

FINANCIAL STATEMENTS
FAIRVIEW TOWNSHIP
NEW CUMBERLAND, PENNSYLVANIA
FOR THE YEAR ENDED DECEMBER 31, 2004

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Fairview Township
New Cumberland, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fairview Township of New Cumberland, Pennsylvania as of and for the year ended December 31, 2004, as listed in the foregoing Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fairview Township as of December 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2004.

The management's discussion and analysis on pages 3 through 6, schedules of historical pension information on pages 44 through 45, and budgetary comparison information on pages 46 through 49, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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, 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

February 2, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Township of Fairview, York County (the "township") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Township's financial activity, (c) identify changes in the Township's financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns.

Since the Management's Discussions and Analysis (MD & A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Township's financial statements (beginning on page 7).

HIGHLIGHTS

Financial Highlights

- ◆ The Township's Net Assets are valued at \$27,377,549 primarily as a result of completing and capitalizing \$277,304 in capital improvement projects and purchasing much needed capital equipment of \$61,678. Net Assets increased by \$762,066 in 2004.
- ◆ The total cost of all the Township's programs was \$8,987,882.
- ◆ During the year, the Township had expenses of \$5,491,609 for governmental activities, which was \$17,582 less than the \$5,509,191 generated in taxes and program revenues.
- ◆ The Township refuse and sewer activities increased net assets by \$744,484 from operations.
- ◆ The Township completed \$277,304 in road reconstruction, repaving, building and stormwater improvements.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 7 and 8) provide information about the activities of the Township on a government-wide basis and present a longer-term view of the Township's finances. Fund financial statements begin on page 9. For governmental activities and proprietary activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Our analysis of the Township as a whole begins on page 7. One of the most important questions asked about the Township's finances is, "Is the Township, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used in most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

These two statements report the Township's net assets and changes in net assets. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's assets is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's property tax base or the condition of the Township's infrastructure, to assess the overall health of the Township.

In accordance with GASB Statement No. 34, the Township is not required to restate the prior periods for the purpose of providing comparative information. However, in future years, when prior year information is available, a comprehensive analysis of government-wide information will be presented.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects the condensed Statement of Net Assets:

STATEMENT OF NET ASSETS

ASSETS	
Current Assets	\$ 7,569,920
Noncurrent Assets	<u>34,349,881</u>
TOTAL ASSETS	<u>41,919,801</u>
LIABILITIES	
Current Liabilities	1,448,465
Noncurrent Liabilities	<u>13,093,787</u>
TOTAL LIABILITIES	<u>14,542,252</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	19,640,954
Restricted	3,195,785
Unrestricted	<u>4,540,810</u>
TOTAL NET ASSETS	<u>27,377,549</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$41,919,801</u>

For more detailed information see the Statement of Net Assets on page 7.

STATEMENT OF ACTIVITIES

REVENUES	
Program Revenues	
Charges for Services	\$ 4,914,377
Operating Grants and Contributions	649,553
General Revenues	
Taxes	3,796,583
Cable TV Franchise Fees	152,536
Investment Earnings	128,887
Miscellaneous	<u>108,012</u>
TOTAL REVENUES	<u>9,749,948</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

STATEMENT OF ACTIVITIES
(CONTINUED)

EXPENSES	
General Government	728,991
Public Safety	2,188,902
Health and Welfare	52,232
Highways	2,408,405
Culture and Recreation	109,720
Interest	3,359
Sewer	2,513,513
Refuse	915,379
Township Authority	<u>67,381</u>
TOTAL EXPENSES	<u>8,987,882</u>
CHANGE IN NET ASSETS	762,066
NET ASSETS, BEGINNING	<u>26,615,483</u>
NET ASSETS, ENDING	<u>\$27,377,549</u>

For more detailed information see the Statement of Activities on page 8.

The Township's combined net assets increased to \$27,377,549 from \$26,615,483 as a result of the increase in net assets of the Governmental Activities of \$17,582. Net Assets of the business-type activities increased by \$744,484. The Township's unrestricted net assets for governmental activities, the part of net assets that can be used to finance day-to-day operations, were \$1,913,174.

THE TOWNSHIP'S FUNDS

Governmental Funds

As of year end, the governmental funds (as presented on page 9) reported a combined fund balance of \$3,973,092, which is an increase of \$1,036,474 over the beginning of the year. The general fund experienced a net increase of \$745,778 resulting from increases in taxes and service fees which are tied directly to growth in that area.

Proprietary Funds

The Township's proprietary funds provide the same type of information found in government-wide financial statements, but in more detail. As discussed in the business-type activities, the Township's net assets increased by \$744,484 as a result of operations in the proprietary funds.

General Fund Budgetary Highlights

Over the course of the year, the Township monitors the Township budget. No budget amendments were required. During the year, revenues exceeded budgetary estimates by \$1,046,731 and expenditures exceeded budgetary estimates by \$265,186, thus eliminating the need to draw upon existing fund balance.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The investment in capital assets for its governmental and business-type activities as of December 31, 2004, amounts to \$58,463,757, net of accumulated depreciation of \$25,455,018, leaving a net book value of \$33,008,739. This investment in capital assets includes land, buildings, improvements, equipment, and infrastructure. Infrastructure assets are items that are normally immovable and of value only to the Township, such as roads, bridges, streets, drainage systems, lighting systems, and similar items.

The total decrease in the Township's investment in capital assets for the current fiscal year was about \$1,630,025. Actual expenditures to purchase or construct capital assets were \$338,987 for the year. Most of this amount was used to construct or reconstruct roads. Depreciation charges for the year totaled \$1,969,007. Additional information on the Township's capital assets can be found in Note 16 of the notes to the financial statements of this report.

Debt Administration

General obligation bonds and sewer revenue bonds are backed by the full faith, credit, and taxing power of the Township, including the Township's power to levy additional taxes to ensure repayment of the debt. The Township's general obligation debt decreased by \$187,434 and the sewer revenue debt by \$633,537 during 2004. No obligations were issued during 2004.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Township's elected and appointed officials considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for the business-type enterprises. One of those factors is the economy.

Fairview Township's local economy consists largely of retail and residential areas, some farming and commercial. Less than 10% is devoted to industrial activities. Construction of new homes is the largest single business in the Township. This indicated that the business growth in the area has improved as evidenced by the construction of several new commercial establishments in the area. Continued stability and increase of annual residential building permits issued provide a trend for steady economic development in the area.

In addition, the Township population increased 14% from 13,258 in 1990 to 15,070 in 2003. This growth is indicative of the steady growth in residential building permits.

These indicators were taken into account when adopting the General Fund budget for the fiscal year 2005. Amounts available for appropriation in the General Fund budget are \$3,945,650, an increase of 8.7% over the final fiscal year 2004 budget of \$3,629,701. Property taxes benefited from an increase in assessed valuations by 5.0%. The Township will use these increases in revenue to finance programs we currently offer and the effect that we expect inflation to have on program costs. Budgeted expenditures, not including transfers out, are expected to rise to \$4,185,163 from \$3,650,468 in fiscal year 2004. Increased wage and benefits based on agreements reached with the police and general employees are the largest increments.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

If these estimates are realized, the Township's budgetary fund balance is expected to decrease moderately by the close of fiscal year 2005.

