

FAIRVIEW TOWNSHIP

YEAR ENDED DECEMBER 31, 2005

FAIRVIEW TOWNSHIP

YEAR ENDED DECEMBER 31, 2005

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Independent Auditors' 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, 2005, which collectively comprises the Township's basic financial statements 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 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 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, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, schedules of historical pension information and required supplementary information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The accompanying other supplementary financial information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Fairview Township. 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2005

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 11).

Highlights

Financial highlights:

- ◆ The Township's net assets are valued at \$29,023,717 as of December 31, 2005. The increase in net assets was primarily as a result of completing and capitalizing \$1,235,769 in capital improvement projects and purchasing capital equipment of \$530,566. Net assets increased by \$942,665 in 2005.
- ◆ The total cost of all the Township's programs was \$9,488,549.
- ◆ During the year, the Township had expenses of \$5,708,083 for governmental activities, which was \$125,046 less than the \$5,833,129 generated in taxes and program revenues.
- ◆ The Township refuse and sewer activities increased net assets by \$378,171 from operations.
- ◆ The Township completed \$267,328 in road reconstruction, repaving, building and stormwater improvements. The Township received roads and improvements dedicated by local developers valued at approximately \$360,772.

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 11 through 13) 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 14. 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.

FAIRVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

Government-wide financial statements

Our analysis of the Township as a whole begins on page 11. 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.

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.

Government-wide financial analysis

The following table reflects the condensed statement of net assets:

Statement of Net Assets

	<u>2005</u>	<u>2004</u>
Assets:		
Current assets	\$ 8,613,072	\$ 7,569,920
Noncurrent assets	<u>34,608,850</u>	<u>34,349,881</u>
Total assets	<u>\$ 43,221,922</u>	<u>\$ 41,919,801</u>
Liabilities:		
Current liabilities	\$ 1,575,692	\$ 1,448,465
Noncurrent liabilities	<u>12,622,513</u>	<u>13,093,787</u>
Total liabilities	<u>14,198,205</u>	<u>14,542,252</u>

FAIRVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

Government-wide financial analysis (continued)

Statement of Net Assets (continued)

	<u>2005</u>	<u>2004</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 20,365,761	\$ 19,640,954
Restricted	3,424,239	3,195,785
Unrestricted	<u>5,233,717</u>	<u>4,540,810</u>
Total net assets	<u>29,023,717</u>	<u>27,377,549</u>
Total liabilities and net assets	<u>\$ 43,221,922</u>	<u>\$ 41,919,801</u>

For more detailed information see the statement of net assets on page 11.

Statement of Activities

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,709,808	\$ 4,914,377
Operating grants and contributions	760,120	649,553
Capital grants and contributions	159,705	
General revenues:		
Taxes	4,225,673	3,796,583
Cable TV franchise fees	158,994	152,536
Investment earnings	292,434	128,887
Miscellaneous	<u>124,480</u>	<u>108,012</u>
Total revenues	<u>10,431,214</u>	<u>9,749,948</u>
Expenses:		
General government	625,708	728,991
Public safety	2,569,649	2,188,902
Health and welfare	56,889	52,232
Highways	2,272,041	2,408,405
Culture and recreation	181,214	109,720

FAIRVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

Government-wide financial analysis (continued)

Statement of Activities (continued)

	<u>2005</u>	<u>2004</u>
Expenses (continued):		
Interest	\$ 2,582	\$ 3,359
Sewer	2,741,696	2,513,513
Refuse	983,967	915,379
Township Authority	<u>54,803</u>	<u>67,381</u>
Total expenses	<u>9,488,549</u>	<u>8,987,882</u>
Change in net assets	942,665	762,066
Net assets:		
Beginning	<u>28,081,052</u>	<u>27,318,986</u>
Ending	<u>\$ 29,023,717</u>	<u>\$ 28,081,052</u>

For more detailed information see the statement of activities on pages 12 to 13.

The Township's combined net assets increased to \$29,023,717 from \$28,081,052 as a result of the increase in net assets of the governmental activities of \$942,665. Net assets of the business-type activities increased by \$378,171. 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 \$2,683,714.

The Township's funds

Governmental funds:

As of year end, the governmental funds (as presented on page 14) reported a combined fund balance of \$4,829,805, which is an increase of \$670,886 over the beginning of the year. The general fund experienced a net increase of \$550,658 resulting from increases in taxes and service fees which are tied directly to growth in that area.

FAIRVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

The Township's funds (continued)

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 \$378,171 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 \$1,040,499 and expenditures exceeded budgetary estimates by \$117,395, thus eliminating the need to draw upon existing fund balance.

Capital asset and debt administration

Capital assets:

The investment in capital assets for its governmental and business-type activities as of December 31, 2005, amounts to \$60,747,768, net of accumulated depreciation of \$27,456,702, leaving a net book value of \$33,291,066. 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 \$235,349. Actual expenditures to purchase or construct capital assets were \$1,766,335 for the year. Most of this amount was used to purchase vehicles and equipment and construct or reconstruct roads. Depreciation charges for the year totaled \$2,001,684. Additional information on the Township's capital assets can be found in Note 14 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 increased by \$172,520 as a result of issuing the 2005 bonds and the sewer revenue debt by \$615,000 during 2005.

FAIRVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

Economic factors and next year's budgets and rates

The Township's elected and appointed officials considered many factors when setting the fiscal year 2006 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 residential and retail 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 an estimate of 15,070 in 2005. This growth is indicative of the steady growth in residential building permits.

In our budget process the Township attempts to predict the financial condition of the Township at the end of each fiscal year. Certain statistical tools are then used to develop a realistic picture of the income and expense for the coming year. Every effort is made to budget appropriate amounts for contingencies; however, no one can totally anticipate all unexpected occurrences that may arise after the formalization and adoption of an operational budget. Municipalities such as Fairview Township consistently monitor revenue and expenses to assure that income received by the Township meets the projections of the budget to ensure those services adopted in the budget are delivered. Minor adjustments are made during the year to reflect the changes in the income and subsequent expenditures.

In 2005, the anticipated revenue from real estate transfers significantly exceeded the anticipated budgeted amount. The majority of this amount is directly related to the sales of commercial and industrial property in the Township that could not have been anticipated and/or budgeted. This is considered a "one time event". Additional revenues received included an adjustment of the earned income tax. This amount will be offset in the 2006 budget so again this is an anomaly. Grant income was received but this was offset by additional cost.

In preparing the 2005 budget, certain reserves were anticipated to be used to balance the budget. These reserves were previously established to make pension and postretirement benefit payments. Due to the increase in real estate transfer income these reserves were not used in 2005 and became part of the 2006 budget.

FAIRVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

Economic factors and next year's budgets and rates (continued)

In 2005, the Township began the construction of a new fire station to replace the 50 plus year old station at 340 Lewisberry Road. Original projections for this project had anticipated a construction cost of \$2.5 million. When the bids were opened and additional factors considered, the estimated total cost for move in is now in the range of \$3.1 million. Again, cash reserves will be used to fund this overage rather than adding to the debt of the Township.

EMST

The Township eliminated the occupational privilege tax and replaced it with the Emergency Municipal Services 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 with the project within a ten-year period. In 2005, the Board increased the minimum wage limit to \$12,000 before individuals working in the Township are subject to the tax. The impact of this change has not been determined by the Township.

