

FINANCIAL STATEMENTS

FAIRVIEW TOWNSHIP

NEW CUMBERLAND, PENNSYLVANIA

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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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, 2003 and 2002, 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, 2003 and 2002 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, 2003 and 2002, in conformity with U.S. generally accepted accounting principles.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 30, 2004

FAIRVIEW TOWNSHIP
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUP AND COMPONENT UNIT
DECEMBER 31, 2003 AND 2002

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPES	PROPRIETARY FUND TYPES	ACCOUNT GROUP	TOTALS		COMPONENT UNIT	TOTALS					
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS				ENTERPRISE	TRUST		GENERAL LONG-TERM DEBT	PRIMARY GOVERNMENT (MEMORANDUM ONLY)		MUNICIPAL AUTHORITY	MEMORANDUM ONLY	
											2003	2002		2003	2002
ASSETS															
Cash and Cash Equivalents	1,608,282	481,540	1,034,058	1,809,923	28,444			4,962,247	16,253	4,978,500	4,239,048				
Investments					8,296,682			8,296,682	1,386,537	9,683,219	8,485,071				
Taxes Receivable	168,822							168,822		168,822	160,450				
Accounts Receivable	32,406	5,601	640	199,025				232,071		232,071	116,775				
Due from Other Funds			4,000	76,574				86,175		86,175	78,900				
Future Lease Rentals Receivable											78,900				
Amount to be provided for Retirement of General Obligation Debt						135,299		135,299		135,299	461,276				
Amount to be Provided for Payment of Compensated Absences						325,808		325,808		325,808	253,916				
TOTAL ASSETS	<u>1,809,510</u>	<u>487,141</u>	<u>1,038,698</u>	<u>2,085,522</u>	<u>8,325,126</u>	<u>461,107</u>	<u>14,207,104</u>	<u>15,252,790</u>	<u>13,850,000</u>	<u>29,459,894</u>	<u>28,195,436</u>				
LIABILITIES															
Accounts Payable	71,913	1,957		76,573				150,513		150,513	196,597				
Deferred Revenues	36,339							36,339		36,339	38,065				
Due to Other Funds	81,834	4,341						86,175		86,175	78,900				
Escrow Deposits/Other	202,277							202,277		202,277	200,337				
Sewer Revenue Bonds Payable				134,920				270,219		270,219	14,400,000				
General Obligation Debt				39,727				365,535		365,535	662,166				
Estimated Liabilities for Compensated Absences				251,220				1,111,058		1,111,058	279,485				
TOTAL LIABILITIES	<u>392,433</u>	<u>6,298</u>		<u>251,220</u>		<u>461,107</u>	<u>1,111,058</u>	<u>13,850,000</u>	<u>13,850,000</u>	<u>14,961,058</u>	<u>15,855,550</u>				
FUND EQUITY															
Retained Earnings				966,910				966,910		966,910	648,909				
Appropriated				867,392				867,392		867,392	814,010				
Unappropriated															
Fund Balances	815,008				8,325,126			9,140,134		9,140,134	7,498,411				
Reserved	602,069	480,843	1,038,698				2,121,610	3,524,400		3,524,400	3,378,556				
Unreserved															
TOTAL FUND EQUITY	<u>1,417,077</u>	<u>480,843</u>	<u>1,038,698</u>	<u>1,834,302</u>	<u>8,325,126</u>		<u>13,096,046</u>	<u>14,498,836</u>	<u>14,498,836</u>	<u>29,459,894</u>	<u>12,339,886</u>				
TOTAL LIABILITIES AND FUND EQUITY	<u>1,809,510</u>	<u>487,141</u>	<u>1,038,698</u>	<u>2,085,522</u>	<u>8,325,126</u>	<u>461,107</u>	<u>14,207,104</u>	<u>15,252,790</u>	<u>13,850,000</u>	<u>29,459,894</u>	<u>28,195,436</u>				