EMST

The Township eliminated the Occupational Privilege Tax and replaced it with the Emergency Municipal Service Tax. The board added this to the 2005 budget and earmarked its use to pay for construction of a new fire station. It is anticipated that this will allow the Township to construct this facility and eliminate any debt associated within a 10 year period.

Post Retirement Medical Costs

The Township continued to reserve funds for future post retirement medical costs. The costs are being anticipated in conjunction with policies established as a result of negotiations with employees.

2005 Capital Expenditures

The Board budgeted \$700,000 in Capital Expenditures for the period of 2005 to 2007. In the past, these purchases were made using borrowed monies. The purchases will be self funded through the Capital Projects Fund. Each department will repay the capital projects fund over a period of time, 3 - 7 years depending on the type of asset.

The Township includes a component part of the debt of the Sewer Authority. This debt is self liquidating. The debt balance at December 31, 2004, was \$13,285,000. The Township, who is charged with operating the sewer plant and making the debt payments, is monitoring the capacity of the plant's system to assure that future debt payments can be made. The Township is studying, as part of the 2005 budget, approved connections to the southern basin. As a result, no new development connections are being approved. Current "approvals" for connection are at a level as such that any additional "approvals" might require the addition of increased debt.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances, and to show the Township's accountability for the monies it receives. If you have any questions about this report, or need additional information, contact Fairview Township at 599 Lewisberry Road, New Cumberland, PA 17070.

FAIRVIEW TOWNSHIP
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4,350,523	2,634,551	6,985,074
Taxes Receivable	222,606		222,606
Other Receivables	92,766	234,171	326,937
Interest Receivable		<u>35,303</u>	<u>35,303</u>
TOTAL CURRENT ASSETS	<u>4,665,895</u>	<u>2,904,025</u>	<u>7,569,920</u>
NONCURRENT ASSETS			
Restricted Cash and Investments		1,341,142	1,341,142
Capital Assets - Depreciable, Net	<u>21,149,134</u>	<u>11,859,605</u>	<u>33,008,739</u>
TOTAL NONCURRENT ASSETS	<u>21,149,134</u>	<u>13,200,747</u>	<u>34,349,881</u>
TOTAL ASSETS	<u>25,815,029</u>	<u>16,104,772</u>	<u>41,919,801</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	146,290	92,097	238,387
Accrued Interest Payable		102,526	102,526
Escrows Payable	465,102		465,102
Current Portion of Long Term Debt	<u>6,065</u>	<u>636,385</u>	<u>642,450</u>
TOTAL CURRENT LIABILITIES	<u>617,457</u>	<u>831,008</u>	<u>1,448,465</u>
NONCURRENT LIABILITIES			
Bonds Payable		12,714,998	12,714,998
Leases Payable	10,337		10,337
Compensated Absences	<u>331,092</u>	<u>37,360</u>	<u>368,452</u>
TOTAL NONCURRENT LIABILITIES	<u>341,429</u>	<u>12,752,358</u>	<u>13,093,787</u>
TOTAL LIABILITIES	<u>958,886</u>	<u>13,583,366</u>	<u>14,542,252</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	21,132,732	(1,491,778)	19,640,954
Restricted for:			
Capital Projects	1,219,472		1,219,472
Fire Hydrant	42,402		42,402
Highway Aid	303,923		303,923
Street Lights	(9,715)		(9,715)
Debt Service		1,385,548	1,385,548
Fire Services	248,049		248,049
EMS Services	6,106		6,106
Unrestricted	<u>1,913,174</u>	<u>2,627,636</u>	<u>4,540,810</u>
TOTAL NET ASSETS	<u>24,856,143</u>	<u>2,521,406</u>	<u>27,377,549</u>
TOTAL LIABILITIES AND NET ASSETS	<u>25,815,029</u>	<u>16,104,772</u>	<u>41,919,801</u>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS		
					GOVERN- MENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT							
Government Activities							
General Government	728,991	220,331	16,211		(492,449)		(492,449)
Public Safety	2,188,902	518,177	127,263		(1,543,462)		(1,543,462)
Health and Welfare	52,232		52,655		423		423
Highways	2,408,405		413,031		(1,995,374)		(1,995,374)
Culture and Recreation	109,720		40,393		(69,327)		(69,327)
Unallocated Interest Expense	<u>3,359</u>				<u>(3,359)</u>		<u>(3,359)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>5,491,609</u>	<u>738,508</u>	<u>649,553</u>		<u>(4,103,548)</u>		<u>(4,103,548)</u>
Business-Type Activities							
Sewer	2,513,513	3,242,295				728,782	728,782
Refuse	915,379	907,535				(7,844)	(7,844)
Fairview Township Authority	<u>67,381</u>	<u>26,039</u>				<u>(41,342)</u>	<u>(41,342)</u>
Total Business-Type Activities	<u>3,496,273</u>	<u>4,175,869</u>				<u>679,596</u>	<u>679,596</u>
TOTAL PRIMARY GOVERNMENT	<u>8,987,882</u>	<u>4,914,377</u>	<u>649,553</u>		<u>(4,103,548)</u>	<u>679,596</u>	<u>(3,423,952)</u>
GENERAL REVENUES							
Taxes							
Real Estate			1,106,516				1,106,516
Real Estate Transfer			386,992				386,992
Earned Income			2,171,231				2,171,231
Per Capita Taxes			56,720				56,720
Occupational Privilege			70,794				70,794
Public Utility			4,330				4,330
Cable TV Franchise Fees			152,536				152,536
Investment Earnings			63,999			64,888	128,887
Miscellaneous			<u>108,012</u>				<u>108,012</u>
TOTAL GENERAL REVENUES			<u>4,121,130</u>		<u>64,888</u>		<u>4,186,018</u>
CHANGE IN NET ASSETS			<u>17,582</u>		<u>744,484</u>		<u>762,066</u>
NET ASSETS, BEGINNING			<u>24,838,561</u>		<u>1,776,922</u>		<u>26,615,483</u>
NET ASSETS, ENDING			<u>24,856,143</u>		<u>2,521,406</u>		<u>27,377,549</u>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	GENERAL	HIGHWAY AID FUND	CAPITAL RESERVE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and Cash Equivalents	2,530,046	307,843	632,661	579,811	300,162	4,350,523
Taxes Receivable	186,430					186,430
Accounts Receivable	92,766		7,000			92,766
Due from Other Funds						7,000
TOTAL ASSETS	<u>2,809,242</u>	<u>307,843</u>	<u>639,661</u>	<u>579,811</u>	<u>300,162</u>	<u>4,636,719</u>
LIABILITIES						
Accounts Payable	136,050	3,920			6,320	146,290
Deferred Revenues	45,235					45,235
Due to Other Funds					7,000	7,000
Escrow Deposits	465,102					465,102
TOTAL LIABILITIES	<u>646,387</u>	<u>3,920</u>			<u>13,320</u>	<u>663,627</u>
FUND BALANCES						
Fund Balances Reserved	1,675,891					1,675,891
Unreserved	486,964	303,923	639,661	579,811	286,842	2,297,201
TOTAL FUND BALANCES	<u>2,162,855</u>	<u>303,923</u>	<u>639,661</u>	<u>579,811</u>	<u>286,842</u>	<u>3,973,092</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>2,809,242</u>	<u>307,843</u>	<u>639,661</u>	<u>579,811</u>	<u>300,162</u>	<u>4,636,719</u>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004

