

***FAIRVIEW TOWNSHIP***

***YEAR ENDED DECEMBER 31, 2008***



# **FAIRVIEW TOWNSHIP**

YEAR ENDED DECEMBER 31, 2008

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**FAIRVIEW TOWNSHIP**

YEAR ENDED DECEMBER 31, 2008

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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, 2008, which collectively comprise 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, 2008 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 and other required supplementary information as listed in the table of contents 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 Schulte Sheridan & Fritz*

June 17, 2009

## **FAIRVIEW TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**YEAR ENDED DECEMBER 31, 2008**

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 13).

#### **Highlights**

##### *Financial highlights:*

- ◆ The Township's net assets are valued at \$33,395,937 as of December 31, 2008. The increase in net assets was primarily as a result of purchasing, completing and capitalizing capital assets of \$2,574,566. Included in these capital asset additions is \$1,216,242 in road reconstruction, repaving, building and storm water improvements, including \$752,860 in road improvements donated to the Township by developers. Net assets increased by \$1,437,189 in 2008.
- ◆ The total cost of all the Township's programs was \$11,084,168.
- ◆ During the year, the Township had expenses of \$6,978,842 for governmental activities, which was \$877,460 less than the \$7,856,302 generated in general revenues and program revenues.
- ◆ The Township refuse and sewer activities increased net assets by \$559,729 from operations.

#### **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 13 through 15) 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 16. For governmental 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 (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

### **Government-wide financial statements**

The analysis of the Township as a whole begins on page 13. One of the most important questions asked about the Township's finances is, "Are the taxpayers of 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.

**FAIRVIEW TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**Government-wide financial analysis**

The following table reflects the condensed statement of net assets:

**Statement of Net Assets**

	<u>2008</u>	<u>2007</u>
<b>Assets:</b>		
Current assets	\$ 10,879,637	\$ 10,961,862
Noncurrent assets	<u>37,378,846</u>	<u>36,972,787</u>
Total assets	<u>\$ 48,258,483</u>	<u>\$ 47,934,649</u>
<b>Liabilities:</b>		
Current liabilities	\$ 2,874,217	\$ 3,031,624
Noncurrent liabilities	<u>11,988,329</u>	<u>12,944,277</u>
Total liabilities	<u>14,862,546</u>	<u>15,975,901</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	23,432,850	22,105,864
Restricted	3,747,807	3,922,748
Unrestricted	<u>6,215,280</u>	<u>5,930,136</u>
Total net assets	<u>33,395,937</u>	<u>31,958,748</u>
Total liabilities and net assets	<u>\$ 48,258,483</u>	<u>\$ 47,934,649</u>

For more detailed information see the statement of net assets on page 13.

**FAIRVIEW TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**Government-wide financial analysis (continued)**

**Statement of Activities**

	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Charges for services	\$ 5,262,413	\$ 4,723,111
Operating grants and contributions	828,805	1,027,433
Capital grants and contributions	17,000	146,000
General revenues:		
Taxes	5,065,414	4,913,671
Cable TV franchise fees	200,399	185,848
Investment earnings	248,179	492,666
Miscellaneous	146,287	71,474
Total revenues	<u>11,768,497</u>	<u>11,560,203</u>
Expenses:		
General government	600,986	607,882
Public safety	3,466,067	3,030,095
Health and welfare	54,985	31,770
Highways	2,560,613	2,497,854
Culture and recreation	224,091	143,527
Interest	72,100	80,490
Sewer	2,760,282	2,677,038
Refuse	1,344,774	1,250,180
Township Authority	270	18,987
Total expenses	<u>11,084,168</u>	<u>10,337,823</u>

**FAIRVIEW TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**Government-wide financial analysis (continued)**

**Statement of Activities (continued)**

	<u>2008</u>	<u>2007</u>
Developer contributions	<u>\$ 752,860</u>	<u>\$ 950,311</u>
Change in net assets	1,437,189	2,172,691
Net assets:		
Beginning	<u>31,958,748</u>	<u>29,786,057</u>
Ending	<u><u>\$ 33,395,937</u></u>	<u><u>\$ 31,958,748</u></u>

For more detailed information see the statement of activities on pages 14 and 15.

The Township's combined net assets increased to \$33,395,937 from \$31,958,748 as a result of the increase in net assets of \$1,437,189. The Township's combined unrestricted net assets for governmental activities and business-type activities, the part of net assets that can be used to finance day-to-day operations, were \$6,215,280.

Developer contributions, \$752,860, represent the value of assets dedicated to the Township for which the Township will assume all future maintenance costs related to the assets.

**The Township's funds**

*Governmental funds:*

As of year end, the governmental funds (as presented on page 16) reported a combined fund balance of \$5,901,435, which is an increase of \$265,510 over the beginning of the year. The general fund experienced a net increase of \$177,832 resulting from increases in taxes and service fees.

*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 \$559,729 as a result of operations in the proprietary funds.

## **FAIRVIEW TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2008**

#### **The Township's funds (continued)**

##### *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 \$572,766 and expenditures were under budgetary estimates by \$138,845, thus eliminating the need to draw upon existing fund balance. The decrease in anticipated expenditures was due to highway projects that were deferred into 2009. The Township also made decisions in 2008 not to hire additional staff and defer other costs into the future.

#### **Capital asset and debt administration**

##### *Capital assets:*

The investment in capital assets for its governmental and business-type activities as of December 31, 2008, amounts to \$69,658,663, net of accumulated depreciation of \$33,791,624, leaving a net book value of \$35,867,039. 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 increase in the Township's investment in capital assets for the current fiscal year was about \$2,574,566. Actual expenditures to purchase or construct capital assets were \$1,821,706 and developers contributed road improvements of \$752,860 during 2008. Most of the expenditure amount was used to purchase renovations for the municipality's building, \$569,698; highway equipment, \$75,620; police equipment, \$66,877; sewer improvements, \$342,394; and equipment for the parks, \$121,590. Depreciation charges for the year totaled \$2,201,452. 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 decreased by \$263,872 and the sewer revenue debt decreased by \$690,000 during 2008 due to debt service payments.

## **FAIRVIEW TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2008**

#### **Economic factors and next year's budgets and rates**

The Township's elected and appointed officials considered many factors when setting the fiscal year 2009 budget, tax rates and fees that will be charged for the business-type enterprises. One of those factors is the economy.

The Township's population increased 25% from 13,258 in 1990 to an estimate of 16,589 in 2008. This growth was indicative of the steady growth in residential building permits up through 2007. During 2008, new construction declined dramatically.

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, if required, are made during the year to reflect the changes in the income and subsequent expenditures.

In preparing the 2008 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 unexpected increases in revenues, these reserves were not used in 2008 and became part of the 2009 budget.

In 2008, the Township's pension funds experienced investment losses of approximately \$2.8 million as a result of the economic downturn. The Township has set aside reserves for future pension contributions to cover some of these losses. The decreases in investment values between 2007 and 2008 have had an impact on the 2009 budget. It is anticipated the Township will continue to see lower rates of returns on investments in 2009. The Township will continue to review its funding requirements for these plans into the future.

## **FAIRVIEW TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2008**

#### **Local Services Tax (LST)**

The Township eliminated the occupational privilege tax in previous years and replaced it with the Local Services Tax. In 2007, the Pennsylvania legislature changed portions of the laws governing the LST tax to make the \$12,000 annual income minimum limit the law and to extend the period of time employers have to collect the tax. The Township expects annual revenues from this tax to decrease as a result of these changes.