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, 2003 AND 2002

	GOVERNMENTAL FUND TYPES			TOTAL PRIMARY GOVERNMENT (MEMORANDUM) (ONLY)	COMPONENT UNIT	TOTALS (MEMORANDUM ONLY)	
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS			2003	2002
REVENUES							
Taxes	2,982,570	315,447		3,298,017		3,298,017	3,093,004
Licenses, Permits and Fees	4,860		140,561	145,421		145,421	128,664
Fines and Penalties	69,905			69,905		69,905	77,816
Interest and Rents	22,790	5,444	10,330	38,564	94,597	133,161	152,500
Intergovernmental Revenue	309,052	313,666		622,718	1,205,948	1,828,666	1,717,179
Service Fees	414,362			414,362		414,362	468,614
Miscellaneous Revenue	146,997	731		147,728	51,409	199,137	197,342
Unrealized Gain on Investments					(59,428)	(59,428)	49,281
TOTAL REVENUES	3,950,536	635,288	150,891	4,736,715	1,292,526	6,029,241	5,884,400
EXPENDITURES							
General Government	545,772		704	546,476	40,059	586,535	521,885
Public Safety	1,708,757			1,886,756		1,886,756	1,716,916
Health and Welfare	62,962			62,962		62,962	44,521
Public Works							
Sanitation			42,889	42,889	104,368	147,257	182,373
Highways, Roads and Streets	919,250	243,374		1,162,624		1,162,624	1,355,647
Culture, Recreation	120,661			120,661		120,661	105,944
Debt Service	272,935	65,407		338,342	1,205,948	1,544,290	1,505,201
Other	1,943			1,943		1,943	85,196
TOTAL EXPENDITURES	3,632,280	486,780	43,593	4,162,653	1,350,375	5,513,028	5,517,683
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	318,256	148,508	107,298	574,062	(57,849)	516,213	366,717
OTHER FINANCING SOURCES (USES)							
Proceeds from Issuance of Bonds							500,000
Interfund Transfers Received	(88,039)		88,039	88,039	9,350	97,389	13,010
Expended				(88,039)		(88,039)	(7,350)
Bond Issuance Costs							
TOTAL OTHER FINANCING SOURCES (USES)	(88,039)	88,039	88,039		9,350	9,350	505,660
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	230,217	148,508	195,337	574,062	(48,499)	525,563	872,377
FUND EQUITY, BEGINNING OF YEAR	1,186,860	332,335	843,361	2,362,556	1,451,289	3,813,845	2,941,468
FUND EQUITY, END OF YEAR	1,417,077	480,843	1,038,698	2,936,618	1,402,790	4,339,408	3,813,845

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, 2003

	GENERAL			SPECIAL REVENUE		
	BUDGET	ACTUAL	VARIANCE/ FAVORABLE/ (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE/ FAVORABLE/ (UNFAVORABLE)
REVENUES						
Taxes	2,566,869	2,982,570	415,701	295,450	315,447	19,997
Licenses, Permits and Fees	1,000	4,860	3,860			
Fines and Penalties	63,600	69,905	6,305			
Interest and Rents	40,000	22,790	(17,210)	5,700	5,444	(256)
Intergovernmental	159,700	309,052	149,352	311,570	313,666	2,096
Service Fees	337,850	414,362	76,512			
Miscellaneous	89,000	146,997	57,997	2,000	731	(1,269)
TOTAL REVENUES	3,258,019	3,950,536	692,517	614,720	635,288	20,568
EXPENDITURES						
General Government	443,620	545,772	(102,152)			
Public Safety	1,689,845	1,708,757	(18,912)	143,157	177,999	(34,842)
Health and Welfare	36,000	62,962	(26,962)			
Highway and Street	905,509	919,250	(13,741)	398,200	243,374	154,826
Culture and Recreation	141,103	120,661	20,442			
Debt Service	157,137	272,935	(115,798)	75,050	65,407	9,643
Other		1,943	(1,943)			
TOTAL EXPENDITURES	3,373,214	3,632,280	(259,066)	616,407	486,780	129,627
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(115,195)	318,256	433,451	(1,687)	148,508	150,195
OTHER FINANCING SOURCES (USES)						
Interfund Transfers Expended		(88,039)	(88,039)			
TOTAL OTHER FINANCING SOURCES (USES)		(88,039)	(88,039)			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	(115,195)	230,217	345,412	(1,687)	148,508	150,195
FUND BALANCE, BEGINNING OF YEAR		1,186,860			332,335	
FUND BALANCE, END OF YEAR		1,417,077			480,843	

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, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
OPERATING REVENUES		
Collection Fees	3,327,349	3,320,495
Sewer Permits	439,740	460,470
Intergovernmental Revenue	45,317	181,390
Miscellaneous	<u>176,340</u>	<u>165,489</u>
TOTAL OPERATING REVENUES	<u>3,988,746</u>	<u>4,127,844</u>
OPERATING EXPENSES		
Personnel	590,252	514,937
Collection, Disposal and Treatment	1,829,552	1,905,822
Lease Rentals	<u>1,205,948</u>	<u>1,182,892</u>
TOTAL OPERATING EXPENSES	<u>3,625,752</u>	<u>3,603,651</u>
EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER EXPENSES	<u>362,994</u>	<u>524,193</u>
NON-OPERATING REVENUES (EXPENSES)		
Earnings on Temporary Deposits and Investments	25,142	34,828
Interest Paid	<u>(7,403)</u>	<u>(6,107)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>17,739</u>	<u>28,721</u>
OTHER FINANCING SOURCES (USES)		
Transfers to Authority	<u>(9,350)</u>	<u>(13,010)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,350)</u>	<u>(13,010)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENSES AND OTHER USES	<u>371,383</u>	<u>539,904</u>
FUND EQUITY, BEGINNING OF YEAR	<u>1,462,919</u>	<u>923,015</u>
FUND EQUITY, ENDING OF YEAR	<u>1,834,302</u>	<u>1,462,919</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, 2003 AND 2002

