

***FAIRVIEW TOWNSHIP AUTHORITY
(A COMPONENT UNIT OF FAIRVIEW TOWNSHIP)***

YEAR ENDED DECEMBER 31, 2005

FAIRVIEW TOWNSHIP AUTHORITY
(A component unit of Fairview Township)

YEAR ENDED DECEMBER 31, 2005

CONTENTS

	Page
Independent auditors' report	1 - 2
Management's discussion and analysis	3 - 5
Basic financial statements:	
Statement of net assets - proprietary funds	6
Statement of revenues, expenses and changes in net assets - proprietary funds	7
Statement of cash flows - proprietary funds	8
Notes to financial statements	9 - 16
Supplemental information:	
Combining statement of net assets - Series of 2001	17
Combining statement of revenues, expenses and changes in net assets - Series of 2001	18
Independent auditors' report on compliance with bond trust indentures	19

Independent Auditors' 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, 2005, 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 auditing standards generally accepted in the United States of America. 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 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, 2005, and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 opinions on the financial statements that collectively comprise the basic financial statements of Fairview Township Authority. 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 basic financial statements of the Fairview Township Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Brown Schultz Sheenan & Fritz

February 10, 2006

FAIRVIEW TOWNSHIP AUTHORITY
(A component unit of Fairview Township)

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2005

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, 2005. We encourage readers to consider this information in conjunction with the additional information that is furnished in the accompanying Independent Auditors' 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 2005 are as follows:

Changes in net assets:

The Authority's total net assets decreased by \$19,269 during 2005. The minor decrease is the result of debt interest payment by the Authority.

Long-term debt:

The Authority's total long-term debt obligations decreased in 2005 as a result of the debt payment by the Authority.

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 noncapital financing activities.

FAIRVIEW TOWNSHIP AUTHORITY
(A component unit of Fairview Township)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2005

Financial analysis statement of net assets

The analysis below focuses on the Authority's net assets as of December 31:

	2005	2004
Assets:		
Cash	\$ 78,880	\$ 37,347
Restricted investments	1,245,001	1,305,256
Accrued interest receivable	35,898	35,303
Current portion of lease rental receivable	640,000	615,000
Lease rental receivable	12,030,000	12,670,000
Total assets	\$ 14,029,779	\$ 14,662,906
Liabilities:		
Accounts payable	\$ 5,274	
Current portion of bonds payable	640,000	\$ 615,000
Accrued interest payable	98,754	102,526
Bonds payable, long-term portion	12,030,000	12,670,000
Total liabilities	12,774,028	13,387,526
Net assets	1,255,751	1,275,380
Total liabilities and net assets	\$ 14,029,779	\$ 14,662,906

Statement of revenues and expenses

	2005	2004
Revenues:		
Developer contributions	\$ 32,047	\$ 26,039
Lease rentals	618,573	638,348
Unrealized loss on investment	(60,255)	(81,281)
Investment income	96,610	94,626
Total revenues	686,975	677,732

FAIRVIEW TOWNSHIP AUTHORITY
(A component unit of Fairview Township)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2005

Statement of revenues and expenses (continued)

	<u>2005</u>	<u>2004</u>
Expenses:		
Developer refunds	\$ 27,374	\$ 40,726
Engineering	1,883	400
Legal and accounting	6,378	4,092
Financial service fees	22,940	25,440
Transfers to Fairview Township	33,228	28,913
Interest expense	<u>614,801</u>	<u>635,071</u>
Total expenses	<u>706,604</u>	<u>734,642</u>
Net loss	<u>\$ (19,629)</u>	<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 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 sewer services to various residents of the Township and, through a separate agreement, with the Lower Allen Authority.

During 2005, the Authority analyzed current and future capacity requirements and a plant upgrade at the southern area treatment facility. The Authority also studied the requirements for future compliance with the Chesapeake Bay initiative.

