

FAIRVIEW TOWNSHIP

YEAR ENDED DECEMBER 31, 2010

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FAIRVIEW TOWNSHIP
YEAR ENDED DECEMBER 31, 2010

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YEAR ENDED DECEMBER 31, 2010

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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, 2010, 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, 2010 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 Steidman & Fritz

June 24, 2011

FAIRVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2010

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 12).

Highlights

Financial highlights:

- ◆ The Township's net assets are stated at \$34,047,426 as of December 31, 2010. Net assets increased by \$679,994 in 2010.
- ◆ The total cost of all the Township's programs was \$11,589,361.
- ◆ During the year, the Township had expenses of \$7,244,538 for governmental activities, which was \$496,452 less than the \$7,740,990 generated in general revenues and program revenues.
- ◆ The Township refuse and sewer activities increased net assets by \$183,542 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 12 through 14) 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 15. 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, 2010

Government-wide financial statements

The analysis of the Township as a whole begins on page 12. 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 net 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, 2010

Government-wide financial analysis

The following table reflects the condensed statement of net assets:

Statement of Net Assets

	<u>2010</u>	<u>2009</u>
Assets:		
Current assets	\$ 10,590,014	\$ 11,321,025
Noncurrent assets	<u>37,551,785</u>	<u>36,144,882</u>
Total assets	<u><u>\$ 48,141,799</u></u>	<u><u>\$ 47,465,907</u></u>
Liabilities:		
Current liabilities	\$ 3,179,265	\$ 2,891,584
Noncurrent liabilities	<u>10,915,108</u>	<u>11,206,892</u>
Total liabilities	<u>14,094,373</u>	<u>14,098,476</u>
Net assets:		
Invested in capital assets, net of related debt	22,702,659	23,096,298
Restricted	5,526,910	4,212,702
Unrestricted	<u>5,817,857</u>	<u>6,058,431</u>
Total net assets	<u>34,047,426</u>	<u>33,367,431</u>
Total liabilities and net assets	<u><u>\$ 48,141,799</u></u>	<u><u>\$ 47,465,907</u></u>

For more detailed information see the statement of net assets on page 12.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2010

Government-wide financial analysis (continued)

Statement of Activities

	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,880,977	\$ 5,350,783
Operating grants and contributions	1,095,115	744,455
Capital grants and contributions	656,711	8,000
General revenues:		
Taxes	5,280,217	5,159,461
Cable TV franchise fees	246,183	221,705
Investment earnings	52,350	56,896
Miscellaneous	57,802	24,305
Total revenues	<u>12,269,355</u>	<u>11,565,605</u>
Expenses:		
General government	604,929	501,420
Public safety	3,915,268	3,762,436
Health and welfare	51,730	38,820
Highways	2,472,794	2,687,718
Culture and recreation	154,680	195,463
Interest	45,137	61,697
Sewer	2,934,398	2,991,685
Refuse	1,410,425	1,354,871
Township Authority	25	
Total expenses	<u>11,589,386</u>	<u>11,594,110</u>

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2010

Government-wide financial analysis (continued)

Statement of Activities (continued)

	<u>2010</u>	<u>2009</u>
Change in net assets	\$ 679,969	\$ (28,505)
Net assets:		
Beginning	<u>33,367,432</u>	<u>33,395,937</u>
Ending	<u>\$ 34,047,401</u>	<u>\$ 33,367,432</u>

For more detailed information see the statement of activities on pages 13 and 14.

The Township's combined net assets increased to \$34,047,426 from \$33,367,432 as a result of the increase in net assets of \$679,994. 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 \$5,817,857.

The Township's funds

Governmental funds:

At year end, the governmental funds (as presented on page 15) reported a combined fund balance of \$5,744,838, which is a decrease of \$787,024 over the beginning of the year. The general fund experienced a net decrease of \$992,137 resulting from contributions to the employees' postemployment benefit plans. These contributions were made with funds the Township had set aside in previous years specifically for this purpose.

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 \$183,542 as a result of operations in the proprietary funds.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2010

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, both revenues and expenditures exceeded budgetary estimates by \$314,504 and \$2,548,798, respectively, thus requiring the need to draw upon existing fund balance set aside to fund the postemployment benefit plans. The increase in anticipated expenditures was due to the contributions made to the respective employee postemployment benefits plans.

Capital asset and debt administration

Capital assets:

The investment in capital assets for its governmental and business-type activities as of December 31, 2010, amounts to \$72,800,423, net of accumulated depreciation of \$38,426,841, leaving a net book value of \$34,373,582. 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 net additions in the Township's investment in capital assets for the current fiscal year was \$2,130,176. Actual expenditures to purchase or construct capital assets were \$2,152,509 and disposals were \$22,333 during 2010. The expenditures were used to purchase municipal equipment, \$6,429; highway equipment, \$42,566; police equipment, \$57,831; infrastructure, \$1,497,599; sewer improvements, \$534,784; and equipment for the parks, \$13,300. Depreciation charges for the year totaled \$2,404,819. 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. In 2010, the Township issued a 2010 general obligation debt of \$3,415,000 for the purpose of currently refunding 2005 and 2009 general obligation notes, financing the purchase of highway equipment and funding improvements to the Lower Allen treatment plant. See Note 5 for additional information.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2010

Economic factors and next year's budgets and rates

The Township's elected and appointed officials considered many factors when setting the fiscal year 2010 budget, tax rates and fees that will be charged for the business-type enterprises. One of those factors is the economy.

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.

Local Services Tax (LST)

The Local Services Tax is charged to all employees working within the Township with annual incomes in excess of \$12,000. The Township expects annual revenues from this tax to remain relatively stable in 2011 in comparison to 2010.

Earned Income Tax (EIT)

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 County-wide collection bureaus as of January 1, 2012.

Franchise taxes

The Township currently collects cable television franchise fees from three 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.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2010

Authority concerns

The Fairview Township Authority (the Authority) was established to finance projects to serve the residents of Fairview Township. The Authority leases the sewer system to the 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 2010, the Authority and Township were provided analysis that Lower Allen Authority was preparing for Phase II capital improvements in 2011 to their sewer facilities. The Authority and Township will share in approximately 8% of the costs of the improvements. The Township issued a portion of the 2010 General Obligation Bonds in the aggregate principal of \$1,675,000 to cover their share of the costs of the improvements and to refinance the 2009 debt used for Phase I of the project.

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 continues to analyze current and future capacity requirements.

The Authority will continue to meet with Township developers in an attempt to provide additional capacity at the Township's southern plant. The Authority and Township continue to take 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 Commonwealth and federal 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 2010, the Township made its first payment of \$87,500 for nutrient credits through a Commonwealth program that allows municipalities to defer significant capital improvement costs associated with the Initiative. The Authority and Township have continued to participate in various efforts 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, 2010

2010 Capital expenditures

The Board budgeted for capital expenditures for the period of 2010. 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 the debt of the Authority. This debt is self liquidating. The debt balance at December 31, 2010 was \$9,200,000. 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.

In 2010, the Township began incurring costs in relation to Act 537. This Pennsylvania Act requires the Township to expand the sewer system to include certain areas of the Township as mandated by the Department of Environmental Protection Agency (DEP). The Township will continue to incur significant costs to comply with Act 537 over the next five years.

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.