	<u>NON-UNIFORMED PENSION FUND</u>	<u>POLICE PENSION FUND</u>	<u>TOTALS</u>
	<u>2003</u>	<u>2002</u>	<u>2003 2002</u>
ADDITIONS			
Contributions			
State Aid	146,611	136,114	
Employer	483		
Employee	<u>23,652</u>	<u>19,603</u>	
Total Contributions	<u>170,746</u>	<u>155,717</u>	
Investment Income			
Net Appreciation (Depreciation) in Fair			
Value of Investments	133,590	939,373	(433,307)
Interest and Dividends	<u>263,601</u>	<u>791</u>	<u>16,336</u>
Less: Investment Expense	<u>397,191</u>	<u>940,164</u>	<u>(416,971)</u>
Net Investment Income	<u>385,532</u>	<u>901,175</u>	<u>(462,994)</u>
TOTAL ADDITIONS	<u>556,278</u>	<u>901,175</u>	<u>(307,277)</u>
DEDUCTIONS			
Benefit Payments	50,280	140,047	190,182
Administrative Expenses	<u>5,122</u>	<u>12,863</u>	<u>12,863</u>
TOTAL DEDUCTIONS	<u>55,402</u>	<u>140,047</u>	<u>203,045</u>
NET INCREASE	500,876	761,128	(510,322)
FUND BALANCE RESERVED FOR EMPLOYEES'			
PENSION BENEFITS, BEGINNING OF YEAR	<u>2,170,649</u>	<u>4,892,473</u>	<u>7,573,444</u>
FUND BALANCE RESERVED FOR EMPLOYEES'			
PENSION BENEFITS, END OF YEAR	<u>2,671,525</u>	<u>5,653,601</u>	<u>7,063,122</u>

FAIRVIEW TOWNSHIP
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (Deficiency) of Operating Revenues Over Expenses	<u>362,994</u>	<u>524,193</u>
Adjustments to Reconcile Excess (Deficiency) of Operating Revenues Over Expenses to Net Cash Provided by Operating Activities		
Payments to Authority and Other Funds	1,205,948	1,182,892
(Increase) Decrease in Assets		
Accounts Receivable	(122,327)	11,089
Due from Other Funds	(1,674)	(74,900)
Increase (Decrease) in Liabilities		
Accounts Payable	(3,905)	27,493
Other Liabilities	14,158	4,168
Due to Other Funds	<u>(74,900)</u>	<u>74,900</u>
Total Adjustments	<u>1,017,300</u>	<u>1,225,642</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,380,294</u>	<u>1,749,835</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Payments to Authority and Other Funds	<u>(1,215,298)</u>	<u>(1,195,902)</u>
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	<u>(1,215,298)</u>	<u>(1,195,902)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Bonds	(65,970)	(59,999)
Interest Paid on Bonds	(7,403)	(6,107)
Proceeds of Long Term Debt	<u> </u>	<u>136,650</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(73,373)</u>	<u>70,544</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	<u>25,142</u>	<u>34,828</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>25,142</u>	<u>34,828</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	116,765	659,305
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,693,158</u>	<u>1,033,853</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>1,809,923</u>	<u>1,693,158</u>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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 five 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, 2003 AND 2002

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, 2003 AND 2002

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.

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. On an annual basis, the Township commissions an audit of the volunteer fire company paid for from this Fund. A copy of the audit is available at the Township's office.

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. On an annual basis, the Township commissions an audit of the EMS service paid for from this Fund. A copy of the audit is available at the Township's office.

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.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPRIETARY FUND TYPES (CONTINUED)

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.

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, 2003 AND 2002

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, 2003, 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, 2003 the institution's pooled assets cover all governmental deposits.

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

2. CASH AND CASH EQUIVALENTS (CONTINUED)

	<u>Carrying Value</u>	<u>Bank Balance</u>
Insured (FDIC)	128,444	128,444
Collateral not held in Township's name	4,833,803	5,093,257
	<u>4,962,247</u>	<u>5,221,701</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, 2003 and consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Non-Uniformed Pension		
Fixed Income Fund	1,716,039	1,716,039
Bond Funds	314,151	387,406
Stock Funds	<u>547,016</u>	<u>552,625</u>
	<u>2,577,206</u>	<u>2,656,070</u>
Police Pension		
Bond Funds	1,702,438	2,274,616
Stock Funds	<u>3,151,278</u>	<u>3,365,996</u>
	<u>4,853,716</u>	<u>5,640,612</u>
Total Investments - Pension	<u>7,430,922</u>	<u>8,296,682</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 \$ at December 31, 2003. 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, 2003 AND 2002

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

	<u>Category</u>			<u>Cost</u>	<u>Fair Value</u>	<u>Series</u>
	<u>1</u>	<u>2</u>	<u>3</u>			
Restricted Cash Equivalents:						
ARK Funds U.S. Government Cash Management Corporate Cash II	_____	_____	<u>113</u>	<u>113</u>	<u>113</u>	2001
	=====	=====	<u>113</u>	<u>113</u>	<u>113</u>	
Restricted Investments:						
U. S. Treasury Bond; 9.375%, Due 2/15/06	_____	_____	1,006,000	1,006,000	1,161,930	2001
U. S. Treasury Security; Stripped Interest Payment Due 2/15/06	_____	_____	<u>234,000</u>	<u>234,000</u>	<u>224,607</u>	2001
	=====	=====	<u>1,240,000</u>	<u>1,240,000</u>	<u>1,386,537</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>2003</u>	
Cost	1,240,000
Fair Value	<u>1,386,537</u>
Unrealized Gain (Loss) on Investments	<u>146,537</u>
<u>2002</u>	
Cost	1,240,000
Fair Value	<u>1,445,965</u>
Unrealized Gain (Loss) on Investments	<u>205,965</u>
Total Unrealized Gain (Loss) on Investments	<u>(59,428)</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, 2003 AND 2002

