

FINANCIAL STATEMENTS
FAIRVIEW TOWNSHIP AUTHORITY
A COMPONENT UNIT OF FAIRVIEW TOWNSHIP
NEW CUMBERLAND, PENNSYLVANIA
FOR THE YEAR ENDED DECEMBER 31, 2004

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INDEPENDENT AUDITOR'S REPORT

Members of the Authority
Fairview Township Authority
New Cumberland, Pennsylvania

We have audited the accompanying financial statements of business-type activities and each major fund of the Fairview Township Authority, a component unit of Fairview Township, as of and for the year ended December 31, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority'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.

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

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

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Fairview Township Authority. 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 1, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Fairview Township Authority provides this discussion and analysis of the Authority's financial condition and operating activities for the year ended December 31, 2004. We encourage readers to consider this information in conjunction with the additional information that is furnished in the accompanying Independent Auditor's Report and Audited Financial Statements.

The Fairview Township Authority is a municipal authority existing under the Pennsylvania Municipality Authorities Act of 1945, pursuant to an ordinance enacted by the Township of Fairview, York County, Pennsylvania. The Authority is a component unit of the Township of Fairview.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2004 are as follows:

Changes in Net Assets - The Authority's total net assets decreased by \$56,910 during 2004. The minor decrease is the result of debt payment by the Township.

Long-Term Debt - The Authority's total long-term debt obligations decreased in 2004 as a result of the debt payment by the Township.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer financial information about its activities. The Statement of Net Assets includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities), it provides the basis for assessing the liquidity and financial flexibility of the Authority. All current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the result of the Authority's operations over the past year. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities.

FINANCIAL ANALYSIS STATEMENT OF NET ASSETS

The analysis below focuses on the Authority's net assets as of December 31, 2004.

ASSETS	
Cash	\$ 1,461
Restricted Investments	1,341,142
Accrued Interest Receivable	35,303
Current Portion of Lease Rental Receivable	615,000
Lease Rental Receivable	<u>12,670,000</u>
TOTAL ASSETS	<u>\$14,662,906</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL ANALYSIS STATEMENT OF NET ASSETS (CONTINUED)

LIABILITIES	
Current Portion of Bonds Payable	\$ 615,000
Accrued Interest Payable	102,526
Bonds Payable - Long-Term Portion	<u>12,670,000</u>
TOTAL LIABILITIES	<u>13,387,526</u>
NET ASSETS	<u>1,275,380</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$14,662,906</u>

STATEMENT OF REVENUES AND EXPENSES

REVENUE	
Developer Contributions	\$ 26,039
Lease Rentals	638,348
Unrealized Gain (Loss) on Investment	(81,281)
Investment Income	<u>94,626</u>
TOTAL REVENUE	<u>677,732</u>
EXPENSES	
Developer Refunds	40,726
Engineering	400
Legal and Accounting	4,092
Financial Service Fees	25,440
Transfers to Fairview Township	28,913
Interest Expense	<u>635,071</u>
TOTAL EXPENSES	<u>734,642</u>
NET INCOME (LOSS)	<u>\$(56,910)</u>

SIGNIFICANT EVENTS AND PROJECTS

The Authority was established to finance projects to serve the residents of the Township of Fairview. The Authority leases the water and sewer system to the Township of Fairview, in exchange for the pledge of revenues generated by the systems to meet the lease rental debt service payments. The System provides water services to various residents of the Township and, through a separate agreement, with the Lower Allen Authority.

During 2004, the Authority analyzed current and future capacity requirements. This study was to provide long-term goals for establishing rates and future expansion of the system if required and economically feasible.

CONTACTING THE AUTHORITY'S FINANCIAL OFFICES

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds received. If you have any questions about this report or need additional information, contact the Township office at: 717-901-5200.

