

FINANCIAL STATEMENTS

FAIRVIEW TOWNSHIP

NEW CUMBERLAND, PENNSYLVANIA

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUP AND COMPONENT UNIT	3
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY - ALL GOVERNMENTAL FUND TYPES AND COMPONENT UNIT	4
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - ACTUAL TO BUDGET - BUDGETED GOVERNMENTAL FUND TYPES	5
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY - ALL PROPRIETARY FUND TYPES	6
COMBINED STATEMENTS OF CHANGES IN PLAN ASSETS - ALL FIDUCIARY FUND TYPES	7
COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES	8
NOTES TO FINANCIAL STATEMENTS	9 - 26
SUPPLEMENTARY INFORMATION	
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULES OF FUNDING PROGRESS	27
SCHEDULES OF EMPLOYER CONTRIBUTIONS	28
COMBINING BALANCE SHEETS	
ALL SPECIAL REVENUE FUND TYPES	29
ALL CAPITAL PROJECTS FUND TYPES	30
ALL PROPRIETARY FUND TYPES	31
COMBINING STATEMENTS OF NET PLAN ASSETS	32
COMBINING STATEMENTS OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN FUND EQUITY	
ALL SPECIAL REVENUE FUND TYPES	33
ALL CAPITAL PROJECTS FUND TYPES	34
ALL PROPRIETARY FUND TYPES	35
COMBINING STATEMENTS OF CASH FLOWS - ALL PROPRIETARY FUND TYPES	36

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Fairview Township
New Cumberland, Pennsylvania

We have audited the accompanying financial statements of Fairview Township of New Cumberland, Pennsylvania as of and for the years ended December 31, 2001 and 2000, as listed in the foregoing Table of Contents. These financial statements are the responsibility of the Township'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.

The financial statements do not include the General Fixed Assets Account Group and Sewer Fund fixed assets and related depreciation, which should be included in order to conform with U.S. generally accepted accounting principles. The amounts that should be reflected in the General Fixed Assets Account Group and Sewer Fund fixed assets and related depreciation are not known.

In our opinion, except for the effect on the financial statements of the omission of the information described in paragraph three of this report, the financial statements referred to above present fairly, in all material respects, the financial position of Fairview Township as of December 31, 2001 and 2000 and the results of its operations, changes in fund equity and the cash flows of its proprietary fund types for the years ended December 31, 2001 and 2000, in conformity with U.S. generally accepted accounting principles.

INDEPENDENT AUDITOR'S REPORT

The schedules of historical pension information on pages 27 and 28 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary financial information is presented for purposes of additional analysis and is not a required part of the financial statements of Fairview Township. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, except for the effect on the financial statements of the omission of the General Fixed Assets Account Group and Sewer Fund fixed assets and related depreciation, such information is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Chubb and Associates

CHUBB AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

January 24, 2002

FAIRVIEW TOWNSHIP
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUP AND COMPONENT UNIT
DECEMBER 31, 2001 AND 2000

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPES	PROPRIETARY FUND TYPES	ACCOUNT GROUP	TOTALS		COMPONENT UNIT	TOTALS					
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS				ENTERPRISE	TRUST		LONG-TERM DEBT	PRIMARY GOVERNMENT (MEMORANDUM ONLY)		MUNICIPAL AUTHORITY	(MEMORANDUM ONLY)	
											2001	2000		2001	2000
ASSETS															
Cash and Cash Equivalents	786,438	230,717	627,116	1,033,853	17,159	495,899	2,695,283	2,715,817	20,534	2,715,817	2,403,879				
Investments					7,556,285		7,556,285	8,952,969	1,396,684	8,952,969	9,405,380				
Taxes Receivable	76,630			87,787			76,630	76,630		76,630	43,156				
Accounts Receivable	62,610		22,195				172,592	172,592		172,592	209,226				
Due from Other Funds	1,520						1,520	1,520		1,520	9,605				
Future Lease Rentals Receivable									14,930,000	14,930,000	15,490,000				
Amount to be provided for Retirement of General Obligation Debt						495,899	495,899	495,899		495,899	884,493				
Amount to be provided for Payment of Compensated Absences						198,175	198,175	198,175		198,175	202,870				
TOTAL ASSETS	927,198	230,717	649,311	1,121,640	7,573,444	694,074	11,196,384	27,543,602	16,347,218	27,543,602	28,648,609				
LIABILITIES															
Accounts Payable	107,872	204		52,985			161,061	161,061		161,061	169,967				
Deferred Revenues	43,277						43,277	43,277		43,277	43,156				
Due to Other Funds		1,520					1,520	1,520		1,520	9,605				
Escrow Deposits/Other	130,103						130,103	130,103		130,103	115,920				
Sewer Revenue Bonds Payable				124,239		495,899	620,138	620,138	14,930,000	14,930,000	15,490,000				
General Obligation Debt						198,175	198,175	198,175		198,175	1,026,146				
Estimated Liabilities for Compensated Absences				21,401			219,576	219,576		219,576	202,870				
TOTAL LIABILITIES	281,252	1,724		198,625		694,074	1,175,675	16,105,675	14,930,000	16,105,675	17,057,664				
FUND EQUITY															
Retained Earnings				254,725			254,725	254,725		254,725	106,774				
Appropriated				668,290			668,290	668,290		668,290	389,161				
Unappropriated															
Fund Balances															
Reserved	428,192	204	649,311		7,573,444		8,001,840	8,001,840	1,417,218	8,001,840	8,298,925				
Unreserved	217,754	228,789	649,311				1,095,854	1,095,854		1,095,854	2,796,085				
TOTAL FUND EQUITY	645,946	228,993	649,311	923,015	7,573,444		10,020,709	11,437,927	1,417,218	11,437,927	11,590,945				
TOTAL LIABILITIES AND FUND EQUITY	927,198	230,717	649,311	1,121,640	7,573,444	694,074	11,196,384	27,543,602	16,347,218	27,543,602	28,648,609				

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
 ALL GOVERNMENTAL FUND TYPES AND COMPONENT UNIT
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	GOVERNMENTAL FUND TYPES			COMPONENT UNIT		TOTALS	
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	MUNICIPAL AUTHORITY		(MEMORANDUM ONLY)	
	2001	2000	2001	2000	2001	2000	2000
REVENUES							
Taxes	2,505,364	312,684		2,818,048	2,818,048	2,657,871	
Licenses, Permits and Fees	4,220		99,450	103,670	103,670	50,463	
Fines and Penalties	72,406			72,406	72,406	79,365	
Interest and Rents	54,887	13,383	17,186	85,456	138,309	256,860	
Intergovernmental Revenue	167,559	291,944		459,503	1,126,059	1,749,150	
Service Fees	336,693			336,693	336,693	319,710	
Miscellaneous Revenue	79,084	11,415		90,499	14,688	166,096	
Unrealized Gain on Investments				5,781	5,781	81,885	
TOTAL REVENUES	3,220,213	629,426	116,636	3,966,275	1,284,837	5,251,112	5,361,400
EXPENDITURES							
General Government	435,943			435,943	75,279	511,222	530,148
Public Safety	1,381,532	175,642		1,557,174	50,714	1,557,174	1,830,421
Health and Welfare	50,714			50,714		50,714	26,086
Public Works							
Sanitation	597,597	292,759		890,356	28,022	28,022	18,026
Highways, Roads and Streets	197,878			197,878		890,356	945,529
Culture, Recreation	259,572			423,843		197,878	132,414
Debt Service	164,271			164,271	1,232,590	1,656,433	1,759,209
Other	164,413			164,413		164,413	158,810
TOTAL EXPENDITURES	3,087,649	632,672		3,720,321	1,335,891	5,056,212	5,400,643
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>132,564</u>	<u>(3,246)</u>	<u>116,636</u>	<u>245,954</u>	<u>(51,054)</u>	<u>194,900</u>	<u>(39,243)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from Issuance of Bonds							
Transfers from Township							
Interfund Transfers							
Received	50,000		117,400	167,400	46,000	213,400	261,450
Expended	(117,400)			(117,400)	(310,467)	(117,400)	(165,000)
Bond Issuance Costs							
Payment to Escrow Agent							
TOTAL OTHER FINANCING SOURCES (USES)	(67,400)		117,400	50,000	(507,535)	(457,535)	347,152
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>65,164</u>	<u>(3,246)</u>	<u>234,036</u>	<u>295,954</u>	<u>(558,589)</u>	<u>(262,635)</u>	<u>307,909</u>
FUND EQUITY, BEGINNING OF YEAR	<u>580,782</u>	<u>232,239</u>	<u>415,275</u>	<u>1,228,296</u>	<u>1,975,807</u>	<u>3,204,103</u>	<u>2,896,194</u>
FUND EQUITY, END OF YEAR	<u>645,946</u>	<u>228,993</u>	<u>649,311</u>	<u>1,524,250</u>	<u>1,417,218</u>	<u>2,941,468</u>	<u>3,204,103</u>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND EQUITY - ACTUAL TO BUDGET -
 BUDGETED GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2001