#### **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 Bureau currently claims it has overpaid the Township approximately \$100,000 and expects to reduce future collections by this amount. This reduction has been reflected in the Township's budget for 2009. If the Township receives EIT revenues higher than expected in the future, the excess will be used to reduce the balance owed to the Bureau. The Township believes that future budget projections of EIT revenues will need to be closely monitored by the Township. In accordance with Act 32 passed by the Pennsylvania legislature, EIT collections will move to Countywide collection bureaus as of January 1, 2012 and the Township's balance will have to be paid off by that date.

#### **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. The Township will adopt the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in 2009. These new costs impacted the 2009 budget.

## **FAIRVIEW TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2008**

#### **Authority concerns:**

The Authority was established to finance projects to serve the residents of Fairview Township. The Authority leases the sewer system to Fairview Township in exchange for the pledge of revenues generated by the system to meet the lease rental debt service payments. The system provides sewer services to various residents of the Township and, through a separate agreement, with the Lower Allen Authority. In 2008, the Authority and Township were provided analysis that Lower Allen Authority was preparing for capital improvements to their sewer facilities. The Authority and Township expect to share in approximately 7% of the costs of the improvements. The Township's share of the final costs will be subject to final approved costs and the potential to subsidize these costs with grant funding. The Authority and Township are currently making provisions to fund from \$300,000 to \$700,000 to cover their share of the costs of the improvements. The final approved costs are expected in 2009.

During 2006, the Authority and Township adopted a resolution to establish sanitary sewer reserved capacity fees for approved or future approved land development and/or subdivision plans. The resolution allows developers to prepay capacity fees at the current rates for approved and/or future plans. The future capacity fees have been recorded in the Township's Sewer Revenue Fund as deferred revenues. The Authority analyzed and adopted by resolution new sanitary sewer tapping fees for the entire Township. The Authority continues to analyze current and future capacity requirements and a possible plant upgrade at the southern area treatment facility.

In 2008, the Authority met with Township developers in an attempt to provide additional capacity at the Township's southern plant. The Authority and Township have taken the position that no additional capital improvements or operational costs will be incurred unless 100% of these costs are currently and in the future covered by developer contributions or sewer rental fees paid by new users to the sewer system. The Authority and Township do not want to pass these additional costs on to current system customers.

The Authority and Township are currently assessing the current and future costs related to compliance requirements of the Chesapeake Bay Initiative (the Initiative). The State's requirements for compliance with the Initiative are continuously changing and the estimated costs to comply are also continually changing. The Authority and Township are assessing these potential future costs in an effort to keep future sewer rental rates reasonable. In 2008, the Township purchased \$375,000 of nutrient credits, shown as prepaid expenses, through a State program that allows municipalities to defer significant capital improvement costs associated with the Initiative. The Authority and Township have decided to participate in a joint legal effort by Central Pennsylvania local governments to challenge the demonstrative science and legalities behind the Initiative's requirements in court. These matters are still pending.

## **FAIRVIEW TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2008**

#### **2008 Capital expenditures**

The Board budgeted for capital expenditures for the period of 2009. 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, 2008 was \$10,675,000. 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 and Authority are reviewing the anticipated obligations they must undertake to comply with the Chesapeake Bay initiatives mandated by the federal and state governments. The Authority has retained engineering services to plan for the compliance requirements. The plan includes several options to consider, including the cost of each option. Preliminary estimates for the plan range from \$4 to \$16 million depending upon the extent of upgrades required at the northern and southern plants. The Township has agreed to purchase credits over a 15-year period to reduce short-term capital costs by approximately \$4.1 million. The credits purchased represent costs of removing farm waste that would have otherwise flowed into the Chesapeake Bay.

#### **Contacting the Township's financial management**

This financial report is designed to provide our citizens, taxpayers, customers, 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.

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**FAIRVIEW TOWNSHIP**

STATEMENT OF NET ASSETS – DECEMBER 31, 2008

ASSETS

	Primary government		
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Current assets:			
Cash and investments	\$ 6,390,667	\$ 3,331,876	\$ 9,722,543
Taxes receivable	356,791		356,791
Internal balances	(1,802)	1,802	
Other receivables	86,928	329,089	416,017
Prepaid expenses		383,241	383,241
Interest receivable		1,045	1,045
	<u>6,832,584</u>	<u>4,047,053</u>	<u>10,879,637</u>
Total current assets			
	<u>6,832,584</u>	<u>4,047,053</u>	<u>10,879,637</u>
Noncurrent assets:			
Restricted cash, debt retirement		1,496,430	1,496,430
Net pension asset	15,377		15,377
Capital assets, net	24,594,814	11,272,225	35,867,039
	<u>24,610,191</u>	<u>12,768,655</u>	<u>37,378,846</u>
Total noncurrent assets			
	<u>24,610,191</u>	<u>12,768,655</u>	<u>37,378,846</u>
Total assets	<u>\$ 31,442,775</u>	<u>\$ 16,815,708</u>	<u>\$ 48,258,483</u>

See notes to financial statements.

## LIABILITIES AND NET ASSETS

	Primary government		
	Governmental activities	Business-type activities	Total
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 20,233	\$ 26,473	\$ 46,706
Accrued interest payable		85,460	85,460
Deferred revenues		962,115	962,115
Escrows payable	781,579		781,579
Current portion of long-term debt	278,357	720,000	998,357
	<u>1,080,169</u>	<u>1,794,048</u>	<u>2,874,217</u>
<b>Total current liabilities</b>			
<b>Noncurrent liabilities:</b>			
Bonds payable	1,480,832	9,955,000	11,435,832
Compensated absences	497,800	54,697	552,497
	<u>1,978,632</u>	<u>10,009,697</u>	<u>11,988,329</u>
<b>Total noncurrent liabilities</b>			
	<u>3,058,801</u>	<u>11,803,745</u>	<u>14,862,546</u>
<b>Total liabilities</b>			
<b>Net assets:</b>			
Invested in capital assets, net of related debt	22,835,625	597,225	23,432,850
<b>Restricted for:</b>			
Pension asset	15,377		15,377
Capital projects	1,283,439		1,283,439
Fire hydrant	(10,686)		(10,686)
Highway aid	599,376		599,376
Street lights	(46,334)		(46,334)
Debt retirement		1,663,478	1,663,478
Fire services	301,820		301,820
EMS services	(58,663)		(58,663)
Unrestricted	3,464,020	2,751,260	6,215,280
	<u>28,383,974</u>	<u>5,011,963</u>	<u>33,395,937</u>
<b>Total net assets</b>			
	<u>\$ 31,442,775</u>	<u>\$ 16,815,708</u>	<u>\$ 48,258,483</u>
<b>Total liabilities and net assets</b>			

**FAIRVIEW TOWNSHIP**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2008**

Functions/programs	Expenses	Program revenues			Net (expenses) revenue and changes in net assets	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities
<b>Primary government:</b>						
<b>Governmental activities:</b>						
General government	\$ 600,986	\$ 168,973	\$ 92,573		\$ (339,440)	\$ (339,440)
Public safety	3,466,067	638,223	222,098		(2,605,746)	(2,605,746)
Health and welfare	54,985				(54,985)	(54,985)
Highways	2,560,613		406,827		(2,153,786)	(2,153,786)
Culture and recreation	224,091	7,599		\$ 17,000	(199,492)	(199,492)
Unallocated interest expense	72,100				(72,100)	(72,100)
<b>Total governmental activities</b>	<b>6,978,842</b>	<b>814,795</b>	<b>721,498</b>	<b>17,000</b>	<b>(5,425,549)</b>	<b>(5,425,549)</b>
<b>Business-type activities:</b>						
Sewer	2,760,282	3,203,739	62,500		\$ 505,957	505,957
Refuse	1,344,774	1,243,609	44,807		(56,358)	(56,358)
Fairview Township Authority	270	270			-	-
<b>Total business-type activities</b>	<b>4,105,326</b>	<b>4,447,618</b>	<b>107,307</b>		<b>449,599</b>	<b>449,599</b>
<b>Total primary government</b>	<b>\$ 11,084,168</b>	<b>\$ 5,262,413</b>	<b>\$ 828,805</b>	<b>\$ 17,000</b>	<b>(5,425,549)</b>	<b>(4,975,950)</b>