FAIRVIEW TOWNSHIP AUTHORITY
A COMPONENT UNIT OF FAIRVIEW TOWNSHIP
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2004

	<u>ADMINISTRATIVE FUND</u>	<u>SERIES OF 2001</u>	<u>TOTALS</u>
ASSETS			
Cash	1,461		1,461
Restricted Cash and Cash Equivalents		35,886	35,886
Restricted Investments		1,305,256	1,305,256
Accrued Interest Receivable		35,303	35,303
Current Portion of Lease Rental Receivable		615,000	615,000
Lease Rental Receivable	_____	<u>12,670,000</u>	<u>12,670,000</u>
TOTAL ASSETS	<u>1,461</u>	<u>14,661,445</u>	<u>14,662,906</u>
 LIABILITIES			
Current Portion of Bonds Payable		615,000	615,000
Accrued Interest Payable		102,526	102,526
Bonds Payable - Long-Term Portion	_____	<u>12,670,000</u>	<u>12,670,000</u>
TOTAL LIABILITIES	_____	<u>13,387,526</u>	<u>13,387,526</u>
 NET ASSETS	 <u>1,461</u>	 <u>1,273,919</u>	 <u>1,275,380</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>1,461</u>	 <u>14,661,445</u>	 <u>14,662,906</u>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP AUTHORITY
 A COMPONENT UNIT OF FAIRVIEW TOWNSHIP
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>ADMINISTRATIVE FUND</u>	<u>SERIES OF 2001</u>	<u>TOTALS</u>
OPERATING REVENUES			
Developer Contributions	<u>26,039</u>		<u>26,039</u>
TOTAL OPERATING REVENUES	<u>26,039</u>		<u>26,039</u>
OPERATING EXPENSES			
Developer Refunds	40,726		40,726
Engineering Fees	400		400
Legal and Accounting	4,092		4,092
Financial Services Fees	<u>2,500</u>	<u>22,940</u>	<u>25,440</u>
TOTAL OPERATING EXPENSES	<u>47,718</u>	<u>22,940</u>	<u>70,658</u>
NET OPERATING INCOME (LOSS)	<u>(21,679)</u>	<u>(22,940)</u>	<u>(44,619)</u>
NON-OPERATING REVENUES (EXPENSES)			
Lease Rental		638,348	638,348
Unrealized Gain (Loss) on Investments		(81,281)	(81,281)
Investment Income		94,626	94,626
Interest Expense		<u>(635,071)</u>	<u>(635,071)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)		<u>16,622</u>	<u>16,622</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(21,679)</u>	<u>(6,318)</u>	<u>(27,997)</u>
TRANSFER FROM (TO) FAIRVIEW TOWNSHIP	<u>7,000</u>	<u>(35,913)</u>	<u>(28,913)</u>
NET INCOME (LOSS)	<u>(14,679)</u>	<u>(42,231)</u>	<u>(56,910)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>16,140</u>	<u>1,316,150</u>	<u>1,332,290</u>
NET ASSETS AT END OF YEAR	<u>1,461</u>	<u>1,273,919</u>	<u>1,275,380</u>

See Notes to the Financial Statements.

FAIRVIEW TOWNSHIP AUTHORITY
A COMPONENT UNIT OF FAIRVIEW TOWNSHIP
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>ADMINISTRATIVE FUND</u>	<u>SERIES OF 2001</u>	<u>TOTALS</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Other Operating Revenues	26,039		26,039
Other Operating Payments	<u>(47,718)</u>	<u>(22,940)</u>	<u>(70,658)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(21,679)</u>	<u>(22,940)</u>	<u>(44,619)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to (from) Fairview Township	7,000	(35,913)	(28,913)
Rental Income Received	<u> </u>	<u>1,203,348</u>	<u>1,203,348</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>7,000</u>	<u>1,167,435</u>	<u>1,174,435</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Paid on Bonds Payable	<u> </u>	<u>(565,000)</u>	<u>(565,000)</u>
Interest Paid on Bonds Payable	<u> </u>	<u>(638,348)</u>	<u>(638,348)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u> </u>	<u>(1,203,348)</u>	<u>(1,203,348)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	<u> </u>	<u>94,626</u>	<u>94,626</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u> </u>	<u>94,626</u>	<u>94,626</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,679)	35,773	21,094
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>16,140</u>	<u>113</u>	<u>16,253</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>1,461</u>	<u>35,886</u>	<u>37,347</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES			
Operating Income (Loss)			<u>(44,619)</u>
NET CASH USED IN OPERATING ACTIVITIES			<u>(44,619)</u>

See Notes to the Financial Statements.