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. This lease agreement amended and/or supplemented an agreement of lease, dated as of December 1, 1988, as amended and/or supplemented subsequently as of December 1, 1990, 1991, and January 1, 1994. 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, 2003 the present value of the future minimum lease rentals is \$13,850,000.

Minimum rentals under the 2001 Bond Issues, including interest of \$6,819,563, are as follows:

<u>LEASE YEARS</u> <u>ENDING</u>	<u>RENTAL</u> <u>PAYMENT</u>
2004	1,203,348
2005	1,233,572
2006	1,235,818
2007	1,236,177
2008	1,234,245
Thereafter	<u>14,526,403</u>
	<u>20,669,563</u>

Under the 2001 Bond 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. During 2003, the Debt Service Reserve Fund transferred \$72,089 to the Township's Sewer Reserve Fund for future debt service requirements. 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, 2003 AND 2002

6. SEWER REVENUE BONDS PAYABLE - AUTHORITY (CONTINUED)

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

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

Total Debt Service Requirements are:

<u>YEAR</u>	<u>AMOUNT</u>
2004	1,203,348
2005	1,233,572
2006	1,235,818
2007	1,236,177
2008	1,234,245
Thereafter	<u>14,526,403</u>
	<u>20,669,563</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, 2003, the following defeased sewer revenue obligations were outstanding:

1965	<u>55,000</u>
	<u>55,000</u>

7. GENERAL OBLIGATION DEBT

General obligation notes payable/capital lease obligations consist of the following as of December 31, 2003:

Capital Lease Obligation

During 2000, the Township entered into a 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, 2003 is \$6,938.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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 matured 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, 2003 and 2002, the balance outstanding is \$86,646 and \$105,919, respectively.

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, 2003 and 2002, the combined balance outstanding was zero and \$30,569, respectively.

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 matured on February 4, 2003. As of December 31, 2003 and 2002, the outstanding principal balance was zero and \$17,863, respectively.

General Obligation Note, Series of 2002

On January 1, 2002, the Township issued its General Obligation Note, Series of 2002 in the principal sum of \$500,000 to provide funds to construct a storage building and to purchase highway equipment, computer equipment, and related office equipment. The Note bears interest at a rate of 3.29% per annum with thirty-six payments of principal and interest of \$14,988. The Note proceeds were used to purchase highway equipment for the General Fund, and various other equipment for the Sewer and Refuse Enterprise Funds. The loan proceeds, payments, and ending balances have been allocated among these Funds based upon equipment expenditures. As of December 31, 2003, the balances were \$128,361, \$45,448, and \$2,826, or \$176,635 total, in the General, Sewer, and Refuse Funds, respectively.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

7. GENERAL OBLIGATION DEBT (CONTINUED)

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

	<u>BALANCE, JANUARY 1, 2003</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>BALANCE, DECEMBER 31, 2003</u>
Capital Lease Obligation	11,376		4,438	6,938
G. O. Note, 1997 (General Fund)	148,942		148,942	0
G. O. Note, 1997 (Sewer Fund)	105,919		19,273	86,646
G. O. Note, 1999 (General Fund)	30,569		30,569	0
G. O. Note, 2000 (General Fund)	17,863		17,863	0
G. O. Note, 2002 (General Fund)	252,526		124,165	128,361
G. O. Note, 2002 (Sewer Fund)	89,411		43,963	45,448
G. O. Note, 2002 (Refuse Fund)	<u>5,560</u>		<u>2,734</u>	<u>2,826</u>
	<u>662,166</u>		<u>391,947</u>	<u>270,219</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 2002</u>
2004	267,105	3,824	86,646	176,635
2005	<u>3,114</u>	<u>3,114</u>		
	<u>270,219</u>	<u>6,938</u>	<u>86,646</u>	<u>176,635</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 2002</u>
2004	279,237	4,014	95,370	179,853
2005	<u>3,917</u>	<u>3,917</u>		
	<u>283,154</u>	<u>7,931</u>	<u>95,370</u>	<u>179,853</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 2003 were 1.036 mills - real estate and .150 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, 2003 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, 2003 AND 2002

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 2003 the Township paid treatment costs to Lower Allen Township of \$189,133 and capital project costs of \$88,682. The Township also paid \$9,350 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, 2004 participation in the respective plans is as follows:

Non-Uniformed Pension Plan

Membership as of 1/1/2004

Retirees and Beneficiaries Currently Receiving Benefits	6
Terminated Employees Entitled to Deferred Benefits	6
Active Members	<u>27</u>
Total	<u>39</u>