	GENERAL		SPECIAL REVENUE		VARIANCE FAVORABLE/ (UNFAVORABLE)
	BUDGET	ACTUAL	BUDGET	ACTUAL	(UNFAVORABLE)
REVENUES					
Taxes	2,291,654	2,505,364	309,000	312,684	3,684
Licenses, Permits and Fees	1,400	4,220			
Fines and Penalties	55,000	72,406			
Interest and Rents	50,000	54,887	8,600	13,383	4,783
Intergovernmental	174,883	167,559	287,608	291,944	4,336
Service Fees	285,300	336,693			
Miscellaneous	<u>66,000</u>	<u>79,084</u>	<u>2,000</u>	<u>11,415</u>	<u>9,415</u>
TOTAL REVENUES	2,924,237	3,220,213	607,208	629,426	22,218
EXPENDITURES					
General Government	408,521	435,943			
Public Safety	1,364,468	1,381,532	180,790	175,642	5,148
Health and Welfare	17,000	50,714			
Highway and Street	697,777	597,597	290,000	292,759	(2,759)
Culture and Recreation	136,841	197,878			
Debt Service	269,384	259,572	156,157	164,271	(8,114)
Other	<u>186,500</u>	<u>164,413</u>			
TOTAL EXPENDITURES	3,080,491	3,087,649	626,947	632,672	(5,725)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(156,254)</u>	<u>132,564</u>	<u>(19,739)</u>	<u>(3,246)</u>	<u>(16,493)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Issuance of Bonds					
Interfund Transfers					
Received	50,000	50,000			
Expended		<u>(117,400)</u>			
TOTAL OTHER FINANCING SOURCES (USES)	<u>50,000</u>	<u>(67,400)</u>			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>(106,254)</u>	<u>65,164</u>	<u>(19,739)</u>	<u>(3,246)</u>	<u>(16,493)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>580,782</u>		<u>232,239</u>	
FUND BALANCE, END OF YEAR		<u>645,246</u>		<u>228,993</u>	

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND EQUITY
 ALL PROPRIETARY FUND TYPES
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
OPERATING REVENUES		
Collection Fees	2,922,130	2,763,123
Sewer Permits	337,450	290,482
Intergovernmental Revenue	222,916	186,786
Miscellaneous	<u>23,430</u>	<u>22,426</u>
TOTAL OPERATING REVENUES	<u>3,505,926</u>	<u>3,262,817</u>
OPERATING EXPENSES		
Personnel	443,427	410,067
Collection, Disposal and Treatment	1,442,559	1,471,514
Lease Rentals	<u>1,126,059</u>	<u>1,288,310</u>
TOTAL OPERATING EXPENSES	<u>3,012,045</u>	<u>3,169,891</u>
EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER EXPENSES	<u>493,881</u>	<u>92,926</u>
NON-OPERATING REVENUES (EXPENSES)		
Earnings on Temporary Deposits and Investments	35,992	53,781
Interest Paid	<u>(6,793)</u>	<u>(7,675)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>29,199</u>	<u>46,106</u>
OTHER FINANCING SOURCES (USES)		
Transfers to Authority	(46,000)	(41,450)
Interfund Transfers	<u>(50,000)</u>	<u>(55,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(96,000)</u>	<u>(96,450)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENSES AND OTHER USES	<u>427,080</u>	<u>42,582</u>
FUND EQUITY, BEGINNING OF YEAR	<u>495,935</u>	<u>453,353</u>
FUND EQUITY, ENDING OF YEAR	<u><u>923,015</u></u>	<u><u>495,935</u></u>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
STATEMENTS OF CHANGES IN PLAN NET ASSETS
ALL FIDUCIARY FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	NON-UNIFORMED PENSION FUND	POLICE PENSION FUND	TOTALS
	2001	2000	2001 2000
ADDITIONS			
Contributions			
State Aid	81,178		81,178 68,241
Employer	6,545		6,545 6,797
Employee	18,471		18,471 18,023
Total Contributions	106,194		106,194 93,061
Investment Income			
Net Appreciation (Depreciation) in Fair			
Value of Investments	(49,134)	(167,190)	(216,324) 51,006
Interest and Dividends	5,000	10,947	15,947 32,109
Less: Investment Expense	(44,134)	(156,243)	(200,377) 83,115
Net Investment Income	(54,964)	(195,546)	(250,510) 27,990
TOTAL ADDITIONS	51,230	(195,546)	(144,316) 121,051
DEDUCTIONS			
Benefit Payments	55,715	106,664	162,379 170,860
Administrative Expenses	5,973	4,795	10,768 4,584
TOTAL DEDUCTIONS	61,688	111,459	173,147 175,444
NET INCREASE	(10,458)	(307,005)	(317,463) (54,393)
FUND BALANCE RESERVED FOR EMPLOYEES'			
PENSION BENEFITS, BEGINNING OF YEAR	2,114,382	5,776,525	7,890,907 7,945,300
FUND BALANCE RESERVED FOR EMPLOYEES'			
PENSION BENEFITS, END OF YEAR	2,103,924	5,469,520	7,573,444 7,890,907

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (Deficiency) of Operating Revenues Over Expenses	<u>493,881</u>	<u>92,926</u>
Adjustments to Reconcile Excess (Deficiency) of Operating Revenues Over Expenses to Net Cash Provided by Operating Activities		
Payments to Authority and Other Funds	1,126,059	1,288,310
(Increase) Decrease in Assets		
Accounts Receivable	90,297	(32,150)
Due from Other Funds		805
Increase (Decrease) in Liabilities		
Accounts Payable	(17,518)	39,710
Other Liabilities	<u>16,582</u>	<u>(12,681)</u>
Total Adjustments	<u>1,215,420</u>	<u>1,283,994</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,709,301</u>	<u>1,376,920</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Payments to Authority and Other Funds	<u>(1,222,059)</u>	<u>(1,384,760)</u>
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	<u>(1,222,059)</u>	<u>(1,384,760)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Bonds	(17,414)	(16,533)
Interest Paid on Bonds	<u>(6,793)</u>	<u>(7,675)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(24,207)</u>	<u>(24,208)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	<u>35,992</u>	<u>53,781</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>35,992</u>	<u>53,781</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	499,027	21,733
CASH AND CASH EQUIVALENTS, BEGINNING	<u>534,826</u>	<u>513,093</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>1,033,853</u>	<u>534,826</u>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fairview Township is located in York County, Pennsylvania. It is a Township of the second class established in 1803 and operates under an elected three member Board of Supervisors. The Township provides services in many areas to its residents, including building and sewerage regulation, maintenance of streets and highways, community enrichment programs and various general government services.

REPORTING ENTITY - The Township defines its reporting entity based upon the criteria established by Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity". The Township includes in its reporting entity organizations for which it is financially accountable and other organizations for which the nature and significance of the relationship with the Township is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of reporting entity is based primarily on the notion of financial accountability. The Township is financially accountable to an organization if they appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific burdens on, the Township. The Township would include any organization fiscally dependent upon it.

The Township Authority, included in these financial statements, has been determined by the above criteria as being a part of the reporting entity. The significant factors for including the Authority in the reporting entity of the Township are: the appointment of Authority board members by Township supervisors and the Township's guaranty of outstanding Authority revenue bonds.

The Fairview Township Authority was created in 1963 and was organized under the laws governing authorities within the Commonwealth of Pennsylvania (Municipality Authorities Act of 1945). The Authority has the power to construct, finance, operate, maintain and lease sewer systems. The Authority owns the sewer system and leases it to Fairview Township. Separate financial statements regarding the operations of the Authority may be obtained by contacting the Township office.