FAIRVIEW TOWNSHIP

STATEMENT OF NET ASSETS – DECEMBER 31, 2010

ASSETS

	Primary government		
	Governmental activities	Business-type activities	Total
Current assets:			
Cash and investments	\$ 6,068,654	\$ 3,201,000	\$ 9,269,654
Taxes receivable	358,646		358,646
Internal balances	89,330	(89,330)	-
Other receivables	70,128	516,574	586,702
Prepaid expenses		375,000	375,000
Interest receivable		12	12
Total current assets	6,586,758	4,003,256	10,590,014
Noncurrent assets:			
Restricted cash, debt retirement		1,498,901	1,498,901
Net postemployment asset (other than pensions)	1,474,929		1,474,929
Net pension asset	204,373		204,373
Capital assets, net	23,396,002	10,977,580	34,373,582
Total noncurrent assets	25,075,304	12,476,481	37,551,785
Total assets	\$ 31,662,062	\$ 16,479,737	\$ 48,141,799

See notes to financial statements.

LIABILITIES AND NET ASSETS

	Primary government		Total
	Governmental activities	Business-type activities	
Current liabilities:			
Accounts payable and accrued expenses	\$ 92,088	\$ 26,015	\$ 118,103
Accrued interest payable		74,608	74,608
Deferred revenues		1,003,455	1,003,455
Escrows payable	644,733		644,733
Current portion of long-term debt	491,059	847,307	1,338,366
	<u>1,227,880</u>	<u>1,951,385</u>	<u>3,179,265</u>
Total current liabilities			
Noncurrent liabilities:			
Bonds payable	1,254,864	9,077,693	10,332,557
Compensated absences	504,028	78,523	582,551
	<u>1,758,892</u>	<u>9,156,216</u>	<u>10,915,108</u>
Total noncurrent liabilities			
Total liabilities			
	<u>2,986,772</u>	<u>11,107,601</u>	<u>14,094,373</u>
Net assets:			
Invested in capital assets, net of related debt	21,650,079	1,052,580	22,702,659
Restricted for:			
Pension asset	204,373		204,373
Postemployment benefit asset	1,474,929		1,474,929
Capital projects	1,223,624		1,223,624
Highway aid	1,155,092		1,155,092
Debt retirement		1,424,305	1,424,305
Fire services	44,587		44,587
Unrestricted	2,922,606	2,895,251	5,817,857
	<u>28,675,290</u>	<u>5,372,136</u>	<u>34,047,426</u>
Total net assets			
Total liabilities and net assets			
	<u>\$ 31,662,062</u>	<u>\$ 16,479,737</u>	<u>\$ 48,141,799</u>

FAIRVIEW TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010

Functions/programs	Program revenues			Net (expenses) revenue and changes in net assets			
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Primary government:							
Governmental activities:							
General government	\$ 604,929	\$ 30,367			\$ (574,562)		\$ (574,562)
Public safety	3,915,268	380,591	\$ 530,039		(3,004,638)		(3,004,638)
Health and welfare	51,730				(51,730)		(51,730)
Highways	2,472,794		510,463	\$ 639,711	(1,322,620)		(1,322,620)
Culture and recreation	154,680	10,937		17,000	(126,743)		(126,743)
Unallocated interest expense	45,137				(45,137)		(45,137)
Total governmental activities	7,244,538	421,895	1,040,502	656,711	(5,125,430)		(5,125,430)
Business-type activities:							
Sewer	2,934,398	3,185,843				\$ 251,445	251,445
Refuse	1,410,425	1,273,239	54,613			(82,573)	(82,573)
Total business-type activities	4,344,823	4,459,082	54,613			168,872	168,872
Total primary government	\$ 11,589,361	\$ 4,880,977	\$ 1,095,115	\$ 656,711	(5,125,430)	168,872	(4,956,558)

(continued)

FAIRVIEW TOWNSHIP

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

Functions/programs	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	Total
General revenues:						
Taxes:						
Real estate				\$ 2,135,695	\$	2,135,695
Real estate transfer				248,735		248,735
Earned income				2,357,919		2,357,919
Per capita				66,624		66,624
Emergency services				463,850		463,850
Public utility				7,394		7,394
Cable TV franchise fees				246,183		246,183
Investment earnings				27,680	\$ 24,670	52,350
Miscellaneous				57,802		57,802
Total general revenues				5,611,882	24,670	5,636,552
Transfers				10,000	(10,000)	-
Change in net assets				496,452	183,542	679,994
Net assets:						
Beginning				28,178,838	5,188,594	33,367,432
Ending				\$ 28,675,290	\$ 5,372,136	\$ 34,047,426

See notes to financial statements.

FAIRVIEW TOWNSHIP

BALANCE SHEET – GOVERNMENTAL FUNDS – DECEMBER 31, 2010

	General	Highway aid fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
ASSETS						
Cash and investments	\$ 3,462,319	\$ 1,155,092	\$ 496,324	\$ 412,845	\$ 542,074	\$ 6,068,654
Taxes receivable	313,274					313,274
Accounts receivable			70,128			70,128
Due from other funds			244,327		279,043	523,370
Total assets	\$ 3,775,593	\$ 1,155,092	\$ 810,779	\$ 412,845	\$ 821,117	\$ 6,975,426
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 92,088					\$ 92,088
Deferred revenues	59,727					59,727
Due to other funds					\$ 434,040	434,040
Escrow deposits	644,733					644,733
Total liabilities	796,548				434,040	1,230,588
Fund balances:						
Reserved	1,670,207					1,670,207
Unreserved	1,308,838	\$ 1,155,092	\$ 810,779	\$ 412,845	387,077	4,074,631
Total fund balances	2,979,045	1,155,092	810,779	412,845	387,077	5,744,838
Total liabilities and fund balances	\$ 3,775,593	\$ 1,155,092	\$ 810,779	\$ 412,845	\$ 821,117	\$ 6,975,426

See notes to financial statements.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2010

Total governmental fund balances	\$ 5,744,838
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.	23,396,002
Net pension asset is not included in the governmental funds.	204,373
Net postemployment benefits asset is not included in governmental funds.	1,474,929
Other assets are not available to pay for current-period expenditures, and therefore, are deferred in the funds, tax revenues.	105,099
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	(504,028)
Long-term debt	<u>(1,745,923)</u>
Net assets of governmental activities	<u>\$ 28,675,290</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2010

	<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>
Revenues:						
Taxes	\$ 4,434,868				\$ 858,830	\$ 5,293,698
Licenses, permits and fees	4,180			\$ 246,183		250,363
Fines and penalties	122,859					122,859
Interest and rents	18,229	\$ 5,424	\$ 1,295	924	1,808	27,680
Intergovernmental revenue	403,749	376,127				779,876
Service fees	308,521					308,521
Miscellaneous revenue	<u>59,454</u>		<u>87,150</u>		<u>180,873</u>	<u>327,477</u>
Total revenues	<u>5,351,860</u>	<u>381,551</u>	<u>88,445</u>	<u>247,107</u>	<u>1,041,511</u>	<u>7,110,474</u>
Expenditures:						
General government	755,982			1,052		757,034
Public safety	4,053,115				507,874	4,560,989
Health and welfare	51,730					51,730
Highways	2,527,633				56,059	2,583,692
Culture and recreation	168,515					168,515
Debt service					1,524,127	1,524,127
Miscellaneous	<u>3,091</u>					<u>3,091</u>
Total expenditures	<u>7,560,066</u>			<u>1,052</u>	<u>2,088,060</u>	<u>9,649,178</u>
Excess (deficiency) of revenues over expenditures	<u>(2,208,206)</u>	<u>381,551</u>	<u>88,445</u>	<u>246,055</u>	<u>(1,046,549)</u>	<u>(2,538,704)</u>