Total Governmental Fund Balances	3,973,092
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and therefore Are Not Reported in the Funds	21,149,134
Other Long Term Assets Are Not Available to Pay for Current-Period Expenditures and therefore Are Deferred in the Funds - Tax Revenues	81,411
Long Term Liabilities, including Bonds Payable, Are Not Due and Payable in the Current Period and therefore Are Not Reported in the Funds	
Compensated Absences	(331,092)
Long Term Debt	<u>(16,402)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>24,856,143</u>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	GENERAL	HIGHWAY AID FUND	CAPITAL RESERVE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Taxes	3,459,442				330,433	3,789,875
Licenses, Permits and Fees	2,650			152,536		155,186
Fines and Penalties	111,281					111,281
Interest and Rents	38,791				4,533	63,999
Intergovernmental Revenue	267,111	4,545	8,101	8,029		588,407
Service Fees	542,703	321,296				542,703
Miscellaneous Revenue	254,454				908	255,362
TOTAL REVENUES	<u>4,676,432</u>	<u>325,841</u>	<u>8,101</u>	<u>160,565</u>	<u>335,874</u>	<u>5,506,813</u>
EXPENDITURES						
General Government	695,714					695,714
Public Safety	1,964,081		640	2,252	194,272	2,161,245
Health and Welfare	52,232					52,232
Highways	1,105,628	314,630			42,891	1,463,149
Culture, Recreation	91,156					91,156
Debt Service	6,843					6,843
TOTAL EXPENDITURES	<u>3,915,654</u>	<u>314,630</u>	<u>640</u>	<u>2,252</u>	<u>237,163</u>	<u>4,470,339</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>760,778</u>	<u>11,211</u>	<u>7,461</u>	<u>158,313</u>	<u>98,711</u>	<u>1,036,474</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from Issuance of Bonds						15,000
Interfund Transfers						(15,000)
Received	(15,000)					
Expended	(15,000)					
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,000)</u>		<u>15,000</u>			<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>745,778</u>	<u>11,211</u>	<u>22,461</u>	<u>158,313</u>	<u>98,711</u>	<u>1,036,474</u>
FUND BALANCES, BEGINNING OF YEAR	<u>1,417,077</u>	<u>292,712</u>	<u>617,200</u>	<u>421,498</u>	<u>188,131</u>	<u>2,936,618</u>
FUND BALANCES, END OF YEAR	<u>2,162,855</u>	<u>303,923</u>	<u>639,661</u>	<u>579,811</u>	<u>286,842</u>	<u>3,973,092</u>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2004

Net Change in Fund Balances - Total Government Funds	1,036,474
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because:	
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of Those Assets Is Allocated over Their Estimated Useful Lives and Reported as Depreciation Expense	
Add - Capital Outlays	338,983
Deduct - Depreciation Expense	(1,473,866)
Revenues in the Statement of Activities That Do Not Provide Current Financial Resources Are Not Reported as Revenues in the Funds - Tax Revenues	
	2,378
Repayment of Bond Principal is an Expenditure in the Governmental Funds, but the Repayment Reduces Long Term Liabilities in the Statement of Net Assets	
	118,897
Some Expenses Reported in the Statement of Activities Do Not Require the Use of Current Financial Resources and Therefore Are Not Reported as Expenditures in the Funds	
Accrued Compensated Absences	<u>(5,284)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>17,582</u></u>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004

ASSETS	SEWER RESERVE FUND	SEWER FUND	REFUSE FUND	FAIRVIEW TOWNSHIP AUTHORITY	ELIMINATES	TOTALS
CURRENT ASSETS						
Cash and Cash Equivalents	1,413,748	905,292	314,050	1,461		2,634,551
Accounts Receivable		213,598	20,573			234,171
Interest Receivable				35,303		35,303
Current Portion - Lease Rental Receivable				<u>615,000</u>	<u>(615,000)</u>	
TOTAL CURRENT ASSETS	<u>1,413,748</u>	<u>1,118,890</u>	<u>334,623</u>	<u>651,764</u>	<u>(615,000)</u>	<u>2,904,025</u>
NONCURRENT ASSETS						
Restricted Cash and Investments				1,341,142		1,341,142
Lease Rental Receivable				12,670,000	(12,670,000)	
Capital Assets - Depreciable, Net		<u>11,807,270</u>	<u>52,335</u>			<u>11,859,605</u>
TOTAL NONCURRENT ASSETS		<u>11,807,270</u>	<u>52,335</u>	<u>14,011,142</u>	<u>(12,670,000)</u>	<u>13,200,747</u>
TOTAL ASSETS	<u>1,413,748</u>	<u>12,926,160</u>	<u>386,958</u>	<u>14,662,906</u>	<u>(13,285,000)</u>	<u>16,104,772</u>
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	28,200	52,705	11,192			92,097
Interest Payable				102,526		102,526
Current Portion of Long-Term Debt				<u>615,000</u>	<u>(615,000)</u>	<u>636,385</u>
TOTAL CURRENT LIABILITIES	<u>28,200</u>	<u>689,090</u>	<u>11,192</u>	<u>717,526</u>	<u>(615,000)</u>	<u>831,008</u>
NONCURRENT LIABILITIES						
Bonds and Notes Payable		44,998				44,998
Lease Rental Debt Payable		12,670,000		12,670,000	(12,670,000)	12,714,998
Compensated Absences		<u>29,913</u>	<u>7,447</u>			<u>37,360</u>
TOTAL NONCURRENT LIABILITIES		<u>12,744,911</u>	<u>7,447</u>	<u>12,670,000</u>	<u>(12,670,000)</u>	<u>12,752,358</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS (CONTINUED)
 DECEMBER 31, 2004