JOINTLY GOVERNED ORGANIZATION - The Township is a participant with other municipalities and school districts in the West Shore Tax Bureau. It is jointly governed by its participating members and is considered to be an internal service entity established to serve its member governmental units. The Bureau is a regional collector of local earned income tax and Occupational Privilege Tax. The Bureau's operations are separated into three funds, two for tax receipts and distribution of such receipts and one for administration of the tax collection operation.

BASIS OF ACCOUNTING - The Township uses the modified accrual basis as required by U.S. generally accepted accounting principles for governmental units. The material modifications of the modified accrual method from the accrual method are as follows:

- a. Revenues are recognized in the accounting period in which they become susceptible to accrual; that is when they become both measurable and available to finance expenditures of the current period. Licenses,

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING (CONTINUED)

permits and fines, rental income and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Intergovernmental revenues and investment income are recorded when earned since they are measurable and available. Real estate, per capita, occupation and earned income taxes which are uncollected or delinquent are accounted for as receivables. Current levies of taxes which are not available to finance current expenditures are recorded as deferred revenues. Taxpayer-assessed revenues are recognized in the period in which they became susceptible to accrual, when they became both measurable and available to finance expenditures of the fiscal period.

- b. Prepaid expenses are not recognized as such.
- c. Principal and interest on long-term debt are recognized when due.
- d. Accumulated unpaid vacation pay, sick pay and other employee compensated absences amounts are recognized as they are earned. Salary related payments associated with the payment of compensated absences are also accrued.

The Township follows Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting" (Statement No. 20) of the Governmental Accounting Standards Board (GASB) for reporting and disclosure purposes. As permitted by Statement No. 20, the Township has elected to not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless the GASB specifically adopts the FASB Statement or interpretation.

BASIS OF PRESENTATION - The Township accounts for all funds and account groups existing under its jurisdiction, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures. Township resources are allocated to and accounted for in the individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into a fund type and account group as follows:

GOVERNMENTAL FUND TYPES - Governmental Funds are those through which most governmental functions of the Township are financed. The measurement focus is upon determination of changes in financial resources, rather than upon net income determination. The funds included in this category are:

GENERAL FUND - The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property, per capita, and other taxes, user fees and other intergovernmental distributions.

SPECIAL REVENUE FUNDS - Special Revenue Funds are used to account for the proceeds of specific revenues that are restricted to expenditures for specified purposes.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

HIGHWAY AID FUND - The Highway Aid Fund is used to account for specific revenues that are restricted to the expenditures for the improvement and maintenance of the Township's roads, bridges, curbs, and gutters.

STREET LIGHT FUND - This fund is used to account for the assessment of fees, based on front footage of served lots, and their expenditure to provide street lighting.

FIRE HYDRANT FUND - This fund is used to account for the collections of a tax imposed on residents served by fire hydrants and the expenditure for fire hydrant water service.

DARE FUND - This fund is used to account for the monies the Township received from local resident contributions for the Drug Awareness program implemented in the Township's schools.

FIRE SERVICE FUND - The Fire Service Fund is used to account for the collections of real estate taxes designated for assisting the volunteer fire company with its capital and operating expenditures. All expenditures from this fund require Township approval.

EMERGENCY MEDICAL SERVICES (EMS) FUND - The EMS Fund is used to account for the collections of real estate taxes designated for assisting the Township's EMS Service with its capital and operating expenditures. All expenditures from this fund require Township approval.

CAPITAL PROJECTS FUND - Capital Project Funds account for the acquisition, improvement, or construction of fixed assets not being financed by proprietary funds.

CAPITAL PROJECTS FUND - The Capital Projects Fund is used to account for Cable TV franchise fees. These fees will be used to fund future capital acquisition and improvement projects.

CAPITAL RESERVE FUND - The Capital Reserve Fund is used to account for financial resources to be used for the acquisition or construction of capital facilities.

PROPRIETARY FUND TYPES - Proprietary Fund Types account for operations that are financed and operated in a manner similar to private business enterprises.

ENTERPRISE FUNDS - Enterprise Funds are used to account for operations where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

SEWER FUND - The Sewer Fund is used to account for the financial transactions associated with the operations and administration of the Township's sewer system.

SEWER RESERVE FUND - The Sewer Reserve Fund is used to account for funds received for sewer connections in excess of 62 connections per year and the savings on annual debt service of the sewer revenue bonds versus budgeted figures. The funds will be used to pay future debt service requirements if there are insufficient sewer rentals to meet these requirements.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPRIETARY FUND TYPES (CONTINUED)

REFUSE FUND - The Refuse Fund is used to account for the financial transactions associated with the collection of refuse in the Township.

FIDUCIARY FUND TYPES - Fiduciary Funds are used to account for assets held by the Township as a trustee or agent for other funds or governmental entities.

TRUST FUNDS - Trust Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds.

POLICE AND NON-UNIFORMED PENSION FUNDS - These trust funds are used to account for the retirement contributions of the Township and its employees. Pension Trust Funds are accounted for in a manner similar to Proprietary Funds since capital maintenance is critical.

COMPONENT UNIT - AUTHORITY - BASIS OF PRESENTATION - The Authority's policy is to prepare its component unit financial statements on the modified accrual basis, as required by U.S. generally accepted accounting principles.

In accordance with the financial provisions of the trust indentures securing the sewer revenue bonds, the trust assets of the Authority are accounted for in various funds established by the indentures. The purpose of the funds is to segregate the trust assets into restricted-use accounts for the security of the bondholders. The funds are maintained by an independent trustee on the cash basis, as required by the indenture. The accounting records maintained by the trustee do not differ significantly from the accounting records which would be maintained if the modified accrual basis of accounting had been utilized, as required by U.S. generally accepted accounting principles for Debt Service Funds of a Local Governmental Unit. Because the Authority merely acts as a conduit for the receipt of rent and the payment of the interest and principal of the bonds and the related executory expenses and may, upon provision for the retirement of its debt, convey title to the facilities to the Township the "direct financing method" of accounting for long-term capital leases is utilized on the Authority's balance sheet. Under this method, the present value of the net minimum lease payments applicable to the debt service requirements of the sewer revenue bonds is shown as a receivable and the cost of the facilities financed by the Authority is considered to be an asset of the Township.

Lease rentals are recorded as income when received and distributed by the trustee to separate funds for present and future redemption of bonds and for payment of interest as directed by the terms of the trust indentures.

BUDGETS - Prior to the beginning of each fiscal year, an annual budget is adopted for the General Fund, Highway Aid Fund, Fire Hydrant Fund, Fire Service Fund, EMS Service Fund and Street Light Fund. Encumbrances and appropriations outstanding at December 31 are reported as reservations of fund balances and do not constitute expenditures, expenses or liabilities of the present year because the commitments will be honored in the subsequent year.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAX REVENUE - Real estate, per capita, earned income and occupational privilege taxes are recorded at gross amounts collected with expenses and commissions paid recorded as an expenditure under tax collection. Real estate transfer and delinquent real estate taxes are recorded at the net amount received from the collecting agency after deduction for fees and expenses.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents consist of cash on hand and short-term, highly liquid investments with an original maturity of three months or less maintained at a local financial institution.

RECEIVABLES - Accounts receivable and taxes receivable determined as being uncollectible are accounted for via the direct write-off method. As of December 31, 2001, the Township believes all accounts receivable are 100% collectible.

INTERFUND RECEIVABLES AND PAYABLES - Due from other funds and due to other funds have not been eliminated.

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 and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from those estimates.

COMPENSATED ABSENCES - Township employees are entitled to certain compensated absences, sick leave, and vacation time as more fully described in Note 11.

LONG-TERM DEBT - Long-term liabilities that will be financed from general revenues of governmental funds are accounted for in the General Long-term Debt Account Group. Long-term liabilities of all proprietary funds and fiduciary funds are accounted for in the respective funds.

INVENTORY - A recorded inventory of parts and supplies held by the various funds is not maintained by the Township.

MEMORANDUM ONLY - TOTALS - Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Interfund eliminations have not been made in the aggregation of this data.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, other than \$400 cash on hand, consists of cash deposited in financial institutions. The following is a summary of cash and cash equivalents which are insured (FDIC), not insured but collateralized in the Township's name, and not insured or collateralized in the Township's name. Deposits not invested in pooled federal securities are collateralized in accordance with Act 72, which requires an institution to pool collateral for all governmental deposits and have it held by a custodian in the institution's name. As of December 31, 2001 the institution's pooled assets cover all governmental deposits.