Earned Income Tax (EIT)

The Township has been notified by the West Shore Tax Bureau (WESTAB) (the Bureau) that based upon recent audits of the Bureau, the Bureau has overpaid the Township earned income taxes over the past several years. The immediate impact to the Township is a reduction of 2006 revenues of approximately \$150,000 that the Bureau claims it has overpaid the Township. This reduction of \$150,000 has been reflected in the government-wide statements for 2005. The Township believes that future budget projections of EIT revenues may need to be reduced by as much as \$300,000 per year. This will put a strain on the Township's revenue requirements and may require the Township to increase revenues in other areas.

Franchise taxes

The Township currently collects cable television franchise fees from two cable companies operating within the Township. These funds are accounted for in the Capital Projects Fund and will be used for future capital acquisition and improvement projects. The Township is monitoring pending state and federal legislation that may substantially reduce the franchise taxes the Township receives in the future.

Postretirement medical costs

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

FAIRVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

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, three to seven 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, 2005, was \$12,670,000. 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 2006 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, 2005

ASSETS

	Primary government		
	Governmental activities	Business-type activities	Total
Current assets:			
Cash and investments	\$ 5,217,941	\$ 2,824,573	\$ 8,042,514
Taxes receivable	134,029		134,029
Other receivables	161,775	238,856	400,631
Interest receivable		35,898	35,898
Total current assets	<u>5,513,745</u>	<u>3,099,327</u>	<u>8,613,072</u>
Noncurrent assets:			
Restricted investments		1,317,784	1,317,784
Capital assets, depreciable, net	<u>21,862,039</u>	<u>11,429,027</u>	<u>33,291,066</u>
Total noncurrent assets	<u>21,862,039</u>	<u>12,746,811</u>	<u>34,608,850</u>
Total assets	<u>\$ 27,375,784</u>	<u>\$ 15,846,138</u>	<u>\$ 43,221,922</u>

See notes to financial statements.

LIABILITIES AND NET ASSETS

	Primary government		
	Governmental activities	Business-type activities	Total
Current liabilities:			
Accounts payable and accrued expenses	\$ 164,704	\$ 67,005	\$ 231,709
Accrued interest payable		98,754	98,754
Escrows payable	576,327		576,327
Current portion of long-term debt	<u>6,420</u>	<u>662,482</u>	<u>668,902</u>
Total current liabilities	<u>747,451</u>	<u>828,241</u>	<u>1,575,692</u>
Noncurrent liabilities:			
Bonds payable	200,000	12,052,573	12,252,573
Leases payable	3,830		3,830
Compensated absences	<u>300,363</u>	<u>65,747</u>	<u>366,110</u>
Total noncurrent liabilities	<u>504,193</u>	<u>12,118,320</u>	<u>12,622,513</u>
Total liabilities	<u>1,251,644</u>	<u>12,946,561</u>	<u>14,198,205</u>
Net assets:			
Invested in capital assets, net of related debt	21,651,789	(1,286,028)	20,365,761
Restricted for:			
Capital projects	861,124		861,124
Fire hydrant	59,608		59,608
Highway aid	372,949		372,949
Street lights	(17,012)		(17,012)
Debt service		1,635,602	1,635,602
Fire services	501,107		501,107
EMS services	10,861		10,861
Unrestricted	<u>2,683,714</u>	<u>2,550,003</u>	<u>5,233,717</u>
Total net assets	<u>26,124,140</u>	<u>2,899,577</u>	<u>29,023,717</u>
Total liabilities and net assets	<u>\$ 27,375,784</u>	<u>\$ 15,846,138</u>	<u>\$ 43,221,922</u>

FAIRVIEW TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2005

<u>Functions/programs</u>	<u>Expenses</u>	Program revenues			Net (expenses) revenue and changes in net assets		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Primary government:							
Government activities:							
General government	\$ 625,708	\$ 43,469	\$ 58,773		\$(523,466)		\$(523,466)
Public safety	2,569,649	686,027	279,184		(1,604,438)		(1,604,438)
Health and welfare	56,889				(56,889)		(56,889)
Highways	2,272,041		378,091	\$ 58,000	(1,835,950)		(1,835,950)
Culture and recreation	181,214	2,207		101,705	(77,302)		(77,302)
Unallocated interest expense	<u>2,582</u>				<u>(2,582)</u>		<u>(2,582)</u>
Total governmental activities	<u>5,708,083</u>	<u>731,703</u>	<u>716,048</u>	<u>159,705</u>	<u>(4,100,627)</u>		<u>(4,100,627)</u>
Business-type activities:							
Sewer	2,741,696	3,010,906				\$ 269,210	269,210
Refuse	983,967	935,152	44,072		(4,743)	(4,743)	
Fairview Township Authority	<u>54,803</u>	<u>32,047</u>			<u>(22,756)</u>	<u>(22,756)</u>	
Total business-type activities	<u>3,780,466</u>	<u>3,978,105</u>	<u>44,072</u>			<u>241,711</u>	<u>241,711</u>
Total primary government	<u>\$ 9,488,549</u>	<u>\$ 4,709,808</u>	<u>\$ 760,120</u>	<u>\$ 159,705</u>	<u>(4,100,627)</u>	<u>241,711</u>	<u>(3,858,916)</u>

(continued)

FAIRVIEW TOWNSHIP

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

<u>Functions/programs</u>	<u>Expenses</u>	Program revenues			Net (expenses) revenue and changes in net assets		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>	<u>Business- type activities</u>	<u>Total</u>
General revenues:							
Taxes:							
Real estate					\$ 1,202,428		\$ 1,202,428
Real estate transfer					688,677		688,677
Earned income					1,885,324		1,885,324
Per capita					52,910		52,910
Emergency services					390,164		390,164
Public utility					6,170		6,170
Cable TV franchise fees					158,994		158,994
Investment earnings					155,974	\$ 136,460	292,434
Miscellaneous					124,480		124,480
Total general revenues					4,665,121	136,460	4,801,581
Change in net assets					564,494	378,171	942,665
Net assets:							
Beginning					25,559,646	2,521,406	28,081,052
Ending					\$ 26,124,140	\$ 2,899,577	\$ 29,023,717

See notes to financial statements.

FAIRVIEW TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS - DECEMBER 31, 2005

	<u>General</u>	<u>Highway aid fund</u>	<u>Capital reserve fund</u>	<u>Capital projects fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
ASSETS						
Cash and investments	\$ 3,171,731	\$ 377,805	\$ 89,799	\$ 667,739	\$ 910,867	\$ 5,217,941
Taxes receivable	232,494					232,494
Accounts receivable	72,047		89,728			161,775
Due from other funds	<u> </u>	<u> </u>	<u>13,858</u>	<u>89,728</u>	<u>50,000</u>	<u>153,586</u>
Total assets	<u>\$ 3,476,272</u>	<u>\$ 377,805</u>	<u>\$ 193,385</u>	<u>\$ 757,467</u>	<u>\$ 960,867</u>	<u>\$ 5,765,796</u>
LIABILITIES						
Accounts payable	\$ 145,058	\$ 4,856			\$ 14,790	\$ 164,704
Deferred revenues	41,374					41,374
Due to other funds			\$ 89,728		63,858	153,586
Escrow deposits	<u>576,327</u>	<u> </u>	<u> </u>		<u> </u>	<u>576,327</u>
Total liabilities	<u>762,759</u>	<u>4,856</u>	<u>89,728</u>		<u>78,648</u>	<u>935,991</u>
FUND BALANCES						
Fund balances:						
Reserved	1,989,461					1,989,461
Unreserved	<u>724,052</u>	<u>372,949</u>	<u>103,657</u>	<u>\$ 757,467</u>	<u>882,219</u>	<u>2,840,344</u>
Total fund balances	<u>2,713,513</u>	<u>372,949</u>	<u>103,657</u>	<u>757,467</u>	<u>882,219</u>	<u>4,829,805</u>
Total liabilities and fund balances	<u>\$ 3,476,272</u>	<u>\$ 377,805</u>	<u>\$ 193,385</u>	<u>\$ 757,467</u>	<u>\$ 960,867</u>	<u>\$ 5,765,796</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES

