	(69,496)
	67,053	(38,267)
CASH AT BEGINNING OF YEAR	770,712	808,979
CASH AT END OF YEAR	\$ 837,765	\$ 770,712
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 5,664	\$ 8,074

See accompanying notes.

WESTERN BERKS FIRE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

Western Berks Fire Department (the "Organization") is a nonprofit regional fire department that operates in Berks County, Pennsylvania. The Organization was formed in 2009 through an intermunicipal agreement between the Township of Lower Heidelberg, the Borough of Sinking Spring, the Township of South Heidelberg, and the Borough of Wernersville and includes four stations in Wernersville (Station 18-1), Sinking Spring (Station 18-2), Fritztown (Station 18-3), and Lower Heidelberg (Station 18-4). All four stations play a key role by housing specialized equipment for a number of possible incidences throughout the combined territory. This consolidation has enabled the Organization to provide the community with faster response times, more manpower, and better overall service.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Western Berks Fire Department have been prepared on the accrual basis and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization places its cash in high credit quality institutions. At times, balances may be in excess of the federal deposit insurance limit.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

WESTERN BERKS FIRE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributed Services

The Organization's board of trustees and volunteers donate significant amounts of time to their various operations. Donated personal services of volunteers are not reflected in the accompanying financial statements because such services do not meet the criteria for recognition in the financial statements.

Property and Equipment

Property and equipment are stated at cost unless donated. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings and improvements	15 - 39 years
Equipment	5 - 10 years

Tax-Exempt Status

The Organization is incorporated under the laws of the Commonwealth of Pennsylvania as a nonprofit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. There is no current year provision for federal or state income taxes.

In accordance with generally accepted accounting principles, the Organization accounts for uncertain tax positions relative to unrelated business income, if any, as required. Using that guidance, management has determined that there are no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The tax returns for the years 2010 and forward remain open for examination by the applicable taxing authorities.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition through May 20, 2014, the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are carried at market value. Realized and unrealized investment gains and losses are determined by comparison of specific costs at acquisition to proceeds at time of disposal or market value at the statements of financial position date. These gains and losses and other investment income are reflected in the Statements of Activities as changes in unrestricted net assets.

WESTERN BERKS FIRE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Investments consist of the following at December 31:

	2013		2012	
	Market Values	Cost	Market Values	Cost
Money Market	\$ 10,384	\$ 10,384	\$ 11,618	\$ 11,618
Certificates of deposit	74,750	75,085	92,595	92,740
Corporate bonds	56,736	58,414	57,544	59,409
Equities	9,013	9,977	9,686	9,977
Mutual funds - bond funds	90,942	93,415	69,182	67,776
Mutual funds - U.S. treasury	12,414	12,396	11,051	11,089
	\$ 254,239	\$ 259,671	\$ 251,676	\$ 252,609

Investment return at December 31 is as follows:

	2013	2012
Unrestricted:		
Interest and dividend income	\$ 15,840	\$ 10,099
Realized gain (loss) on investments	(4,085)	(1,166)
Unrealized gain (loss) on investments	(2,489)	(933)
	\$ 9,266	\$ 8,000

Generally accepted accounting principles establish a framework for measuring fair value. The primary effect of fair value measurement on the Organization was to expand the required disclosures pertaining to the methods used to determine fair values.

WESTERN BERKS FIRE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

Investments

National Planning Corporation holds the investments of the Organization which consists of publicly-traded stocks, mutual funds, and money market funds. The Organization's investments are valued at the quoted market value for shares held at year-end.

The methods described previously may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its reliance on the valuation methods of National Planning Corporation are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

WESTERN BERKS FIRE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31:

	2013			Total
	Level 1	Level 2	Level 3	
Corporate bonds	\$ -	\$ 56,736	\$ -	\$ 56,736
Equities	9,013	-	-	9,013
Mutual funds - bond funds	90,942	-	-	90,942
Mutual funds - U.S. treasury	12,414	-	-	12,414
Total	\$ 112,369	\$ 56,736	\$ -	\$ 169,105

	2012			Total
	Level 1	Level 2	Level 3	
Corporate bonds	\$ -	\$ 57,544	\$ -	\$ 57,544
Equities	9,686	-	-	9,686
Mutual funds - bond funds	69,182	-	-	69,182
Mutual funds - U.S. treasury	11,051	-	-	11,051
Total	\$ 89,919	\$ 57,544	\$ -	\$ 147,463

NOTE 3 - ECONOMIC DEPENDENCY

For both of the years ended December 31, 2013 and 2012, approximately 91 percent of the operating revenue was generated through local tax levies collected and passed through by the participating boroughs and townships, respectively. The following summarizes the support recognized from each of the townships and municipalities for the years ended December 31:

	2013	2012
Wernersville	\$ 96,630	\$ 96,630
Sinking Spring	147,523	170,411
South Heidelberg	311,518	311,518
Lower Heidelberg	290,903	290,553
	\$ 846,574	\$ 869,112