FAIRVIEW TOWNSHIP AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY - 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.

The governing body of the Authority is a Board consisting of five members appointed by the Fairview Township Board of Supervisors. The terms of the members of the Board are five years each. The terms are staggered so that the term of one member expires each year. Members of the Boards may be reappointed. The Board is authorized to exercise any and all powers conferred by the Act necessary for the acquisition, construction, improvement, extension, maintenance and operation of sewer systems.

The Authority is a component unit of Fairview Township. The Township includes the Authority as a component unit of its reporting entity determined by the criteria of Governmental Accounting Standards Board (GASB). The Township is financially accountable for the fiscal matters of the Authority. The Authority is not fiscally independent, and, as such, the Authority is a component unit of Fairview Township.

FUND FINANCIAL STATEMENTS - Separate fund financial statements are provided in the report for all of the proprietary funds of the Authority. Major individual enterprise funds are reported as separate columns in the fund financial statements.

In accordance with the terms of the Trust Indenture securing the bonded debt, the monies of the Authority are accounted for by various funds which are segregated for specific use and for the security of the bondholders, and maintained by an independent trustee.

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 Indenture.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - The Authority complies with U.S. generally accepted accounting principles (GAAP) and applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practice measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

FAIRVIEW TOWNSHIP AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Cash Equivalents: For purposes of the Statement of Cash Flows, the Authority considers all highly-liquid debt investments with original maturities of three months or less to be cash equivalents.

Investments: Investments are stated at fair value.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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
	=====	=====	35,886	35,886	35,886	
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
	=====	=====	1,240,000	1,240,000	1,305,256	

FAIRVIEW TOWNSHIP AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

UNREALIZED GAIN (LOSS) ON INVESTMENTS

RESTRICTED INVESTMENTS

2004

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

2003

Cost	1,240,000
Fair Value	<u>1,386,537</u>
Unrealized Gain (Loss) on Investments	<u>146,537</u>

UNREALIZED GAIN (LOSS) ON INVESTMENTS (81,281)

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

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
5. Share of mutual funds whose investments are restricted to the above categories

3. 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. 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 AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

3. 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 2001 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.

4. CURRENT REFUNDING OF BONDS

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 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>

FAIRVIEW TOWNSHIP AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

5. SEWER REVENUE BONDS PAYABLE

The 2001 Bonds are secured under the related Trust Indenture by the assignment and pledge of lease rentals as stated previously in Note 3.

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			

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>

6. INTER-MUNICIPAL AGREEMENT

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

The original agreement was executed on December 28, 1976. Under the agreement, the municipalities pay their pro rata shares of operating and administrative costs of the treatment plant. All expenses related to this agreement are paid from the Township's Sewer Fund.

7. ESCROWS PAYABLE

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 AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

8. CHANGE IN ACCOUNTING PRINCIPLES

During the year ended December 31, 2004, 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 net assets as of December 31, 2003 were restated as follows:

Net Assets, as Originally Reported	1,402,790
Accrued Interest Payable	35,303
Accrued Interest Receivable	<u>(105,803)</u>
NET ASSETS, AS RESTATED	<u>1,332,290</u>

SUPPLEMENTAL INFORMATION

FAIRVIEW TOWNSHIP AUTHORITY
 A COMPONENT UNIT OF FAIRVIEW TOWNSHIP
 COMBINING STATEMENT OF NET ASSETS
 SERIES OF 2001
 DECEMBER 31, 2004