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

2. CASH AND CASH EQUIVALENTS (CONTINUED)

	<u>Carrying Value</u>	<u>Bank Balance</u>
Insured (FDIC)	117,159	117,159
Collateral not held in Township's name	<u>2,578,124</u>	<u>2,650,036</u>
	<u>2,695,283</u>	<u>2,767,195</u>

3. INVESTMENTS - PENSION

Investments are purchased by the Trustee as part of the Pension Trust Funds. The investments are stated at fair value as of December 31, 2001 and consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Non-Uniformed Pension		
Fixed Income Fund	1,414,798	1,414,798
Bond Funds	232,505	273,319
Stock Funds	<u>454,755</u>	<u>413,847</u>
	<u>2,102,058</u>	<u>2,101,964</u>
Police Pension		
Bond Funds	1,825,319	2,172,678
Stock Funds	<u>3,343,935</u>	<u>3,281,643</u>
	<u>5,169,254</u>	<u>5,454,321</u>
Total Investments - Pension	<u>7,271,312</u>	<u>7,556,285</u>

The Pension Trust investments are uninsured, unregistered and uncollateralized. The investments are only as secure as the underlying securities themselves.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS - AUTHORITY

Cash, cash equivalents and investments held by the trustee are restricted in accordance with the provisions of the Trust Indentures. The cash in the Authority Administrative Fund, which is controlled by the Authority Treasurer and Administrative Secretary, is unrestricted and totals \$108 at December 31, 2001. It is insured up to \$100,000 by FDIC.

Cash equivalents and investments are purchased by the Trustee as part of the Trust Indentures' Funds. The investments are classified as to credit risk by the following three categories.

- Category 1 - Insured or registered securities held by the Authority in the Authority's name.
- Category 2 - Uninsured and unregistered securities held by the trust department in the Authority's name.
- Category 3 - Uninsured and unregistered securities held by the trust department, but not in the Authority's name.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

4. CASH, CASH EQUIVALENTS AND INVESTMENTS - AUTHORITY (CONTINUED)

<u>Series</u>	<u>Category</u>			<u>Cost</u>	<u>Fair Value</u>	
	<u>1</u>	<u>2</u>	<u>3</u>			
Restricted Cash Equivalents:						
ARK Funds U.S. Government						
Cash Management						
Corporate Cash II			20,426	20,426	20,426	2001
			<u>20,426</u>	<u>20,426</u>	<u>20,426</u>	
Restricted Investments:						
U. S. Treasury Bond;						
9.375%, Due 2/15/06			1,006,000	1,006,000	1,199,967	2001
U. S. Treasury Security;						
Stripped Interest						
Payment Due 2/15/06			234,000	234,000	196,717	2001
			<u>1,240,000</u>	<u>1,240,000</u>	<u>1,396,684</u>	

Investment policies followed during the year did not significantly alter the categorization of investments.

Unrealized Gain (Loss) on Investments

	<u>Restricted Investments</u>
<u>2000</u>	
Cost	1,379,957
Fair Value	<u>1,530,860</u>
Unrealized Gain (Loss) on Investments	<u>150,903</u>
<u>2001</u>	
Cost	1,240,000
Fair Value	<u>1,396,684</u>
Unrealized Gain (Loss) on Investments	<u>156,684</u>
Total Unrealized Gain (Loss) on Investments	<u>5,781</u>

The Municipality Authorities Act authorizes the Authority to invest in the following:

1. U. S. Treasury Bills
2. Short-term obligations of the U. S. Government and federal agencies;
3. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions
4. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision, and
5. Shares of Mutual Funds whose investments are restricted to the above categories

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

5. FUTURE LEASE RENTAL RECEIVABLE

On August 1, 2001, the Authority and the Township entered into a lease agreement of the Sewer System, under which the Township has agreed to make lease rental payments thereunder to the Trustee as security for the Series of 2001 Bonds. The Township operates the Sewer System and has covenanted to impose and collect sewer rentals and other charges to provide for the payment of such lease rentals and to pay the operating costs of the Sewer System. The Township has pledged the revenues and receipts of the Sewer System to secure its obligations to make such lease rental payments. As of December 31, 2001 the present value of the future minimum lease rentals is \$14,930,000.

Minimum rentals under the 2001 Bond Issues, including interest of \$8,145,503, are as follows:

<u>LEASE YEARS</u> <u>ENDING</u>	<u>RENTAL</u> <u>PAYMENT</u>
2002	1,199,993
2003	1,205,947
2004	1,203,348
2005	1,233,572
2006	1,235,818
Thereafter	<u>16,996,825</u>
	<u>23,075,503</u>

The 2001 minimum lease rental of \$801,514 was reduced by accrued interest of \$26,680 from the 2001 bond issue and \$39,558 from 1994 Debt Service Fund. Under the new indenture, minimum lease rentals will be reduced by excess trustee funds invested in the 2001 Debt Service Reserve Fund as determined by the terms of the indenture. The Township has guaranteed the 2001 Bond Issue with its full faith, credit and taxing power.

6. SEWER REVENUE BONDS PAYABLE - AUTHORITY

On August 15, 2001, the Authority issued Guaranteed Sewer Revenue Bonds, Series of 2001 for \$15,560,000. The bond proceeds, together with other Authority funds, were used to current refund the 1991 bonds, principal of \$9,205,000, which includes bonds outstanding of \$3,875,000 and previously advanced refunded of \$5,330,000, and the 1994 bonds, principal of \$11,615,000. The Authority recognized an economic gain of approximately \$576,329 (differences between the present values of the debt service payments on the current refunded and new debt). The Guaranteed Sewer Revenue Bonds, Series of 2001, were issued for the purpose of: (1) payment of all costs and expenses of retirement of the outstanding 1991 and 1994 Bonds; (2) the payment of all costs and expenses of issuance of the Bonds; and, (3) the establishment of necessary reserves and other funds as provided for in the Indenture.

The 2001 Bonds are secured under the related Trust Indenture by the assignment and pledge of lease rentals as stated previously in Note 5.

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

6. SEWER REVENUE BONDS PAYABLE - AUTHORITY (CONTINUED)

Scheduled maturities and interest rates of the 2001 Bonds are as follows:

2002	2.65%	530,000	2012	4.60%	715,000
2003	3.20%	550,000	2013	4.70%	745,000
2004	3.50%	565,000	2014	4.80%	785,000
2005	3.70%	615,000	2015	4.90%	820,000
2006	3.85%	640,000	2016	5.00%	860,000
2007	4.05%	665,000	2017	5.00%	905,000
2008	4.15%	690,000	2018	5.05%	945,000
2009	4.25%	720,000	2019	5.10%	995,000
2010	4.35%	755,000	2020	5.15%	1,055,000
2011	4.45%	780,000	2021	5.15%	595,000

Total Debt Service Requirements are:

<u>YEAR</u>	<u>AMOUNT</u>
2002	1,199,993
2003	1,205,947
2004	1,203,348
2005	1,233,572
2006	1,235,818
Thereafter	<u>16,996,825</u>
	<u>23,075,503</u>

The Sewer Revenue Bonds, Series of 1965, were advance refunded in November 1987. Funds were deposited in irrevocable trust escrow accounts and invested in U. S. Treasury obligations which, together with future interest thereon, will be sufficient to redeem the bonds and pay all the related interest.

Pursuant to the defeasance provisions of the Trust Indentures, Series of 1965, the Trustee has released, canceled and discharged the liens of the Indentures. Accordingly, the assets and liabilities of the trust escrow accounts are not included in the financial statements of the Authority.