YEAR ENDED DECEMBER 31, 2005

Total governmental fund balances	\$ 4,829,805
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	21,862,039
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds, tax revenues	(57,091)
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	(300,363)
Long-term debt	<u>(210,250)</u>
Net assets of governmental activities	<u>\$ 26,124,140</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2005

	General	Highway aid fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
Revenues:						
Taxes	\$ 3,674,356				\$ 683,649	\$ 4,358,005
Licenses, permits and fees	3,755			\$ 158,994		162,749
Fines and penalties	103,746					103,746
Interest and rents	100,097	\$ 5,580	\$ 11,456	18,662	20,179	155,974
Intergovernmental revenue	366,912	330,774				697,686
Service fees	598,618					598,618
Miscellaneous revenue	143,799		47,569		142,933	334,301
Total revenues	4,991,283	336,354	59,025	177,656	846,761	6,411,079
Expenditures:						
General government	593,535					593,535
Public safety	2,286,162				559,956	2,846,118
Health and welfare	56,889					56,889
Highways	1,154,669	267,328	671,762		75,364	2,169,123
Culture, recreation	204,460		61,334			265,794
Debt service	6,843				1,891	8,734
Total expenditures	4,302,558	267,328	733,096		637,211	5,940,193
Excess (deficiency) of revenues over expenditures	688,725	69,026	(674,071)	177,656	209,550	470,886
Other financing sources (uses):						
Proceeds from issuance of bonds					200,000	200,000
Interfund transfers:						
Received			138,067			138,067
Expended	(138,067)					(138,067)
Total other financing sources (uses)	(138,067)		138,067		200,000	200,000

(continued)

FAIRVIEW TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

	<u>General</u>	<u>Highway aid fund</u>	<u>Capital reserve fund</u>	<u>Capital projects fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	\$ 550,658	\$ 69,026	\$(536,004)	\$ 177,656	\$ 409,550	\$ 670,886
Fund balances:						
Beginning of year	<u>2,162,855</u>	<u>303,923</u>	<u>639,661</u>	<u>579,811</u>	<u>472,669</u>	<u>4,158,919</u>
End of year	<u>\$ 2,713,513</u>	<u>\$ 372,949</u>	<u>\$ 103,657</u>	<u>\$ 757,467</u>	<u>\$ 882,219</u>	<u>\$ 4,829,805</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**

YEAR ENDED DECEMBER 31, 2005

Net change in fund balances, total government funds	\$ 670,886
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	1,710,650
Deduct, depreciation expense	(1,515,421)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, tax revenues. This amount results in a decrease from the revenue previously deferred.	(138,502)
Debt proceeds provide current financial resources to governmental funds, and issuing debt increases long-term debt in the statement of net assets	(200,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	6,152
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. This amount results from a decrease in this accrual.	<u>30,729</u>
Change in net assets of governmental activities	<u>\$ 564,494</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - DECEMBER 31, 2005

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Eliminations	Totals
ASSETS						
Current assets:						
Cash and investments	\$ 1,636,407	\$ 867,303	\$ 314,766	\$ 6,097		\$ 2,824,573
Accounts receivables		213,562	25,294			238,856
Interest receivable				35,898		35,898
Current portion, lease rental receivable				640,000	\$(640,000)	-0-
Total current assets	<u>1,636,407</u>	<u>1,080,865</u>	<u>340,060</u>	<u>681,995</u>	<u>(640,000)</u>	<u>3,099,327</u>
Noncurrent assets:						
Restricted investments				1,317,784		1,317,784
Lease rental receivable				12,030,000	(12,030,000)	-0-
Capital assets, depreciable, net		<u>11,385,143</u>	<u>43,884</u>			<u>11,429,027</u>
Total noncurrent assets		<u>11,385,143</u>	<u>43,884</u>	<u>13,347,784</u>	<u>(12,030,000)</u>	<u>12,746,811</u>
Total assets	<u>\$ 1,636,407</u>	<u>\$ 12,466,008</u>	<u>\$ 383,944</u>	<u>\$ 14,029,779</u>	<u>\$(12,670,000)</u>	<u>\$ 15,846,138</u>

(continued)

FAIRVIEW TOWNSHIP

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - DECEMBER 31, 2005 (CONTINUED)

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Eliminations	Totals
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	\$ 805	\$ 56,937	\$ 3,989	\$ 5,274		\$ 67,005
Interest payable				98,754		98,754
Current portion of long-term debt		662,482		640,000	\$(640,000)	662,482
Total current liabilities	805	719,419	3,989	744,028	(640,000)	828,241
Noncurrent liabilities:						
Bonds and notes payable		22,573		12,030,000		12,052,573
Lease rental debt payable		12,030,000			(12,030,000)	-0-
Compensated absences		59,095	6,652			65,747
Total noncurrent liabilities		12,111,668	6,652	12,030,000	(12,030,000)	12,118,320
NET ASSETS						
Reserved bond retirement	1,635,602					1,635,602
Unreserved		(365,079)	\$ 373,303	1,255,751		1,263,975
Total net assets	1,635,602	(365,079)	373,303	1,255,751		2,899,577
Total liabilities and net assets	\$ 1,636,407	\$ 12,466,008	\$ 383,944	\$ 14,029,779	\$(12,670,000)	\$ 15,846,138

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2005

	<u>Sewer reserve fund</u>	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Fairview Township Authority</u>	<u>Eliminations</u>	<u>Totals</u>
Operating revenues:						
Charges for services		\$ 2,605,636	\$ 935,152			\$ 3,540,788
Sewer permits		362,506				362,506
Miscellaneous		42,764		\$ 32,047		74,811
Intergovernmental revenues		<u> </u>	<u>44,072</u>	<u> </u>		<u>44,072</u>
Total operating revenues		<u>3,010,906</u>	<u>979,224</u>	<u>32,047</u>		<u>4,022,177</u>
Operating expenses:						
Personnel		584,471	108,344			692,815
Collection, disposal and treatment		1,057,962	867,172			1,925,134
Authority expenses				58,575		58,575
Depreciation		<u>477,811</u>	<u>8,451</u>	<u> </u>		<u>486,262</u>
Total operating expenses		<u>2,120,244</u>	<u>983,967</u>	<u>58,575</u>		<u>3,162,786</u>
Excess (deficiency) of operating revenues over expenses		<u>890,662</u>	<u>(4,743)</u>	<u>(26,528)</u>		<u>859,391</u>

(continued)