(continued)

**FAIRVIEW TOWNSHIP**

**STATEMENT OF ACTIVITIES (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2008**

Functions/programs	Program revenues			Net (expenses) revenue and changes in net assets		Total
	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	
General revenues:						
Taxes:						
Real estate				\$ 2,029,191		\$ 2,029,191
Real estate transfer				359,485		359,485
Earned income				2,211,459		2,211,459
Per capita				63,674		63,674
Emergency services				395,248		395,248
Public utility				6,357		6,357
Cable TV franchise fees				200,399		200,399
Investment earnings				138,049	\$ 110,130	248,179
Developer contributions				752,860		752,860
Miscellaneous				146,287		146,287
Total general revenues				6,303,009	110,130	6,413,139
Change in net assets				877,460	559,729	1,437,189
Net assets:						
Beginning				27,506,514	4,452,234	31,958,748
Ending				\$ 28,383,974	\$ 5,011,963	\$ 33,395,937

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

**BALANCE SHEET – GOVERNMENTAL FUNDS – DECEMBER 31, 2008**

	General	Highway aid fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
<b>ASSETS</b>						
Cash and investments	\$ 4,261,248	\$ 599,628	\$ 530,116	\$ 606,442	\$ 393,233	\$ 6,390,667
Taxes receivable	287,900					287,900
Accounts receivable			86,928			86,928
Due from other funds	30,076		59,953		440,260	530,289
<b>Total assets</b>	<b>\$ 4,579,224</b>	<b>\$ 599,628</b>	<b>\$ 676,997</b>	<b>\$ 606,442</b>	<b>\$ 833,493</b>	<b>\$ 7,295,784</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable		\$ 252			\$ 19,981	\$ 20,233
Deferred revenues	\$ 60,446					60,446
Due to other funds	1,802				530,289	532,091
Escrow deposits	781,579					781,579
<b>Total liabilities</b>	<b>843,827</b>	<b>252</b>			<b>550,270</b>	<b>1,394,349</b>
<b>Fund balances:</b>						
Reserved	2,539,803					2,539,803
Unreserved	1,195,594	599,376	\$ 676,997	\$ 606,442	283,223	3,361,632
<b>Total fund balances</b>	<b>3,735,397</b>	<b>599,376</b>	<b>676,997</b>	<b>606,442</b>	<b>283,223</b>	<b>5,901,435</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,579,224</b>	<b>\$ 599,628</b>	<b>\$ 676,997</b>	<b>\$ 606,442</b>	<b>\$ 833,493</b>	<b>\$ 7,295,784</b>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

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

**YEAR ENDED DECEMBER 31, 2008**

Total governmental fund balances	\$ 5,901,435
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.	24,594,814
Net pension asset is not included in the governmental funds.	15,377
Other assets are not available to pay for current-period expenditures, and therefore, are deferred in the funds, tax revenues.	129,337
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	(497,800)
Long-term debt	<u>(1,759,189)</u>
Net assets of governmental activities	<u>\$ 28,383,974</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2008

	<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>
<b>Revenues:</b>						
Taxes	\$ 4,355,454				\$ 694,443	\$ 5,049,897
Licenses, permits and fees	12,436			\$ 200,399		212,835
Fines and penalties	118,344					118,344
Interest and rents	84,482	\$ 8,444	\$ 14,367	12,333	18,423	138,049
Intergovernmental revenue	405,948	406,827				812,775
Service fees	612,259					612,259
Miscellaneous revenue	61,679				88,444	150,123
<b>Total revenues</b>	<u>5,650,602</u>	<u>415,271</u>	<u>14,367</u>	<u>212,732</u>	<u>801,310</u>	<u>7,094,282</u>
<b>Expenditures:</b>						
General government	1,137,295					1,137,295
Public safety	2,902,915				464,087	3,367,002
Health and welfare	54,985					54,985
Highways	1,092,642	463,018			63,209	1,618,869
Culture and recreation	314,649					314,649
Debt service	8,195				327,777	335,972
<b>Total expenditures</b>	<u>5,510,681</u>	<u>463,018</u>			<u>855,073</u>	<u>6,828,772</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>139,921</u>	<u>(47,747)</u>	<u>14,367</u>	<u>212,732</u>	<u>(53,763)</u>	<u>265,510</u>

(continued)

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2008

	General	Highway aid fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
Other financing sources (uses):						
Interfund transfers:						
Received	\$ 83,802		\$ 45,891			\$ 129,693
Expended	<u>(45,891)</u>				<u>\$ (83,802)</u>	<u>(129,693)</u>
Total other financing sources (uses)	<u>37,911</u>		<u>45,891</u>		<u>(83,802)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	177,832	\$ (47,747)	60,258	\$ 212,732	(137,565)	265,510
Fund balances:						
Beginning of year	<u>3,557,565</u>	<u>647,123</u>	<u>616,739</u>	<u>393,710</u>	<u>420,788</u>	<u>5,635,925</u>
End of year	<u><u>\$ 3,735,397</u></u>	<u><u>\$ 599,376</u></u>	<u><u>\$ 676,997</u></u>	<u><u>\$ 606,442</u></u>	<u><u>\$ 283,223</u></u>	<u><u>\$ 5,901,435</u></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, 2008**

Net change in fund balances, total government funds	\$ 265,510
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	2,073,676
Deduct, depreciation expense	(1,688,071)
The change in value of the net pension asset is not reported in governmental funds	(476)
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.	9,160
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	263,872
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 an increase in this accrual.	<u>(46,211)</u>
Change in net assets of governmental activities	<u><u>\$ 877,460</u></u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS – DECEMBER 31, 2008

ASSETS

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Eliminations	Totals
<b>Current assets:</b>						
Cash and investments	\$ 2,329,868	\$ 682,611	\$ 319,241	\$ 156		\$ 3,331,876
Accounts receivables		276,547	52,542			329,089
Interest receivable				1,045		1,045
Due from other funds		901	901			1,802
Prepaid expenses		375,000	8,241			383,241
Current portion, lease rental receivable				720,000	\$ (720,000)	-
<b>Total current assets</b>	<u>2,329,868</u>	<u>1,335,059</u>	<u>380,925</u>	<u>721,201</u>	<u>(720,000)</u>	<u>4,047,053</u>
<b>Noncurrent assets:</b>						
Restricted cash				1,496,430		1,496,430
Lease rental receivable				9,955,000	(9,955,000)	-
Capital assets, depreciable, net		10,824,439	447,786			11,272,225
<b>Total noncurrent assets</b>		<u>10,824,439</u>	<u>447,786</u>	<u>11,451,430</u>	<u>(9,955,000)</u>	<u>12,768,655</u>
<b>Total assets</b>	<u>\$ 2,329,868</u>	<u>\$ 12,159,498</u>	<u>\$ 828,711</u>	<u>\$ 12,172,631</u>	<u>\$ (10,675,000)</u>	<u>\$ 16,815,708</u>

(continued)

**FAIRVIEW TOWNSHIP**

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS – DECEMBER 31, 2008 (CONTINUED)

LIABILITIES AND NET ASSETS

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Eliminations	Totals
Current liabilities:						
Accounts payable and accrued expenses	\$ 666,390	\$ 26,211	\$ 262			\$ 26,473
Deferred revenues		295,725				962,115
Interest payable				\$ 85,460		85,460
Current portion of long-term debt		720,000		720,000	\$ (720,000)	720,000
Total current liabilities	<u>666,390</u>	<u>1,041,936</u>	<u>262</u>	<u>805,460</u>	<u>(720,000)</u>	<u>1,794,048</u>
Noncurrent liabilities:						
Bonds and notes payable				9,955,000		9,955,000
Lease rental debt payable		9,955,000			(9,955,000)	-
Compensated absences		53,839	858			54,697
Total noncurrent liabilities		<u>10,008,839</u>	<u>858</u>	<u>9,955,000</u>	<u>(9,955,000)</u>	<u>10,009,697</u>