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, 2005

	<u>Administrative fund</u>	<u>Series of 2001</u>	<u>Totals</u>
Assets:			
Cash:			
Operating	\$ 6,097		\$ 6,097
Restricted		\$ 72,783	72,783
Restricted investments		1,245,001	1,245,001
Accrued interest receivable		35,898	35,898
Current portion of lease rental receivable		640,000	640,000
Lease rental receivable		12,030,000	12,030,000
Total assets	<u>\$ 6,097</u>	<u>\$ 14,023,682</u>	<u>\$ 14,029,779</u>
Liabilities:			
Current portion of bonds payable		\$ 640,000	\$ 640,000
Accounts payable		5,274	5,274
Accrued interest payable		98,754	98,754
Bonds payable, long-term portion		12,030,000	12,030,000
Total liabilities		12,774,028	12,774,028
Net assets	<u>\$ 6,097</u>	<u>1,249,654</u>	<u>1,255,751</u>
Total liabilities and net assets	<u>\$ 6,097</u>	<u>\$ 14,023,682</u>	<u>\$ 14,029,779</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

YEAR ENDED DECEMBER 31, 2005

	Administrative fund	Series of 2001	Totals
Operating revenues, developer contributions	\$ 32,047		\$ 32,047
Operating expenses:			
Developer refunds	27,374		27,374
Engineering fees	650	\$ 1,233	1,883
Legal and accounting	2,337	4,041	6,378
Financial services fees	<u> </u>	<u>22,940</u>	<u>22,940</u>
Total operating expenses	<u>30,361</u>	<u>28,214</u>	<u>58,575</u>
Net operating income (loss)	<u>1,686</u>	<u>(28,214)</u>	<u>(26,528)</u>
Nonoperating revenues (expenses):			
Lease rental		618,573	618,573
Unrealized loss on investments		(60,255)	(60,255)
Investment income		96,610	96,610
Interest expense		<u>(614,801)</u>	<u>(614,801)</u>
Total nonoperating revenues (expenses)		<u>40,127</u>	<u>40,127</u>
Net income before transfers	1,686	11,913	13,599
Transfers from (to) Fairview Township	<u>2,950</u>	<u>(36,178)</u>	<u>(33,228)</u>
Net income (loss)	4,636	(24,265)	(19,629)
Net assets:			
Beginning of year	<u>1,461</u>	<u>1,273,919</u>	<u>1,275,380</u>
End of year	<u>\$ 6,097</u>	<u>\$ 1,249,654</u>	<u>\$ 1,255,751</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP AUTHORITY
(A component unit of Fairview Township)

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2005

	<u>Administrative fund</u>	<u>Series of 2001</u>	<u>Totals</u>
Cash flows from operating activities:			
Other operating revenues	\$ 32,047		\$ 32,047
Other operating payments	<u>(30,361)</u>	<u>\$(22,940)</u>	<u>(53,301)</u>
Net cash provided by (used in) operating activities	<u>1,686</u>	<u>(22,940)</u>	<u>(21,254)</u>
Cash flows from noncapital financing activities:			
Transfers to (from) Fairview Township	2,950	(36,178)	(33,228)
Rental income received	<u> </u>	<u>1,233,573</u>	<u>1,233,573</u>
Net cash provided by noncapital financing activities	<u>2,950</u>	<u>1,197,395</u>	<u>1,200,345</u>
Cash flows from capital and related financing activities:			
Principal paid on bonds payable		(615,000)	(615,000)
Interest paid on bonds payable		<u>(618,573)</u>	<u>(618,573)</u>
Net cash used in capital and related financing activities		<u>(1,233,573)</u>	<u>(1,233,573)</u>
Cash flows provided by investing activities, investment income		<u>96,015</u>	<u>96,015</u>
Net increase in cash and cash equivalents	4,636	36,897	41,533
Cash and cash equivalents:			
Beginning of year	<u>1,461</u>	<u>35,886</u>	<u>37,347</u>
End of year	<u>\$ 6,097</u>	<u>\$ 72,783</u>	<u>\$ 78,880</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ 1,686	\$(28,214)	\$(26,528)
Increase in accounts payable	<u> </u>	<u>5,274</u>	<u>5,274</u>
Net cash used in operating activities	<u>\$ 1,686</u>	<u>\$(22,940)</u>	<u>\$(21,254)</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP AUTHORITY
(A component unit of Fairview Township)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

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 Board 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.