FAIRVIEW TOWNSHIP

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Eliminations	Totals
Nonoperating revenues (expenses):						
Lease rentals				\$ 618,573	\$(618,573)	\$ -0-
Earnings on temporary deposits and investments	\$ 43,553	\$ 46,825	\$ 9,727	36,355		136,460
Interest paid	<u> </u>	<u>(621,452)</u>	<u> </u>	<u>(614,801)</u>	<u>618,573</u>	<u>(617,680)</u>
 Total nonoperating revenues (expenses)	 <u>43,553</u>	 <u>(574,627)</u>	 <u>9,727</u>	 <u>40,127</u>	 <u>-0-</u>	 <u>(481,220)</u>
 Other financing sources (uses):						
Transfers to (from) Authority	36,178	(2,950)		(33,228)		-0-
Interfund transfers	<u>170,323</u>	<u>(170,323)</u>		<u> </u>		<u>-0-</u>
 Total other financing sources (uses)	 <u>206,501</u>	 <u>(173,273)</u>		 <u>(33,228)</u>		 <u>-0-</u>
 Excess (deficiency) of revenues and other financing sources over expenses and other uses	 250,054	 142,762	 4,984	 (19,629)		 378,171
 Net assets:						
Beginning 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>
End of year	<u>\$ 1,635,602</u>	<u>\$(365,079)</u>	<u>\$ 373,303</u>	<u>\$ 1,255,751</u>	<u>\$ -0-</u>	<u>\$ 2,899,577</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2005

	<u>Sewer reserve fund</u>	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Fairview Township Authority</u>	<u>Totals</u>
Cash flows from operating activities:					
Receipts from customers and users		\$ 2,968,178	\$ 930,431		\$ 3,898,609
Payments to:					
Suppliers		(1,061,572)	(875,198)		(1,936,770)
Employees		(547,447)	(108,316)		(655,763)
Other operating:					
Revenue		42,764	44,072	\$ 32,047	118,883
Payments	\$(27,395)	_____	_____	(53,301)	(80,696)
Net cash provided by (used in) operating activities	(27,395)	<u>1,401,923</u>	(9,011)	(21,254)	<u>1,344,263</u>
Cash flows from noncapital financing activities, payments to/from Authority and other funds	<u>206,501</u>	<u>(1,406,846)</u>		<u>1,200,345</u>	<u>-0-</u>

(continued)

FAIRVIEW TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

	<u>Sewer reserve fund</u>	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Fairview Township Authority</u>	<u>Totals</u>
Cash flows from capital and related financing activities:					
Principal paid on bonds		\$(21,328)		\$(615,000)	\$(636,328)
Interest paid on bonds		(2,879)		(618,573)	(621,452)
Purchase of fixed assets		<u>(55,684)</u>		<u> </u>	<u>(55,684)</u>
Net cash used in capital and related financing activities		<u>(79,891)</u>		<u>(1,233,573)</u>	<u>(1,313,464)</u>
Cash flows provided by investing activities, interest income	<u>\$ 43,553</u>	<u>46,825</u>	<u>\$ 9,727</u>	<u>96,015</u>	<u>196,120</u>
Net increase (decrease) in cash and cash equivalents	222,659	(37,989)	716	41,533	226,919
Cash and cash equivalents:					
Beginning	<u>1,413,748</u>	<u>905,292</u>	<u>314,050</u>	<u>37,347</u>	<u>2,670,437</u>
Ending	<u>\$ 1,636,407</u>	<u>\$ 867,303</u>	<u>\$ 314,766</u>	<u>\$ 78,880</u>	<u>\$ 2,897,356</u>

(continued)

FAIRVIEW TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

	<u>Totals</u>
Cash flows from operating activities:	
Excess of operating revenues over expenses	\$ 859,391
Adjustments:	
Depreciation	486,262
Increase in assets, accounts receivable	(4,685)
Increase (decrease) in liabilities:	
Accounts payable	(33,757)
Other liabilities	<u>37,052</u>
Total adjustments	<u>484,872</u>
Net cash provided by operating activities	<u>\$ 1,344,263</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF FIDUCIARY NET ASSETS

DECEMBER 31, 2005

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total 2005</u>
Assets:			
Cash and cash equivalents	\$ 3,773	\$ 25,115	\$ 28,888
Investments	<u>3,382,341</u>	<u>6,259,526</u>	<u>9,641,867</u>
Total assets	<u>\$ 3,386,114</u>	<u>\$ 6,284,641</u>	<u>\$ 9,670,755</u>
Net assets held in trust for pension benefits	<u>\$ 3,386,114</u>	<u>\$ 6,284,641</u>	<u>\$ 9,670,755</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED DECEMBER 31, 2005

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total 2005</u>
Additions:			
Contributions:			
State aid	\$ 26,645	\$ 140,181	\$ 166,826
Employer	231,383	650	232,033
Employee	<u>24,915</u>	<u> </u>	<u>24,915</u>
Total contributions	<u>282,943</u>	<u>140,831</u>	<u>423,774</u>
Investment income:			
Net appreciation in fair value of investments	91,489	361,427	452,916
Interest and dividends	<u>57,645</u>	<u>384</u>	<u>58,029</u>
	149,134	361,811	510,945
Less investment expense	<u>9,348</u>	<u>43,394</u>	<u>52,742</u>
Net investment income	<u>139,786</u>	<u>318,417</u>	<u>458,203</u>
Total additions	<u>422,729</u>	<u>459,248</u>	<u>881,977</u>
Deductions:			
Benefit payments	113,404	184,494	297,898
Administrative expenses	<u>4,600</u>	<u>8,349</u>	<u>12,949</u>
Total deductions	<u>118,004</u>	<u>192,843</u>	<u>310,847</u>
Net increase	304,725	266,405	571,130
Net assets held in trust for pension benefits:			
Beginning of year	<u>3,081,389</u>	<u>6,018,236</u>	<u>9,099,625</u>
End of year	<u>\$ 3,386,114</u>	<u>\$ 6,284,641</u>	<u>\$ 9,670,755</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

1. Summary of significant accounting policies:

The financial statements of Fairview Township have been prepared in conformity with accounting principles generally accepted in the United States of America 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. 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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

1. Summary of significant accounting policies (continued):

Reporting entity (continued):

The Fairview Township Fire Department (Fire Department) is included in these financial statements in other governmental funds for the first time in 2005 based upon the criteria described above. During 2005, the Township acquired control over the operations of the Fire Department and became financially accountable for the fiscal matters of the organization. The majority of the assets titled to the Fire Department were transferred to the Township during 2005 with the balance of the assets expected to be transferred in during 2006. The Fire Department has been reported as a blended component unit in the other governmental funds.

The Fairview Township Fire Department is an all volunteer organization, which provides fire fighting, education and prevention services to the residents of Fairview Township and surrounding areas. The Fire Department generates support and revenues from donations and fund-raising events. The Township assesses a real estate tax for fire protection purposes against the residents of Fairview Township in order to pay for operating expenses of the Fire Department.

Jointly governed organization:

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

Basis of 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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

1. Summary of significant accounting policies (continued):

Basis of presentation:

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 three major categories: governmental, proprietary 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 fund are at least 10% of the corresponding element total for all funds of that category or type; and
- b. Same element that met 10% criteria in a. is at least 5% of the corresponding total for all 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 (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (continued):

Major and nonmajor funds (continued):

Nonmajor funds (continued):

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.

Fire Station Fund - The Township is using this fund to track the construction of a new fire station within the Township. The Township has secured debt of \$2.5 million to pay for the construction of the new station.

Emergency Services Tax (EMST) Fund - The Township adopted the new EMST tax in 2005 to replace the Occupational Privilege Tax previously collected by the Township. The new tax is assessed at \$52 per eligible worker in the Township versus the old Occupational Privilege Tax of \$10. The new tax has been collected and segregated into this fund to provide funds for emergency services within the Township.