(continued)

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2010

	General	Highway aid fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
Other financing sources (uses):						
Proceeds from sale of assets	\$ 1,680					\$ 1,680
Proceeds from notes	500,000				\$ 1,240,000	1,740,000
Interfund transfers:						
Received	724,389		\$ 20,000			744,389
Expended	<u>(10,000)</u>			<u>\$ (660,355)</u>	<u>(64,034)</u>	<u>(734,389)</u>
Total other financing sources (uses)	<u>1,216,069</u>		<u>20,000</u>	<u>(660,355)</u>	<u>1,175,966</u>	<u>1,751,680</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(992,137)	\$ 381,551	108,445	(414,300)	129,417	(787,024)
Fund balances:						
Beginning of year	<u>3,971,182</u>	<u>773,541</u>	<u>702,334</u>	<u>827,145</u>	<u>257,660</u>	<u>6,531,862</u>
End of year	<u><u>\$ 2,979,045</u></u>	<u><u>\$ 1,155,092</u></u>	<u><u>\$ 810,779</u></u>	<u><u>\$ 412,845</u></u>	<u><u>\$ 387,077</u></u>	<u><u>\$ 5,744,838</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, 2010

Net change in fund balances, total government funds	\$ (787,024)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Add, capital outlays	1,617,725
Deduct, depreciation expense	(1,850,507)
Loss on asset sold	(5,317)
The change in value of the net pension asset is not reported in governmental funds.	189,456
The change in value of the net postemployment benefits asset is not reported in the governmental funds.	1,474,929
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.	(20,875)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,478,990
Issuance of long-term debt proceeds provided current financial resources to governmental funds.	(1,740,000)
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, postemployment benefits liability.	105,666
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>33,409</u>
Change in net assets of governmental activities	<u>\$ 496,452</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS – DECEMBER 31, 2010

	ASSETS					
	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Eliminations	Totals
Current assets:						
Cash and investments	\$ 2,232,004	\$ 668,368	\$ 300,497	\$ 131		\$ 3,201,000
Accounts receivables		426,668	89,906			516,574
Interest receivable				12		12
Prepaid expenses		375,000				375,000
Current portion, lease rental receivable				780,000	\$ (780,000)	-
Total current assets	2,232,004	1,470,036	390,403	780,143	(780,000)	4,092,586
Noncurrent assets:						
Restricted cash				1,498,901		1,498,901
Lease rental receivable				8,420,000	(8,420,000)	-
Capital assets, depreciable, net		10,589,925	387,655			10,977,580
Total noncurrent assets		10,589,925	387,655	9,918,901	(8,420,000)	12,476,481
Total assets	\$ 2,232,004	\$ 12,059,961	\$ 778,058	\$ 10,699,044	\$ (9,200,000)	\$ 16,569,067

(continued)

FAIRVIEW TOWNSHIP

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS – DECEMBER 31, 2010 (CONTINUED)

LIABILITIES AND NET ASSETS

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Eliminations	Totals
Current liabilities:						
Accounts payable and accrued expenses		\$ 23,537	\$ 2,478			\$ 26,015
Deferred revenues	\$ 467,955	535,500				1,003,455
Due to other funds	89,330			\$ 74,608		89,330
Interest payable						74,608
Current portion of long-term debt		847,307		780,000	\$ (780,000)	847,307
Total current liabilities	557,285	1,406,344	2,478	854,608	(780,000)	2,040,715
Noncurrent liabilities:						
Bonds and notes payable		657,693				657,693
Lease rental debt payable		8,420,000		8,420,000	(8,420,000)	8,420,000
Compensated absences		78,523				78,523
Total noncurrent liabilities		9,156,216		8,420,000	(8,420,000)	9,156,216

(continued)

FAIRVIEW TOWNSHIP

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS – DECEMBER 31, 2010 (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		\$ 664,925	\$ 387,655			\$ 1,052,580
Reserved bond retirement Unreserved	<u>\$ 1,674,719</u>	<u>832,476</u>	<u>387,925</u>	\$ 1,424,305 <u>131</u>		<u>1,424,305</u> <u>2,895,251</u>
Total net assets	<u>1,674,719</u>	<u>1,497,401</u>	<u>775,580</u>	<u>1,424,436</u>		<u>5,372,136</u>
Total liabilities and net assets	<u>\$ 2,232,004</u>	<u>\$ 12,059,961</u>	<u>\$ 778,058</u>	<u>\$ 10,699,044</u>	<u>\$ (9,200,000)</u>	<u>\$ 16,569,067</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2010

	<u>Sewer reserve fund</u>	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Fairview Township Authority</u>	<u>Eliminations</u>	<u>Totals</u>
Operating revenues:						
Charges for services		\$ 2,977,590	\$ 1,272,185			\$ 4,249,775
Sewer permits		201,122				201,122
Miscellaneous		7,131	1,054			8,185
Intergovernmental revenues			54,613			54,613
Total operating revenues		<u>3,185,843</u>	<u>1,327,852</u>			<u>4,513,695</u>
Operating expenses:						
Personnel		956,455	201,189			1,157,644
Collection, disposal and treatment		963,649	1,180,065			2,143,714
Miscellaneous				\$ 25		25
Authority expenses		2,600				2,600
Depreciation		525,141	29,171			554,312
Total operating expenses		<u>2,447,845</u>	<u>1,410,425</u>	<u>25</u>		<u>3,858,295</u>
Excess (deficiency) of operating revenues over expenses		<u>737,998</u>	<u>(82,573)</u>	<u>(25)</u>		<u>655,400</u>

(continued)

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2010

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Eliminations	Totals
Nonoperating revenues (expenses):						
Lease rentals				\$ 485,010	\$ (485,010)	\$ -
Earnings on temporary deposits and investments	\$ 4,970	\$ 19,823	\$ 730	(853)		24,670
Interest paid		(492,308)		(479,230)	485,010	(486,528)
Total nonoperating revenues (expenses)	<u>4,970</u>	<u>(472,485)</u>	<u>730</u>	<u>4,927</u>	<u>-</u>	<u>(461,858)</u>
Other financing sources (uses):						
Transfers in (out)		(10,000)				(10,000)
Payments to (from) Authority	35			(35)		-
Total financing sources (uses)	<u>35</u>	<u>(10,000)</u>		<u>(35)</u>		<u>(10,000)</u>
Excess (deficiency) of revenues and other financing sources over expenses and other uses	5,005	255,513	(81,843)	4,867		183,542
Net assets:						
Beginning of year	1,669,714	1,241,888	857,423	1,419,569		5,188,594
End of year	<u>\$ 1,674,719</u>	<u>\$ 1,497,401</u>	<u>\$ 775,580</u>	<u>\$ 1,424,436</u>	<u>\$ -</u>	<u>\$ 5,372,136</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF CASH FLOWS -- PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2010