(continued)

**FAIRVIEW TOWNSHIP**

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS – DECEMBER 31, 2008 (CONTINUED)

LIABILITIES AND NET ASSETS (CONTINUED)

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Eliminations	Totals
Net assets:						
Invested in capital assets, net of related debt	\$ 1,663,478	\$ 149,439	\$ 447,786			\$ 597,225
Reserved bond retirement Unreserved		959,284	379,805	\$ 1,412,171		1,663,478 2,751,260
Total net assets	<u>1,663,478</u>	<u>1,108,723</u>	<u>827,591</u>	<u>1,412,171</u>		<u>5,011,963</u>
Total liabilities and net assets	<u>\$ 2,329,868</u>	<u>\$ 12,159,498</u>	<u>\$ 828,711</u>	<u>\$ 12,172,631</u>	<u>\$ (10,675,000)</u>	<u>\$ 16,815,708</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS**

YEAR ENDED DECEMBER 31, 2008

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Eliminations	Totals
Operating revenues:						
Charges for services		\$ 2,764,060	\$ 1,243,395			\$ 4,007,455
Sewer permits		417,721				417,721
Miscellaneous		21,958	214	\$ 270		22,442
Intergovernmental revenues		62,500	44,807			107,307
<b>Total operating revenues</b>		<b>3,266,239</b>	<b>1,288,416</b>	<b>270</b>		<b>4,554,925</b>
Operating expenses:						
Personnel		706,942	112,201			819,143
Collection, disposal and treatment		1,017,897	1,212,537	270		2,230,434
Authority expenses		2,600				2,870
Depreciation		493,344	20,036			513,380
<b>Total operating expenses</b>		<b>2,220,783</b>	<b>1,344,774</b>	<b>270</b>		<b>3,565,827</b>
Excess (deficiency) of operating revenues over expenses		1,045,456	(56,358)	-		989,098

(continued)

**FAIRVIEW TOWNSHIP**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS (CONTINUED)**

YEAR ENDED DECEMBER 31, 2008

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Eliminations	Totals
<b>Nonoperating revenues (expenses):</b>						
Lease rentals		\$ 543,893			\$ (543,893)	
Earnings on temporary deposits and investments	\$ 52,199	\$ 12,465	\$ 12,699	32,767		\$ 110,130
Interest paid		(543,893)		(539,499)	543,893	(539,499)
<b>Total nonoperating revenues (expenses)</b>	<u>52,199</u>	<u>(531,428)</u>	<u>12,699</u>	<u>37,161</u>	<u>-</u>	<u>(429,369)</u>
<b>Other financing sources (uses):</b>						
Payments to (from) Authority Interfund transfers	2,891 <u>(400,000)</u>	400,000		(2,891)		-
<b>Total other financing sources (uses)</b>	<u>(397,109)</u>	<u>400,000</u>		<u>(2,891)</u>		<u>-</u>

(continued)

**FAIRVIEW TOWNSHIP**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS (CONTINUED)**

YEAR ENDED DECEMBER 31, 2008

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Eliminations	Totals
Excess (deficiency) of revenues and other financing sources over expenses and other uses	\$ (344,910)	\$ 914,028	\$ (43,659)	\$ 34,270		\$ 559,729
Net assets:						
Beginning of year	<u>2,008,388</u>	<u>194,695</u>	<u>871,250</u>	<u>1,377,901</u>		<u>4,452,234</u>
End of year	<u>\$ 1,663,478</u>	<u>\$ 1,108,723</u>	<u>\$ 827,591</u>	<u>\$ 1,412,171</u>	<u>\$ -</u>	<u>\$ 5,011,963</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**

YEAR ENDED DECEMBER 31, 2008

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Totals
Cash flows from operating activities:					
Receipts from (refunds to) customers and users	\$ (211,590)	\$ 3,349,073	\$ 1,283,216		\$ 4,420,699
Payments to:					
Suppliers		(1,507,697)	(1,225,353)		(2,733,050)
Employees		(708,179)	(119,215)		(827,394)
Other operating:					
Revenue		21,898	214	270	22,382
Payments			(60)	(270)	(330)
Net cash provided by (used in) operating activities	<u>(211,590)</u>	<u>1,155,095</u>	<u>(61,198)</u>	<u>-</u>	<u>882,307</u>
Cash flows provided by (used in) noncapital financing activities, payments to/from Authority and other funds	<u>(397,109)</u>	<u>(833,893)</u>		<u>1,231,002</u>	<u>-</u>

(continued)

**FAIRVIEW TOWNSHIP**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)**

YEAR ENDED DECEMBER 31, 2008

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Totals
Cash flows from capital and related financing activities:					
Principal paid on bonds				\$ (690,000)	\$ (690,000)
Interest paid on bonds				(544,245)	(544,245)
Purchase of fixed assets		\$ (342,394)	\$ (158,495)		(500,889)
Net cash used in capital and related financing activities		(342,394)	(158,495)	(1,234,245)	(1,735,134)
Cash flows provided by investing activities, investment income	\$ 52,199	12,465	12,699	36,664	114,027
Net increase (decrease) in cash and cash equivalents	(556,500)	(8,727)	(206,994)	33,421	(738,800)
Cash and cash equivalents:					
Beginning	2,886,368	691,338	526,235	1,463,165	5,567,106
Ending	\$ 2,329,868	\$ 682,611	\$ 319,241	\$ 1,496,586	\$ 4,828,306

(continued)

**FAIRVIEW TOWNSHIP**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)**

YEAR ENDED DECEMBER 31, 2008

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Totals
Cash flows from operating activities:					
Excess (deficiency) of operating revenues over expenses		\$ 1,045,456	\$ (56,358)		\$ 989,098
Adjustments:					
Depreciation		493,344	20,036		513,380
Increase in assets:					
Accounts receivable		(24,058)	(4,986)		(29,044)
Due from other funds		(60)	(60)		(120)
Prepaid expenses		(375,000)	(3,519)		(378,519)
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses		(112,200)	(9,297)		(121,497)
Other liabilities		127,613	(7,014)		(90,991)
Total adjustments	(211,590)	109,639	(4,840)		(106,791)
Net cash provided by (used in) operating activities	\$ (211,590)	\$ 1,155,095	\$ (61,198)		\$ 882,307

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF FIDUCIARY NET ASSETS

DECEMBER 31, 2008

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 27,993	\$ 28,756	\$ 56,749
Investments	<u>3,069,840</u>	<u>5,051,260</u>	<u>8,121,100</u>
<b>Total assets</b>	<u><u>\$ 3,097,833</u></u>	<u><u>\$ 5,080,016</u></u>	<u><u>\$ 8,177,849</u></u>
<b>Net assets held in trust for pension benefits</b>	<u><u>\$ 3,097,833</u></u>	<u><u>\$ 5,080,016</u></u>	<u><u>\$ 8,177,849</u></u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED DECEMBER 31, 2008