As of December 31, 2001, the following defeased sewer revenue obligations were outstanding:

1965	<u>115,000</u>
	<u>115,000</u>

7. GENERAL OBLIGATION DEBT

General obligation notes payable/capital lease obligations consist of the following as of December 31, 2001:

Capital Lease Obligation

In April 1995, the Township executed a lease purchase agreement for a copier. The agreement requires monthly payments of \$382, including a 9% implicit rate of interest. This lease was paid in full in 2000. During 2000, the Township entered into a new copier lease with a five year term which expires on May 22, 2005. The lease requires monthly payments of \$335, including a 5.10% implicit rate of interest. The copier is collateral for this obligation. The copier has an original cost of \$17,683. The outstanding balance as of December 31, 2001 is \$14,858.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

7. GENERAL OBLIGATION DEBT (CONTINUED)

General Obligation Note, Series of 1997

On October 15, 1997 the Township issued its General Obligation Note, Series of 1997 in the principal sum of \$982,000 to: (1) refund the General Obligation Note, Series of 1989; (2) fund the purchase of sanitary sewage treatment capacity; (3) purchase an ambulance and other municipal equipment; (4) pay for remediation and restoration of storage tank removals on the Township's property; and (5) pay costs, fees and expenses related to this issue. Of the \$982,000 issue, \$792,000, was deposited in the General Fund and recorded as General Long-term Debt as of December 31, 1997. This portion of the note bears interest at 4.90% per annum and requires 72 monthly payments of principal and interest of \$12,575. This portion of the note matures December 1, 2003. The remaining portion of the note, \$190,000, was deposited and recorded in the Sewer Fund (a proprietary fund) as a liability. This portion of the note bears interest at 5.01% per annum and requires 120 monthly payments of principal and interest of \$2,017. This portion of the note matures November 1, 2007. As of December 31, 2001 the balance outstanding is \$288,663 and \$124,239, respectively.

General Obligation Note, Series of 1998

On February 27, 1998, the Township issued its General Obligation Note, Series of 1998 in the principal sum of \$100,000 to advance to the Fairview Township Volunteer Firefighter's Relief Association to acquire fire and rescue apparatus. The Note bears interest at a rate of 5.25% per annum at thirty-six monthly payments of principal and interest of \$3,008. The Note matured on March 9, 2001. As of December 31, 2001 the note was paid in full. All debt payments were reimbursed to the Township by the Relief Association.

General Obligation Note, Series of 1999

On February 19, 1999, the Township issued its General Obligation Note, Series of 1999 in the principal sum of \$473,000 to provide funds to construct a salt storage shed; purchase a street sweeper, front-end loader and various other municipal vehicles; and to purchase a fire truck for the benefit of the Township's volunteer fire company. The Note is comprised of two payment schedules. The first has a principal sum of \$340,000 and an interest rate of 4.27% per annum. The monthly payments of interest and principal are \$10,944 and commence on April 1, 1999, with final payment on December 1, 2001. The second note has a principal balance of \$133,000 and bears an interest rate of 4.32% per annum. The monthly payments of interest and principal are \$2,587 and commence on April 1, 1999, with a final payment on December 1, 2003. As of December 31, 2001, the combined balance outstanding is \$70,874.

General Obligation Note, Series of 2000

On August 4, 2000, the Township issued its General Obligation Note, Series of 2000 in the principal sum of \$250,702 to provide funds to purchase a tanker truck for the Fairview Township Volunteer Fire Department. The Note bears interest at a rate of 5.79% per annum with thirty payments of principal and interest of \$8,996. The Note matures on February 4, 2003. As of December 31, 2001, the outstanding principal balance is \$124,504.

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

7. GENERAL OBLIGATION DEBT (CONTINUED)

A summary of changes in general obligation debt is as follows:

	BALANCE, JANUARY 1, <u>2001</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	BALANCE, DECEMBER 31, <u>2001</u>
Capital Lease Obligation	18,437		3,579	14,858
G. O. Note, 1997 (General Fund)	421,625		132,962	288,663
G. O. Note, 1997 (Sewer Fund)	141,653		17,414	124,239
G. O. Note, 1999 (General Fund)	216,029		145,155	70,874
G. O. Note, 1998 (General Fund)	9,073		9,073	0
G. O. Note, 2000 (General Fund)	<u>219,329</u>		<u>97,825</u>	<u>121,504</u>
	<u>1,026,146</u>		<u>406,008</u>	<u>620,138</u>

Scheduled principal maturities are:

<u>YEAR</u>	<u>TOTAL</u>	<u>CAPITAL LEASE OBLIGATION</u>	<u>G. O. NOTE 1997</u>	<u>G. O. NOTE 1999</u>	<u>G. O. NOTE 2000</u>
2002	305,527	3,543	158,283	40,060	103,641
2003	220,400	3,634	168,089	30,814	17,863
2004	90,354	3,824	86,530		
2005	<u>3,857</u>	<u>3,857</u>			
	<u>620,138</u>	<u>14,858</u>	<u>412,902</u>	<u>70,874</u>	<u>121,504</u>

Minimum debt service requirements are:

<u>YEAR</u>	<u>TOTAL</u>	<u>CAPITAL LEASE OBLIGATION</u>	<u>G. O. NOTE 1997</u>	<u>G. O. NOTE 1999</u>	<u>G. O. NOTE 2000</u>
2002	331,652	4,014	175,112	44,571	107,955
2003	230,011	4,014	176,965	31,040	17,992
2004	99,384	4,014	95,370		
2005	<u>3,857</u>	<u>3,857</u>			
	<u>664,904</u>	<u>15,899</u>	<u>447,447</u>	<u>75,611</u>	<u>125,947</u>

8. PROPERTY TAXES AND ASSESSMENTS

REAL ESTATE AND FIRE HYDRANT TAXES - The Township's property and fire hydrant taxes are levied each February 15 on the assessed value as of January 1 as maintained by the County. Real property taxes are assessed on all non-exempt real property located in the Township. The fire hydrant tax is assessed on those residents owning real property in the Township within 780 feet of a fire hydrant. The millage rates for 2001 were .70 mills - real estate and .336 mills - fire hydrant, fire services and EMS services.

STREET LIGHT ASSESSMENTS - The Township's street light assessment is levied each February 15 and is based on the road frontage footage of non-exempt property served by street lights. The assessment rates for the year ended December 31, 2001 were \$0.125/foot for unimproved and \$0.50/foot for improved road frontage.

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

8. PROPERTY TAXES AND ASSESSMENTS (CONTINUED)

Real estate and fire hydrant taxes and street light assessments attach as an enforceable lien on property on January 1 and are collected by an elected tax collector. Taxes paid through April 15 are given a 2% discount. Taxes paid after June 15 are charged a 10% penalty. Delinquent real estate taxes are collected by the County. Delinquent fire hydrant taxes and street light assessments are collected by the Township or elected tax collector.

9. SEWAGE TREATMENT AGREEMENT

The Township and the Authority have entered into an agreement with the Lower Allen Township Municipal Authority for treatment of the Township sewage originating near the common municipal boundary and transported by the Authority's collection system into the Lower Allen Township Municipal Authority treatment plant.

The original agreement was reached on December 28, 1976. Under the agreement the municipalities will pay their pro rata shares of operating and administrative costs of the treatment plant. During 2001 the Township paid treatment costs to Lower Allen Township of \$131,436. The Township also paid \$46,000 to the Township Authority for operating costs. All payments were made from the Sewer Fund.

10. DEFINED BENEFIT PENSION PLANS

PLAN DESCRIPTIONS - Fairview Township employees are covered under one of two defined benefit pension plans administered by the Township as a single-employer public employee retirement system (PERS). The employees are covered according to their occupation in either the Non-Uniformed or Police Pension plans. The Plans are controlled by the provisions of the Township ordinances and Collective Bargaining Agreement adopted pursuant to Act 600 as enacted by the Pennsylvania legislature in 1988. The Township has delegated the authority to manage Plan assets to Mellon Bank and Provident Mutual as trustees of the respective plan assets. The respective plan assets may be used only for the payment of benefits to members and plan expenses, in accordance with the terms of the plan. The plans provide retirement, disability and death benefits to plan members and their beneficiaries.

PLAN MEMBERSHIP - As of January 1, 2002 participation in the respective plans is as follows:

Non-Uniformed Pension Plan

Membership as of 1/1/2002

Retirees and Beneficiaries Currently Receiving Benefits	8
Terminated Employees Entitled to Deferred Benefits	6
Active Members	<u>26</u>
Total	<u>40</u>

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

10. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Police Pension Plan

Membership as of 1/1/2002

Retirees and Beneficiaries Currently Receiving Benefits	6
Terminated Employees Entitled to Deferred Benefits	1
Active Members	<u>13</u>
 Total	 <u>20</u>

A summary of employee eligibility requirements and benefits as of January 1, 2001 is as follows:

	<u>NON-UNIFORMED</u>	<u>POLICE</u>
a. Covered Employees	All full-time non-uniformed employees	All full-time police
b. Eligibility for	After age 65, or, age 60 and completion of 25 years of service	After age 50 and completion of 25 of service
c. Monthly Pension Benefit	Equal to 1.50% of average monthly pay times the number of years of service completed, if hired prior to January 1, 2001 and 2% of average monthly pay times the number of years of service up to a maximum of 25 years, if greater.	Equal to 50% of average monthly pay, plus a service increment of \$100 per month for members who complete 26 or more years of service.
	Average monthly pay is based upon the final year of employment.	Average monthly pay is based upon the last 36 months of employment.
d. Vesting	Immediate 100%	Upon completion of 12 years of service.

