

***FAIRVIEW TOWNSHIP AUTHORITY***  
***(a component unit of Fairview Township)***

***YEAR ENDED DECEMBER 31, 2012***

**FAIRVIEW TOWNSHIP AUTHORITY**  
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YEAR ENDED DECEMBER 31, 2012

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## Independent Auditors' Report

Members of the Authority  
Fairview Township Authority  
New Cumberland, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Fairview Township Authority, a component unit of Fairview Township, as of and for the year ended December 31, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Fairview Township Authority, as of December 31, 2012, and the changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

*Brown Schultz Steindler & Fritz*

Camp Hill, Pennsylvania  
June 6, 2013

**FAIRVIEW TOWNSHIP AUTHORITY**  
**(a component unit of Fairview Township)**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(unaudited)

DECEMBER 31, 2012

Management of the Fairview Township Authority provides this discussion and analysis of the Authority's financial condition and operating activities for the year ended December 31, 2012. We encourage readers to consider this information in conjunction with the additional information that is furnished in the accompanying independent auditors' report and audited financial statements.

The Fairview Township Authority is a municipal authority existing under the Pennsylvania Municipality Authorities Act of 1945, pursuant to an ordinance enacted by Fairview Township, York County, Pennsylvania. The Authority is a component unit of Fairview Township.

**Financial highlights**

Key financial highlights for 2012 are as follows:

*Changes in net position:*

The Authority's total net position was reduced to zero as of December 31, 2012. The remaining balance of funds of \$91 were transferred to Fairview Township during 2012. The Authority will remain inactive until its possible use in the future for additional financing of Township projects.

**Required financial statements**

The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer financial information about its activities. The statement of net position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities); it provides the basis for assessing the liquidity and financial flexibility of the Authority. All current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures the result of the Authority's operations over the past year. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts, cash payments and net changes in cash resulting from operations, investing and capital and noncapital financing activities.

**FAIRVIEW TOWNSHIP AUTHORITY**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(unaudited)

DECEMBER 31, 2012

**Financial analysis statement of net position**

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

	<u>2012</u>	<u>2011</u>
Assets:		
Cash and restricted cash	<u>\$ -</u>	<u>\$ 131</u>
Total assets	<u><u>\$ -</u></u>	<u><u>\$ 131</u></u>
Net position	<u>\$ -</u>	<u>\$ 131</u>
Total net position	<u><u>\$ -</u></u>	<u><u>\$ 131</u></u>

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

DECEMBER 31, 2012

**Statement of revenues and expenses**

	2012	2011
Revenues and transfers in:		
Lease rentals, interest portion		\$ 452,167
Investment income		167
Total revenues and transfers in		452,334
Expenses and transfers out:		
Transfers to Fairview Township	\$ 91	1,499,080
Bank fees	40	
Interest expense		377,559
Total expenses and transfers out	131	1,876,639
Change in net position	(131)	(1,424,305)
Net position:		
Beginning of year	131	1,424,436
End of year	\$ -	\$ 131

**Significant events and projects**

The Authority was established to finance projects to serve the residents of Fairview Township. The Authority leased the sewer system to Fairview Township through 2011 in exchange for the pledge of revenues generated by the system to meet the lease rental debt service payments. In 2011, the Township issued 2011 General Obligation Bonds to pay off the lease rental debt owed to the Authority under the lease rental debt agreement. The Authority in turn paid off the balance of the 2001 Bonds. In 2012, the Authority transferred the remaining assets to the Township and continues the process of transferring all titles and deeds to the sewer system to the Township. The Authority will remain inactive until its possible use in the future for additional financing of Township projects.

***FAIRVIEW TOWNSHIP AUTHORITY***  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(unaudited)

DECEMBER 31, 2012

**Contacting the Authority's financial offices**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds received. If you have any questions about this report or need additional information, contact the Township office at 717-901-5200.

**FAIRVIEW TOWNSHIP AUTHORITY**  
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STATEMENT OF NET POSITION – PROPRIETARY FUNDS

DECEMBER 31, 2012

	<u>Administrative fund</u>
Current assets, cash, operating	<u>\$ -</u>
Net position, unrestricted	<u>\$ -</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP AUTHORITY**  
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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –  
PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2012

	<u>Administrative fund</u>
Nonoperating expenses, bank fees	<u>\$ (40)</u>
Operating loss	(40)
Transfers to Fairview Township	<u>(91)</u>
Change in net position	(131)
Net position:	
Beginning of year	<u>\$ 131</u>
End of year	<u><u>\$ -</u></u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP AUTHORITY**  
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STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2012

	<u>Administrative fund</u>
Operating loss	\$ (40)
Cash flows used in noncapital financing activities, transfers to Fairview Township	<u>(91)</u>
Net decrease in cash	(131)
Cash:	
Beginning of year	<u>\$ 131</u>
End of year	<u><u>\$ -</u></u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP AUTHORITY**  
**(a component unit of Fairview Township)**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

*Reporting entity:*

The Fairview Township Authority (the 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 had the power to construct, finance, operate, maintain and lease sewer systems through 2011 when Fairview Township (the Township) paid off the balance of the lease rental debt and terminated the lease agreement. The Authority is in the process of transferring all titles and deeds for the sewer system 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, when active, is authorized to exercise any and all powers conferred by the Act necessary for the acquisition, construction, improvement, extension, maintenance and operation of Township projects.

The Authority is a component unit of Fairview Township. The Township includes the Authority as a component unit of its reporting entity determined by the criteria of the Governmental Accounting Standards Board (GASB). The Township is financially accountable for the fiscal matters of the Authority. The Authority is not fiscally independent and, as such, the Authority is a component unit of Fairview Township.

*Fund financial statements:*

When applicable, separate fund financial statements are provided in the report for all of the proprietary funds of the Authority. Major individual enterprise funds are reported as separate columns in the fund financial statements.

**FAIRVIEW TOWNSHIP AUTHORITY**  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

*Measurement focus, basis of accounting and financial statement presentation:*

The Authority uses the accrual basis of accounting as required by generally accepted accounting principles for proprietary fund types.

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets less total liabilities) are used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash equivalents - For purposes of the statement of cash flows, the Authority considers all highly liquid debt investments with original maturities of three months or less, if applicable, to be cash equivalents.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Subsequent events:*

Management has evaluated subsequent events through June 6, 2013, which is the date the financial statements were available to be issued.

**FAIRVIEW TOWNSHIP AUTHORITY**  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

**2. Intermunicipal agreement:**

The Authority and the Township continue to have an agreement with the Lower Allen Township Municipal Authority for treatment of the Township's sewage originating near the common municipal boundary and transported by the collection system to the Lower Allen Township Municipal Authority treatment plant.

The original agreement was executed on December 28, 1976. Under the agreement, the municipalities pay their pro rata shares of operating and administrative costs of the treatment plant. All expenses related to this agreement are paid from the Township's Sewer Fund.

**3. Escrows payable:**

The Authority required 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. Escrow balances as of December 31, 2012 were zero.