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
Additions:			
Contributions:			
State aid	\$ 92,573	\$ 92,234	\$ 184,807
Employer	176,876	701	177,577
Employee	<u>27,238</u>	<u>22,779</u>	<u>50,017</u>
Total contributions	<u>296,687</u>	<u>115,714</u>	<u>412,401</u>
Investment income:			
Net depreciation in fair value of investments	(1,075,288)	(1,746,302)	(2,821,590)
Interest and dividends	<u>442</u>	<u>402</u>	<u>844</u>
	(1,074,846)	(1,745,900)	(2,820,746)
Less investment expense	<u>24,746</u>	<u>40,369</u>	<u>65,115</u>
Net investment loss	<u>(1,099,592)</u>	<u>(1,786,269)</u>	<u>(2,885,861)</u>
Total additions, net of investment losses	<u>(802,905)</u>	<u>(1,670,555)</u>	<u>(2,473,460)</u>
Deductions:			
Benefit payments	252,979	243,033	496,012
Administrative expenses	<u>6,138</u>	<u>31,915</u>	<u>38,053</u>
Total deductions	<u>259,117</u>	<u>274,948</u>	<u>534,065</u>

(continued)

**FAIRVIEW TOWNSHIP**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
Net decrease	\$ (1,062,022)	\$ (1,945,503)	\$ (3,007,525)
Net assets held in trust for pension benefits:			
Beginning of year	<u>4,159,855</u>	<u>7,025,519</u>	<u>11,185,374</u>
End of year	<u>\$ 3,097,833</u>	<u>\$ 5,080,016</u>	<u>\$ 8,177,849</u>

See notes to financial statements.

# **FAIRVIEW TOWNSHIP**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

### **1. Summary of significant accounting policies:**

The financial statements of Fairview Township (the 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, public safety, 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 the 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 the 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. The Authority has been reported as a blended component unit in the proprietary funds.

## **FAIRVIEW TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2008**

#### **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 based upon the criteria described above. During 2006, the Township acquired control over the operations of the Fire Department and became financially accountable for the financial matters of the organization. The majority of the assets titled to the Fire Department were transferred to the Township during 2006, 2007 and 2008 with the balance of the assets expected to be transferred in during 2009. 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 (the 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 local services 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. The assets and liabilities of the Bureau are not included in the financial statements.

*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, 2008

#### 1. Summary of significant accounting policies (continued):

##### *Basis of presentation (continued):*

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 element 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, 2008

**1. Summary of significant accounting policies (continued):**

*Basis of presentation (continued):*

Major and nonmajor funds - The funds are further classified as major or nonmajor as follows:

*Major funds:*

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

Special revenue funds:

*Highway Aid Fund* - The Highway Aid Fund is used to account for specific revenues that are restricted to the expenditures for the improvement and maintenance of the Township's roads, bridges, curbs and gutters.

Capital Projects Fund - Capital Project Funds account for the acquisition, improvement or construction of fixed assets not being financed by proprietary funds.

*Capital Projects Fund* - The Capital Projects Fund is used to account for cable TV franchise fees. These fees will be used to fund future capital acquisition and improvement projects.

*Capital Reserve Fund* - The Capital Reserve Fund is used to account for financial resources to be used for the acquisition or construction of capital facilities.

*Nonmajor funds:*

Street Light Fund - This fund is used to account for the assessment of fees, based on front footage of served lots, and their expenditure to provide street lighting. This fund continues to operate in a deficit as tax revenues are not sufficient to cover expenditures.

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. This fund has a deficit fund balance as of December 31, 2008 due to expenditures exceeding tax revenues.

## **FAIRVIEW TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2008**

#### **1. Summary of significant accounting policies (continued):**

*Basis of presentation (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. The fund was subsidized in 2008 from revenues received through the local services tax (LST).

**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. The fund was subsidized in 2008 from revenues received through the local services tax (LST).

**Fire Station Fund** - The Township is using this fund to pay the debt service on the debt and 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. The fund is subsidized from revenues received from the local services tax (LST).

**Local Services Tax (LST) Fund** - The Township deposits the collection of LST taxes into this fund. The tax is assessed at \$52 per eligible worker in the Township. The 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, 2008

#### 1. Summary of significant accounting policies (continued):

##### *Basis of presentation (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, 2008

#### **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, 2008

#### **1. Summary of significant accounting policies (continued):**

*Authority - basis of presentation (continued):*

Lease rentals are recorded 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:

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

#### **1. Summary of significant accounting policies (continued):**

*Basis of accounting (continued):*

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

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.

## **FAIRVIEW TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2008**

#### **1. Summary of significant accounting policies (continued):**

##### *Cash, cash equivalents and investments:*

Cash and cash equivalents consist of cash on hand and short-term, highly liquid investments with an original maturity of three months or less, when purchased, maintained at a local financial institution. Investments are principally stated at quoted market values or principal stated values which approximate market value.

##### *Receivables:*

Accounts receivable and taxes receivable determined as being uncollectible are accounted for via the direct write-off method. As of December 31, 2008, 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.

##### *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.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**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
Sewer improvements and equipment	5 - 40 years
Refuse improvements and equipment	5 - 40 years

*Long-term debt:*

All long-term debt to be repaid from governmental resources is 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 is reported as expenditures.

*Deferred sewer reserve and sewer fund revenues:*

The Township and the Authority adopted a resolution, effective October 1, 2006, for the collection and reservation of future sanitary sewer capacity for approved and future approved land development and subdivision plans. The resolution allows developers to prepay capacity fees at the current rates for approved and/or future plans. The sanitary sewer capacity fees are recorded as deferred revenues until the capacity is utilized.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

#### **1. Summary of significant accounting policies (continued):**

##### *Compensated absences:*

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

##### *Use of estimates:*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/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.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**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.

As of December 31, 2008, \$10,729,019 of the Township's bank balance of \$11,326,261 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>Fair value</u>
Deposits:			
Collateral held by the pledging bank under Act 72 but not in the Township's name			\$ 10,729,019
Insured by Federal Deposit Insurance Corporation			597,242
Outstanding checks			(108,067)
Deposits in transit			198
Petty cash			<u>581</u>
Total deposits			<u>11,218,973</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**2. Deposits and investments (continued):**

*Custodial credit risk, deposits and investments (continued):*

	Ratings	Maturities	Fair value
Investments:			
Mellon Bank:			
Intermediate bond fund			\$ 1,664,270
Active core bond fund			1,548,616
TBC Large CAP Core fund			604,293
TBC Small Mid CAP Growth fund			287,598
TBC Small Mid CAP Value fund			292,534
Smal CAP Stock fund			244,875
FPA Core Large CAP Stock fund			1,613,911
NCML EAFE Plus fund			845,036
DV Enhanced Mid CAP Core fund			411,979
Daily Valued Active Index Plus			607,988
Temporary investment funds	Unrated		56,749
Total investments			8,177,849
Total deposits and investments			\$ 19,396,822
Governmental funds			\$ 6,390,667
Business-type funds:			
Unrestricted			3,331,876
Restricted			1,496,430
Pension funds			8,177,849
			\$ 19,396,822

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

#### **2. Deposits and investments (continued):**

*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.

*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 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, 2008, the present value of the future minimum lease rentals is \$10,675,000.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**3. Future lease rental receivable (continued):**

Minimum rentals under the 2001 bond issues, including interest of \$3,851,401, are as follows:

<u>Lease years ending</u>	<u>Rental payment</u>
2009	\$ 1,235,610
2010	1,240,010
2011	1,232,168
2012	1,132,457
2013	1,129,567
2014	1,134,552
2015	1,131,873
2016	1,131,692
2017	1,133,693
2018	1,128,442
2019	1,130,720
2020	1,139,975
2021	625,642
	<u>\$ 14,526,401</u>

Under the 2001 bond indenture, minimum lease rentals will be reduced by excess trustee funds invested in the 2001 debt service fund as determined by the terms of the indenture. During 2008, the debt service fund transferred \$2,891 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.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**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.