FUNDING POLICY - Plan members are required to contribute 2% and 0% of gross wages to the Non-Uniformed and Police Pension plans, respectively. These member requirements are reviewed and approved annually by the Township. The Township is required to fund the plans based upon actuarially determined minimum funding standards. The minimum funding standards were mandated by Act 205, enacted by the Pennsylvania legislature on December 18, 1984. The minimum funding requirement includes normal cost and administrative expenses and amortization costs of the unfunded actuarial accrued liability. The Act also provides state aid to assist municipalities in meeting their minimum funding requirements. Any remaining minimum funding obligations are paid from the General Fund of the Township.

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

10. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Funding of the respective plans were provided as follows for 2001:

<u>DESCRIPTION</u>	<u>NON-UNIFORMED PENSION PLAN</u>	<u>POLICE PENSION PLAN</u>
Annual Covered Payroll	\$940,489	\$666,150
Employee Contribution Rate	2.0% of gross wages	Suspended 01/01/00
Employee Contributions Paid in 2001	\$ 18,471	\$ 0
Employer Contributions Paid in 2001	\$ 6,545	\$ 0
State Aid Contributions Paid in 2001	\$ 81,178	\$ 0
Total Contributions made as a Percentage of Payroll	11.3%	0.0%

ANNUAL PENSION COST AND NET PENSION OBLIGATION - The Township's annual pension cost (APC) net pension obligation, and related information for the respective plans for the current year were as follows:

	<u>NON-UNIFORMED PENSION PLAN</u>	<u>POLICE PENSION PLAN</u>
Annual Required Contribution	87,723	0
Contributions Made	<u>87,723</u>	<u>0</u>
	<u>0</u>	<u>0</u>

The Township's Police Pension Plan's records indicate that all actuarially determined required contributions from 1987 to present, have been paid, and the net pension obligation at transition is zero. The Townships Non-Uniformed Pension Plan's records indicate a net pension obligation of approximately \$30,500. The Township has not recorded this liability in the General Long-term Debt account, nor its impact on the annual pension cost.

	<u>NON-UNIFORMED PENSION PLAN</u>	<u>POLICE PENSION PLAN</u>
Actuarial Valuation Date	1/1/02	1/1/02
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar Closed	Annual Funding Adjustment equal to 10% of Negative Unfunded Actuarial Accrued Liability
Remaining Amortization Period	16 Years	10 Years

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

10. DEFINED BENEFIT PENSION PLANS (CONTINUED)

	<u>NON-UNIFORMED PENSION PLAN</u>	<u>POLICE PENSION PLAN</u>
Asset Valuation Method	Market Value as Determined by Trustee	Market Value as Determined by Trustee
Actuarial Assumptions:		
Investment Rate of Return	7.0%	7.0%
Projected Salary Increases	6.0%	6.0%
Cost of Living	N/A	3.0%
Mortality	Up 1984 Table	Up 1984 Table

THREE-YEAR TREND INFORMATION

Non-Uniformed
Pension Plan

<u>YEAR</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
2001	87,723	100%	0
2000	75,038	100%	0
1999	81,720	100%	0

Police Pension Plan

<u>YEAR</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
2001	0	100%	0
2000	0	100%	0
1999	40,296	100%	0

Realized gains and losses and unrealized gains and losses are included together in net appreciation (depreciation) in fair value of investments as follows:

	<u>NON-UNIFORMED PENSION PLAN</u>		<u>POLICE PENSION PLAN</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Realized Gains or Losses	15,117	11,469	168,801	483,003
Unrealized Gains or Losses	(64,251)	(6,050)	(335,991)	(437,416)
Net Appreciation (Depreciation) in Fair Value of Investment	<u>(49,134)</u>	<u>5,419</u>	<u>(167,190)</u>	<u>45,587</u>

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

11. COMPENSATED ABSENCES

The Township allows non-uniformed employees to accumulate unused sick leave to a maximum of 120 days. Township police may accumulate unused sick leave to a maximum of 180 days under their collective bargaining agreement. The Township allows non-uniformed and police employees to accumulate vested unused vacation time to a maximum of 45 days. Upon termination the vested unused vacation time is paid to the stated maximums. Sick leave is vested and paid upon termination for non-uniformed employees at 25% of all accumulated sick leave. Sick leave is vested and paid to police officers at 25% of all accumulated sick leave upon termination.

As of December 31, 2001, the liability for vested unused vacation and sick leave is approximately \$219,576. These amounts include payroll related tax liabilities. The General Fund amount has been recorded in the General Long-term Debt Account Group at \$198,175 and the amount expected to be paid from current resources is not significant. The amounts to be paid from the Enterprise Funds are \$21,401 and are expected to be paid from current resources. The Enterprise Fund amounts are recorded directly in the respective funds.

12. COMMITMENTS AND CONTINGENCIES

As described in Note 5, the Township is contingently liable for repayment of the \$14,930,000 of Sewer Revenue Bonds issued by the Fairview Township Municipal Authority should the Authority default on the required repayment terms.

The Authority Bonds outstanding at December 31, 2001 are:

<u>SEWER REVENUE BOND SERIES</u>	<u>TOTAL</u>	<u>NOT DEFEASED</u>	<u>DEFEASED</u>
1965	115,000		115,000
2001	<u>14,930,000</u>	<u>14,930,000</u>	<u> </u>
	<u>15,045,000</u>	<u>14,930,000</u>	<u>115,000</u>

The Township requires developers to obtain letters of credit and escrow agreements to provide assurance that projects will be completed according to approved specifications and on a timely basis. Should one or more of these instruments expire and a default occur, it may be necessary for the Township to take over the defaulted project.

Outstanding escrow deposits at December 31, 2001 are approximately \$130,103.

During the normal course of performing its duties to the general public which it serves, the Township is subject to numerous threatened lawsuits and complaints. The Township has notified its insurance carrier and turned these matters over to the insurance carrier. It is the belief of legal counsel that any loss will be covered by insurance.

The Township continues to incur expenses related to the process of cleaning up ground water contamination as a result of an underground storage tank leak at the Township's property. The additional estimated cost of ground water remediation has not been determined at this time. The Township has incurred costs to date of \$379,835. The State Indemnification Fund has reimbursed the Township for \$291,208 of these costs to date. The Township has recorded additional state reimbursements as receivables as of \$62,610 as of December 31, 2001, which it has not received to date.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Township entered into a lease agreement for the use of a computer file server for a term of 3 years. The payments were \$564 per month for 36 months commencing March 30, 1996. The lease expired in 1999. During 1999, the Township entered into another 3 year lease for a server with payments of \$644 per month. The lease expense for 2001 was \$7,728.

The Township entered into a lease agreement for the use of a new telephone system for a term of 5 years. The payments are \$330 per month for 60 months commencing July 16, 1997. The lease expense for 2001 was \$3,960. The lease is recorded as an operating lease. The minimum lease requirements for the next year are as follows:

2002	<u>1,980</u>
	<u>1,980</u>

13. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three years.

14. CONTINGENCIES AND COMMITMENTS - AUTHORITY

The Authority assessed a \$30,000 fee for additional tapping fees from a commercial sewer system customer. The fee was to be paid in twelve monthly installments plus interest to the Township's Sewer Fund. The Township received two payments in 1997 and seven payments in 1998. Thereafter, the Township was notified that the customer filed for bankruptcy protection, leaving three unpaid payments. Also, due to the bankruptcy proceedings, the Township's Sewer Fund held \$17,500 of equivalent dwelling unit fees, the Authority agreed to refund to the customer. During 2000, \$8,500 was refunded to the customer, \$4,819 was held in the Township's Sewer Fund, and the balance was applied against outstanding sewer fees. During 2001, the \$4,819 was also applied against outstanding sewer fees.

15. ESCROWS PAYABLE - AUTHORITY

The Authority requires developers to obtain letters of credit or deposit funds pursuant to an escrow agreement to provide assurance that projects will be completed according to approved specifications and on a timely basis. Should one or more of these instruments expire and a default occur, it may be necessary for the Authority to take over the defaulted project. Escrow balances as of December 31, 2001 were zero.