Measurement focus, basis of accounting and financial statement presentation:

The Authority complies with accounting principles generally accepted in the United States of America (GAAP) and applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

FAIRVIEW TOWNSHIP AUTHORITY
(A component unit of Fairview Township)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

1. Summary of significant accounting policies (continued):

Measurement focus, basis of accounting and financial statement presentation (continued):

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 practical 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.

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 accounting principles generally accepted in the United States of America 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.

FAIRVIEW TOWNSHIP AUTHORITY
(A component unit of Fairview Township)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

2. Deposits and investments:

Custodial credit risk, deposits and investments:

For deposits, custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned to it. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral security that is in the possession of an outside party. The Authority's current investment policy requires that securities be held by custodians specified in their investment program and that there are written custodian agreements and commitments documenting collateral pledges. The policy also requires depository institutions to provide collateral for all deposits according to law.

	Ratings	Maturities	2005 Fair value
Deposits, insured by Federal Deposit Insurance Corporation			\$ <u>6,097</u>
Investments with M & T Investment Group:			
Money Market invested in United States obligations, 3.62%	Unrated		72,783
United States Treasury bond, 9.375%, due 2/15/06		Less than one year	1,012,056
United States Treasury stripped coupon, dated 2/15/85, due 2/15/06		Less than one year	<u>232,945</u>
Total investments			<u>1,317,784</u>
Total deposits and investments			<u>\$ 1,323,881</u>

Interest rate risk:

The Authority has a formal investment policy that permits investments as authorized by law and requires that maturities of investments are consistent with cash flow requirements. The policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

FAIRVIEW TOWNSHIP AUTHORITY
(A component unit of Fairview Township)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

2. Deposits and investments (continued):

Credit risk:

According to the Authority's investment policy, the selection of depository institutions, repurchase investment advisors, brokers, custodians, investment advisors, local government investment pools and money market mutual funds are based on legality, performance, quality of service, creditworthiness, reputation and integrity. In addition, the investment companies used by the Authority must be rated in the highest category by a nationally recognized rating agency.

Unrealized gain (loss) on investments:

	<u>Restricted treasury obligations</u>
2005	
Cost	\$ 1,240,000
Fair value	<u>1,245,001</u>
Unrealized gain on investments	<u>5,001</u>
2004	
Cost	1,240,000
Fair value	<u>1,305,256</u>
Unrealized gain on investments	<u>65,256</u>
Unrealized loss on investments	<u><u>\$(60,255)</u></u>

FAIRVIEW TOWNSHIP AUTHORITY
(A component unit of Fairview Township)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

2. Deposits and investments (continued):

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, 2005, the present value of the future minimum lease rentals is \$12,670,000.

FAIRVIEW TOWNSHIP AUTHORITY
(A component unit of Fairview Township)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

3. Lease rental receivable (continued):

Minimum rentals under the 2001 Bond Issues, including interest of \$5,562,643, are as follows:

<u>Lease years ending</u>	<u>Rental payment</u>
2006	\$ 1,235,818
2007	1,236,177
2008	1,234,245
2009	1,235,610
2010	1,240,010
thereafter	<u>12,050,783</u>
	<u>\$ 18,232,643</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 \$36,178 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.

FAIRVIEW TOWNSHIP AUTHORITY
(A component unit of Fairview Township)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

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:

<u>Date of maturity</u>	<u>Interest rate</u>	<u>Amount</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Amount</u>
2006	3.85%	\$ 640,000	2014	4.80%	\$ 785,000
2007	4.05	665,000	2015	4.90	820,000
2008	4.15	690,000	2016	5.00	860,000
2009	4.25	720,000	2017	5.00	905,000
2010	4.35	755,000	2018	5.05	945,000
2011	4.45	780,000	2019	5.10	995,000
2012	4.60	715,000	2020	5.15	1,055,000
2013	4.70	745,000	2021	5.15	595,000

Total debt service requirements are:

<u>Year</u>	<u>Amount</u>
2006	\$ 1,235,818
2007	1,236,177
2008	1,234,245
2009	1,235,610
2010	1,240,010
thereafter	<u>12,050,783</u>
	<u>\$ 18,232,643</u>

6. Intermunicipal 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.

FAIRVIEW TOWNSHIP AUTHORITY
(A component unit of Fairview Township)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

6. Intermunicipal agreement (continued):

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, 2005 were zero.