	<u>SEWER RESERVE FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>FAIRVIEW TOWNSHIP AUTHORITY</u>	<u>ELIMINATES</u>	<u>TOTALS</u>
NET ASSETS						
Reserved Bond Retirement	1,385,548		368,319	1,275,380		1,385,548
Unreserved		<u>(507,841)</u>				<u>1,135,858</u>
TOTAL NET ASSETS	<u>1,385,548</u>	<u>(507,841)</u>	<u>368,319</u>	<u>1,275,380</u>		<u>2,521,406</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1,413,748</u>	<u>12,926,160</u>	<u>386,958</u>	<u>14,662,906</u>	<u>(13,285,000)</u>	<u>16,104,772</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>SEWER RESERVE FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>FAIRVIEW TOWNSHIP AUTHORITY</u>	<u>ELIMINATES</u>	<u>TOTALS</u>
OPERATING REVENUES						
Charges for Services		2,608,291	907,253			3,515,544
Sewer Permits		552,560				552,560
Miscellaneous		81,444	282	26,039		107,765
TOTAL OPERATING REVENUES		<u>3,242,295</u>	<u>907,535</u>	<u>26,039</u>	<u>0</u>	<u>4,175,869</u>
OPERATING EXPENSES						
Personnel		478,280	97,869			576,149
Collection, Disposal and Treatment Authority Expenses		905,436	808,983	70,658		1,714,419
Depreciation		486,690	8,451			70,658
TOTAL OPERATING EXPENSES		<u>1,870,406</u>	<u>915,303</u>	<u>70,658</u>	<u>0</u>	<u>2,856,367</u>
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER EXPENSES		<u>1,371,889</u>	<u>(7,768)</u>	<u>(44,619)</u>	<u>0</u>	<u>1,319,502</u>
NON-OPERATING REVENUES (EXPENSES)						
Lease Rentals				638,348	(638,348)	
Earnings on Temporary Deposits and Investments	17,095	29,684	4,764	13,345		64,888
Interest Paid		(643,107)	(76)	(635,071)	638,348	(639,906)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>17,095</u>	<u>(613,423)</u>	<u>4,688</u>	<u>16,622</u>	<u>0</u>	<u>(575,018)</u>
OTHER FINANCING SOURCES (USES)						
Transfers to (from) Authority Interfund Transfers	35,913	(7,000)		(28,913)		
	<u>365,630</u>	<u>(365,630)</u>				
TOTAL OTHER FINANCING SOURCES (USES)	<u>401,543</u>	<u>(372,630)</u>		<u>(28,913)</u>	<u>0</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENSES AND OTHER USES	<u>418,638</u>	<u>385,836</u>	<u>(3,080)</u>	<u>(56,910)</u>	<u>0</u>	<u>744,484</u>
NET ASSETS, BEGINNING OF YEAR	<u>966,910</u>	<u>(893,677)</u>	<u>371,399</u>	<u>1,332,290</u>	<u>0</u>	<u>1,776,922</u>
NET ASSETS, END OF YEAR	<u>1,385,548</u>	<u>(507,841)</u>	<u>368,319</u>	<u>1,275,380</u>	<u>0</u>	<u>2,521,406</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	SEWER RESERVE FUND	SEWER FUND	REFUSE FUND	FAIRVIEW TOWNSHIP AUTHORITY	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users		3,182,977	955,565		4,138,542
Payments to Suppliers		(852,731)	(797,790)		(1,650,521)
Payments to Employees		(478,474)	(100,042)		(578,516)
Other Operating Revenue	28,200	81,444	282	26,039	135,965
Other Operating Payments				(70,658)	(70,658)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>28,200</u>	<u>1,933,216</u>	<u>58,015</u>	<u>(44,619)</u>	<u>1,974,812</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Payments to/from Authority and Other Funds	<u>401,543</u>	<u>(1,575,978)</u>		<u>1,174,435</u>	<u>0</u>
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>401,543</u>	<u>(1,575,978)</u>		<u>1,174,435</u>	<u>0</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal Paid on Bonds		(65,711)	(2,826)	(565,000)	(633,537)
Interest Paid on Bonds		(4,759)	(76)	(638,348)	(643,183)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		<u>(70,470)</u>	<u>(2,902)</u>	<u>(1,203,348)</u>	<u>(1,276,720)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income	<u>17,095</u>	<u>29,684</u>	<u>4,764</u>	<u>13,345</u>	<u>64,888</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>17,095</u>	<u>29,684</u>	<u>4,764</u>	<u>13,345</u>	<u>64,888</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	446,838	316,452	59,877	(60,187)	762,980
CASH AND CASH EQUIVALENTS, BEGINNING	<u>966,910</u>	<u>588,840</u>	<u>254,173</u>	<u>1,402,790</u>	<u>3,212,713</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>1,413,748</u>	<u>905,292</u>	<u>314,050</u>	<u>1,342,603</u>	<u>3,975,693</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>TOTALS</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income	<u>1,319,502</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	495,141
(Increase) Decrease in Assets	
Accounts Receivable	(35,146)
Increase (Decrease) in Liabilities	
Accounts Payable	92,097
Other Liabilities	<u>103,218</u>
Total Adjustments	<u>655,310</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>1,974,812</u></u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2004 AND 2003

ASSETS	<u>NON-UNIFORMED PENSION FUND</u>	<u>POLICE PENSION FUND</u>	<u>TOTALS</u>	
			2004	2003
Cash and Cash Equivalents	12,630	15,097	27,727	28,444
Investments	<u>3,068,759</u>	<u>6,003,139</u>	<u>9,071,898</u>	<u>8,296,682</u>
TOTAL ASSETS	<u>3,081,389</u>	<u>6,018,236</u>	<u>9,099,625</u>	<u>8,325,126</u>
NET ASSETS				
Net Assets Held in Trust for Pension Benefits	<u>3,081,389</u>	<u>6,018,236</u>	<u>9,099,625</u>	<u>8,325,126</u>
TOTAL NET ASSETS	<u>3,081,389</u>	<u>6,018,236</u>	<u>9,099,625</u>	<u>8,325,126</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>NON-UNIFORMED PENSION FUND</u>	<u>POLICE PENSION FUND</u>	<u>TOTALS</u>
	<u>2004</u>	<u>2004</u>	<u>2003</u>
ADDITIONS			
Contributions			
State Aid	160,125		146,611
Employer			483
Employee	<u>21,938</u>		<u>23,652</u>
Total Contributions	<u>182,063</u>		<u>170,746</u>
Investment Income			
Net Appreciation (Depreciation) in Fair			
Value of Investments	113,416	566,836	1,072,963
Interest and Dividends	<u>186,380</u>	<u>79</u>	<u>264,392</u>
Less: Investment Expense	<u>299,796</u>	<u>566,915</u>	<u>1,337,355</u>
Net Investment Income	<u>7,180</u>	<u>37,433</u>	<u>50,648</u>
Net Investment Income	<u>292,616</u>	<u>529,482</u>	<u>1,286,707</u>
TOTAL ADDITIONS	<u>474,679</u>	<u>529,482</u>	<u>1,457,453</u>
DEDUCTIONS			
Benefit Payments	56,488	157,718	190,327
Administrative Expenses	<u>8,327</u>	<u>7,129</u>	<u>5,122</u>
TOTAL DEDUCTIONS	<u>64,815</u>	<u>164,847</u>	<u>195,449</u>
NET INCREASE	409,864	364,635	1,262,004
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	<u>2,671,525</u>	<u>5,653,601</u>	<u>7,063,122</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	<u>3,081,389</u>	<u>6,018,236</u>	<u>8,325,126</u>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Fairview Township have been prepared in conformity with U.S. generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the year ended December 31, 2004, the Township implemented the new financial reporting requirements of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented. The significant accounting policies of Fairview Township are described below.