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

16. RESERVATIONS OF FUND EQUITY

Reservations of fund balances as of December 31, 2001 are not appropriate for expenditure, or are legally segregated for specific purposes as follows:

GENERAL FUND	
Medical Benefits - Police	66,392
Compensated Absences - Township Employees	198,175
Encumbrances for 2001 Expenditures	123,027
Pooled Sick Days - Police	<u>40,598</u>
	<u>428,192</u>
SPECIAL REVENUES FUNDS	
Encumbrances for 2001 Expenditures	<u>204</u>
PENSION TRUST FUNDS	
Employee Benefits	<u>7,573,444</u>
Total Reserved Fund Balances	<u>8,001,840</u>

Appropriated retained earnings of the Sewer Fund as of December 31, 2001 consists of the following:

SEWER FUND	
Encumbrances for 2001 Expenditures	<u>35,803</u>
SEWER RESERVE FUND	
Encumbrances for Debt Service	<u>213,351</u>
REFUSE FUND	
Encumbrances for 2001 Expenditures	<u>5,571</u>
Total Appropriated Retained Earnings	<u>254,725</u>

As of December 31, 2001 and 2000, the Township has set aside approximately \$405,634 and \$313,206, respectively, of general fund assets to fund the future payment of the medical benefits and compensated absences noted above. Currently, the Township is appealing the police contract arbitration award which provided the post-retirement medical benefits.

SUPPLEMENTARY INFORMATION

FAIRVIEW TOWNSHIP
(REQUIRED SUPPLEMENTARY INFORMATION)
SCHEDULES OF FUNDING PROGRESS

POLICE PENSION PLAN

JANUARY 1 YEAR	NET ASSETS AVAILABLE FOR BENEFITS	ACTUARIAL ACCRUED LIABILITY	UNFUNDED ACTUARIAL ACCRUED LIABILITY	PERCENTAGE FUNDED	ANNUAL COVERED PAYROLL	UNFUNDED
						ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
1992	2,023,623	1,764,199	(259,424)	114.7%	461,208	(56.2%)
1993	2,189,420	2,059,932	(129,488)	106.3%	513,081	(25.2%)
1994	2,581,890	2,264,320	(317,570)	114.0%	532,338	(59.7%)
1995	2,600,002	2,470,087	(129,915)	105.3%	524,863	(24.8%)
1996	3,329,748	2,731,279	(598,469)	121.9%	555,177	(107.8%)
1997	3,921,336	3,019,539	(901,797)	129.9%	585,120	(154.1%)
1998	4,715,048	3,083,281	(1,631,767)	152.9%	567,532	(287.5%)
1999	5,522,967	3,253,070	(2,269,897)	169.8%	614,514	(369.4%)
2000	5,852,232	3,387,165	(2,465,067)	172.8%	585,740	(420.8%)
2001	5,777,226	3,647,034	(2,130,192)	158.4%	629,647	(338.3%)
2002	5,470,221	3,914,007	(1,556,214)	139.8%	666,150	(233.6%)

NON-UNIFORMED PENSION PLAN

JANUARY 1 YEAR	NET ASSETS AVAILABLE FOR BENEFITS	ACTUARIAL ACCRUED LIABILITY	UNFUNDED ACTUARIAL ACCRUED LIABILITY	PERCENTAGE FUNDED	ANNUAL COVERED PAYROLL	UNFUNDED
						ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
1992	850,704	1,053,804	203,100	80.7%	598,875	33.9%
1993	988,350	1,214,377	226,027	81.4%	643,725	35.1%
1994	1,127,139	1,346,286	219,147	83.7%	696,036	31.5%
1995	1,279,573	1,431,398	151,825	89.4%	712,846	21.3%
1996	1,414,930	1,513,503	98,573	93.5%	700,407	14.1%
1997	1,525,611	1,491,619	(33,992)	102.3%	660,697	(5.1%)
1998	1,623,618	1,715,649	92,031	94.6%	776,281	11.9%
1999	1,854,980	1,745,404	(109,576)	106.3%	772,909	(14.2%)
2000	2,087,599	1,890,218	(197,381)	110.4%	818,915	(24.1%)
2001	2,107,756	2,328,032	220,276	90.5%	923,403	23.9%
2002	2,097,122	2,561,823	464,701	81.9%	940,489	49.4%

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
(REQUIRED SUPPLEMENTARY INFORMATION)
SCHEDULES OF EMPLOYER CONTRIBUTIONS

<u>YEAR</u>	<u>NON-UNIFORMED PLAN</u>		<u>POLICE PENSION PLAN</u>	
	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>
2001	87,723	100%	0	100%
2000	75,038	100%	0	100%
1999	81,720	100%	40,296	100%
1998	74,711	100%	38,420	100%
1997	69,166	100%	106,028	100%
1996	69,087	100%	100,463	100%
1995	88,617	100%	71,104	100%
1994	88,957	100%	81,122	100%
1993	74,600	100%	99,829	100%
1992	76,324	98.7%	93,096	100%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

	<u>NON-UNIFORMED PLAN</u>	<u>POLICE PENSION PLAN</u>
Actuarial Valuation Date	1/1/02	1/1/02
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar Closed	Annual Funding Adjustment equal to 10% of Negative Unfunded Actuarial Accrued Liability
Remaining Amortization Period	16 Years	10 Years
Asset Valuation Method	Market Value as Determined by Trustee	Market Value as Determined by Trustee
Actuarial Assumptions:		
Investment Rate of Return	7.0%	7.0%
Projected Salary Increases	6.0%	6.0%
Cost of Living	N/A	3.0%
Mortality	UP 1984 Table	UP 1984 Table

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
 COMBINING BALANCE SHEETS
 ALL SPECIAL REVENUE FUND TYPES
 DECEMBER 31, 2001 AND 2000

	HIGHWAY AID FUND	STREET LIGHT FUND	FIRE SERVICE FUND	FIRE HYDRANT FUND	EMS SERVICE FUND	2001	2000
ASSETS							
Cash and Cash Equivalents	76,190	1,719	131,098	10,528	11,182	230,717	266,216
Due from Other Funds	—	—	—	—	—	—	—
TOTAL ASSETS	<u>76,190</u>	<u>1,719</u>	<u>131,098</u>	<u>10,528</u>	<u>11,182</u>	<u>230,717</u>	<u>266,216</u>
LIABILITIES AND FUND EQUITY							
Liabilities							
Due to Other Funds	1,520	—	122	—	82	1,520	9,605
Accounts Payable	—	—	—	—	—	204	24,372
TOTAL LIABILITIES	<u>—</u>	<u>1,520</u>	<u>122</u>	<u>—</u>	<u>82</u>	<u>1,724</u>	<u>33,977</u>
Fund Equity							
Fund Balances (Deficit)	76,190	199	130,976	10,528	11,100	228,993	232,239
TOTAL FUND EQUITY	<u>76,190</u>	<u>199</u>	<u>130,976</u>	<u>10,528</u>	<u>11,100</u>	<u>228,993</u>	<u>232,239</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>76,190</u>	<u>1,719</u>	<u>131,098</u>	<u>10,528</u>	<u>11,182</u>	<u>230,717</u>	<u>266,216</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
 COMBINING BALANCE SHEETS
 ALL CAPITAL PROJECTS FUND TYPES
 DECEMBER 31, 2001 AND 2000

	CAPITAL RESERVE	CAPITAL PROJECTS	TOTAL 2001	TOTAL 2000
ASSETS				
Cash and Cash Equivalents	477,419	149,697	627,116	415,275
Accounts Receivable	<u>22,195</u>	<u> </u>	<u>22,195</u>	<u> </u>
TOTAL ASSETS	<u>499,614</u>	<u>149,697</u>	<u>649,311</u>	<u>415,275</u>
FUND EQUITY				
Unappropriated	<u>499,614</u>	<u>149,697</u>	<u>649,311</u>	<u>415,275</u>
TOTAL FUND EQUITY	<u>499,614</u>	<u>149,697</u>	<u>649,311</u>	<u>415,275</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
 COMBINING BALANCE SHEETS
 ALL PROPRIETARY FUND TYPES
 DECEMBER 31, 2001 AND 2000