FAIRVIEW TOWNSHIP AUTHORITY
(A component unit of Fairview Township)

COMBINING STATEMENT OF NET ASSETS- SERIES OF 2001

DECEMBER 31, 2005
(See independent auditors' report)

	Clearing fund	Debt service fund	Debt service reserve fund	Series of 2001 total
Assets:				
Restricted cash and cash equivalents	\$ 248	\$ 85	\$ 72,450	\$ 72,783
Restricted investments			1,245,001	1,245,001
Accrued interest receivable			35,898	35,898
Current portion of lease rental receivable		640,000		640,000
Lease rental receivable		<u>12,030,000</u>		<u>12,030,000</u>
Total assets	<u>\$ 248</u>	<u>\$ 12,670,085</u>	<u>\$ 1,353,349</u>	<u>\$ 14,023,682</u>
Liabilities:				
Accounts payable	\$ 5,274			\$ 5,274
Current portion of bonds payable		\$ 640,000		640,000
Accrued interest payable			\$ 98,754	98,754
Bonds payable, long-term portion		<u>12,030,000</u>		<u>12,030,000</u>
Total liabilities	5,274	12,670,000	98,754	12,774,028
Net assets	<u>(5,026)</u>	<u>85</u>	<u>1,254,595</u>	<u>1,249,654</u>
Total liabilities and net assets	<u>\$ 248</u>	<u>\$ 12,670,085</u>	<u>\$ 1,353,349</u>	<u>\$ 14,023,682</u>

FAIRVIEW TOWNSHIP AUTHORITY
(A component unit of Fairview Township)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
SERIES OF 2001

YEAR ENDED DECEMBER 31, 2005
(See independent auditors' report)

	<u>Clearing fund</u>	<u>Debt service fund</u>	<u>Debt service reserve fund</u>	<u>Series of 2001 total</u>
Operating revenues	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Operating expenses:				
Engineering fees	1,233			1,233
Legal and accounting	4,041			4,041
Financial services fees	<u> </u>		<u>22,940</u>	<u>22,940</u>
Total operating expenses	<u>5,274</u>		<u>22,940</u>	<u>28,214</u>
Net operating loss	<u>(5,274)</u>		<u>(22,940)</u>	<u>(28,214)</u>
Nonoperating revenues (expenses):				
Lease rental			618,573	618,573
Unrealized loss on investments			(60,255)	(60,255)
Investment income	248	85	96,277	96,610
Interest expense	<u> </u>	<u> </u>	<u>(614,801)</u>	<u>(614,801)</u>
Total nonoperating revenues (expenses)	<u>248</u>	<u>85</u>	<u>39,794</u>	<u>40,127</u>
Net income (loss) before transfers	(5,026)	85	16,854	11,913
Transfers to Fairview Township	<u>(96)</u>		<u>(36,082)</u>	<u>(36,178)</u>
Net income (loss)	(5,122)	85	(19,228)	(24,265)
Net assets:				
January 1, 2005	<u>96</u>	<u>-0-</u>	<u>1,273,823</u>	<u>1,273,919</u>
December 31, 2005	<u><u>\$(5,026)</u></u>	<u><u>\$ 85</u></u>	<u><u>\$ 1,254,595</u></u>	<u><u>\$ 1,249,654</u></u>

Independent Auditors' Report on Compliance with Bond Trust Indentures

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Fairview Township Authority, a component unit of Fairview Township, as of and for the year ended December 31, 2005, and have issued our report thereon dated February 10, 2006.

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 M & T Investment Group, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Members of the Board, the management of Fairview Township Authority, a component unit of Fairview Township, and M & T Investment Group and is not intended to be and should not be used by anyone other than these specified parties.

Brown Schultz Sheridan & Fritz

February 10, 2006

CERTIFIED PUBLIC ACCOUNTANTS
AND
BUSINESS ADVISORS

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