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). 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.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS - The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

FUND FINANCIAL STATEMENTS - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

The following paragraphs describe the fund accounting structure of the Township:

GOVERNMENTAL FUND TYPES - Governmental funds are those through which most governmental functions of the Township are financed.

Following are descriptions of the Township's governmental fund types:

GENERAL FUND - The principal fund of the Township which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the Township are financed through revenues of the General Fund.

SPECIAL REVENUE FUNDS - Accounts for the proceeds of specific revenue sources (other than capital projects) that are legally restricted for specified purposes.

CAPITAL PROJECTS - Accounts for restricted financial resources to be used for the acquisition or construction of major capital facilities.

FIDUCIARY FUND TYPES - TRUST FUNDS - Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent. Trust funds of Fairview Township include pension trust funds and are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

MAJOR AND NONMAJOR FUNDS

The funds are further classified as major or nonmajor as follows:

MAJOR FUNDS

GENERAL - The principal fund of the Township which accounts for all financial transactions not accounted for in other funds.

SPECIAL REVENUE FUNDS:

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.

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.

NONMAJOR FUNDS

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.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

MAJOR AND NONMAJOR FUNDS (CONTINUED)

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.

MAJOR FUNDS

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 sewer connections.

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.

AUTHORITY - BASIS OF PRESENTATION - The Authority's policy is to prepare its component unit financial statements on the 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 accrual basis of accounting had been utilized, as

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AUTHORITY - BASIS OF PRESENTATION (CONTINUED)

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.

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 ACCOUNTING - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statements of net assets and statements of activities and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets.

The statement of net assets, statement of activities, and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting exchange, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, and Capital Projects funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. The material modifications of the modified accrual method from the accrual method are as follows:

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING (CONTINUED)

- 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. Available means collectible within the current period or within sixty days after year end.

Real estate transfer taxes, licenses, 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 taxes which are uncollected or delinquent are recorded as receivables, net of the allowance for doubtful accounts. Current levies of taxes which are not available to finance current expenditures are recorded as deferred revenues. Taxpayer assessed revenues are recognized when they become 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 and sick pay amounts which are expected to be paid with expendable available financial resources are recorded in the respective fund financial statements in accordance with criteria prescribed in GASB Statement No. 16. Accrued costs include payroll related expenditures such as the employer's share of social security taxes. As of December 31, 2004, no such costs have been recorded in the fund financial statements.
- e. All budgets have been adopted on the modified-accrual basis of accounting for all governmental fund types.

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, 2004, the Township believes all accounts receivable are 100% collectible.

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. During 2004, expenditures exceeded appropriations in the General Fund by \$265,186. Functions within the General Fund in which expenditures exceeded appropriations are the general government, public safety, health and welfare, debt service, and culture and recreation department activities. The excess expenditures were funded by excess revenues over appropriated revenues in the General Fund.

CAPITAL ASSETS - General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are reported at their fair market value as of the date received. The Township's infrastructure consists of roads, traffic signals, and storm water systems. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets are depreciated, except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Township's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>DESCRIPTION</u>	<u>GOVERNMENTAL ACTIVITIES ESTIMATED LIVES</u>
Buildings and Improvements	40 years
Machinery and Equipment	10 years
Vehicles	7 years
Infrastructure	25 - 50 years

LONG-TERM DEBT - The accounting treatment of long-term debt depends on whether the assets are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES - The Township's policies regarding sick and vacation time permit employees to accumulate earned but unused sick and vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

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.

EQUITY CLASSIFICATIONS

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

FUND STATEMENTS - Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS - In 2004, the Township adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*
Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*
Statement No. 38, *Certain Financial Statement Note Disclosures*

GASB Statement No. 34 is a new financial reporting requirement for local governments in the United States. The Township has implemented this pronouncement and has restructured much of the information that it has presented in the past. The main goal is to make the reports more comprehensive and easier to understand and use.

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 37 address selected issues and amends GASB Statement No. 21, *Accounting for Escheat Property*, and No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. These Statements make selective changes including accounting for Escheat Property, Management's Discussion and Analysis, Capitalization of Construction - Period Interest, Modified Approach for Reporting Infrastructure, Program Revenues and Major Fund Criteria.

GASB Statement No. 38 establishes and modifies disclosure requirements related to Summary of Significant Accounting Policies, actions taken to address violations of significant finance - related legal and contractual provisions, debt and lease obligations, short-term debt, disaggregation of receivable and payable balances, and interfund balances and transfers.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, other than \$456 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, 2004 the institution's pooled assets cover all governmental deposits.

	<u>Carrying Value</u>	<u>Bank Balance</u>
Insured (FDIC)	100,000	100,000
Collateral not held in Township's name	8,225,760	8,300,949
	<u>8,325,760</u>	<u>8,400,949</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, 2004 and consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Non-Uniformed Pension		
Fixed Income Fund	1,843,874	1,843,874
Temporary Investments and Deposits	12,630	12,630
Bond Funds	397,092	489,455
Stock Funds	<u>622,313</u>	<u>735,430</u>
	<u>2,875,909</u>	<u>3,081,389</u>
Police Pension		
Temporary Investments and Deposits	15,097	15,097
Bond Funds	1,730,430	2,398,745
Stock Funds	<u>3,060,100</u>	<u>3,604,394</u>
	<u>4,805,627</u>	<u>6,018,236</u>
Total Investments - Pension	<u>7,681,536</u>	<u>9,099,625</u>

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

3. INVESTMENTS - PENSION (CONTINUED)

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 \$1,461 at December 31, 2004. 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.

	<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			35,886	35,886	35,886	2001
			<u>35,886</u>	<u>35,886</u>	<u>35,886</u>	
Restricted Investments:						
U. S. Treasury Bond;						
9.375%, Due 2/15/06			1,006,000	1,006,000	1,078,311	2001
U. S. Treasury Security;						
Stripped Interest						
Payment Due 2/15/06			234,000	234,000	226,945	2001
			<u>1,240,000</u>	<u>1,240,000</u>	<u>1,305,256</u>	

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

Unrealized Gain (Loss) on Investments

2004

	<u>Restricted Investments</u>
Cost	1,240,000
Fair Value	<u>1,305,256</u>
Unrealized Gain (Loss) on Investments	<u>65,256</u>

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

	<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>
Total Unrealized Gain (Loss) on Investments	<u>(81,281)</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

5. FUTURE LEASE RENTAL RECEIVABLE

The Authority issued sewer revenue bonds to provide funds to extend and upgrade the sewer collection and water systems leased to Fairview Township. The operation and maintenance of the systems are the responsibility of Fairview Township. The Authority utilizes the "financing method" to account for the lease of the facility to Fairview Township. Therefore, the Authority has net future lease rentals receivable applicable to retirement of the revenue bonds while the project assets are reported on the lessee's financial statements as part of their property, plant, and equipment.