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

2009	4.25 %	\$ 720,000	2016	5.00 %	\$ 860,000
2010	4.35	755,000	2017	5.00	905,000
2011	4.45	780,000	2018	5.05	945,000
2012	4.60	715,000	2019	5.10	995,000
2013	4.70	745,000	2020	5.15	1,055,000
2014	4.80	785,000	2021	5.15	595,000
2015	4.90	820,000			

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

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

Total debt service requirements are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Amount</u>
2009	\$ 720,000	\$ 515,610	\$ 1,235,610
2010	755,000	485,010	1,240,010
2011	780,000	452,168	1,232,168
2012	715,000	417,457	1,132,457
2013	745,000	384,567	1,129,567
2014	785,000	349,552	1,134,552
2015	820,000	311,873	1,131,873
2016	860,000	271,692	1,131,692
2017	905,000	228,693	1,133,693
2018	945,000	183,442	1,128,442
2019	995,000	135,720	1,130,720
2020	1,055,000	84,975	1,139,975
2021	595,000	30,642	625,642
	<u>\$ 10,675,000</u>	<u>\$ 3,851,401</u>	<u>\$ 14,526,401</u>

**5. General obligation debt:**

General obligation notes payable/capital lease obligations consist of the following as of December 31, 2008:

*Capital lease obligation:*

During 2007, the Township entered into a copier lease with a four-year term which expires in August 2011. The lease requires monthly payments of \$683, including a 6.0% implicit rate of interest. The outstanding balance at December 31, 2008 is \$20,663.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**5. General obligation debt (continued):**

*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. Subsequent to August 1, 2006, the Township will pay monthly installments of interest and principal of \$27,315 through the maturity date of August 1, 2015. As of December 31, 2008, the Township has an outstanding balance of \$1,738,526.

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

	Balance, January 1, 2008	Additions	Payments	Balance December 31, 2008	Due within one year
Capital lease obligation	\$ 27,427		\$ (6,764)	\$ 20,663	\$ 7,149
G. O. Note, 2005 (General Fund)	1,995,634		(257,108)	1,738,526	271,208
	\$ 2,023,061		\$ (263,872)	\$ 1,759,189	\$ 278,357

Scheduled principal maturities are:

Year	Capital lease obligation	G. O. Bond 2005	Total
2009	\$ 7,149	\$ 271,208	\$ 278,357
2010	7,591	281,415	289,006
2011	5,923	292,005	297,928
2012		302,995	302,995
2013		314,398	314,398
2014		276,505	276,505
	\$ 20,663	\$ 1,738,526	\$ 1,759,189

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**5. General obligation debt (continued):**

Minimum debt service requirements are:

<u>Year</u>	<u>Capital lease obligation</u>	<u>G. O. Bond 2005</u>	<u>Total</u>
2009	\$ 8,195	\$ 327,777	\$ 335,972
2010	8,195	327,777	335,972
2011	6,070	327,777	333,847
2012		327,777	327,777
2013		327,777	327,777
2014		273,147	273,147
	<u>\$ 22,460</u>	<u>\$ 1,912,032</u>	<u>\$ 1,934,492</u>

**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 2008 were 1.394 mills - real estate and .236 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, 2008 were 23.0 cents/foot for unimproved and 85.0 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.

## **FAIRVIEW TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2008**

#### **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 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 2008, the Township paid costs to Lower Allen Township of \$95,461. The Township also paid \$0 to the Township Authority for operating costs. All payments were made from the Sewer Fund.

#### **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 as trustee of the respective plan assets. The respective plan assets may be used only for the payment of benefits to members and plan expenses, in accordance with the terms of the plan. The plans provide retirement, disability and death benefits to plan members and their beneficiaries.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**8. Defined benefit pension plans (continued):**

*Plan membership:*

As of January 1, 2009 participation in the respective plans is as follows:

Nonuniformed pension plan:

Membership as of January 1, 2009:

Retirees and beneficiaries currently receiving benefits	7
Terminated employees entitled to deferred benefits	7
Active members	<u>29</u>

Total	<u>43</u>
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Police pension plan:

Membership as of January 1, 2009:

Retirees and beneficiaries currently receiving benefits	9
Terminated employees entitled to deferred benefits	1
Active members	<u>17</u>

Total	<u>27</u>
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**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**8. Defined benefit pension plans (continued):**

*Plan membership (continued):*

A summary of employee eligibility requirements and benefits as of January 1, 2009 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. Service increment of \$100 per month for members who complete 26 or more years of service, with maximum of \$300 additional per month.	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, with maximum of \$300 additional per month.
	Average monthly pay is based upon the final plan year preceding retirement.	Average monthly pay is based upon the last 36 months of employment.
d. Vesting	Immediate 100%	Upon completion of 12 years of service.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**8. Defined benefit pension plans (continued):**

*Funding policy:*

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

Funding of the respective plans was provided as follows for 2008:

<u>Description</u>	<u>Nonuniformed pension plan</u>	<u>Police pension plan</u>
Annual covered payroll	\$ 1,326,930	\$ 1,154,881
Employee contribution rate	2.0% of gross wages	2.0% of gross wages
Employee contributions paid in 2008	\$ 27,238	\$ 22,779
Employer contributions paid in 2008	\$ 176,876	\$ 701
State aid contributions paid in 2008	\$ 92,573	\$ 92,234
Total contributions made as a percentage of payroll	22.4%	10.0%

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**8. Defined benefit pension plans (continued):**

*Funding policy (continued):*

The funded status of each plan as of January 1, 2009, the most recent actuarial valuation date, is as follows:

	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability</u>	<u>Unfunded 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>
Police	\$ 6,095,900	\$ 6,120,337	\$ 24,437	99.6 %	\$ 1,154,881	2.1 %
Nonuniformed	3,708,293	5,015,972	1,307,679	73.9	1,326,930	98.5

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**8. Defined benefit pension plans (continued):**

*Annual pension cost and net pension asset:*

The Township's annual pension cost (APC), net pension asset and related information for the respective plans for the current year were as follows:

	Nonuniformed pension plan	Police pension plan
Annual required contribution	\$ 269,449	\$ 92,935
Interest on net pension asset	(1,110)	
Adjustment to annual required contribution	1,586	
Annual pension cost	269,925	92,935
Contributions made	269,449	92,935
Decrease in net pension asset	476	-
Net pension asset:		
Beginning of year	(15,853)	-
End of year	\$ (15,377)	\$ -

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 Township's nonuniformed pension plan's records indicate a net pension asset of approximately \$15,377 as of December 31, 2008.

**FAIRVIEW TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2008**

**8. Defined benefit pension plans (continued):**

	<u>Nonuniformed pension plan</u>	<u>Police pension plan</u>
Actuarial valuation date	January 1, 2009	January 1, 2009
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	11 years	3 years
Asset valuation method	Actuarial value as determined by actuary using five-year smoothing	Actuarial value as determined by actuary using five-year smoothing
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**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**8. Defined benefit pension plans (continued):**

Investments are purchased by the Trustee as part of the Pension Trust Funds. The investments are stated at fair value as of December 31, 2008 and consist of the following:

	Cost	Fair value
Nonuniformed pension:		
Temporary investments and deposits	\$ 27,993	\$ 27,993
Funds:		
Bond	1,107,618	1,210,799
Collective trust funds	370,425	230,240
Stock	1,993,318	1,472,830
Other investments	149,397	155,971
	3,648,751	3,097,833
Police pension:		
Temporary investments and deposits	28,756	28,756
Funds:		
Bond	1,461,842	2,002,087
Collective trust funds	605,236	377,748
Stock	3,078,230	2,415,417
Other investments	245,217	256,008
	5,419,281	5,080,016
 Total investments, pension	 \$ 9,068,032	 \$ 8,177,849

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

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**8. Defined benefit pension plans (continued):**

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

	Nonuniformed pension plan	Police pension plan
Net realized gains (losses)	\$ (2,609)	\$ 508,161
Net unrealized losses	(1,072,679)	(2,254,463)
Net depreciation in fair value of investment	\$ (1,075,288)	\$ (1,746,302)

*Three-year trend information:*

<u>Nonuniformed pension plan</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension asset</u>
Year			
2008	\$ 269,925	100 %+	\$ (15,377)
2007	274,053	100	(15,853)
2006	269,819	100	(16,343)

  

<u>Police pension plan</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
Year			
2008	\$ 92,935	100 %	
2007	104,217	100	
2006	97,925	100	

## **FAIRVIEW TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2008**

#### **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 50% of all accumulated sick leave upon termination under the collective bargaining agreement.