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Totals
Cash flows from operating activities:					
Receipts from (refunds to) customers and users	\$ (65,340)	\$ 3,228,005	\$ 1,223,288		\$ 4,385,953
Payments to:					
Suppliers		(960,789)	(1,179,349)		(2,140,138)
Employees		(950,814)	(201,189)		(1,152,003)
Other operating:					
Revenue	38,686	8,312	56,226		103,224
Payments				\$ (25)	(25)
Net cash provided by (used in) operating activities	<u>(26,654)</u>	<u>1,324,714</u>	<u>(101,024)</u>	<u>(25)</u>	<u>1,197,011</u>
Cash flows provided by (used in) noncapital financing activities, payments to/from Authority and other funds	<u>35</u>	<u>(1,250,010)</u>		<u>1,239,975</u>	<u>(10,000)</u>

(continued)

FAIRVIEW TOWNSHIP

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Totals
Cash flows from capital and related financing activities:					
Proceeds from bonds		\$ 1,305,000			\$ 1,305,000
Principal paid on bonds		(675,000)		\$ (755,000)	(1,430,000)
Interest paid on bonds		(7,298)		(485,010)	(492,308)
Purchase of fixed assets		(534,784)			(534,784)
Net cash provided by (used in) capital and related financing activities		<u>87,918</u>		<u>(1,240,010)</u>	<u>(1,152,092)</u>
Cash flows provided by investing activities, investment income	\$ 4,970	19,823	\$ 730	182	<u>25,705</u>
Net increase (decrease) in cash and cash equivalents	(21,649)	182,445	(100,294)	122	60,624
Cash and cash equivalents:					
Beginning	<u>2,253,653</u>	<u>485,923</u>	<u>400,791</u>	<u>1,498,910</u>	<u>4,639,277</u>
Ending	<u>\$ 2,232,004</u>	<u>\$ 668,368</u>	<u>\$ 300,497</u>	<u>\$ 1,499,032</u>	<u>\$ 4,699,901</u>

(continued)

FAIRVIEW TOWNSHIP

STATEMENT OF CASH FLOWS -- PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Totals
Cash flows from operating activities:					
Excess (deficiency) of operating revenues over expenses		\$ 737,998	\$ (82,573)	\$ (25)	\$ 655,400
Adjustments:					
Depreciation		525,141	29,171		554,312
(Increase) decrease in assets:					
Accounts receivable		(68,832)	(48,897)		(117,729)
Due from other funds		1,180	558		1,738
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses		5,461	717		6,178
Other liabilities		123,766			97,112
Total adjustments	\$ (26,654)	586,716	(18,451)		541,611
Net cash provided by (used in) operating activities	\$ (26,654)	\$ 1,324,714	\$ (101,024)	\$ (25)	\$ 1,197,011

See notes to financial statements.

FAIRVIEW TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2010

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 13	\$ 15	\$ 28
Investments	<u>4,555,838</u>	<u>6,571,489</u>	<u>11,127,327</u>
Total assets	<u><u>\$ 4,555,851</u></u>	<u><u>\$ 6,571,504</u></u>	<u><u>\$ 11,127,355</u></u>
Net assets held in trust for pension benefits	<u><u>\$ 4,555,851</u></u>	<u><u>\$ 6,571,504</u></u>	<u><u>\$ 11,127,355</u></u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED DECEMBER 31, 2010

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
Additions:			
Contributions:			
State aid	\$ 63,808	\$ 139,987	\$ 203,795
Employer	395,865	11,656	407,521
Employee	29,281	23,090	52,371
	<u>488,954</u>	<u>174,733</u>	<u>663,687</u>
Total contributions			
Investment income:			
Net appreciation in fair value of investments	522,198	764,702	1,286,900
Interest and dividends	179	97	276
	<u>522,377</u>	<u>764,799</u>	<u>1,287,176</u>
Less investment expense	25,589	37,395	62,984
	<u>496,788</u>	<u>727,404</u>	<u>1,224,192</u>
Net investment gain			
	<u>496,788</u>	<u>727,404</u>	<u>1,224,192</u>
Total additions, net of investment gains	<u>985,742</u>	<u>902,137</u>	<u>1,887,879</u>
Deductions:			
Benefit payments	203,015	247,745	450,760
Administrative expenses	6,820	19,893	26,713
	<u>209,835</u>	<u>267,638</u>	<u>477,473</u>
Total deductions			
	<u>209,835</u>	<u>267,638</u>	<u>477,473</u>
Transfers	100	(100)	-
	<u>100</u>	<u>(100)</u>	<u>-</u>

(continued)

FAIRVIEW TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
Net increase	\$ 776,007	\$ 634,399	\$ 1,410,406
Net assets held in trust for pension benefits:			
Beginning of year	<u>3,779,844</u>	<u>5,937,105</u>	<u>9,716,949</u>
End of year	<u>\$ 4,555,851</u>	<u>\$ 6,571,504</u>	<u>\$ 11,127,355</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF POSTEMPLOYMENT NET ASSETS

YEAR ENDED DECEMBER 31, 2010

	<u>Nonuniformed benefis fund</u>	<u>Police benefits fund</u>	<u>Total</u>
Assets, cash and cash equivalentents	<u>\$ 1,042,695</u>	<u>\$ 663,916</u>	<u>\$ 1,706,611</u>
Net assets held in trust for OPEB	<u>\$ 1,042,695</u>	<u>\$ 663,916</u>	<u>\$ 1,706,611</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP
STATEMENT OF CHANGES IN POSTEMPLOYMENT NET ASSETS
YEAR ENDED DECEMBER 31, 2010

	<u>Nonuniformed benefits fund</u>	<u>Police benefits fund</u>	<u>Total</u>
Additions:			
Contributions, employer	\$ 1,041,496	\$ 662,666	\$ 1,704,162
Investment income, interest and dividends	<u>1,199</u>	<u>1,250</u>	<u>2,449</u>
Total additions, net of investment gains	1,042,695	663,916	1,706,611
Net assets held in trust for OPEB benefits:			
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u><u>\$ 1,042,695</u></u>	<u><u>\$ 663,916</u></u>	<u><u>\$ 1,706,611</u></u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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 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 Fairview 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 the 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, 2010

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 in previous years. 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. The Township employs paid drivers to support the firefighting activities 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, 2010

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 a separate accounting entity. 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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

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 and postemployment benefits 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.

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

1. Summary of significant accounting policies (continued):

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. The fund was subsidized by the General and Capital Reserve funds. For 2011, the Township approved an increase in the tax millage rate for street lights to cover future expenditures of the fund.

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, 2010 due to expenditures exceeding tax revenues. The fund was subsidized by the Capital Reserve fund.

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 2010 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 2010 from revenues received through the LST.

Fire Station Fund - The Township is using this fund to pay the debt service on the debt and track the operating costs of the 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 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Nonmajor funds (continued):

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.

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

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 preservation is critical.

Police and Nonuniformed Postemployment Benefit Plans - These trust funds are used to account for postemployment benefit contributions of the Township and its employees. Postemployment Benefits Funds are accounted for in a manner similar to Proprietary Funds since capital preservation is critical.

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

1. Summary of significant accounting policies (continued):

Authority - basis of presentation (continued):

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.