	<u>SEWER RESERVE FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>TOTALS</u>
				<u>2001</u> <u>2000</u>
ASSETS				
Cash and Cash Equivalents	223,551	589,758	220,544	1,033,853
Accounts Receivables	<u> </u>	<u>67,977</u>	<u>19,810</u>	<u>178,084</u>
TOTAL ASSETS	<u>223,551</u>	<u>657,735</u>	<u>240,354</u>	<u>1,121,640</u>
 LIABILITIES AND FUND EQUITY				
Liabilities				
General Obligation Debt		124,239		141,653
Due to Others				4,819
Accounts Payable	10,200	37,832	4,953	52,985
Compensated Absences	<u> </u>	<u>14,759</u>	<u>6,642</u>	<u>21,401</u>
TOTAL LIABILITIES	<u>10,200</u>	<u>176,830</u>	<u>11,595</u>	<u>216,975</u>
 Fund Equity				
Appropriated	213,351	35,803	5,571	254,725
Unappropriated	<u> </u>	<u>445,102</u>	<u>223,188</u>	<u>389,161</u>
TOTAL FUND EQUITY	<u>213,351</u>	<u>480,905</u>	<u>228,759</u>	<u>495,935</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>223,551</u>	<u>657,735</u>	<u>240,354</u>	<u>1,121,640</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
 COMBINING STATEMENTS OF PLAN NET ASSETS
 ALL FIDUCIARY FUND TYPES
 DECEMBER 31, 2001 AND 2000

ASSETS	<u>NON-UNIFORMED PENSION FUND</u>	<u>POLICE PENSION FUND</u>	<u>TOTALS</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Cash and Cash Equivalents Investments	1,960 <u>2,101,964</u>	15,199 <u>5,454,321</u>	17,159 <u>7,556,285</u>	16,387 <u>7,874,520</u>
TOTAL ASSETS	<u>2,103,924</u>	<u>5,469,520</u>	<u>7,573,444</u>	<u>7,890,907</u>
NET ASSETS				
Fund Balances Reserved for Employees' Pension Benefits (A Schedule of Funding Progress for Each Plan is Presented on Page 27)	<u>2,103,924</u>	<u>5,469,520</u>	<u>7,573,444</u>	<u>7,890,907</u>
TOTAL NET ASSETS	<u>2,103,924</u>	<u>5,469,520</u>	<u>7,573,444</u>	<u>7,890,907</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
 ALL SPECIAL REVENUE FUND TYPES
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	HIGHWAY AID FUND	STREET LIGHT FUND	FIRE SERVICE FUND	FIRE HYDRANT FUND	EMS SERVICE FUND	TOTALS
						2001 2000
REVENUES						
Taxes		23,619	123,537	41,988	123,540	312,684 302,009
Interest and Rentals	4,084	276	6,743	744	1,536	13,383 25,458
Intergovernmental Revenue	291,944					291,944 285,344
Miscellaneous Revenue			11,346		69	11,415 44,751
TOTAL REVENUES	296,028	23,895	141,626	42,732	125,145	629,426 657,562
EXPENDITURES						
Public Safety			31,381	35,779	108,482	175,642 435,089
Highways, Roads and Streets	267,470	25,289				292,759 331,954
Debt Service			148,162		16,109	164,271 119,535
TOTAL EXPENDITURES	267,470	25,289	179,543	35,779	124,591	632,672 886,578
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	28,558	(1,394)	(37,917)	6,953	554	(3,246) (229,016)
OTHER FINANCING SOURCES (USES)						
Proceeds from Issuance of Bonds						250,702
TOTAL OTHER FINANCING SOURCES (USES)						250,702
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	28,558	(1,394)	(37,917)	6,953	554	(3,246) 21,686
FUND EQUITY, BEGINNING OF YEAR	47,632	1,593	168,893	3,575	10,546	232,239 210,553
FUND EQUITY, END OF YEAR	76,190	199	130,976	10,528	11,100	228,993 232,239

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND EQUITY
 ALL CAPITAL PROJECTS FUND TYPES
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>CAPITAL RESERVE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL 2001</u>	<u>TOTAL 2000</u>
REVENUES				
Licenses, Permits and Fees	99,450		99,450	45,413
Interest	<u>13,663</u>	<u>3,523</u>	<u>17,186</u>	<u>15,868</u>
TOTAL REVENUES	<u>13,663</u>	<u>102,973</u>	<u>116,636</u>	<u>61,281</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,663	102,973	116,636	61,281
OTHER FINANCING SOURCES (USES)				
Operating Transfers In (Out)	<u>117,400</u>		<u>117,400</u>	<u>165,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	131,063	102,973	234,036	226,281
FUND EQUITY, BEGINNING OF YEAR	<u>368,551</u>	<u>46,724</u>	<u>415,275</u>	<u>188,994</u>
FUND EQUITY, END OF YEAR	<u>499,614</u>	<u>149,697</u>	<u>649,311</u>	<u>415,275</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
STATEMENT OF REVENUE AND EXPENSES
AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	SEWER RESERVE FUND	SEWER FUND	REFUSE FUND	TOTALS 2001	TOTALS 2000
OPERATING REVENUES					
Collection Fees		2,314,274	607,856	2,922,130	2,763,123
Sewer Permits		337,450		337,450	290,482
Intergovernmental Revenue		108,054	114,862	222,916	186,786
Miscellaneous	2,898	19,478	1,054	23,430	22,426
TOTAL OPERATING REVENUES	2,898	2,779,256	723,772	3,505,926	3,262,817
OPERATING EXPENSES					
Personnel		357,889	85,538	443,427	410,067
Collection, Disposal and Treatment		895,537	547,022	1,442,559	1,471,514
Lease Rentals		1,126,052		1,126,052	1,288,310
TOTAL OPERATING EXPENSES		2,379,485	632,560	3,012,045	3,169,891
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER EXPENSES	2,898	399,771	91,212	493,881	92,926
NON-OPERATING REVENUES (EXPENSES)					
Earnings on Temporary Deposits and Investments	296	27,924	7,772	35,992	53,781
Interest Paid		(6,793)		(6,793)	(7,675)
TOTAL NON-OPERATING REVENUES (EXPENSES)	296	21,131	7,772	29,199	46,106
OTHER FINANCING SOURCES (USES)					
Transfers to Authority		(46,000)		(46,000)	(41,450)
Interfund Transfers	210,157	(210,157)	(50,000)	(50,000)	(55,000)
TOTAL OTHER FINANCING SOURCES (USES)	210,157	(256,157)	(50,000)	(96,000)	(96,450)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENSES AND OTHER USES	213,351	164,745	48,984	427,080	42,582
FUND EQUITY, BEGINNING OF YEAR	-0-	316,160	179,775	495,935	453,353
FUND EQUITY, END OF YEAR	213,351	480,905	228,759	923,015	495,935

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
 COMBINING STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>SEWER RESERVE FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>TOTALS</u>
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (Deficiency) of Operating Revenues Over Expenses	2,898	399,771	91,212	493,881
Adjustments to Reconcile Excess (Deficiency) of Operating Revenues Over Expenses to Net Cash Provided by Operating Activities				
Payments to Authority and Other Funds (Increase) Decrease in Assets		87,159	3,138	90,297
Accounts Receivable				(32,150)
Due from Other Funds				805
Increase (Decrease) in Liabilities		(8,514)	(19,204)	(27,718)
Accounts Payable	10,200	9,940	6,642	26,782
Other Liabilities				(12,681)
Total Adjustments	10,200	1,214,644	(9,424)	1,215,420
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>13,098</u>	<u>1,614,415</u>	<u>81,788</u>	<u>1,709,301</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Payments to/from Authority and Other Funds	210,157	(1,382,216)	(50,000)	(1,222,059)
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	<u>210,157</u>	<u>(1,382,216)</u>	<u>(50,000)</u>	<u>(1,222,059)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Paid on Bonds		(17,414)		(17,414)
Interest Paid on Bonds		(6,793)		(6,793)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		<u>(24,207)</u>		<u>(24,208)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	296	27,924	7,772	35,992
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>296</u>	<u>27,924</u>	<u>7,772</u>	<u>35,992</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	223,551	235,916	39,560	499,027
CASH AND CASH EQUIVALENTS, BEGINNING	-0-	353,842	180,984	513,093
CASH AND CASH EQUIVALENTS, ENDING	<u>223,551</u>	<u>589,758</u>	<u>220,544</u>	<u>1,033,853</u>

See Independent Auditor's Report.