As of December 31, 2008, the liability for vested unused vacation and sick leave is approximately \$552,497. These amounts include payroll related tax liabilities.

#### **10. Commitments and contingencies:**

As described in Note 3, the Township is contingently liable for repayment of the \$10,675,000 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, 2008 are approximately \$781,579.

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 has committed to purchase nutrient credits, through a state program, over the next 15 years to reduce short-term capital costs for the sewer plants. The credits represent costs of removing farm waste that could have otherwise flowed into the Chesapeake Bay. In 2008, the Township purchased \$375,000 of nutrient credits.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**10. Commitments and contingencies (continued):**

The Township executed a five-year lease agreement commencing January 1, 2008 and ending on December 31, 2012 for office space for the Township's police department. The lease has two five-year renewal options available. Either party may terminate the lease at the end of a five-year term with written notice. The future minimum lease payments are as follows:

2009	\$ 46,956
2010	48,364
2011	49,815
2012	<u>51,310</u>
Total	<u>\$ 196,445</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, 2008 were zero.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**13. Reservations of fund equity:**

Reservations of fund balances as of December 31, 2008 are not appropriable for expenditure, or are legally segregated for specific purposes as follows:

General fund:

Medical benefits:

Nonuniformed	\$ 495,414
Police	499,324
Compensated absences, Township employees	709,982
Pooled sick days, police	58,855
Future pension costs, minimum municipal obligations	<u>776,228</u>

\$ 2,539,803

Pension trust funds, employee benefits

\$ 8,177,849

Reserved retained earnings of the Proprietary Funds as of December 31, 2008 consist of the following:

Sewer reserve fund, reserved for debt retirement	<u>\$ 1,663,478</u>
--	---------------------

As of December 31, 2008, the Township has set aside approximately \$2,854,226 of general fund assets to fund the future payment of the medical benefits and compensated absences noted above.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**14. Capital assets:**

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2008</u>
Capital assets not being depreciated, land	\$ 542,798			\$ 542,798
Capital assets being depreciated:				
Vehicles and equipment	4,394,150	\$ 166,805		4,560,955
Buildings and improvements	3,449,453	690,628		4,140,081
Refuse improvements and equipment	374,401	158,497		532,898
Sewer improvements and equipment	19,229,561	342,394		19,571,955
Roads, traffic signals and storm sewers	<u>39,093,734</u>	<u>1,216,242</u>		<u>40,309,976</u>
Total capital assets being depreciated	<u>66,541,299</u>	<u>2,574,566</u>		<u>69,115,865</u>
Less accumulated depreciation:				
Vehicles and equipment	1,895,391	298,682		2,194,073
Buildings and improvements	391,547	55,807		447,354
Refuse improvements and equipment	65,073	20,037		85,110
Sewer improvements and equipment	8,254,174	493,344		8,747,518
Roads, traffic signals and storm sewers	<u>20,983,987</u>	<u>1,333,582</u>		<u>22,317,569</u>
Total accumulated depreciation	<u>31,590,172</u>	<u>2,201,452</u>		<u>33,791,624</u>
Capital assets, net	<u>\$ 35,493,925</u>	<u>\$ 373,114</u>		<u>\$ 35,867,039</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**14. Capital assets (continued):**

Depreciation expense was charged to functions as follows:

Refuse	\$ 20,037
Sewer	493,344
General government	26,596
Public safety	163,389
Highways	1,467,054
Recreation	<u>31,032</u>
Total depreciation expense	<u>\$ 2,201,452</u>

**15. 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 the date of the officer's retirement. The officer may not be eligible for medical coverage from any other employer-sponsored healthcare plan, including a plan sponsored by the employer of their spouse. Currently, there are no retired officers receiving this benefit.

Effective January 1, 2006, the Township shall provide medical benefits to full-time, nonuniform employees and their spouses for all employees retiring at normal retirement age pursuant to the Nonuniform Pension Plan and a minimum service requirement of 12 years. Said benefits shall extend for five 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 healthcare 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.

Effective January 1, 2009, the benefit shall increase to six years and on January 1, 2010, increase to seven years and on January 1, 2011, increase to eight years.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**15. 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 Statement 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, healthcare 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:

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

The Township has set aside monies as of December 31, 2008 for purposes of paying these benefits, but these monies do not qualify as plan assets under GASB Statement 45 because they are not invested in a trust.

**16. 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 \$54,426 in 2008.

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.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**16. Deferred compensation plan (continued):**

During 2008, the plan had the following activity:

	<u>Fair value</u>
Beginning balance, January 1, 2008	\$ 553,690
Employee contributions	54,426
Investment income (loss)	(183,121)
Distributions	<u>(12,400)</u>
Ending balance, December 31, 2008	<u>\$ 412,595</u>

**17. Related party transactions:**

The Authority's board president is employed by an engineering firm that was contracted during 2008 to provide architectural and engineering services for the renovation of the Township building and improvements to a park pavilion. During 2008, the Township paid the engineering firm \$42,636 in fees for these services.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2008

**18. Interfund receivables and payables:**

As of December 31, 2008, Township interfund receivables and payables consist of the following:

<u>Receivable fund</u>		<u>Payable fund</u>	
General fund	\$ 30,076	General fund	\$ 1,802
Capital reserve fund	59,953	Fire station fund	335,622
LST fund	440,260	Street light fund	42,312
Sewer fund	901	Fire services fund	87,124
Refuse fund	901	Fire hydrant fund	7,251
		EMS services fund	57,980
	<u>\$ 532,091</u>		<u>\$ 532,091</u>

All interfund receivables and payables are expected to be repaid within one year from the date of the financial statements. These balances resulted from loans made to provide working capital for operations or projects. All interfund receivables and payables were eliminated on the government-wide financial statements except internal balances between governmental activities and business-type activities.

**FAIRVIEW TOWNSHIP**

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

January 1	Actuarial value of assets	Actuarial accrued liability	Unfunded (overfunded) actuarial accrued liability	Percentage funded	Annual covered payroll	Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll
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)
2007	6,798,395	5,373,171	(1,425,224)	126.5	920,804	(154.8)
2008	7,013,963	5,777,642	(1,236,321)	121.4	1,000,784	(123.5)
2009	6,095,900	6,120,337	24,437	99.6	1,154,881	2.1

**FAIRVIEW TOWNSHIP**

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

<u>January 1</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability</u>	<u>Unfunded (overfunded) actuarial accrued liability</u>	<u>Percentage funded</u>	<u>Annual covered payroll</u>	<u>Unfunded (overfunded) 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
2007	3,816,489	4,397,110	580,621	86.8	1,221,124	47.5
2008	4,149,215	4,852,207	702,992	85.5	1,229,917	57.2
2009	3,708,293	5,015,972	1,307,679	73.9	1,326,930	98.5

**FAIRVIEW TOWNSHIP**

(REQUIRED SUPPLEMENTARY INFORMATION)  
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