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

10. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Police Pension Plan

Membership as of 1/1/2004

Retirees and Beneficiaries Currently Receiving Benefits	7
Terminated Employees Entitled to Deferred Benefits	1
Active Members	<u>15</u>
 Total	 <u>23</u>

A summary of employee eligibility requirements and benefits as of January 1, 2004 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 plan year preceding retirement.	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, 2003 AND 2002

10. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Funding of the respective plans were provided as follows for 2003:

<u>DESCRIPTION</u>	<u>NON-UNIFORMED PENSION PLAN</u>	<u>POLICE PENSION PLAN</u>
Annual Covered Payroll	\$1,152,851	\$854,554
Employee Contribution Rate	2.0% of gross wages	Suspended 01/01/00
Employee Contributions Paid in 2003	\$ 23,652	\$ 0
Employer Contributions Paid in 2003	\$ 483	\$ 0
State Aid Contributions Paid in 2003	\$146,611	\$ 0
Total Contributions made as a Percentage of Payroll	14.8%	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	147,094	0
Contributions Made	<u>147,094</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 (asset) obligation of approximately (\$13,061). The Township has not recorded this asset 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	1/1/04	1/1/04
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	14 Years	10 Years

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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	3.0%	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>
2003	147,094	100%	0
2002	91,406	100%+	0
2001	87,723	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>
2003	0	100%	0
2002	0	100%	0
2001	0	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>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Realized Gains or Losses	(3,267)	4,641	(14,450)	37,604
Unrealized Gains or Losses	<u>136,857</u>	<u>(23,567)</u>	<u>953,823</u>	<u>(451,985)</u>
Net Appreciation (Depreciation) in Fair Value of Investment	<u>133,590</u>	<u>(18,926)</u>	<u>939,373</u>	<u>(414,381)</u>

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

11. COMPENSATED ABSENCES

The Township allows non-uniformed and uniformed employees to accumulate unused sick leave to a maximum of 180 days under their collective bargaining agreements. The Township allows non-uniformed and police employees to accumulate vested unused vacation time to a maximum of 50 days under the collective bargaining agreement. 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 and to police officers at 40% of all accumulated sick leave upon termination under the collective bargaining agreement.

As of December 31, 2003, the liability for vested unused vacation and sick leave is approximately \$365,535. These amounts include payroll related tax liabilities. The General Fund amount has been recorded in the General Long-term Debt Account Group at \$325,808 and the amount expected to be paid from current resources is not significant. The amounts to be paid from the Enterprise Funds are \$39,727 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 \$13,850,000 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, 2003 are:

<u>SEWER REVENUE BOND SERIES</u>	<u>TOTAL</u>	<u>NOT DEFEASED</u>	<u>DEFEASED</u>
1965	55,000		55,000
2001	<u>13,850,000</u>	<u>13,850,000</u>	<u> </u>
	<u>13,905,000</u>	<u>13,850,000</u>	<u>55,000</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, 2003 are approximately \$202,277.

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.

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Township has incurred costs to date of \$539,992. The State Indemnification Fund has reimbursed the Township for \$392,190 of these costs to date. The Township has recorded additional state reimbursements as receivables of \$32,406 as of December 31, 2003, which it has not received to date.

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 renewed the 3 year lease for a server with payments of \$644 per month, which expired in early 2002. The lease expense for 2002 was \$1,073. The Township purchased a file server in 2002 as part of the 2002 General Obligation Note.

During 2002, the Township entered into a five year lease agreement for the use of various telephone equipment and monthly services. The payments are \$1,093 per month, and the lease expense for 2003 was \$13,116. The minimum lease requirements for the next four years are as follows:

<u>YEAR</u>	<u>AMOUNT</u>
2004	13,116
2005	13,116
2006	13,116
2007	<u>5,465</u>
	<u>44,813</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. 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, 2003 were zero.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

15. RESERVATIONS OF FUND EQUITY

Reservations of fund balances as of December 31, 2003 are not appropriable for expenditure, or are legally segregated for specific purposes as follows:

GENERAL FUND	
Medical Benefits - Police	137,891
Compensated Absences - Township Employees	325,808
Pooled Sick Days - Police	51,304
Future Pension Costs - Minimum Municipal Obligations - 2005/2006	<u>300,005</u>
	<u>815,008</u>
PENSION TRUST FUNDS	
Employee Benefits	<u>8,325,126</u>
Total Reserved Fund Balances	<u>9,140,134</u>

Appropriated retained earnings of the Enterprise Funds as of December 31, 2003 consists of the following:

SEWER RESERVE FUND	
Encumbrances for Debt Service	<u>966,910</u>
Total Appropriated Retained Earnings	<u>966,910</u>

As of December 31, 2003 and 2002, the Township has set aside approximately \$1,055,971 and \$704,971, respectively, of general fund assets to fund the future payment of the medical benefits and compensated absences noted above.