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

1. Summary of significant accounting policies (continued):

Basis of accounting (continued):

They are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the general, special revenue and capital projects funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. All budgets have been adopted on the modified-accrual basis of accounting for all governmental fund types. The material modifications of the modified accrual method from the accrual method are as follows:

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

Real estate transfer taxes, licenses, permits and fines, rental income and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

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.

The financial statements of the Township have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

1. Summary of significant accounting policies (continued):

Basis of accounting (continued):

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 local services taxes are recorded at gross amounts collected with expenses and commissions paid recorded as an expenditure under general government. Real estate transfer and delinquent real estate taxes are recorded at the net amount received from the collecting agency after deduction for fees and expenses.

Cash, 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, 2010, 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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

1. Summary of significant accounting policies (continued):

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 value at the date of donation.

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

1. Summary of significant accounting policies (continued):

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.

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 in the near-term.

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

1. Summary of significant accounting policies (continued):

Equity classifications (continued):

Government-wide statements (continued)

- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund statements - Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved.

2. Deposits and investments:

Custodial credit risk, deposits and investments:

For deposits, custodial credit risk is the risk that, in the event of bank failure, the Township's deposits may not be returned to it. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investment or collateral security that is in the possession of an outside party. The Township's current investment policy requires that securities be held by custodians specified in the Township's investment program, and that there are written custodial 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, 2010, \$11,599,282 of the Township's bank balance of \$12,644,000 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.

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

2. Deposits and investments (continued):

Custodial credit risk, deposits and investments (continued):

	<u>Fair value</u>
Deposits:	
Collateral held by the pledging bank under Act 72 but not in the Township's name	\$ 11,599,282
Insured by Federal Deposit Insurance Corporation	1,044,718
Outstanding checks	(169,480)
Deposits in transit	80
Petty cash	566
Total deposits	12,475,166

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

2. Deposits and investments (continued):

Custodial credit risk, deposits and investments (continued):

	Ratings	Fair value
Investments:		
Mellon Bank:		
Total Return fund Class A		\$ 4,389,307
LCB Large CAP Core fund		967,766
MDH Small Mid CAP Growth fund		383,832
MCO Small Mid CAP Value fund		393,544
EB US Large CAP Core fund		969,741
NCML International fund		1,111,597
DV Enhanced Large CAP Core fund		1,933,745
DV Enhanced Mid CAP Core fund		549,024
DV Enhanced Small CAP fund		346,233
Temporary investment funds	Unrated	82,566
Total investments		11,127,355
Total deposits and investments		\$ 23,602,521
Governmental funds		\$ 6,068,654
Business-type funds:		
Unrestricted		3,201,000
Restricted		1,498,901
Postemployment benefit funds		1,706,611
Pension funds		11,127,355
		\$ 23,602,521

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

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 the Township. The operation and maintenance of the systems are the responsibility of the Township. The Authority utilizes the "financing method" to account for the lease of the facility to the 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, 2010, the present value of the future minimum lease rentals is \$9,200,000.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

3. Future lease rental receivable (continued):

Minimum rentals under the 2001 bond issues, including interest of \$2,850,781, are as follows:

<u>Lease years ending</u>	<u>Rental payment</u>
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	<u>625,642</u>
	<u>\$ 12,050,781</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 2010, the debt service fund transferred \$35 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, 2010

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:

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

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

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

Total debt service requirements are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Amount</u>
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>\$ 9,200,000</u>	<u>\$ 2,850,781</u>	<u>\$ 12,050,781</u>

5. General obligation debt:

General obligation notes payable/capital lease obligations consist of the following as of December 31, 2010:

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, 2010 is \$5,923.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

5. General obligation debt (continued):

General Obligation Notes, Series of 2010:

On December 15, 2010, the Township issued its General Obligation Notes, Series of 2010, in the aggregate principal amount of \$3,415,000 for the purpose of currently refunding the General Obligation Notes, Series of 2005 and 2009; capital funding for improvements to the Lower Allen treatment plant; acquisition of maintenance vehicles and paying for the costs of issuing the notes. The Township has pledged its full faith, credit and taxing power towards the payment of these notes.

The Series of 2010 notes were divided into four separate notes as follows:

Note 1 – The note was issued for \$500,000 with an interest rate of 1.95%. The note matures on December 15, 2013. The note requires monthly payments of \$14,310 of interest and principal.

Note 2– The note was issued for \$1,240,000 with an interest rate of 2.35%. The note matures on August 15, 2015. The note requires monthly payments of \$ 23,401 of interest and principal.

Note 3 – The note was issued for \$675,000 with an interest rate of 2.65%. The note matures on December 15, 2019. The note requires monthly payments of \$7,032 of interest and principal.

Note 4 – The note was issued for \$1,000,000, of which only \$50,000 was drawn down as of December 31, 2010. The note has an interest rate of 2.75% and matures on December 15, 2020. The note requires interest only payments through December 15, 2011, and then monthly payments of \$10,463 of principal and interest.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

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, 2010, the Township has paid the note in full using proceeds of the 2010 General Obligation Bonds.

General Obligation Note, Series of 2009:

On November 15, 2009, the Township issued its General Obligation Note, Series of 2009, in the maximum principal amount of \$675,000 for sewer improvements to the Lower Allen wastewater treatment plant. The note bears interest at a rate of 3.88% per annum with interest only payments through December 1, 2010. Subsequent to December 1, 2010, the Township will pay monthly installments of interest and principal of \$7,415 through the maturity date of December 2019. During 2010, the Township borrowed an additional \$580,000 of the proceeds of the note. As of December 31, 2010, the Township has paid the note in full using proceeds of the 2010 General Obligation Bonds.

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

	Balance, January 1, 2010	Additions	Payments	Balance December 31, 2010	Due within one year
Capital lease obligation	\$ 13,514		\$ (7,591)	\$ 5,923	\$ 5,923
G. O. Bonds, 2010:					
Note #1		\$ 500,000		500,000	163,430
Note #2		1,240,000		1,240,000	254,399
Note #3 (Sewer Revenue)		675,000		675,000	67,307
Note #4 (Sewer Revenue)		50,000		50,000	
G. O. Note, 2005 (General Fund)	1,471,399		(1,471,399)	-	
G. O. Note, 2009 (Sewer Revenue Fund)	95,000	580,000	(675,000)	-	
	<u>\$ 1,579,913</u>	<u>\$ 3,045,000</u>	<u>\$ (2,153,990)</u>	<u>\$ 2,470,923</u>	<u>\$ 491,059</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

5. General obligation debt (continued):

Scheduled principal maturities are as follows, assuming a full draw down on Note #4:

<u>Year</u>	<u>Capital lease obligation</u>	<u>G. O. Bond 2010 #1</u>	<u>G. O. Bond 2010 #2</u>	<u>G. O. Bond 2010 #3</u>	<u>G. O. Bond 2010 #4</u>	<u>Total</u>
2011	\$ 5,923	\$ 163,430	\$ 254,399	\$ 67,307		\$ 491,059
2012		166,646	260,442	69,113	\$ 99,300	595,501
2013		169,924	266,629	70,967	102,065	609,585
2014			272,962	72,870	104,908	450,740
2015			185,568	74,825	107,829	368,222
2016				76,832	110,832	187,664
2017				78,893	113,919	192,812
2018				81,010	117,091	198,101
2019				83,183	120,352	203,535
2020					123,704	123,704
	<u>\$ 5,923</u>	<u>\$ 500,000</u>	<u>\$ 1,240,000</u>	<u>\$ 675,000</u>	<u>\$ 1,000,000</u>	<u>\$ 3,420,923</u>