Fairview Township Fire Department - This is a blended component unit of the Township. The Fire Department provides fire fighting, education and protection services to the residents of Fairview Township. The Fire Department relies on donations from the public and fire tax revenues assessed by the Township.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (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 Nonuniformed 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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

1. Summary of significant accounting policies (continued):

Fairview Township Authority:

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 operations of sewer systems.

Authority - basis of presentation:

The Authority's policy is to prepare its component unit financial statements on the accrual basis, as required by accounting principles generally accepted in the United States of America.

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 required by accounting principles generally accepted in the United States of America 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 statements of net assets. 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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

1. Summary of significant accounting policies (continued):

Authority - basis of presentation (continued):

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.

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 proprietary funds and pension trust funds financial statements 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.

They 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. All budgets have been adopted on the modified-accrual basis of accounting for all governmental fund types. The material modifications of the modified accrual method from the accrual method are as follows:

- a. Revenues are recognized in the accounting period in which they become susceptible to accrual; that is when they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or within 60 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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

1. Summary of significant accounting policies (continued):

Basis of accounting (continued):

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 general government. 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. Investments are principally stated at quoted market values or principal stated values which approximate market value.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

1. Summary of significant accounting policies (continued):

Receivables:

Accounts receivable and taxes receivable determined as being uncollectible are accounted for via the direct write-off method. As of December 31, 2005, the Township believes all accounts receivable are 100% collectible.

Budgets:

Prior to the beginning of each fiscal year, an annual budget is adopted for the General Fund, Highway Aid Fund, Capital Reserve Fund, Capital Project 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 2005, expenditures exceeded appropriations in the General Fund by \$117,395. 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:

Capital assets, which include land, land improvements, buildings, machinery and equipment, sewer systems and infrastructure assets (e.g., roads), are reported in the government-wide financial statements. Infrastructure assets include Township-owned roads, traffic signals and storm sewers. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

1. Summary of significant accounting policies (continued):

Capital assets (continued):

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 principal and interest reported as expenditures.

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

1. Summary of significant accounting policies (continued):

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/expenses 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.

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 Township'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 Township will not be able to recover the value of its investment or collateral security that is in the possession of an outside party. The Township'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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

2. Deposits and investments (continued):

Custodial credit risk, deposits and investments (continued):

As of December 31, 2005, \$7,804,235 of the Township's bank balance of \$8,163,580 was not covered by the Federal Deposit Insurance Corporation, but was collateralized in accordance with Act 72. This Act requires the institution to pool collateral for all its government deposits and to have the collateral held by an approved custodian in the institution's name.

	<u>Ratings</u>	<u>Maturities</u>	<u>2005 Fair value</u>
Deposits:			
Collateral held by the pledging bank under Act 72 but not in the Township's name			\$ 7,804,235
Insured by Federal Deposit Insurance Corporation			359,345
Outstanding checks			(121,711)
Petty cash			<u>645</u>
Total deposits			<u>8,042,514</u>
Restricted investments:			
U.S. government money market, 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>
			<u>1,317,784</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

2. Deposits and investments (continued):

Custodial credit risk, deposits and investments (continued):

	<u>Ratings</u>	<u>Maturities</u>	<u>2005 Fair value</u>
Investments (continued):			
Pension funds:			
Nationwide Insurance:			
Fixed income fund			\$ 157,187
Equity growth fund			183,705
Diversified equity			544,638
Diversified bond			713,097
International value			184,598
Mellon Bank:			
Intermediate bond fund			1,529,190
Active core bond fund			1,541,125
International equity fund			833,896
FPA Core Mid CAP stock fund			1,207,442
FPA Core Large CAP stock fund			2,746,989
Temporary investment funds	Unrated		28,888
Total pension funds			9,670,755
Total investments			10,988,539
Total deposits and investments			\$ 19,031,053

Interest rate risk:

The Township 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

2. Deposits and investments (continued):

Credit risk:

According to the Township'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 Township must be rated in the highest category by a nationally recognized rating agency.

3. 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, 2005, the present value of the future minimum lease rentals is \$12,670,000.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

3. Future 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
2011-2015	5,760,618
2016-2020	5,664,523
2021	<u>625,642</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 2005, the 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. 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 3.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

4. Sewer revenue bonds payable, Authority (continued):

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

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
2011-2015	5,760,618
2016-2020	5,664,523
2021	<u>625,642</u>
	<u>\$ 18,232,643</u>

5. General obligation debt:

General obligation notes payable/capital lease obligations consist of the following as of December 31, 2005:

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, 2005 is \$10,250.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

5. General obligation debt (continued):

General Obligation Note, Series of 1997:

On October 15, 1997 the Township issued its General Obligation Note, Series of 1997 in the principal sum of \$982,000 to: (1) refund the General Obligation Note, Series of 1989; (2) fund the purchase of sanitary sewage treatment capacity; (3) purchase an ambulance and other municipal equipment; (4) pay for remediation and restoration of storage tank removals on the Township's property and (5) pay costs, fees and expenses related to this issue. Of the \$982,000 issue, \$792,000 was deposited in the General Fund and recorded as General Long-term Debt as of December 31, 1997. This portion of the note bears interest at 4.90% per annum and requires 72 monthly payments of principal and interest of \$12,575. This portion of the note matured December 1, 2003. The remaining portion of the note, \$190,000, was deposited and recorded in the Sewer Fund (a proprietary fund) as a liability. This portion of the note bears interest at 5.01% per annum and requires 120 monthly payments of principal and interest of \$2,017. This portion of the note matures November 1, 2007. As of December 31, 2005, the balance outstanding is \$45,055.

General Obligation Note, Series of 2005:

On August 1, 2005, the Township issued its General Obligation Note, Series of 2005 in the maximum principal amount of \$2,500,000 to construct a new fire station within the Township; purchase a new fire truck; provide for other capital improvements and equipment and to pay for the costs of issuing the debt. The note bears interest at a rate of 3.70% per annum with interest only payments through August 1, 2006. Prior to August 1, 2006, the Township will determine the amortization of the outstanding principal in substantially level monthly installments of interest and principal through the maturity date of August 1, 2015. As of December 31, 2005, the Township has drawn down approximately \$200,000 of the proceeds of the note. There have been several delays in commencing the construction phase of the building in 2006 due to environmental concerns. Due to the uncertainty of the amortization schedule at this time, the current maturities and minimum debt service requirements schedules below do not include this note.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

5. General obligation debt (continued):

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

	Balance, January 1, 2005	Additions	Payments	Balance, December 31, 2005	Due within one year
Capital Lease Obligation	\$ 16,402		\$ 6,152	\$ 10,250	\$ 6,420
G. O. Note, 1997 (Sewer Fund)	66,383		21,328	45,055	22,482
G. O. Note, 2005 (General Fund)	<u>-0-</u>	\$ 200,000		<u>200,000</u>	<u>-0-</u>
	<u>\$ 82,785</u>	<u>\$ 200,000</u>	<u>\$ 27,480</u>	<u>\$ 255,305</u>	<u>\$ 28,902</u>

Scheduled principal maturities are:

<u>Year</u>	<u>Capital lease obligation</u>	<u>G. O. Note 1997</u>	<u>Total</u>
2006	\$ 6,420	\$ 22,482	\$ 28,902
2007	<u>3,830</u>	<u>22,573</u>	<u>26,403</u>
	<u>\$ 10,250</u>	<u>\$ 45,055</u>	<u>\$ 55,305</u>

Minimum debt service requirements are:

<u>Year</u>	<u>Capital lease obligation</u>	<u>G. O. Note 1997</u>	<u>Total</u>
2006	\$ 6,843	\$ 24,208	\$ 31,051
2007	<u>3,992</u>	<u>22,749</u>	<u>26,741</u>
	<u>\$ 10,835</u>	<u>\$ 46,957</u>	<u>\$ 57,792</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

6. 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 2005 were 0.878 mills - real estate and 0.300 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, 2005 were 15.62 cents/foot for unimproved and 62.5 cents/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.

