

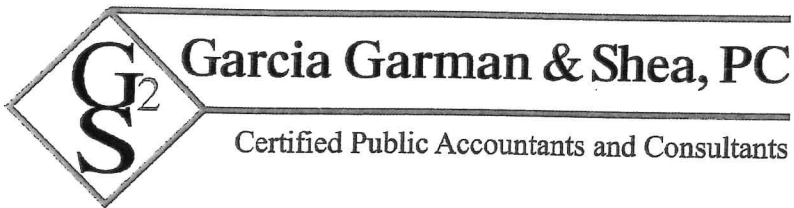
RURAL SECURITY FIRE COMPANY

FINANCIAL STATEMENTS

DECEMBER 31, 2022

RURAL SECURITY FIRE COMPANY
FINANCIAL STATEMENTS
DECEMBER 31, 2022

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Rural Security Fire Company
Lebanon, Pennsylvania

Opinion

We have audited the accompanying financial statements of Rural Security Fire Company (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – income tax basis as of December 31, 2022, and the related statements of revenues, expenses and changes in net assets – income tax basis, functional expenses – income tax basis, and cash flows – income tax basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Rural Security Fire Company as of December 31, 2022, and its revenues, expenses, changes in net assets, and cash flows for the year then ended in accordance with the basis of accounting Rural Security Fire Company uses for income tax purposes described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rural Security Fire Company and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting Rural Security Fire Company uses for income tax purposes, 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 this matter.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the income tax basis of accounting as described in Note 1; this includes determining that the income tax 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rural Security Fire Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rural Security Fire Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Garcia Garman & Shea, PC

Lebanon, Pennsylvania
June 15, 2023

RURAL SECURITY FIRE COMPANY
STATEMENT OF ASSETS, LIABILITES AND NET ASSETS
- INCOME TAX BASIS
DECEMBER 31, 2022

<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents	\$ 204,140
Total current assets	<u>204,140</u>
PROPERTY AND EQUIPMENT	
Buildings	13,769
Fire fighting equipment	621,746
Property improvements	23,929
Other equipment	<u>213,373</u>
	872,817
Less accumulated depreciation	<u>(245,190)</u>
Total property and equipment, net	<u>627,627</u>
Total assets	<u><u>\$ 831,767</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES	
Current portion of loans payable	\$ 32,224
Total current liabilities	<u>32,224</u>
LONG TERM LIABILITIES	
Loans payable	<u>533,156</u>
Total long term liabilities	<u>533,156</u>
Total liabilities	<u>565,380</u>
NET ASSETS	
Without donor restriction	
Undesignated	<u>266,387</u>
Total net assets	<u>266,387</u>
Total liabilities and net assets	<u><u>\$ 831,767</u></u>

See accompanying notes to financial statements

RURAL SECURITY FIRE COMPANY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS - INCOME TAX BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS
SUPPORT AND REVENUES

Fund drive and contributions	\$	13,523
Fundraising income		12,756
North Lebanon Township contributions		78,000
Commonwealth of PA contributions		15,000
Grants		501
Rental income		1,660
Proceeds from sale of equipment		12,500
Dues		30
Interest income		108
Other income		1,091
		1,091
Total revenue without donor restrictions		135,169

EXPENSES WITHOUT DONOR RESTRICTIONS

Program expense		195,416
Supporting services expense		1,725
Fundraising expense		13,084
		13,084
Total expenses without donor restrictions		210,225

Change in net assets		(75,056)
Net assets, beginning		341,443
Net assets, ending	\$	266,387

See accompanying notes to financial statements

RURAL SECURITY FIRE COMPANY
STATEMENT OF FUNCTIONAL EXPENSES - INCOME TAX BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Emergency Services	Management and General	Fundraising	Total
UNRESTRICTED EXPENSES				
Accounting & legal	\$ -	\$ 600	\$ -	\$ 600
Bank fees	-	50	-	50
Depreciation	144,503	-	-	144,503
Fundraising	-	-	12,959	12,959
Insurance	5,578	-	-	5,578
Interest expense	16,691	-	-	16,691
Internet and cable	1,935	-	-	1,935
Miscellaneous and license	-	-	125	125
Office supplies and equipment	-	1,075	-	1,075
Repairs and maintenance, building	9,677	-	-	9,677
Repairs and maintenance, equipment	9,257	-	-	9,257
Training and subscriptions	2,053	-	-	2,053
Utilities	5,722	-	-	5,722
Total unrestricted expenses	<u>\$ 195,416</u>	<u>\$ 1,725</u>	<u>\$ 13,084</u>	<u>\$ 210,225</u>

See accompanying notes to financial statements

RURAL SECURITY FIRE COMPANY
STATEMENT OF CASH FLOWS - INCOME TAX BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets without donor restriction	\$ (75,056)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	<u>144,503</u>
Net cash provided by operating activities	<u>69,447</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(23,528)</u>
Net cash (used in) investing activities	<u>(23,528)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on loans payable	<u>(31,317)</u>
Net cash (used in) financing activities	<u>(31,317)</u>
Net changes in cash	14,602
Cash and cash equivalents, beginning	<u>189,538</u>
Cash and cash equivalents, ending	<u><u>\$ 204,140</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid during the year for interest	<u><u>\$ 16,691</u></u>

See accompanying notes to financial statements

RURAL SECURITY FIRE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Nature of Activities

Rural Security Fire Company (the Organization) was organized in 1955 to provide fire protection for the residents of North Lebanon Township and vicinity, and to purchase and maintain fire apparatus and equipment to save life and property. The Organization promotes moral culture and social activities not detrimental to the general public with the community hall facilities.