Minimum debt service requirements are as follows, assuming a full draw down on Note #4:

<u>Year</u>	<u>Capital lease obligation</u>	<u>G. O. Bond 2010 #1</u>	<u>G. O. Bond 2010 #2</u>	<u>G. O. Bond 2010 #3</u>	<u>G. O. Bond 2010 #4</u>	<u>Total</u>
2011	\$ 6,071	\$ 171,725	\$ 280,811	\$ 84,381	\$ 27,500	\$ 570,488
2012		171,725	280,810	84,381	125,554	662,470
2013		171,724	280,811	84,382	125,554	662,471
2014			280,810	84,381	125,555	490,746
2015			187,207	84,381	125,554	397,142
2016				84,381	125,555	209,936
2017				84,382	125,554	209,936
2018				84,381	125,554	209,935
2019				84,382	125,555	209,937
2020					125,554	125,554
	<u>\$ 6,071</u>	<u>\$ 515,174</u>	<u>\$ 1,310,449</u>	<u>\$ 759,432</u>	<u>\$ 1,157,489</u>	<u>\$ 3,748,615</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

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 nonexempt 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 2010 were 1.6 mills - real estate and .06 mills - fire hydrant.

Street light assessments:

The Township's street light assessment is levied each February 15 and is based on the road frontage footage of nonexempt property served by street lights. The assessment rates for the year ended December 31, 2010 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.

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 2010, the Township paid costs to Lower Allen Township of \$115,292. All payments were made from the Sewer Fund. During 2010, the Township did not transfer any funds to the Authority for operating costs.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

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.

Plan membership:

As of January 1, 2011 participation in the respective plans is as follows:

Nonuniformed pension plan:

Membership as of January 1, 2011:

Retirees and beneficiaries currently receiving benefits	11
Terminated employees entitled to deferred benefits	8
Active members	<u>28</u>

Total 47

Police pension plan:

Membership as of January 1, 2011:

Retirees and beneficiaries currently receiving benefits	10
Terminated employees entitled to deferred benefits	1
Active members	<u>15</u>

Total 26

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

8. Defined benefit pension plans (continued):

Plan membership (continued):

A summary of employee eligibility requirements and benefits as of January 1, 2011 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. Average monthly pay is based upon the final plan year preceding retirement.	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 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, 2010

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 2010:

<u>Description</u>	<u>Nonuniformed pension plan</u>	<u>Police pension plan</u>
Annual covered payroll	\$ 1,406,440	\$ 1,129,831
Employee contribution rate	2.0% of gross wages	2.0% of gross wages
Employee contributions paid in 2010	\$ 29,281	\$ 23,090
Employer contributions paid in 2010	\$ 395,865	\$ 11,656
State aid contributions paid in 2010	\$ 63,808	\$ 139,987
Total contributions made as a percentage of payroll	34.8%	15.5%

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

8. Defined benefit pension plans (continued):

Funding policy (continued):

The funded status of each plan as of January 1, 2011, 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	\$ 6,817,610	\$ 7,034,498	\$ 216,888	96.9 %	\$ 1,129,831	19.2 %
Nonuniformed	4,649,686	5,924,371	1,274,685	78.5	1,406,440	90.6

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, 2010

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:

	<u>Nonuniformed pension plan</u>	<u>Police pension plan</u>
Annual required contribution	\$ 281,425	\$ 139,987
Interest on net pension asset	(1,044)	
Adjustment to annual required contribution	1,492	
Annual pension cost	281,873	139,987
Contributions made	459,673	151,643
Increase in net pension asset	(177,800)	(11,656)
Net pension asset:		
Beginning of year	(14,917)	-
End of year	\$ (192,717)	\$ (11,656)

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 and police pension plan's records indicate a net pension asset of approximately \$204,373 as of December 31, 2010.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

8. Defined benefit pension plans (continued):

	<u>Nonuniformed pension plan</u>	<u>Police pension plan</u>
Actuarial valuation date	January 1, 2011	January 1, 2011
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	10 years	16 years
Asset valuation method	Actuarial value as determined by actuary by using five-year smoothing	Actuarial value as determined by actuary by using five-year smoothing
Actuarial assumptions:		
Investment rate of return	7.0%	7.0%
Projected salary increases	5.0%	5.0%
Cost of living	3.0%	3.0%
Mortality	RP2000 Table	RP2000 Table

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

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, 2010 and consist of the following:

	<u>Cost</u>	<u>Fair value</u>
Nonuniformed pension:		
Temporary investments and deposits	\$ 13	\$ 13
Funds:		
Collective trust funds	3,627,523	4,159,987
Registered investment companies	<u>327,755</u>	<u>395,851</u>
	<u>3,955,291</u>	<u>4,555,851</u>
Police pension:		
Temporary investments and deposits	15	15
Funds:		
Collective trust funds	5,254,699	5,997,599
Registered investment companies	<u>475,075</u>	<u>573,890</u>
	<u>5,729,789</u>	<u>6,571,504</u>
Total investments, pension	<u><u>\$ 9,685,080</u></u>	<u><u>\$ 11,127,355</u></u>

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, 2010

8. Defined benefit pension plans (continued):

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

	Nonuniformed pension plan	Police pension plan
Net realized gains	\$ 8,669	\$ 206,546
Net unrealized gains	513,529	558,156
Net appreciation in fair value of investment	\$ 522,198	\$ 764,702

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			
2010	\$ 281,873	100 % +	\$ (192,717)
2009	281,720	100	(14,917)
2008	274,053	100	(15,377)
<u>Police pension plan</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension asset</u>
Year			
2010	\$ 139,987	100 % +	\$ (11,656)
2009	127,822	100	
2008	92,935	100	

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

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, 2010, the liability for vested unused vacation and sick leave is approximately \$582,551. 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 \$9,200,000 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, 2010 are approximately \$644,733.

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 in advance. During 2010, the Township paid \$87,500 for the nutrient credits. The Township has commitments through 2024 of \$1,397,391 as of December 31, 2010.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

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:

2011	\$ 49,815
2012	<u>51,310</u>
Total	<u>\$ 101,125</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, 2010 were zero.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

13. Reservations of fund equity:

Reservations of fund balances as of December 31, 2010 are not appropriable for expenditure, or are legally segregated for specific purposes as follows:

General fund:

Compensated absences, Township employees	\$ 774,379
Pooled sick days, police	58,855
Future pension costs, minimum municipal obligations	<u>836,973</u>

\$ 1,670,207

Postemployment benefits trust funds, healthcare benefits \$ 1,706,611

Pension trust funds, employee benefits \$ 11,127,355

Reserved retained earnings of the Proprietary Funds as of December 31, 2010 consist of the following:

Sewer reserve fund, reserved for debt retirement \$ 1,424,305

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

14. Capital assets:

	<u>Balance January 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2010</u>
Capital assets not being depreciated, land	<u>\$ 542,798</u>			<u>\$ 542,798</u>
Capital assets being depreciated:				
Vehicles and equipment	4,645,521	\$ 120,126	\$ 22,333	4,743,314
Buildings and improvements	4,214,839			4,214,839
Refuse improvements and equipment	532,898			532,898
Sewer improvements and equipment	19,837,588	534,784		20,372,372
Roads, traffic signals and storm sewers	<u>40,896,603</u>	<u>1,497,599</u>		<u>42,394,202</u>
Total capital assets being depreciated	<u>70,127,449</u>	<u>2,152,509</u>	<u>22,333</u>	<u>72,257,625</u>
Less accumulated depreciation:				
Vehicles and equipment	2,443,050	362,461	17,014	2,788,497
Buildings and improvements	532,994	85,640		618,634
Refuse improvements and equipment	116,069	29,171		145,240
Sewer improvements and equipment	9,257,308	525,141		9,782,449
Roads, traffic signals and storm sewers	<u>23,689,615</u>	<u>1,402,406</u>		<u>25,092,021</u>
Total accumulated depreciation	<u>36,039,036</u>	<u>2,404,819</u>	<u>17,014</u>	<u>38,426,841</u>
Capital assets, net	<u>\$ 34,631,211</u>	<u>\$ (252,310)</u>	<u>\$ 5,319</u>	<u>\$ 34,373,582</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

14. Capital assets (continued):

Depreciation expense was charged to functions as follows:

Refuse	\$ 29,171
Sewer	525,141
General government	50,907
Public safety	249,032
Highways	1,516,610
Recreation	<u>33,958</u>
Total depreciation expense	<u>\$ 2,404,819</u>

15. Other postemployment medical benefits:

On January 1, 2009, the Township implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition and display of expenditures for postemployment benefits (OPEB) other than pensions and the related liabilities (assets) in the financial reports of state and local governmental employers. As a result of the implementation of the standard, OPEB costs are recognized in the government-wide statements when the employee-related services are received by the employer rather than when the benefits are paid. The additional required financial note disclosures detailed below include information about actuarial accrued liabilities for these promised benefits associated with past employee services, and whether and to what extent those benefits have been funded.

Fairview Township provides health-related benefits for its full-time nonuniformed employees and police officers through its group health insurance plan. Benefit provisions are established through negotiations between the Township and the Union representing the nonuniformed employees and police officers. The negotiated benefit provisions are detailed in the following paragraphs. The plan does not issue a publicly available financial report.

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 is one retired officer receiving this benefit.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

15. Other postemployment medical benefits (continued):

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. 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. Currently, there are four nonuniformed employees receiving these benefits.

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

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

15. Other postemployment medical benefits (continued):

The Township's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Township's OPEB cost for the year, the amount contributed to the plan and changes in the Township's OPEB obligation to the plan. GASB Statement No. 45 does not require a transition obligation in 2009, the year of initial implementation. Therefore, no transition obligation was recorded as of January 1 2009.

	Nonuniformed employees	Police employees
Annual required contribution	\$ 70,246	\$ 77,901
Interest on net OPEB obligation	1,725	3,030
Adjustment to annual required contribution	(2,353)	(4,134)
Annual OPEB cost	69,618	76,797
Contributions made	1,059,430	667,580
Increase in net OPEB asset	(989,812)	(590,783)
Net OPEB obligation (asset):		
Beginning of year	38,325	67,341
End of year	\$ (951,487)	\$ (523,442)

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

15. Other postemployment medical benefits (continued):

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 were as follows:

<u>Nonuniformed employees</u>			
<u>Year</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB (asset) liability</u>
2010	\$ 69,618	100 % +	\$ (951,847)
2009	70,246	45.4 %	38,325
<u>Police employees</u>			
<u>Year</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB (asset) liability</u>
2010	\$ 76,797	100 % +	\$ (523,442)
2009	77,901	13.6 %	67,341

The funded status of the plan as of the latest actuarial evaluation dated January 1, 2011 was as follows:

	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability</u>	<u>(Overfunded) unfunded actuarial accrued liability</u>	<u>Percentage funded</u>	<u>Annual covered payroll</u>	<u>(Over) under funded actuarial accrued liability as a percentage of covered payroll</u>
Police	\$ 663,916	\$ 699,001	\$ 35,085	95.0 %	\$ 1,236,631	2.8 %
Nonuniformed	1,042,695	687,700	(354,995)	151.6	1,508,445	(23.5)

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

15. Other postemployment medical benefits (continued):

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, provides trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of the valuation.

In the Township's January 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial present value of the projected benefits of each individual was allocated as a level percentage of pay between entry age and assumed exit age. Entry age was calculated based upon date of hire, and assumed exit age was based upon the actuarial assumptions as to termination, disability, death or retirement. The actuarial methods and assumptions used for police officers include a salary scale of 5.0% per year, an assumed retirement age of 50 and completion of 25 years of service and an interest rate of 4.5% per year. The actuarial methods and assumptions used for nonuniformed employees include a salary scale of 6.0% per year, an assumed retirement age of 65 or, if earlier, age of 60 and completion of 25 years of service and an interest rate of 4.5% per year.

The actuarial assumptions used are generally in line with the assumptions used for the Fairview Township Police Pension Plan and the Fairview Township Nonuniformed Pension Plan. Also, an assumption as to annual increases in healthcare cost was introduced at 8.0% in 2011 and decreases by 0.5% per year to 5.5% in 2016. Since benefits are unrelated to salary, the use of the salary scale was limited to the allocation of costs to each year of service under the entry age normal actuarial cost method. Premium rates for the plan were based upon the combined experience of active and retired lives.

During 2010, the Township established irrevocable trusts for both the uniformed and nonuniformed employees for postemployment medical benefits as required by GASB standards. The Township funded both trusts during 2010 using the funds it had previously set aside for this purpose. The Township has presented statements of postemployment benefits net assets and changes in net assets as of December 31, 2010.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

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.

The Township applied 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.

17. Subsequent events:

The Township has evaluated events through June 24, 2011, the date which the financial statements were available to be issued.

18. Interfund receivables and payables:

As of December 31, 2010, Township interfund receivables and payables consist of the following:

Receivable fund		Payable fund	
Capital reserve fund	\$ 244,327	Capital reserve fund	\$ -
Capital projects fund	-	Fire station fund	196,064
LST fund	279,043	Street light fund	43,176
Sewer fund	-	Fire services fund	76,885
Refuse fund	-	Fire hydrant fund	50,074
		EMS services fund	67,841
		Sewer revenue fund	-
		Sewer reserve fund	89,330
	\$ 523,370		\$ 523,370

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

18. Interfund receivables and payables (continued):

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	Underfunded (overfunded) actuarial accrued liability	Percentage funded	Annual covered payroll	Underfunded (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	6,603,892	6,120,337	(483,555)	107.9	1,154,881	(41.9)
2010	6,750,456	6,517,248	(233,208)	103.6	1,172,606	(19.9)
2011	6,817,610	7,034,498	216,888	96.92	1,129,831	19.2

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	4,017,318	5,015,972	998,654	80.1	1,326,930	75.3
2010	4,252,840	5,340,154	1,087,314	79.6	1,362,668	79.8
2011	4,649,686	5,924,371	1,274,685	78.5	1,406,440	90.6

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>
2010	\$ 281,425	100 %	\$ 139,987	100 %
2009	269,449	100	92,934	100
2008	273,563	100	104,217	100
2007	269,313	100	97,925	100
2006	258,128	100	140,081	100
2005	156,018	100		100
2004	147,094	100		100
2003	91,406	100		100
2002	87,723	100		100
2001	75,038	100		100