7. 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 2005, the Township paid costs to Lower Allen Township of \$213,725. The Township also paid \$2,950 to the Township Authority for operating costs. All payments were made from the Sewer Fund.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

8. 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 Nonuniformed 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.

Plan membership:

As of January 1, 2006 participation in the respective plans is as follows:

Nonuniformed Pension Plan:

Membership as of January 1, 2006:

Retirees and beneficiaries currently receiving benefits	9
Terminated employees entitled to deferred benefits	7
Active members	<u>27</u>

Total 43

Police Pension Plan:

Membership as of January 1, 2006:

Retirees and beneficiaries currently receiving benefits	8
Terminated employees entitled to deferred benefits	1
Active members	<u>15</u>

Total 24

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

8. Defined benefit pension plans (continued):

Plan membership (continued):

A summary of employee eligibility requirements and benefits as of January 1, 2006 is as follows:

	Nonuniformed	Police
a. Covered employees	All full-time nonuniformed 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 years of service
c. Monthly pension benefit	Equal to 2.00% of average monthly pay times the number of years of service completed; if hired prior to January 1, 2001, 1.5% of average monthly pay times the number of years of service up to a maximum of 25 years, if greater.	Equal to 50% of average monthly pay, plus a service increment of \$100 per month for members who complete 26 or more years of service.
	Average monthly pay is based upon the final plan year preceding retirement.	Average monthly pay is based upon the last 36 months of employment.
d. Vesting	Immediate 100%	Upon completion of 12 years of service.

Funding policy:

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

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

8. Defined benefit pension plans (continued):

Funding policy (continued):

Funding of the respective plans were provided as follows for 2005:

<u>Description</u>	<u>Nonuniformed pension plan</u>	<u>Police pension plan</u>
Annual covered payroll	\$ 1,122,344	\$ 922,096
Employee contribution rate	2.0% of gross wages	Suspended January 1, 2000
Employee contributions paid in 2005	\$ 24,915	\$ -0-
Employer contributions paid in 2005	\$ 231,383	\$ 650
State aid contributions paid in 2005	\$ 26,645	\$ 140,181
Total contributions made as a percentage of payroll	25.2%	15.3%

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>Nonuniformed pension plan</u>	<u>Police pension plan</u>
Annual required contribution	\$ 258,128	\$ 140,181
Interest on net pension asset	(1,195)	
Adjustment to annual required contribution	<u>1,423</u>	<u> </u>
Annual pension cost	258,356	140,181
Contributions made	<u>258,128</u>	<u>140,181</u>
Decrease in net pension asset	228	-0-

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

8. Defined benefit pension plans (continued):

Annual pension cost and net pension obligation (continued):

	<u>Nonuniformed pension plan</u>	<u>Police pension plan</u>
Net pension obligation (asset):		
Beginning of year	\$(17,077)	\$ -0-
End of year	<u>\$(16,849)</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 Nonuniformed Pension Plan's records indicate a net pension (asset) obligation of approximately (\$16,849) as of December 31, 2005. The Township has not recorded this asset.

	<u>Nonuniformed pension plan</u>	<u>Police pension plan</u>
Actuarial valuation date	January 1, 2006	January 1, 2006
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	12 years	10 years
Asset valuation method	Market value as determined by trustee	Market value as determined by trustee

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

8. Defined benefit pension plans (continued):

Annual pension cost and net pension obligation (continued):

	Nonuniformed pension plan	Police pension plan
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

Investments are purchased by the Trustee as part of the Pension Trust Funds. The investments are stated at fair value as of December 31, 2005 and consist of the following:

	Cost	Fair value
Nonuniformed pension:		
Fixed income funds	\$ 1,783,225	\$ 1,783,225
Temporary investments and deposits	3,773	3,773
Funds:		
Bond	532,270	623,513
Stock	797,042	975,603
	3,116,310	3,386,114
Police pension:		
Temporary investments and deposits	25,115	25,115
Funds:		
Bond	1,785,974	2,446,801
Stock	3,018,175	3,812,725
	4,829,264	6,284,641
Total investments, pension	\$ 7,945,574	\$ 9,670,755

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

8. Defined benefit pension plans (continued):

Annual pension cost and net pension obligation (continued):

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

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

	<u>Nonuniformed pension plan</u>	<u>Police pension plan</u>
Realized gains or losses	\$ 27,164	\$ 118,659
Unrealized gains or losses	<u>64,325</u>	<u>242,768</u>
Net appreciation in fair value of investment	<u>\$ 91,489</u>	<u>\$ 361,427</u>

Three-year trend information:

<u>Nonuniformed pension plan</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
<u>Year</u>			
2005	\$ 258,356	100 %	\$(16,849)
2004	156,109	100 +	-0-
2003	147,112	100	-0-
<u>Police pension plan</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
<u>Year</u>			
2005	\$ 140,181	100 %	\$ -0-
2004	-0-	100	-0-
2003	-0-	100	-0-

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

9. Compensated absences:

The Township allows nonuniformed and uniformed employees to accumulate unused sick leave to a maximum of 180 days under their collective bargaining agreements. The Township allows nonuniformed 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 nonuniformed 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, 2005, the liability for vested unused vacation and sick leave is approximately \$366,110. These amounts include payroll related tax liabilities.

10. Commitments and contingencies:

As described in Note 5, the Township is contingently liable for repayment of the \$12,670,000 of Sewer Revenue Bonds issued by the Fairview Township Municipal Authority should the Authority default on the required repayment terms.

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

Outstanding escrow deposits at December 31, 2005 are approximately \$576,327.

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 \$813,906. The State Indemnification Fund has reimbursed the Township for \$548,801 of these costs to date. The Township has recorded additional state reimbursements as receivables of \$14,047 as of December 31, 2005, which it has not received to date.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

10. Commitments and contingencies (continued):

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 2005 was \$13,116. The minimum lease requirements for the next two years are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 13,116
2007	<u>5,465</u>
	<u>\$ 18,581</u>

11. 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.

12. 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, 2005 were zero.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

13. Reservations of fund equity:

Reservations of fund balances as of December 31, 2005 are not appropriable for expenditure, or are legally segregated for specific purposes as follows:

General fund:

Medical benefits:	
Nonuniformed	\$ 414,374
Police	281,015
Compensated absences, Township employees	635,212
Pooled sick days, police	58,855
Future pension costs, minimum municipal obligations, 2006/2007	<u>600,005</u>
	<u>\$ 1,989,461</u>

Pension trust funds, employee benefits	<u>\$ 9,670,755</u>
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Reserved retained earnings of the Proprietary Funds as of December 31, 2005 consists of the following:

Sewer reserve fund, reserved for debt service	<u>\$ 1,635,602</u>
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As of December 31, 2005, the Township has set aside approximately \$2,145,880 of general fund assets to fund the future payment of the medical benefits and compensated absences noted above.

