



June 21, 2010

Board of Supervisors
Fairview Township
New Cumberland, Pennsylvania

We have audited the financial statements of Fairview Township for the year ended December 31, 2009, and have issued our report thereon dated June 21, 2010. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under U.S. generally accepted auditing standards

As stated in our engagement letter dated October 3, 2007, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned scope and timing of the audit

We performed the audit according to the planned scope and timing previously communicated to you in our discussions prior to our interim and final fieldwork dates.

Qualitative Aspects of Accounting Practices:

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Fairview Township are described in Note 1 of the financial statements. No new accounting policies were adopted in 2009, with the exception of Government Accounting Standards Board (GASB) 45 Postemployment Benefits Other than Pensions, and the application of existing policies was not changed during 2009. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimates of compensated absences and postretirement medical benefits are based on collective bargaining agreements and personnel policies currently in place at the Township. We evaluated the key factors and assumptions used to develop both of these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosure affecting the financial statements was:

Disclosure of pension funding progress and other actuarial information disclosed in the financial statements. We evaluated the most recent actuarial valuations prepared as of January 1, 2010 for the pension funds to determine if the disclosures were reasonable.

Difficulties Encountered in Performing the Audit:

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements:

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management:

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations:

We have requested certain representations from management that are included in the management representation letter dated June 21, 2010.

Management Consultations with Other Independent Accountants:

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Township’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues:

In 2009, management made us aware of transactions being conducted by the Township’s police department that may be violating Pennsylvania Class II Township Code as well as Pennsylvania sales tax laws. The police department is purchasing tangible personal property, in this case firearms, through their vendors using the sales tax exemption provided to the Township by State law. That in itself is not a problem. However, the first problem is that the police department is subsequently selling the firearms to its police officers and not collecting or remitting sales tax. The Township’s exempt status does not extend to the transactions with the officers and the Township should be collecting and remitting sales tax on these transactions. The taxation of these transactions was confirmed by the PA Department of Revenue in a 2010 inquiry. Secondly, the police department is selling Township assets without following the Class II Township Code for the sale and disposition of Township assets.

In 2009, the Township conducted business transactions in excess of \$500 with an official of the Township without following the formal bid requirements as stated in the Pennsylvania Class II Township Code. The transactions amounted to \$11,765 with one official in 2009. We suggest the Township annually identify any transactions in excess of \$500 with Township officials and follow the bid requirements as stated in the Class II Township Code.

During review of the Township’s bank reconciliation, we noted several outstanding payroll and vendor checks that were dated beyond the period of time required to turn them over to the State as unclaimed property. These outstanding checks need to be reviewed and determined if they are to be voided or turned over as unclaimed property. The checks outstanding are not material but the checks need to be removed from the reconciliations. This comment was included in our comments regarding the 2008 audit.

Once again in 2009, we were unable to verify the calculation of sewer bills in accordance with the Township’s approved sewer rates. The problem was also noted during 2008. The discrepancies in the rates are not material and result in small under billings to Township customers. The Township should work with their software vendor to resolve any issues related to installing sewer rates.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Supervisors and management of Fairview Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Bruce Schultz Steindler's Fritz