Representations

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity.

Basis of Accounting

The Organization prepares its financial statement on the income tax basis of accounting, which is another comprehensive basis of accounting. The modified cash basis of accounting recognizes income when received and expenses when they are paid. This method of accounting differs from generally accepted accounting principles primarily because revenue earned but not received and expenses incurred but not paid at the date of the financial statement are not reported, and purchases of fixed assets have been recorded. The effect of this departure from generally accepted accounting principles has not been determined.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of cash held in checking and savings accounts held at a local FDIC-insured bank, First Citizens Community Bank (FCCB).

Basis of Presentation

Nets assets, revenue, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follow:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restriction – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, whereby the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

RURAL SECURITY FIRE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES *(Continued)*

Property and Equipment

Properties are carried at cost less accumulated depreciation. It is the policy of the Organization to charge all additions to the asset account and charge the cost of repairs and maintenance to operations in the year incurred. The asset and accumulated depreciation accounts are relieved when properties are disposed of. The depreciation and accumulated depreciation accounts reflect the depreciation used for income tax reporting.

Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives by asset class are as follows:

Buildings	39 years
Property improvements	15 years
Firefighting equipment	5 years
Other equipment	7 years

Concentration of Risk

The Organization maintains its cash accounts in commercial financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts at financial institutions up to \$250,000 per institution. The Organization has accounts at a financial institution that from time to time may exceed the insurance obtained through FDIC.

Use of Estimates

The preparation of financial statements in conformity with the income tax basis of accounting requires management to make estimates and assumptions that affected certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Services

Various individuals volunteer hours for the Organization. In accordance with requirements of Financial Accounting Standards Board FASB ASC 958-605-25-16, no amounts have been reflected in the financial statements for those services because they do not meet the criteria for contributed services and would not be recognized under the income tax basis of accounting.

Income Taxes

The Organization is exempt from state and federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is made in the financial statements. The Financial Accounting Standards Board issued FASB ASC 740-10, which prescribed a comprehensive model for how an organization should measure, recognize, present, and disclose uncertain tax positions taken on its tax return. The Organization believes that it has appropriate support for tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

RURAL SECURITY FIRE COMPANY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES *(Continued)*

Program Services/Functional Allocation of Expenses

The following is a summary of the Organization’s program services which it provides to the community:

Program Services

Provides firefighting services for the community.

Support Services

Management and General – Deals with the day-to-day administrative operations of the Fire Company.

Fundraising – Conduct annual appeals and fundraising events in order to raise necessary funds to help support the Fire Company.

All expenses are directly allocated to these categories based on actual amounts incurred.

NOTE 2 – LIQUIDITY AND AVAILABILTY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Checking	\$	151,983
Savings		52,157
		\$ 204,140

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

December 31, 2022	Cost	Accumulated Depreciation	Net
Buildings	13,769	7,440	6,329
Firefighting equipment	621,746	186,524	435,222
Property improvements	23,929	2,386	21,543
Other equipment	213,373	48,840	164,533
	\$ 872,817	\$ 245,190	\$ 627,627

RURAL SECURITY FIRE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 – LONG-TERM DEBT

On October 15, 2020, the Organization signed a \$421,746 promissory note with an interest rate of 3.21% payable to KS StateBank. The note is secured by the 2021 Pierce Saber Pumper. The note matures October 15, 2035.

On June 17, 2021, the Organization signed a \$200,000 promissory note with an interest rate of 2.00% payable to the Commonwealth of PA. The note is secured by the 2021 Pierce Saber Pumper. The note matures August 1, 2041.

Activity on the notes during 2022 follows:

	2021	Additions	Payments	2022	Current
Note payable,					
KS StateBank	\$ 399,418	\$ -	\$ 23,046	\$ 376,372	\$ 23,786
Commonwealth of PA	197,279	-	8,271	189,008	8,438
 Total	 \$ 596,697	 \$ -	 \$ 31,317	 \$ 565,380	 \$ 32,224

The combined interest and debt service requirements for the following years ending December 31, amount to:

December 31,	Principal	Interest	Total
2023	\$ 32,224	\$ 15,785	\$ 48,009
2024	33,157	14,851	48,008
2025	34,119	13,889	48,008
2026	35,110	12,898	48,008
2027	36,130	11,878	48,008
Thereafter	394,640	58,226	452,866
 Total	 \$ 565,380	 \$ 127,527	 \$ 692,907

NOTE 5 – RESTATEMENT

The beginning balances of firefighting equipment, accumulated depreciation, loan payable, and net assets were restated to correct the recording of fixed assets and loans on asset purchases. The effect of the restatement was to decrease beginning net assets by \$26,300.

NOTE 6 - SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through June 15, 2023, the date of this report, which is the date on which the financial statements were available to be issued.