	<u>CLEARING FUND</u>	<u>DEBT SERVICE FUND</u>	<u>DEBT SERVICE RESERVE FUND</u>	<u>SERIES OF 2001 TOTAL</u>
ASSETS				
Restricted Cash and Cash Equivalents	96		35,790	35,886
Restricted Investments			1,305,256	1,305,256
Accrued Interest Receivable			35,303	35,303
Current Portion of Lease Rental Receivable		615,000		615,000
Lease Rental Receivable	—	<u>12,670,000</u>		<u>12,670,000</u>
TOTAL ASSETS	<u>96</u>	<u>13,285,000</u>	<u>1,376,349</u>	<u>14,661,445</u>
LIABILITIES				
Current Portion of Bonds Payable		615,000		615,000
Accrued Interest Payable			102,526	102,526
Bonds Payable - Long-Term Portion	—	<u>12,670,000</u>		<u>12,670,000</u>
TOTAL LIABILITIES	—	<u>13,285,000</u>	<u>102,526</u>	<u>13,387,526</u>
NET ASSETS	<u>96</u>	<u>0</u>	<u>1,273,823</u>	<u>1,273,919</u>
TOTAL LIABILITIES AND NET ASSETS	<u>96</u>	<u>13,285,000</u>	<u>1,376,349</u>	<u>14,661,445</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP AUTHORITY
 A COMPONENT UNIT OF FAIRVIEW TOWNSHIP
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - SERIES OF 2001
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>CLEARING FUND</u>	<u>DEBT SERVICE FUND</u>	<u>DEBT SERVICE RESERVE FUND</u>	<u>SERIES OF 2001 TOTAL</u>
OPERATING REVENUES	_____	_____	_____	_____
TOTAL OPERATING REVENUES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
OPERATING EXPENSES	_____	_____	_____	_____
Financial Services Fees	_____	_____	<u>22,940</u>	<u>22,940</u>
TOTAL OPERATING EXPENSES	_____	_____	<u>22,940</u>	<u>22,940</u>
NET OPERATING INCOME (LOSS)	0	0	(22,940)	(22,940)
NON-OPERATING REVENUES (EXPENSES)	_____	_____	_____	_____
Lease Rental	_____	_____	638,348	638,348
Unrealized Gain (Loss) on Investments	_____	_____	(81,281)	(81,281)
Investment Income	155	_____	94,471	94,626
Interest Expense	_____	_____	(635,071)	(635,071)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>155</u>	<u>0</u>	<u>16,467</u>	<u>16,622</u>
NET INCOME (LOSS) BEFORE TRANSFERS	155	0	(6,473)	(6,318)
TRANSFER FROM (TO) FAIRVIEW TOWNSHIP	<u>(157)</u>	_____	<u>(35,756)</u>	<u>(35,913)</u>
NET INCOME (LOSS)	(2)	0	(42,229)	(42,231)
NET ASSETS, JANUARY 1, 2004	<u>98</u>	<u>0</u>	<u>1,316,052</u>	<u>1,316,150</u>
NET ASSETS, DECEMBER 31, 2004	<u>96</u>	<u>0</u>	<u>1,273,823</u>	<u>1,273,919</u>

See Independent Auditor's Report.

Chubb and Associates

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH BOND TRUST INDENTURES

Members of the Authority Board
Fairview Township Authority
New Cumberland, Pennsylvania

We have audited, in accordance with U.S. generally accepted auditing standards, the financial statements of the Fairview Township Authority, a component unit of Fairview Township, as of and for the year then ended December 31, 2004, and have issued our report thereon dated February 1, 2005.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with the terms, covenants, provisions, or conditions of the Bond Trust Indenture for the Series of 2001 Bond Issue with Allfirst Bank, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended for the information and use of the Members of the Board, the management of Fairview Township Authority, a component unit of Fairview Township, and Allfirst Bank. However, this report is a matter of public record and its distribution is not limited.

Chubb and Associates

CHUBB AND ASSOCIATES
Certified Public Accountants

February 1, 2005