14. Capital assets:

	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2005</u>
Capital assets not being depreciated, land	<u>\$ 542,798</u>			<u>\$ 542,798</u>
Capital assets being depreciated:				
Vehicles and equipment	2,149,939	\$ 1,082,551		3,232,490
Buildings and improvements	561,285			561,285
Refuse fund	84,513			84,513

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

14. Capital assets (continued):

	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2005</u>
Capital assets being depreciated (continued):				
Sewer fund	\$ 18,625,111	\$ 55,684		\$ 18,680,795
Roads, traffic signals and storm sewers	<u>37,017,787</u>	<u>628,100</u>		<u>37,645,887</u>
Total capital assets being depreciated	<u>58,438,635</u>	<u>1,766,335</u>		<u>60,204,970</u>
Less accumulated depreciation:				
Vehicles and equipment	1,118,241	234,004		1,352,245
Buildings and improvements	343,474	15,168		358,642
Refuse fund	32,178	8,451		40,629
Sewer fund	6,817,842	477,811		7,295,653
Roads, traffic signals and storm sewers	<u>17,143,283</u>	<u>1,266,250</u>		<u>18,409,533</u>
Total accumulated depreciation	<u>25,455,018</u>	<u>2,001,684</u>		<u>27,456,702</u>
Capital assets, net	<u>\$ 33,526,415</u>	<u>\$ (235,349)</u>		<u>\$ 33,291,066</u>

Depreciation expense was charged to functions as follows:

Refuse	\$ 8,451
Sewer	477,811
General government	36,695
Public safety	93,677
Highways	1,361,241
Recreation	<u>23,809</u>
Total depreciation expense	<u>\$ 2,001,684</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

15. Addition to reporting entity:

As of December 31, 2005, the Township included the Fairview Township Fire Department as a blended component unit of the Township as described in Note 1. Beginning net assets have been adjusted as follows:

Beginning net assets, governmental activities, as of December 31, 2004, as previously reported	\$ 24,856,143
Capital assets of Fairview Township Fire Department	517,676
Operating assets of Fairview Township Fire Department	<u>185,827</u>
Beginning net assets, governmental activities, as restated	<u>\$ 25,559,646</u>

16. Postretirement health insurance benefits:

Effective January 1, 2000, the Township shall provide medical benefits to police officers and their spouses for all officers retiring for disability or normal age and service retirement. Benefits will be paid for a period of five 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.

Effective January 1, 2005, the Township shall provide medical benefits to full-time, nonuniform employees and their spouses for all employees retiring at normal retirement pursuant to the Nonuniform 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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

16. Postretirement health insurance benefits (continued):

The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which the Township has not implemented at this time. The Township is required to implement GASB 45 in 2009. The Township has contracted its pension actuary to determine the estimated cost of these postretirement benefits as of January 1, 2006, based upon current Township census information for uniformed and nonuniformed employees. The actuary also used various assumptions related to interest rates, health care costs trends, mortality tables and the number of the employees claiming the benefit. As of this latest valuation, the following information was made available to the Township in regards to these future costs:

	<u>Estimated annual postemployment benefit costs</u>	<u>Estimated actuarial accrued liability</u>
Employees:		
Nonuniformed	\$ 187,704	\$ 1,187,437
Uniformed	56,465	327,060

The Township has committed monies as of December 31, 2005 for purposes of paying these benefits, but these monies do not qualify as plan assets under GASB 45 because they are not invested in a trust.

17. 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 through December 31, 2005. This figure is only an estimate and depending upon the extent of soil contamination, this figure could be higher or lower. This figure has not been included in these financial statements.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

18. Deferred compensation plan:

The Township has a deferred compensation plan authorized under Internal Revenue Code Section 457 which is available to its full-time employees. Participation in the plan is voluntary and it is funded only by employee contributions, which totaled \$55,814 in 2005.

The Township adopted GASB Statement 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. GASB Statement 32 was adopted in response to amendments of Internal Revenue Code 457 which now requires that a 457 deferred compensation plan hold all assets and income of the plan for the exclusive benefit of the participants and their beneficiaries. The Township has amended the plan to comply with the code section amendments. Accordingly, the plan is not reported as part of these financial statements.

During 2005, the plan had the following activity:

	<u>Fair value</u>
Beginning balance, January 1, 2005	\$ 359,171
Employee contributions	55,814
Investment income	23,561
Fees	<u>(1,364)</u>
Ending balance, December 31, 2005	<u>\$ 437,182</u>

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
SCHEDULE OF FUNDING PROGRESS - POLICE PENSION PLAN

<u>January 1 year</u>	<u>Net assets available for benefits</u>	<u>Actuarial accrued liability</u>	<u>Unfunded (overfunded) actuarial accrued liability</u>	<u>Percentage funded</u>	<u>Annual covered payroll</u>	<u>Unfunded actuarial accrued liability as a percentage of covered payroll</u>
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)
2006	6,285,354	5,087,507	(1,197,847)	123.5	922,096	(129.9)

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
 SCHEDULE OF FUNDING PROGRESS - NONUNIFORMED PENSION PLAN

<u>January 1 year</u>	<u>Net assets available for benefits</u>	<u>Actuarial accrued liability</u>	<u>Unfunded (overfunded) actuarial accrued liability</u>	<u>Percentage funded</u>	<u>Annual covered payroll</u>	<u>Unfunded actuarial accrued liability as a percentage of covered payroll</u>
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
2006	3,337,770	4,104,830	767,060	81.3	1,122,344	68.3

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
SCHEDULES OF EMPLOYER CONTRIBUTIONS

Year	Nonuniformed plan		Police pension plan	
	Annual required contribution	Percentage contributed	Annual required contribution	Percentage contributed
2005	\$ 258,128	100 %	\$ 140,181	100 %
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:

	Nonuniformed plan	Police pension plan
Actuarial valuation date	January 1, 2006	January 1, 2006
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	12 years	10 years
Asset valuation method	Market value as determined by trustee	Market value as determined by trustee

(continued)

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
SCHEDULES OF EMPLOYER CONTRIBUTIONS (CONTINUED)

	<u>Nonuniformed plan</u>	<u>Police pension plan</u>
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

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET COMPARED TO ACTUAL

GENERAL FUND

YEAR ENDED DECEMBER 31, 2005

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Taxes	\$ 3,113,134	\$ 3,113,134	\$ 3,674,356	\$ 561,222
Licenses, permits and fees	1,000	1,000	3,755	2,755
Fines and penalties	73,000	73,000	103,746	30,746
Interest and rents	20,000	20,000	100,097	80,097
Intergovernmental	271,500	271,500	366,912	95,412
Service fees	381,650	381,650	598,618	216,968
Miscellaneous	<u>90,500</u>	<u>90,500</u>	<u>143,799</u>	<u>53,299</u>
Total revenues	<u>3,950,784</u>	<u>3,950,784</u>	<u>4,991,283</u>	<u>1,040,499</u>
Expenditures:				
General government	517,832	517,832	593,535	75,703
Public safety	2,270,320	2,270,320	2,286,162	15,842
Health and welfare	36,500	36,500	56,889	20,389
Highways	1,158,273	1,158,273	1,154,669	(3,604)
Culture and recreation	202,238	202,238	204,460	2,222
Debt service			<u>6,843</u>	<u>6,843</u>
Total expenditures	<u>4,185,163</u>	<u>4,185,163</u>	<u>4,302,558</u>	<u>117,395</u>
Excess (deficiency) of revenues over expenditures	(234,379)	(234,379)	688,725	923,104
Other financing sources (uses), interfund transfers expended			<u>(138,067)</u>	<u>138,067</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$(234,379)</u>	<u>\$(234,379)</u>	550,658	<u>\$ 785,037</u>
Fund balance:				
Beginning of year			<u>2,162,855</u>	
End of year			<u>\$ 2,713,513</u>	