16. NEW REPORTING STANDARD

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability, with reports issued in all prior years will be affected. The Township is required to implement this standard for the fiscal year ended December 31, 2004. The Township has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

SUPPLEMENTARY INFORMATION

FAIRVIEW TOWNSHIP
(REQUIRED SUPPLEMENTARY INFORMATION)
SCHEDULES OF FUNDING PROGRESS

POLICE PENSION PLAN

<u>JANUARY 1</u> <u>YEAR</u>	<u>NET ASSETS</u> <u>AVAILABLE</u> <u>FOR BENEFITS</u>	<u>ACTUARIAL</u> <u>ACCRUED</u> <u>LIABILITY</u>	<u>UNFUNDED</u> <u>ACTUARIAL</u> <u>ACCRUED</u> <u>LIABILITY</u>	<u>PERCENTAGE</u> <u>FUNDED</u>	<u>ANNUAL</u> <u>COVERED</u> <u>PAYROLL</u>	<u>UNFUNDED</u> <u>ACTUARIAL ACCRUED</u> <u>LIABILITY AS</u> <u>A PERCENTAGE OF</u> <u>COVERED PAYROLL</u>
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%)
2003	4,893,174	4,017,751	(875,423)	121.8%	600,133	(145.9%)
2004	5,654,303	4,415,299	(1,239,004)	128.1%	854,554	(145.0%)

NON-UNIFORMED PENSION PLAN

<u>JANUARY 1</u> <u>YEAR</u>	<u>NET ASSETS</u> <u>AVAILABLE</u> <u>FOR BENEFITS</u>	<u>ACTUARIAL</u> <u>ACCRUED</u> <u>LIABILITY</u>	<u>UNFUNDED</u> <u>ACTUARIAL</u> <u>ACCRUED</u> <u>LIABILITY</u>	<u>PERCENTAGE</u> <u>FUNDED</u>	<u>ANNUAL</u> <u>COVERED</u> <u>PAYROLL</u>	<u>UNFUNDED</u> <u>ACTUARIAL ACCRUED</u> <u>LIABILITY AS</u> <u>A PERCENTAGE OF</u> <u>COVERED PAYROLL</u>
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%
2003	2,163,506	3,222,779	1,059,273	67.1%	984,785	107.6%
2004	2,664,939	3,738,386	1,073,447	71.3%	1,152,851	93.1%

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
(REQUIRED SUPPLEMENTARY INFORMATION)
SCHEDULES OF EMPLOYER CONTRIBUTIONS

YEAR	NON-UNIFORMED PLAN		POLICE PENSION PLAN	
	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED
2003	147,094	100%	0	100%
2002	91,406	100%+	0	100%
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%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

	NON-UNIFORMED PLAN	POLICE PENSION PLAN
Actuarial Valuation Date	1/1/04	1/1/04
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	14 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	3.0%	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, 2003 AND 2002

	HIGHWAY AID FUND	STREET LIGHT FUND	FIRE SERVICE FUND	FIRE HYDRANT FUND	EMS SERVICE FUND	TOTALS
						2003 2002
ASSETS						
Cash and Cash Equivalents	291,812		151,295	28,510	9,923	336,335
Due From Other Funds	<u>1,866</u>	2,403	<u>566</u>		<u>766</u>	<u>5,601</u>
TOTAL ASSETS	<u>293,678</u>	<u>2,403</u>	<u>151,861</u>	<u>28,510</u>	<u>10,689</u>	<u>336,335</u>
 LIABILITIES AND FUND EQUITY						
Liabilities						
Due to Other Funds	341				4,000	4,000
Accounts Payable	<u>625</u>		<u>566</u>		<u>766</u>	<u>1,957</u>
TOTAL LIABILITIES	<u>966</u>		<u>566</u>		<u>4,766</u>	<u>4,000</u>
Fund Equity						
Fund Balances (Deficit)	<u>292,712</u>	2,403	<u>151,295</u>	<u>28,510</u>	<u>5,923</u>	<u>332,335</u>
TOTAL FUND EQUITY	<u>292,712</u>	<u>2,403</u>	<u>151,295</u>	<u>28,510</u>	<u>5,923</u>	<u>332,335</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>293,678</u>	<u>2,403</u>	<u>151,861</u>	<u>28,510</u>	<u>10,689</u>	<u>336,335</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
 COMBINING BALANCE SHEETS
 ALL CAPITAL PROJECTS FUND TYPES
 DECEMBER 31, 2003 AND 2002

	CAPITAL RESERVE	CAPITAL PROJECTS	TOTAL 2003	TOTAL 2002
ASSETS				
Cash and Cash Equivalents	612,560	421,498	1,034,058	838,721
Accounts Receivable	640		640	640
Due from Other Funds	<u>4,000</u>		<u>4,000</u>	<u>4,000</u>
TOTAL ASSETS	<u>617,200</u>	<u>421,498</u>	<u>1,038,698</u>	<u>843,361</u>
FUND EQUITY				
Unappropriated	<u>617,200</u>	<u>421,498</u>	<u>1,038,698</u>	<u>843,361</u>
TOTAL FUND EQUITY	<u>617,200</u>	<u>421,498</u>	<u>1,038,698</u>	<u>843,361</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
 COMBINING BALANCE SHEETS
 ALL PROPRIETARY FUND TYPES
 DECEMBER 31, 2003 AND 2002