WESTERN BERKS FIRE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	2013	2012
Note payable of \$74,140 to the Commonwealth of Pennsylvania at an interest rate of 1.0% (decreased from 2% in September 2010 retroactive to August 31, 2009). Payments are due in monthly installments of \$477, including interest. The note matured in June 2013.	\$ -	\$ 2,427
Note payable of \$89,902 to the Commonwealth of Pennsylvania at an interest rate of 1.0% (decreased from 2% in September 2010 retroactive to August 31, 2009). Payments are due in monthly installments of \$579, including interest. The note matured in June 2013.	-	2,944
Note payable of \$150,000 to the Commonwealth of Pennsylvania at an interest rate of 1.0% (decreased from 2% in September 2010 retroactive to August 31, 2009). Payments are due in monthly installments of \$965, including interest. The note matured in August 2013.	-	4,920
Note payable of \$150,000 to the Commonwealth of Pennsylvania at an interest rate of 1.0% (decreased from 2% in September 2010 retroactive to August 31, 2009). Payments are due in monthly installments of \$965, including interest. The note matures in July 2019 and is secured by the related equipment purchased.	57,449	68,397
Note payable of \$182,500 with a local municipality at an interest rate of 6.0%, fixed for ten years. Interest is paid bi-annually in May and November with annual principal payments of \$18,250 due each May. The note matures in May 2018 and is secured by the related equipment purchased.	91,250	109,500
Note payable to an automobile financing company in quarterly installments of \$2,175, including interest at 1.85% due in February 2014. The note is secured by the related vehicle purchased.	2,138	10,299
Note payable to an automobile financing company in quarterly installments of \$2,175, including interest at 1.85% due in February 2014. The note is secured by the related vehicle purchased.	2,138	10,299
	152,975	208,786
Portion payable within one year and classified as current	(33,586)	(55,711)
	\$ 119,389	\$ 153,075

WESTERN BERKS FIRE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 4 - LONG-TERM DEBT - CONTINUED

Maturities on long-term debt are as follows for the years ending December 31:

2014	\$	33,586
2015		29,420
2016		29,533
2017		29,646
2018		29,760
2019		<u>1,030</u>
	\$	<u>152,975</u>

On January 15, 2013, the Organization entered into an interest free promissory note agreement with South Heidelberg Township in the amount of \$226,353. The note reflects the amount borrowed by South Heidelberg Township in order to purchase certain end user radio hardware and accessory hardware for the use and benefit of the Organization with respect to its participation in the Berks County Public Safety Radio System. Annual principal payments of \$32,336 began on June 1, 2013, with the last payment on June 1, 2019. As of December 31, 2013, only half of the equipment was received and the first payment was recorded as a deposit. The remaining equipment is expected to be received during 2014.

NOTE 5 - LEASE COMMITMENTS

The Organization entered into two building leases for firehouse space. The terms on the leases are for 25 years each, beginning on August 1, 2009 and expiring on July 31, 2034. Rental payments are \$900 per quarter for each lease, with an annual increase of \$50 on the yearly anniversary of the agreements. The funds are placed into escrow accounts for the benefit of the fire companies to be used for improvements and general repair of the firehouses, as well as shared areas and equipment of the properties. The rent is payable until a maximum amount of \$36,000 is accumulated in each escrow account. After the maximum amount is reached, no rent will be owed until the value of the accounts decrease below \$25,000. Upon a reduction of each escrow account to a sum below \$25,000, quarterly rent shall then resume. If monies are paid out of the escrow accounts, the lessors shall notify the Organization within ten days. In addition, at the end of each calendar year, the lessors shall provide copies of bank statements for the escrow accounts. If the agreements are terminated, any monies remaining in the escrow accounts are to be returned to Western Berks Fire Department. The Organization is responsible to pay utilities for the firehouse portions of the properties.

WESTERN BERKS FIRE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 5 - LEASE COMMITMENTS - CONTINUED

Total rent charged to expense for the years ended December 31, 2013 and 2012 was \$7,550 and \$7,425, respectively.

Future minimum payments under the leases, assuming no reduction of payments, are as follows for the year ending December 31:

2014	\$	7,625
2015		7,725
2016		7,825
2017		7,925
2018		8,025
2019 - 2023		41,625
2024 - 2028		44,125
2029 - 2033		46,625
2034		<u>9,625</u>
	\$	<u>181,125</u>

NOTE 6 - DEFERRED COMPENSATION PLAN

During 2012, the Organization put in place a 457(b) deferred compensation plan available to all eligible employees. Under the terms of the Plan, beginning on the date of hire, employees make deferral contributions on an elective basis up to the maximum allowed under the law. Also, employer matching contributions are discretionary. Employer contributions made to the Plan were \$3,122 and \$6,379 for the years ended December 31, 2013 and 2012, respectively.