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET COMPARED TO ACTUAL

HIGHWAY AID FUND

YEAR ENDED DECEMBER 31, 2005

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Interest and rents			\$ 5,580	\$ 5,580
Intergovernmental	<u>\$ 329,235</u>	<u>\$ 329,235</u>	<u>330,774</u>	<u>1,539</u>
Total revenues	329,235	329,235	336,354	7,119
Expenditures, highways	<u>322,000</u>	<u>322,000</u>	<u>267,328</u>	<u>(54,672)</u>
Excess of revenues over expenditures	<u>\$ 7,235</u>	<u>\$ 7,235</u>	69,026	<u>\$ 61,791</u>
Fund balance:				
Beginning of year			<u>303,923</u>	
End of year			<u>\$ 372,949</u>	

FAIRVIEW TOWNSHIP

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET COMPARED TO ACTUAL

CAPITAL RESERVE FUND

YEAR ENDED DECEMBER 31, 2005

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Interest and rents	\$ 3,000	\$ 3,000	\$ 11,456	\$ 8,456
Miscellaneous revenue			<u>47,569</u>	<u>47,569</u>
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>59,025</u>	<u>56,025</u>
Expenditures:				
Culture, recreation	80,000	80,000	61,334	(18,666)
Highways	<u>252,000</u>	<u>252,000</u>	<u>671,762</u>	<u>419,762</u>
Total expenditures	<u>332,000</u>	<u>332,000</u>	<u>733,096</u>	<u>401,096</u>
Deficiency of revenues over expenditures	(329,000)	(329,000)	(674,071)	(345,071)
Other financing sources (uses), interfund transfers received	<u>117,624</u>	<u>117,624</u>	<u>138,067</u>	<u>20,443</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$(211,376)</u>	<u>\$(211,376)</u>	(536,004)	<u>\$(324,628)</u>
Fund balance:				
Beginning of year			<u>639,661</u>	
End of year			<u>\$ 103,657</u>	

FAIRVIEW TOWNSHIP

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET COMPARED TO ACTUAL

CAPITAL PROJECTS FUND

YEAR ENDED DECEMBER 31, 2005

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Licenses, permits and fees	\$ 161,000	\$ 161,000	\$ 158,994	\$ (2,006)
Interest and rents	<u>8,000</u>	<u>8,000</u>	<u>18,662</u>	<u>10,662</u>
Total revenues	169,000	169,000	177,656	8,656
Expenditures, general government	<u>1,000</u>	<u>1,000</u>		(1,000)
Excess of revenues over expenditures	<u>\$ 168,000</u>	<u>\$ 168,000</u>	177,656	<u>\$ 9,656</u>
Fund balance:				
Beginning of year			<u>579,811</u>	
End of year			<u>\$ 757,467</u>	

FAIRVIEW TOWNSHIP

NONMAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEETS

DECEMBER 31, 2005

	<u>Fire station fund</u>	<u>EMST tax fund</u>	<u>Street light fund</u>	<u>Fire service fund</u>	<u>Fire hydrant fund</u>	<u>EMS service fund</u>	<u>Fairview Township Fire Department</u>	<u>Total</u>
ASSETS								
Cash and investments	\$ 3,602	\$ 277,655		\$ 348,793	\$ 62,768	\$ 12,184	\$ 205,865	\$ 910,867
Due from other funds		<u>50,000</u>						<u>50,000</u>
Total assets	<u>\$ 3,602</u>	<u>\$ 327,655</u>		<u>\$ 348,793</u>	<u>\$ 62,768</u>	<u>\$ 12,184</u>	<u>\$ 205,865</u>	<u>\$ 960,867</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Due to other funds	\$ 50,000		\$ 13,858					\$ 63,858
Accounts payable	<u>6,566</u>		<u>3,154</u>	\$ 587	\$ 3,160	\$ 1,323		<u>14,790</u>
Total liabilities	56,566		17,012	587	3,160	1,323		78,648
Fund balances (deficit)	<u>(52,964)</u>	<u>\$ 327,655</u>	<u>(17,012)</u>	<u>348,206</u>	<u>59,608</u>	<u>10,861</u>	<u>\$ 205,865</u>	<u>882,219</u>
Total liabilities and fund balances	<u>\$ 3,602</u>	<u>\$ 327,655</u>	<u>\$ -0-</u>	<u>\$ 348,793</u>	<u>\$ 62,768</u>	<u>\$ 12,184</u>	<u>\$ 205,865</u>	<u>\$ 960,867</u>

FAIRVIEW TOWNSHIP

NONMAJOR GOVERNMENTAL FUNDS - COMBINING STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2005

	Fire station fund	EMST tax fund	Street light fund	Fire service fund	Fire hydrant fund	EMS service fund	Fairview Township Fire Department	Total
Revenues:								
Taxes		\$ 322,059	\$ 30,062	\$ 130,504	\$ 53,296	\$ 147,728		\$ 683,649
Interest and rents	\$ 174	5,596	84	8,658	1,831	1,035	\$ 2,801	20,179
Miscellaneous revenue				1,149		10	141,774	142,933
Total revenues	174	327,655	30,146	140,311	55,127	148,773	144,575	846,761
Expenditures:								
Public safety	251,247			40,154		144,018	124,537	559,956
Highways, roads and streets			37,443		37,921			75,364
Debt service	1,891							1,891
Total expenditures	253,138		37,443	40,154	37,921	144,018	124,537	637,211
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(252,964)	327,655	(7,297)	100,157	17,206	4,755	20,038	209,550

(continued)

FAIRVIEW TOWNSHIP

NONMAJOR GOVERNMENTAL FUNDS - COMBINING STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)

YEAR ENDED DECEMBER 31, 2005

	<u>Fire station fund</u>	<u>EMST tax fund</u>	<u>Street light fund</u>	<u>Fire service fund</u>	<u>Fire hydrant fund</u>	<u>EMS service fund</u>	<u>Fairview Township Fire Department</u>	<u>Total</u>
Other financing sources (uses) bond proceeds	<u>\$ 200,000</u>							<u>\$ 200,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(52,964)	\$ 327,655	\$(7,297)	\$ 100,157	\$ 17,206	\$ 4,755	\$ 20,038	409,550
Fund balance (deficit): Beginning of year	<u> </u>	<u> </u>	<u>(9,715)</u>	<u>248,049</u>	<u>42,402</u>	<u>6,106</u>	<u>185,827</u>	<u>472,669</u>
End of year	<u><u>\$(52,964)</u></u>	<u><u>\$ 327,655</u></u>	<u><u>\$(17,012)</u></u>	<u><u>\$ 348,206</u></u>	<u><u>\$ 59,608</u></u>	<u><u>\$ 10,861</u></u>	<u><u>\$ 205,865</u></u>	<u><u>\$ 882,219</u></u>