	<u>SEWER RESERVE FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>TOTALS</u>
				<u>2003</u> <u>2002</u>
ASSETS				
Cash and Cash Equivalents	966,910	588,840	254,173	1,809,923
Accounts Receivables		130,140	68,885	76,698
Due from Other Funds	<u>21,900</u>	<u>14,145</u>	<u>40,529</u>	<u>74,900</u>
TOTAL ASSETS	<u>988,810</u>	<u>733,125</u>	<u>363,587</u>	<u>1,844,756</u>
 LIABILITIES AND FUND EQUITY				
Liabilities				
General Obligation Debt		132,094	2,826	200,890
Due to Others				74,900
Accounts Payable	21,900	14,145	40,528	80,478
Compensated Absences		<u>30,107</u>	<u>9,620</u>	<u>25,569</u>
TOTAL LIABILITIES	<u>21,900</u>	<u>176,346</u>	<u>52,974</u>	<u>381,837</u>
 Fund Equity				
Appropriated	966,910			648,909
Unappropriated		<u>556,779</u>	<u>310,613</u>	<u>814,010</u>
TOTAL FUND EQUITY	<u>966,910</u>	<u>556,779</u>	<u>310,613</u>	<u>1,462,919</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>988,810</u>	<u>733,125</u>	<u>363,587</u>	<u>1,844,756</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
 COMBINING STATEMENTS OF PLAN NET ASSETS
 ALL FIDUCIARY FUND TYPES
 DECEMBER 31, 2003 AND 2002

	NON-UNIFORMED PENSION FUND	POLICE PENSION FUND	TOTALS
ASSETS	2003	2002	2003
Cash and Cash Equivalents	15,455	12,989	28,444
Investments	<u>2,656,070</u>	<u>5,640,612</u>	<u>8,296,682</u>
TOTAL ASSETS	<u>2,671,525</u>	<u>5,653,601</u>	<u>8,325,126</u>
NET ASSETS			
Fund Balances Reserved for Employees' Pension Benefits (A Schedule of Funding Progress for Each Plan is Presented on Page 27)	<u>2,671,525</u>	<u>5,653,601</u>	<u>8,325,126</u>
TOTAL NET ASSETS	<u>2,671,525</u>	<u>5,653,601</u>	<u>8,325,126</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, 2003 AND 2002

	HIGHWAY AID FUND	STREET LIGHT FUND	FIRE SERVICE FUND	FIRE HYDRANT FUND	EMS SERVICE FUND	TOTALS
						2003 2002
REVENUES						
Taxes		30,224	119,862	45,499	119,862	315,447 335,295
Interest and Rents	3,229	93	1,338	394	390	5,444 7,319
Intergovernmental Revenue	313,666					313,666 305,102
Miscellaneous Revenue			731			731 3,414
TOTAL REVENUES	<u>316,895</u>	<u>30,317</u>	<u>121,931</u>	<u>45,893</u>	<u>120,252</u>	<u>635,288</u> <u>651,130</u>
EXPENDITURES						
Public Safety			26,166	37,324	114,509	177,999 168,788
Highways, Roads and Streets	212,828	30,546			16,110	243,374 223,896
Debt Service			49,297			65,407 155,104
TOTAL EXPENDITURES	<u>212,828</u>	<u>30,546</u>	<u>75,463</u>	<u>37,324</u>	<u>130,619</u>	<u>486,780</u> <u>547,788</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>104,067</u>	<u>(229)</u>	<u>46,468</u>	<u>8,569</u>	<u>(10,367)</u>	<u>148,508</u> <u>103,342</u>
FUND EQUITY, BEGINNING OF YEAR	<u>188,645</u>	<u>2,632</u>	<u>104,827</u>	<u>19,941</u>	<u>16,290</u>	<u>332,335</u> <u>228,993</u>
FUND EQUITY, END OF YEAR	<u>292,712</u>	<u>2,403</u>	<u>151,295</u>	<u>28,510</u>	<u>5,923</u>	<u>480,843</u> <u>332,335</u>

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, 2003 AND 2002

	<u>CAPITAL RESERVE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL 2003</u>	<u>TOTAL 2002</u>
REVENUES				
Licenses, Permits and Fees	7,071	140,561	140,561	124,229
Interest		<u>3,259</u>	<u>10,330</u>	<u>17,729</u>
TOTAL REVENUES	<u>7,071</u>	<u>143,820</u>	<u>150,891</u>	<u>141,958</u>
EXPENDITURES				
General Government		704	704	26,816
Public Safety				26,235
Public Works				72,111
Sanitation	42,889		42,889	<u>315,396</u>
Highways, Roads and Streets				440,558
TOTAL EXPENDITURES	<u>42,889</u>	<u>704</u>	<u>43,593</u>	<u>440,558</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(35,818)	143,116	107,298	(298,600)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In (Out)	88,039		88,039	500,000
Proceeds from Issuance of Bonds				<u>(7,350)</u>
Bond Issuance Costs				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	52,221	143,116	195,337	194,050
FUND EQUITY, BEGINNING OF YEAR	<u>564,979</u>	<u>278,382</u>	<u>843,361</u>	<u>649,311</u>
FUND EQUITY, END OF YEAR	<u>617,200</u>	<u>421,498</u>	<u>1,038,698</u>	<u>843,361</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, 2003 AND 2002