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, 2004 the present value of the future minimum lease rentals is \$13,285,000.

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

5. FUTURE LEASE RENTAL RECEIVABLE (CONTINUED)

Minimum rentals under the 2001 Bond Issues, including interest of \$6,181,215, are as follows:

<u>LEASE YEARS</u> <u>ENDING</u>	<u>RENTAL</u> <u>PAYMENT</u>
2005	1,233,572
2006	1,235,818
2007	1,236,177
2008	1,234,245
2009	1,235,610
Thereafter	<u>13,290,793</u>
	<u>19,466,215</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 2004, the Debt Service Reserve Fund transferred \$35,913 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.

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

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
2013	4.70%	745,000			

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

6. SEWER REVENUE BONDS PAYABLE - AUTHORITY (CONTINUED)

Total Debt Service Requirements are:

<u>YEAR</u>	<u>AMOUNT</u>
2005	1,233,572
2006	1,235,818
2007	1,236,177
2008	1,234,245
2009	1,235,610
Thereafter	<u>13,290,793</u>
	<u>19,466,215</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, 2004, the following defeased sewer revenue obligations were outstanding:

1965	<u>25,000</u>
	<u>25,000</u>

7. GENERAL OBLIGATION DEBT

General obligation notes payable/capital lease obligations consist of the following as of December 31, 2004:

Capital Lease Obligation

During 2003, the Township entered into a copier lease with a four year term which expires in July, 2007. The lease requires monthly payments of \$570, including a 5.70% implicit rate of interest. The copier is collateral for this obligation. The copier has an original cost of \$24,425. The outstanding balance as of December 31, 2004 is \$16,402.

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

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

7. GENERAL OBLIGATION DEBT (CONTINUED)

General Obligation Note, Series of 1997 (Continued)

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, 2004 and 2003, the balance outstanding is \$66,383 and \$86,646, 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, 2004, the balances were paid in full.

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

	<u>BALANCE, JANUARY 1, 2004</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>BALANCE, DECEMBER 31, 2004</u>
Capital Lease Obligation	6,938	15,276	5,812	16,402
G. O. Note, 1997 (Sewer Fund)	86,646		20,263	66,383
G. O. Note, 2002 (General Fund)	128,361		128,361	0
G. O. Note, 2002 (Sewer Fund)	45,448		45,448	0
G. O. Note, 2002 (Refuse Fund)	<u>2,826</u>		<u>2,826</u>	<u>0</u>
	<u>270,219</u>	<u>15,276</u>	<u>202,710</u>	<u>82,785</u>

Scheduled principal maturities are:

<u>YEAR</u>	<u>CAPITAL LEASE OBLIGATION</u>	<u>G. O. NOTE 1997</u>	<u>TOTAL</u>
2005	6,065	21,385	27,450
2006	5,870	22,482	28,352
2007	<u>4,467</u>	<u>22,516</u>	<u>26,983</u>
	<u>16,402</u>	<u>66,383</u>	<u>82,785</u>

Minimum debt service requirements are:

<u>YEAR</u>	<u>CAPITAL LEASE OBLIGATION</u>	<u>G. O. NOTE 1997</u>	<u>TOTAL</u>
2005	6,843	24,208	31,051
2006	6,843	24,208	31,051
2007	<u>3,992</u>	<u>22,749</u>	<u>26,741</u>
	<u>17,678</u>	<u>71,165</u>	<u>88,843</u>

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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 2004 were 0.878 mills - real estate and 0.450 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, 2004 were \$15.62/foot for unimproved and \$0.625/foot for improved road frontage.

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 2004 the Township paid treatment costs to Lower Allen Township of \$101,901 and capital project costs of \$23,405. The Township also paid \$7,000 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 Nationwide 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.

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

10. DEFINED BENEFIT PENSION PLANS (CONTINUED)

PLAN MEMBERSHIP - As of January 1, 2005 participation in the respective plans is as follows:

Non-Uniformed Pension Plan

Membership as of 1/1/2005

Retirees and Beneficiaries Currently Receiving Benefits	6
Terminated Employees Entitled to Deferred Benefits	6
Active Members	<u>28</u>
 Total	 <u>40</u>

Police Pension Plan

Membership as of 1/1/2005

Retirees and Beneficiaries Currently Receiving Benefits	8
Terminated Employees Entitled to Deferred Benefits	1
Active Members	<u>14</u>
 Total	 <u>23</u>

A summary of employee eligibility requirements and benefits as of January 1, 2005 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.

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

10. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

Funding of the respective plans were provided as follows for 2004:

<u>DESCRIPTION</u>	<u>NON-UNIFORMED PENSION PLAN</u>	<u>POLICE PENSION PLAN</u>
Annual Covered Payroll	\$1,159,617	\$807,661
Employee Contribution Rate	2.0% of gross wages	Suspended 01/01/00
Employee Contributions Paid in 2004	\$ 21,938	\$ 0
Employer Contributions Paid in 2004	\$ 0	\$ 0
State Aid Contributions Paid in 2004	\$ 160,125	\$ 0
Total Contributions made as a Percentage of Payroll	15.7%	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	156,018	0
Contributions Made	<u>160,125</u>	<u>0</u>
	<u>(4,107)</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 (\$17,077). The Township has not recorded this asset in the General Long-term Debt account, nor its impact on the annual pension cost.

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

10. DEFINED BENEFIT PENSION PLANS (CONTINUED)

ANNUAL PENSION COST AND NET PENSION OBLIGATION (CONTINUED)

	<u>NON-UNIFORMED PENSION PLAN</u>	<u>POLICE PENSION PLAN</u>
Actuarial Valuation Date	1/1/05	1/1/05
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	13 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

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>
2004	156,109	100%+	0
2003	147,112	100%	0
2002	91,508	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>
2004	0	100%	0
2003	0	100%	0
2002	0	100%	0

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

10. DEFINED BENEFIT PENSION PLANS (CONTINUED)

ANNUAL PENSION COST AND NET PENSION OBLIGATION (CONTINUED)

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>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Realized Gains or Losses	(13,201)	(3,267)	141,123	(14,450)
Unrealized Gains or Losses	<u>126,617</u>	<u>136,857</u>	<u>425,713</u>	<u>953,823</u>
Net Appreciation (Depreciation) in Fair Value of Investment	<u>113,416</u>	<u>133,590</u>	<u>566,836</u>	<u>939,373</u>

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 in accordance with Township policy and to police officers at 40% of all accumulated sick leave upon termination under the collective bargaining agreement.

As of December 31, 2004, the liability for vested unused vacation and sick leave is approximately \$368,452. These amounts include payroll related tax liabilities.

12. COMMITMENTS AND CONTINGENCIES

As described in Note 5, the Township is contingently liable for repayment of the \$13,285,000 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, 2004 are:

<u>SEWER REVENUE BOND SERIES</u>	<u>TOTAL</u>	<u>NOT DEFEASED</u>	<u>DEFEASED</u>
1965	25,000		25,000
2001	<u>13,285,000</u>	<u>13,285,000</u>	<u> </u>
	<u>13,310,000</u>	<u>13,285,000</u>	<u>25,000</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.