Notes to required supplementary information:

	<u>Nonuniformed plan</u>	<u>Police pension plan</u>
Actuarial valuation date	January 1, 2011	January 1, 2011
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	10 years	16 Years
Asset valuation method	Actuarial value as determined by actuary by 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	5.0%	5.0%
Cost of living	3.0%	3.0%
Mortality	RP2000 Table	RP2000 Table

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
**SCHEDULE OF FUNDING PROGRESS AND ACTUARIAL ASSUMPTIONS
 OTHER POSTEMPLOYMENT BENEFITS
 NONUNIFORMED AND POLICE**

		Actuarial value of assets	Actuarial accrued liability	Underfunded (overfunded) actuarial accrued liability	Percentage funded	Annual covered payroll	Underfunded (overfunded) actuarial accrued liability as a percentage of covered payroll
Police	1/1/2009	\$ -	\$ 444,415	\$ 444,415	- %	\$ 1,154,881	38.5 %
	1/1/2011	663,916	699,001	35,085	95.0	1,236,631	2.8
Nonuniformed	1/1/2009	-	435,236	435,236	-	1,326,930	32.8
	1/1/2011	1,042,695	687,700	(354,995)	151.6	1,508,445	(23.5)

	<u>Nonuniformed</u>	<u>Police</u>
Actuarial valuation date	January 1, 2011	January 1, 2011
Actuarial assumptions, actuarial cost method	Entry age normal	Entry age normal
Healthcare cost trend rate	8.0% in 2011, decreasing 0.5% per year to 5.5% in 2016	8.0% in 2011, decreasing 0.5% per year to 5.5% in 2016
Retiree contributions	Increase at same rate as the healthcare cost trend rate	Increase at same rate as the healthcare cost trend rate
Interest rate	4.5%	4.5%
Salary increase	5.00%	5.00%
Premium rates	Combine experience of active and retired lives	Combine experience of active and retired lives
Retirement	Age 65 or, if earlier, age 60 with completion of 25 years	Age 50 with completion of 25 years

FAIRVIEW TOWNSHIP

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

GENERAL FUND

YEAR ENDED DECEMBER 31, 2010

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Taxes	\$ 4,206,197	\$ 4,206,197	\$ 4,434,868	\$ 228,671
Licenses, permits and fees	3,000	3,000	4,180	1,180
Fines and penalties	112,000	112,000	122,859	10,859
Interest and rents	16,000	16,000	18,229	2,229
Intergovernmental	333,375	333,375	403,749	70,374
Service fees	363,150	363,150	308,521	(54,629)
Miscellaneous	3,634	3,634	59,454	55,820
Total revenues	<u>5,037,356</u>	<u>5,037,356</u>	<u>5,351,860</u>	<u>314,504</u>
Expenditures:				
General government	497,138	497,138	755,982	258,844
Public safety	3,011,635	3,011,635	4,053,115	1,041,480
Health and welfare	25,000	25,000	51,730	26,730
Highways	1,302,705	1,302,705	2,527,633	1,224,928
Culture and recreation	171,790	171,790	168,515	(3,275)
Debt service	700	700		(700)
Miscellaneous	2,300	2,300	3,091	791
Total expenditures	<u>5,011,268</u>	<u>5,011,268</u>	<u>7,560,066</u>	<u>2,548,798</u>
Excess (deficiency) of revenues over expenditures	26,088	26,088	(2,208,206)	(2,234,294)
Other financing sources (uses):				
Proceeds from sale of assets	3,000	3,000	1,680	(1,320)
Proceeds from bond issue			500,000	500,000
Interfund transfers expended	(98,734)	(98,734)	(10,000)	88,734
Interfund transfers received			724,389	724,389

(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, 2010

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Deficiency of revenues and other financing sources over expenditures and other uses	<u>\$ (69,646)</u>	<u>\$ (69,646)</u>	\$ (992,137)	<u>\$ (922,491)</u>
Fund balance:				
Beginning of year			<u>3,971,182</u>	
End of year			<u>\$ 2,979,045</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, 2010

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Interest and rents			\$ 5,424	\$ 5,424
Intergovernmental	<u>\$ 377,000</u>	<u>\$ 377,000</u>	<u>376,127</u>	<u>(873)</u>
Total revenues	377,000	377,000	381,551	4,551
Expenditures, highways	<u>750,000</u>	<u>750,000</u>		<u>(750,000)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (373,000)</u>	<u>\$ (373,000)</u>	381,551	<u>\$ 754,551</u>
Fund balance:				
Beginning of year			<u>773,541</u>	
End of year			<u>\$ 1,155,092</u>	

FAIRVIEW TOWNSHIP

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

CAPITAL PROJECTS FUND

YEAR ENDED DECEMBER 31, 2010

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Licenses, permits and fees	\$ 206,000	\$ 206,000	\$ 246,183	\$ 40,183
Interest and rents	3,500	3,500	924	(2,576)
	<u>209,500</u>	<u>209,500</u>	<u>247,107</u>	<u>37,607</u>
Expenditures, general government			<u>1,052</u>	<u>1,052</u>
Excess of revenues over expenditures	209,500	209,500	246,055	36,555
Other financing uses, interfund transfers	<u>(209,500)</u>	<u>(209,500)</u>	<u>(660,355)</u>	<u>(450,855)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	(414,300)	<u>\$ (414,300)</u>
Fund balance:				
Beginning of year			<u>827,145</u>	
End of year			<u>\$ 412,845</u>	

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2010

	Fire station fund	LST tax fund	Street light fund	Fire service fund	Fire hydrant fund	EMS service fund	Fairview Township Fire Department	Total
Revenues:								
Taxes		\$ 463,850	\$ 81,114	\$ 141,863	\$ 30,155	\$ 141,848	\$	\$ 858,830
Interest and rents	56	601	36	62	10	89	954	1,808
Miscellaneous revenue	24,341			51,189		3	105,340	180,873
Total revenues	24,397	464,451	81,150	193,114	30,165	141,940	106,294	1,041,511
Expenditures:								
Public safety	78,702			223,704	47,495	146,217	11,756	507,874
Highways, roads and streets			56,059					56,059
Debt service	1,524,127							1,524,127
Total expenditures	1,602,829		56,059	223,704	47,495	146,217	11,756	2,088,060
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(1,578,432)	464,451	25,091	(30,590)	(17,330)	(4,277)	94,538	(1,046,549)

(continued)

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2010

	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),								
Bond proceeds	\$ 1,240,000							\$ 1,240,000
Transfers in (out)	486,688	\$ (391,811)		\$ 69,089			\$ (228,000)	(64,034)
Total other financing sources (uses)	1,726,688	(391,811)		69,089			(228,000)	1,175,966
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	148,256	72,640	\$ 25,091	38,499	\$ (17,330)	\$ (4,277)	(133,462)	129,417
Fund balance (deficit):								
Beginning of year	(296,386)	615,056	(64,749)	(93,619)	(32,744)	(47,947)	178,049	257,660
End of year	\$ (148,130)	\$ 687,696	\$ (39,658)	\$ (55,120)	\$ (50,074)	\$ (52,224)	\$ 44,587	\$ 387,077

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