	SEWER RESERVE FUND	SEWER FUND	REFUSE FUND	TOTALS 2003	2002
OPERATING REVENUES					
Collection Fees		2,476,051	851,298	3,327,349	3,320,495
Sewer Permits		439,740		439,740	460,470
Intergovernmental Revenue			45,317	45,317	181,390
Miscellaneous	<u>72,088</u>	<u>77,784</u>	<u>26,468</u>	<u>176,340</u>	<u>165,489</u>
TOTAL OPERATING REVENUES	<u>72,088</u>	<u>2,993,575</u>	<u>923,083</u>	<u>3,988,746</u>	<u>4,127,844</u>
OPERATING EXPENSES					
Personnel		495,540	94,712	590,252	514,937
Collection, Disposal and Treatment	3,015	1,057,556	768,981	1,829,552	1,905,822
Lease Rentals		<u>1,205,948</u>		<u>1,205,948</u>	<u>1,182,892</u>
TOTAL OPERATING EXPENSES	<u>3,015</u>	<u>2,759,044</u>	<u>863,693</u>	<u>3,625,752</u>	<u>3,603,651</u>
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER EXPENSES	<u>69,073</u>	<u>234,531</u>	<u>59,390</u>	<u>362,994</u>	<u>524,193</u>
NON-OPERATING REVENUES (EXPENSES)					
Earnings on Temporary Deposits and Investments	8,035	12,680	4,427	25,142	34,828
Interest Paid		<u>(7,235)</u>	<u>(168)</u>	<u>(7,403)</u>	<u>(6,107)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>8,035</u>	<u>5,445</u>	<u>4,259</u>	<u>17,739</u>	<u>28,721</u>
OTHER FINANCING SOURCES (USES)					
Transfers to Authority		(9,350)		(9,350)	(13,010)
Interfund Transfers	<u>253,695</u>	<u>(253,695)</u>			
TOTAL OTHER FINANCING SOURCES (USES)	<u>253,695</u>	<u>(263,045)</u>		<u>(9,350)</u>	<u>(13,010)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENSES AND OTHER USES	<u>330,803</u>	<u>(23,069)</u>	<u>63,649</u>	<u>371,383</u>	<u>539,904</u>
FUND EQUITY, BEGINNING OF YEAR	<u>636,107</u>	<u>579,848</u>	<u>246,964</u>	<u>1,462,919</u>	<u>923,015</u>
FUND EQUITY, END OF YEAR	<u>966,910</u>	<u>556,779</u>	<u>310,613</u>	<u>1,834,302</u>	<u>1,462,919</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
 COMBINING STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>SEWER RESERVE FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>TOTALS</u>
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (Deficiency) of Operating Revenues Over Expenses	69,073	234,531	59,390	362,994
Adjustments to Reconcile Excess (Deficiency) of Operating Revenues Over Expenses to Net Cash Provided by Operating Activities	53,000	(69,885) (14,145)	(52,442) (40,529)	(122,327) (1,674)
Payments to Authority and Other Funds (Increase) Decrease in Assets	2,400	(32,102) 12,176 (74,900)	25,797 1,982	(3,905) 14,158 (74,900)
Accounts Receivable				
Due from Other Funds				
Increase (Decrease) in Liabilities				
Accounts Payable				
Other Liabilities				
Due to Other Funds				
Total Adjustments	<u>55,400</u>	<u>1,027,092</u>	<u>(65,192)</u>	<u>1,017,300</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>124,473</u>	<u>1,261,623</u>	<u>(5,802)</u>	<u>1,380,294</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Payments to/from Authority and Other Funds	<u>253,695</u>	<u>(1,468,993)</u>		<u>(1,215,298)</u>
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	<u>253,695</u>	<u>(1,468,993)</u>		<u>(1,215,298)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Paid on Bonds		(63,236)	(2,734)	(65,970)
Interest Paid on Bonds		(7,235)	(168)	(7,403)
Proceeds of Long Term Debt				136,650
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		<u>(70,471)</u>	<u>(2,902)</u>	<u>(73,373)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	<u>8,035</u>	<u>12,680</u>	<u>4,427</u>	<u>25,142</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>8,035</u>	<u>12,680</u>	<u>4,427</u>	<u>25,142</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	386,203	(265,161)	(4,277)	116,765
CASH AND CASH EQUIVALENTS, BEGINNING	<u>580,707</u>	<u>854,001</u>	<u>258,450</u>	<u>1,693,158</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>966,910</u>	<u>588,840</u>	<u>254,173</u>	<u>1,809,923</u>

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