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Outstanding escrow deposits at December 31, 2004 are approximately \$464,329.

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 \$712,932. The State Indemnification Fund has reimbursed the Township for \$490,028 of these costs to date. The Township has recorded additional state reimbursements as receivables of \$92,766 as of December 31, 2004, which it has not received to date.

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 2004 was \$13,116. The minimum lease requirements for the next three years are as follows:

<u>YEAR</u>	<u>AMOUNT</u>
2005	13,116
2006	13,116
2007	<u>5,465</u>
	<u>31,697</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, 2004 were zero.

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

15. RESERVATIONS OF FUND EQUITY

Reservations of fund balances as of December 31, 2004 are not appropriate for expenditure, or are legally segregated for specific purposes as follows:

GENERAL FUND	
Medical Benefits - Police	194,821
Compensated Absences - Township Employees	822,215
Pooled Sick Days - Police	58,855
Future Pension Costs - Minimum Municipal Obligations - 2005/2006	<u>600,000</u>
	<u>1,675,891</u>
PENSION TRUST FUNDS	
Employee Benefits	<u>9,099,625</u>

Reserved retained earnings of the Proprietary Funds as of December 31, 2004 consists of the following:

SEWER RESERVE FUND	
Reserved for Debt Service	<u>1,385,548</u>

As of December 31, 2004 and 2003, the Township has set aside approximately \$1,745,766 and \$1,055,971, respectively, of general fund assets to fund the future payment of the medical benefits and compensated absences noted above.

16. CAPITAL ASSETS

	<u>BALANCE JANUARY 1 2004</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE DECEMBER 31 2004</u>
CAPITAL ASSETS BEING DEPRECIATED				
Vehicles and Equipment	2,113,383	61,678		2,175,061
Buildings and Improvements	546,482	14,803		561,285
Refuse Fund	84,513			84,513
Sewer Fund	18,625,111			18,625,111
Roads, Traffic Signals, Storm Sewers	<u>36,755,286</u>	<u>262,501</u>	_____	<u>37,017,787</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>58,124,775</u>	<u>338,982</u>	_____	<u>58,463,757</u>
LESS ACCUMULATED DEPRECIATION				
Vehicles and Equipment	903,331	214,910		1,118,241
Buildings and Improvements	328,800	14,674		343,474
Refuse Fund	23,727	8,451		32,178
Sewer Fund	6,331,152	486,690		6,817,842
Roads, Traffic Signals, Storm Sewers	<u>15,899,001</u>	<u>1,244,282</u>	_____	<u>17,143,283</u>
TOTAL ACCUMULATED DEPRECIATION	<u>23,486,011</u>	<u>1,969,007</u>	_____	<u>25,455,018</u>
CAPITAL ASSETS, NET	<u>34,638,764</u>	<u>(1,630,025)</u>	=====	<u>33,008,739</u>

FAIRVIEW TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

16. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Refuse	8,451
Sewer	486,690
General Government	36,200
Public Safety	93,334
Highways	1,325,768
Recreation	<u>18,564</u>
Total Depreciation Expense	<u>1,969,007</u>

17. CHANGE IN ACCOUNTING PRINCIPLES

During the year ended December 31, 2004, the Township and the Authority adopted Statement of Government Accounting Standards (GASB) No. 34, Basic Financial Statements and Management's Discussion and Analysis. Adoption of these pronouncements is predicated upon management's beliefs that the prescribed reporting model, by incorporating new information and restructuring previously reported information, will be more comprehensive, informative and useful than previously utilized reporting models.

As a result of the implementation of the new pronouncement, the governmental net assets of the Township as of December 31, 2003 were restated as follows:

Net Assets, as Originally Reported	2,936,618
Record Capital Assets Net of Depreciation	22,284,017
Compensated Absences Recorded	(325,808)
Additional Tax Revenues	79,033
Record Long-Term Debt	<u>(135,299)</u>
NET ASSETS, AS RESTATED	<u>24,838,561</u>

As a result of the implementation of the new pronouncement, the business-type net assets as of December 31, 2003 were restated as follows:

Net Assets, as Originally Reported	3,237,092
Accrued Interest Payable	35,303
Accrued Interest Receivable	(105,803)
Record Capital Assets Net of Depreciation	12,354,745
Record Long-Term Debt	(13,850,000)
Additional Changes for Services Revenues	<u>105,585</u>
NET ASSETS, AS RESTATED	<u>1,776,922</u>

18. POST RETIREMENT HEALTH INSURANCE BENEFITS

Effective January 1, 2000, the Township shall provide medical benefits to officers and their spouses for all officers retiring for disability or normal age and service retirement. Benefits will be paid for a period of 5 years from date of officer's retirement. Officer may not be eligible for medical coverage from other employer sponsored health care plan, including a plan sponsored by the employer of their spouse. Currently, there are no retired officers receiving this benefit.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

18. POST RETIREMENT HEALTH INSURANCE BENEFITS (CONTINUED)

Effective January 1, 2005, the Township shall provide medical benefits to full-time, non-uniform employees and their spouses for all employees retiring at normal retirement pursuant to the Non-Uniform Pension Plan and a minimum service requirement of 12 years. Said benefits shall extend for five (5) years from the date of the employee's retirement and shall only be provided if the employee certifies in writing, on or before the anniversary date of his/her retirement, that he or she is not eligible for coverage under any other employer-sponsored health care plan, including a plan sponsored by the employer of his or her spouse. Further, for spousal coverage, the employee must be legally married to his/her spouse at the time of retirement. An employee must choose and be eligible for this benefit at the time of his or her retirement.

19. SUBSEQUENT EVENTS

The Township's Fire Company is currently in negotiations with Fairview Township to construct a new fire station on the current Station #1 site at 340 Lewisberry Road. The Fire Company is asking the Township to assist in and help provide financing to construct the new station. The estimated borrowing for the project is 2.5 million dollars. During the design and planning phase of the project, it was discovered that the site was contaminated by former and existing underground storage tanks, the site also contained an abandoned septic system, and the current station building contains asbestos and mercury-containing materials which will require removal prior to and/or in conjunction with the demolition of the existing building. Cost to remediate these matters was estimated at approximately \$50,000, including \$12,000 spent to date. This figure is only an estimate and depending upon the extent of soil contamination, this figure could be higher or lower.