<u>Year</u>	<u>Nonuniformed plan</u>		<u>Police pension plan</u>	
	<u>Annual required contribution</u>	<u>Percentage contributed</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>
2008	\$ 269,449	100 %	\$ 92,935	100 %
2007	273,563	100	104,217	100
2006	269,313	100	97,925	100
2005	258,128	100	140,181	100
2004	156,018	100		100
2003	147,094	100		100
2002	91,406	100		100
2001	87,723	100		100
2000	75,038	100		100
1999	81,720	100	40,296	100

Notes to required supplementary information:

	<u>Nonuniformed plan</u>	<u>Police pension plan</u>
Actuarial valuation date	January 1, 2009	January 1, 2009
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	11 years	3 years
Asset valuation method	Actuarial value as determined by actuary using five-year smoothing	Actuarial value as determined by actuary by using five-year smoothing

(continued)

**FAIRVIEW TOWNSHIP**

(REQUIRED SUPPLEMENTARY INFORMATION)  
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (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, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
<b>Revenues:</b>				
Taxes	\$ 4,193,286	\$ 4,193,286	\$ 4,355,454	\$ 162,168
Licenses, permits and fees	2,100	2,100	12,436	10,336
Fines and penalties	100,000	100,000	118,344	18,344
Interest and rents	25,000	25,000	84,482	59,482
Intergovernmental	387,700	387,700	405,948	18,248
Service fees	361,550	361,550	612,259	250,709
Miscellaneous	8,200	8,200	61,679	53,479
<b>Total revenues</b>	<u>5,077,836</u>	<u>5,077,836</u>	<u>5,650,602</u>	<u>572,766</u>
<b>Expenditures:</b>				
General government	900,493	900,493	1,137,295	236,802
Public safety	2,849,498	2,849,498	2,902,915	53,417
Health and welfare	36,000	36,000	54,985	18,985
Highways	1,586,420	1,586,420	1,092,642	(493,778)
Culture and recreation	272,515	272,515	314,649	42,134
Debt service	4,600	4,600	8,195	3,595
<b>Total expenditures</b>	<u>5,649,526</u>	<u>5,649,526</u>	<u>5,510,681</u>	<u>(138,845)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(571,690)	(571,690)	139,921	711,611
<b>Other financing sources (uses), interfund transfers expended</b>	<u>332,850</u>	<u>332,850</u>	<u>37,911</u>	<u>(294,939)</u>

(continued)

**FAIRVIEW TOWNSHIP**

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

GENERAL FUND

YEAR ENDED DECEMBER 31, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$ (238,840)</u>	<u>\$ (238,840)</u>	\$ 177,832	<u>\$ 416,672</u>
Fund balance:				
Beginning of year			<u>3,557,565</u>	
End of year			<u>\$ 3,735,397</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, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Interest and rents	\$ 6,000	\$ 6,000	\$ 8,444	\$ 2,444
Intergovernmental	<u>370,000</u>	<u>370,000</u>	<u>406,827</u>	<u>36,827</u>
Total revenues	376,000	376,000	415,271	39,271
Expenditures, highways	<u>700,000</u>	<u>700,000</u>	<u>463,018</u>	<u>(236,982)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (324,000)</u>	<u>\$ (324,000)</u>	(47,747)	<u>\$ 276,253</u>
Fund balance:				
Beginning of year			<u>647,123</u>	
End of year			<u>\$ 599,376</u>	

**FAIRVIEW TOWNSHIP**

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

CAPITAL PROJECTS FUND

YEAR ENDED DECEMBER 31, 2008

	Original budget	Final budget	Actual	Variance over (under)
Revenues:				
Licenses, permits and fees	\$ 165,000	\$ 165,000	\$ 200,399	\$ 35,399
Interest and rents	2,000	2,000	12,333	10,333
Total revenues	167,000	167,000	212,732	45,732
Expenditures, general government				
Excess of revenues over expenditures	167,000	167,000	212,732	45,732
Other financing sources (uses), interfund transfers	149,000	149,000		(149,000)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	\$ 316,000	\$ 316,000	212,732	\$ (103,268)
Fund balance:				
Beginning of year			393,710	
End of year			\$ 606,442	

**FAIRVIEW TOWNSHIP**

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEETS**

DECEMBER 31, 2008

	Fire station fund	LST tax fund	Street light fund	Fire service fund	Fire hydrant fund	EMS service fund	Fairview Township Fire Department	Total
<b>ASSETS</b>								
Cash and investments	\$ 89,958	\$ 161,633		\$ 44,556			\$ 97,086	\$ 393,233
Due from other funds		440,260						440,260
<b>Total assets</b>	<b>\$ 89,958</b>	<b>\$ 601,893</b>		<b>\$ 44,556</b>			<b>\$ 97,086</b>	<b>\$ 833,493</b>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>								
Liabilities:								
Due to other funds	\$ 335,622		\$ 42,312	\$ 87,124	\$ 7,251	\$ 57,980		\$ 530,289
Accounts payable	2,845		4,022	8,996	3,435	683		19,981
<b>Total liabilities</b>	<b>338,467</b>		<b>46,334</b>	<b>96,120</b>	<b>10,686</b>	<b>58,663</b>		<b>550,270</b>
<b>Fund balances (deficit)</b>	<b>(248,509)</b>	<b>\$ 601,893</b>	<b>(46,334)</b>	<b>(51,564)</b>	<b>(10,686)</b>	<b>(58,663)</b>	<b>\$ 97,086</b>	<b>283,223</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 89,958</b>	<b>\$ 601,893</b>	<b>\$ -</b>	<b>\$ 44,556</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 97,086</b>	<b>\$ 833,493</b>

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2008

	Fire station fund	LST tax fund	Street light fund	Fire service fund	Fire hydrant fund	EMS service fund	Fairview Township Fire Department	Total
<b>Revenues:</b>								
Taxes		\$ 395,248	\$ 41,281	\$ 135,301	\$ 15,221	\$ 107,392		\$ 694,443
Interest and rents	\$ 10,240	3,674	167	890	236	419	\$ 2,797	18,423
Miscellaneous revenue	22			4,534		22	83,866	88,444
<b>Total revenues</b>	<b>10,262</b>	<b>398,922</b>	<b>41,448</b>	<b>140,725</b>	<b>15,457</b>	<b>107,833</b>	<b>86,663</b>	<b>801,310</b>
<b>Expenditures:</b>								
Public safety	97,084			159,132	41,220	152,221	14,430	464,087
Highways, roads and streets			60,133	3,076				63,209
Debt service	327,777							327,777
<b>Total expenditures</b>	<b>424,861</b>		<b>60,133</b>	<b>162,208</b>	<b>41,220</b>	<b>152,221</b>	<b>14,430</b>	<b>855,073</b>
<b>Excess (deficiency) of revenues over expenditures before other financing sources (uses)</b>	<b>(414,599)</b>	<b>398,922</b>	<b>(18,685)</b>	<b>(21,483)</b>	<b>(25,763)</b>	<b>(44,388)</b>	<b>72,233</b>	<b>(53,763)</b>

(continued)

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2008

	Fire station fund	LST tax fund	Street light fund	Fire service fund	Fire hydrant fund	EMS service fund	Fairview Township Fire Department	Total
Other financing sources (uses), transfers in (out)	\$ 442,777	\$ (411,579)		\$ 40,000			\$ (155,000)	\$ (83,802)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	28,178	(12,657)	\$ (18,685)	18,517	\$ (25,763)	\$ (44,388)	(82,767)	(137,565)
Fund balance (deficit):								
Beginning of year	(276,687)	614,550	(27,649)	(70,081)	15,077	(14,275)	179,853	420,788
End of year	<u>\$ (248,509)</u>	<u>\$ 601,893</u>	<u>\$ (46,334)</u>	<u>\$ (51,564)</u>	<u>\$ (10,686)</u>	<u>\$ (58,663)</u>	<u>\$ 97,086</u>	<u>\$ 283,223</u>