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
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%)
2005	6,018,937	4,673,734	(1,345,203)	128.8%	807,661	(166.6%)

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
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%
2005	3,074,483	3,976,217	901,734	77.3%	1,159,617	77.8%

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
2004	156,018	100%+	0	100%
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	1/1/05	1/1/05
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	13 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
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET COMPARED TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE OVER (UNDER)</u>
REVENUES				
Taxes	2,893,701	2,893,701	3,459,442	565,741
Licenses, Permits and Fees	1,000	1,000	2,650	1,650
Fines and Penalties	63,600	63,600	111,281	47,681
Interest and Rents	20,000	20,000	38,791	18,791
Intergovernmental	251,900	251,900	267,111	15,211
Service Fees	311,500	311,500	542,703	231,203
Miscellaneous	<u>88,000</u>	<u>88,000</u>	<u>254,454</u>	<u>166,454</u>
TOTAL REVENUES	<u>3,629,701</u>	<u>3,629,701</u>	<u>4,676,432</u>	<u>1,046,731</u>
EXPENDITURES				
General Government	530,148	530,148	695,714	165,566
Public Safety	1,910,211	1,910,211	1,964,081	53,870
Health and Welfare	36,000	36,000	52,232	16,232
Highways	1,027,957	1,027,957	1,105,628	77,671
Culture and Recreation	146,152	146,152	91,156	(54,996)
Debt Service	<u> </u>	<u> </u>	<u>6,843</u>	<u>6,843</u>
TOTAL EXPENDITURES	<u>3,650,468</u>	<u>3,650,468</u>	<u>3,915,654</u>	<u>265,186</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(20,767)	(20,767)	760,778	781,545
OTHER FINANCING SOURCES (USES)				
Interfund Transfers Expended	<u> </u>	<u> </u>	<u>(15,000)</u>	<u>(15,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u> </u>	<u> </u>	<u>(15,000)</u>	<u>(15,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>(20,767)</u>	<u>(20,767)</u>	745,778	<u>766,545</u>
FUND BALANCE, BEGINNING OF YEAR			<u>1,417,077</u>	
FUND BALANCE, END OF YEAR			<u>2,162,855</u>	

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET COMPARED TO ACTUAL
 HIGHWAY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE OVER (UNDER)</u>
REVENUES				
Interest and Rents	2,500	2,500	4,545	2,045
Intergovernmental	<u>318,873</u>	<u>318,873</u>	<u>321,296</u>	<u>2,423</u>
TOTAL REVENUES	<u>321,373</u>	<u>321,373</u>	<u>325,841</u>	<u>4,468</u>
EXPENDITURES				
Highways	<u>275,000</u>	<u>275,000</u>	<u>314,630</u>	<u>39,630</u>
TOTAL EXPENDITURES	<u>275,000</u>	<u>275,000</u>	<u>314,630</u>	<u>39,630</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>46,373</u>	<u>46,373</u>	11,211	<u>(35,162)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>292,712</u>	
FUND BALANCE, END OF YEAR			<u>303,923</u>	

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET COMPARED TO ACTUAL
 CAPITAL RESERVE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE OVER (UNDER)</u>
REVENUES				
Interest and Rents	<u>4,000</u>	<u>4,000</u>	<u>8,101</u>	<u>4,101</u>
TOTAL REVENUES	<u>4,000</u>	<u>4,000</u>	<u>8,101</u>	<u>4,101</u>
EXPENDITURES				
Public Safety	<u> </u>	<u> </u>	<u>640</u>	<u>(640)</u>
TOTAL EXPENDITURES	<u> </u>	<u> </u>	<u>640</u>	<u>(640)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,000	4,000	7,461	3,461
OTHER FINANCING SOURCES (USES)				
Interfund Transfers Received	<u> </u>	<u> </u>	<u>15,000</u>	<u>15,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u> </u>	<u> </u>	<u>15,000</u>	<u>15,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>4,000</u>	<u>4,000</u>	22,461	<u>18,461</u>
FUND BALANCE, BEGINNING OF YEAR			<u>617,200</u>	
FUND BALANCE, END OF YEAR			<u>639,661</u>	

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET COMPARED TO ACTUAL
 CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE OVER (UNDER)</u>
REVENUES				
Licenses, Permits and Fees	124,300	124,300	152,536	28,236
Interest and Rents	<u>2,700</u>	<u>2,700</u>	<u>8,029</u>	<u>5,329</u>
TOTAL REVENUES	<u>127,000</u>	<u>127,000</u>	<u>160,565</u>	<u>33,565</u>
EXPENDITURES				
General Government	1,000	1,000		(1,000)
Public Safety	<u> </u>	<u> </u>	<u>2,252</u>	<u>2,252</u>
TOTAL EXPENDITURES	<u>1,000</u>	<u>1,000</u>	<u>2,252</u>	<u>1,252</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>126,000</u>	<u>126,000</u>	158,313	<u>32,313</u>
FUND BALANCE, BEGINNING OF YEAR			<u>421,498</u>	
FUND BALANCE, END OF YEAR			<u>579,811</u>	

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEETS
DECEMBER 31, 2004

	<u>STREET LIGHT FUND</u>	<u>FIRE SERVICE FUND</u>	<u>FIRE HYDRANT FUND</u>	<u>EMS SERVICE FUND</u>	<u>TOTAL</u>
ASSETS					
Cash and Cash Equivalents	205	248,188	45,568	6,201	300,162
TOTAL ASSETS	<u>205</u>	<u>248,188</u>	<u>45,568</u>	<u>6,201</u>	<u>300,162</u>
LIABILITIES AND FUND EQUITY					
Liabilities					
Due to Other Funds	7,000				7,000
Accounts Payable	2,920	139	3,166	95	6,320
TOTAL LIABILITIES	<u>9,920</u>	<u>139</u>	<u>3,166</u>	<u>95</u>	<u>13,320</u>
Fund Equity					
Fund Balances (Deficit)	(9,715)	248,049	42,402	6,106	286,842
TOTAL FUND EQUITY	<u>(9,715)</u>	<u>248,049</u>	<u>42,402</u>	<u>6,106</u>	<u>286,842</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>205</u>	<u>248,188</u>	<u>45,568</u>	<u>6,201</u>	<u>300,162</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP
 NONMAJOR GOVERNMENTAL FUNDS - COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2004

	STREET LIGHT FUND	FIRE SERVICE FUND	FIRE HYDRANT FUND	EMS SERVICE FUND	TOTAL
REVENUES					
Taxes	30,726	125,878	47,951	125,878	330,433
Interest and Rents	47	3,431	663	392	4,533
Miscellaneous Revenue	<u> </u>	<u>908</u>	<u> </u>	<u> </u>	<u>908</u>
TOTAL REVENUES	<u>30,773</u>	<u>130,217</u>	<u>48,614</u>	<u>126,270</u>	<u>335,874</u>
EXPENDITURES					
Public Safety	<u>42,891</u>	33,463	34,722	126,087	194,272
Highways, Roads and Streets	<u>42,891</u>	<u>33,463</u>	<u>34,722</u>	<u>126,087</u>	<u>42,891</u>
TOTAL EXPENDITURES					
		(12,118)	13,892	183	98,711
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
FUND EQUITY, BEGINNING OF YEAR	<u>2,403</u>	<u>151,295</u>	<u>28,510</u>	<u>5,923</u>	<u>188,131</u>
FUND EQUITY, END OF YEAR	<u>(9,715)</u>	<u>248,049</u>	<u>42,402</u>	<u>6,106</u>	<u>286,842</u>

See Independent Auditor's Report.