

FINANCIAL STATEMENTS  
FAIRVIEW TOWNSHIP  
NEW CUMBERLAND, PENNSYLVANIA  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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## INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
Fairview Township  
New Cumberland, Pennsylvania

We have audited the accompanying financial statements of Fairview Township of New Cumberland, Pennsylvania as of and for the years ended December 31, 2002 and 2001, as listed in the foregoing Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 opinion.

The financial statements do not include the General Fixed Assets Account Group and Sewer Fund fixed assets and related depreciation, which should be included in order to conform with U.S. generally accepted accounting principles. The amounts that should be reflected in the General Fixed Assets Account Group and Sewer Fund fixed assets and related depreciation are not known.

In our opinion, except for the effect on the financial statements of the omission of the information described in paragraph three of this report, the financial statements referred to above present fairly, in all material respects, the financial position of Fairview Township as of December 31, 2002 and 2001 and the results of its operations, changes in fund equity and the cash flows of its proprietary fund types for the years ended December 31, 2002 and 2001, in conformity with U.S. generally accepted accounting principles.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

The schedules of historical pension information on pages 27 and 28 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. 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 an opinion on the financial statements taken as a whole. The accompanying supplementary financial information is presented for purposes of additional analysis and is not a required part of the financial statements of Fairview Township. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, except for the effect on the financial statements of the omission of the General Fixed Assets Account Group and Sewer Fund fixed assets and related depreciation, such information is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

*Chubb and Associates*

CHUBB AND ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

January 30, 2003

FAIRVIEW TOWNSHIP  
COMBINED BALANCE SHEET  
ALL FUND TYPES, ACCOUNT GROUP AND COMPONENT UNIT  
DECEMBER 31, 2002 AND 2001

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		ACCOUNT GROUP		COMPONENT UNIT		TOTALS	
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	ENTERPRISE	TRUST	GENERAL LONG-TERM DEBT	PRIMARY GOVERNMENT (MEMORANDUM ONLY)	MUNICIPAL AUTHORITY	(MEMORANDUM ONLY) 2002	(MEMORANDUM ONLY) 2001		
<b>ASSETS</b>												
Cash and Cash Equivalents	1,341,494	336,335	838,721	1,693,158	24,016		4,233,724	5,324	4,239,048	2,715,817		
Investments					7,039,106		7,039,106	1,445,965	8,485,071	8,952,969		
Taxes Receivable	160,450						160,450		160,450	76,630		
Accounts Receivable	39,437		640	76,698			116,775		116,775	172,552		
Due from Other Funds			4,000	74,900			78,900		78,900	1,520		
Future Lease Rentals Receivable												
Amount to be provided for Retirement of General Obligation Debt						461,276	461,276		461,276	495,899		
Amount to be Provided for Payment of Compensated Absences						253,916	253,916		253,916	198,175		
<b>TOTAL ASSETS</b>	<b>1,541,381</b>	<b>336,335</b>	<b>843,361</b>	<b>1,844,756</b>	<b>7,063,122</b>	<b>715,192</b>	<b>12,344,147</b>	<b>15,851,289</b>	<b>28,195,436</b>	<b>27,543,602</b>		
<b>LIABILITIES</b>												
Accounts Payable	116,119			80,478			196,597		196,597	161,061		
Deferred Revenues	38,065						38,065		38,065	43,277		
Due to Other Funds		4,000		74,900			78,900		78,900	1,520		
Escrow Deposits/Other Sewer Revenue Bonds Payable	200,337						200,337		200,337	130,103		
General Obligation Debt				200,890		461,276	662,166		14,400,000	14,930,000		
Estimated Liabilities for Compensated Absences				25,569		253,916	279,485		279,485	219,576		
<b>TOTAL LIABILITIES</b>	<b>354,521</b>	<b>4,000</b>		<b>381,837</b>		<b>715,192</b>	<b>1,455,550</b>	<b>14,400,000</b>	<b>15,855,550</b>	<b>16,105,675</b>		
<b>FUND EQUITY</b>												
Retained Earnings				648,909			648,909		648,909	254,725		
Appropriated				814,010			814,010		814,010	668,290		
Unappropriated												
Fund Balances												
Reserved	432,483	2,806	843,361		7,063,122		7,498,411		7,498,411	8,001,840		
Unreserved	756,377	329,529					1,927,267		1,451,289	3,378,556		
<b>TOTAL FUND EQUITY</b>	<b>1,186,860</b>	<b>332,335</b>	<b>843,361</b>	<b>1,462,919</b>	<b>7,063,122</b>		<b>10,888,597</b>	<b>1,451,289</b>	<b>12,339,886</b>	<b>11,437,927</b>		
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>1,541,381</b>	<b>336,335</b>	<b>843,361</b>	<b>1,844,756</b>	<b>7,063,122</b>	<b>715,192</b>	<b>12,344,147</b>	<b>15,851,289</b>	<b>28,195,436</b>	<b>27,543,602</b>		

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY  
 ALL GOVERNMENTAL FUND TYPES AND COMPONENT UNIT  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	GOVERNMENTAL FUND TYPES			TOTAL PRIMARY GOVERNMENT (MEMORANDUM) (ONLY)	COMPONENT UNIT	TOTALS (MEMORANDUM ONLY)	
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS			2002	2001
REVENUES							
Taxes	2,757,709	335,295		3,093,004		3,093,004	2,818,048
Licenses, Permits and Fees	4,435		124,229	128,664		128,664	103,670
Fines and Penalties	77,816			77,816		77,816	72,406
Interest and Rents	32,283	7,319	17,729	57,331	95,169	152,500	223,765
Intergovernmental Revenue	229,185	305,102		534,287	1,182,892	1,717,179	1,585,562
Service Fees	468,614			468,614		468,614	336,693
Miscellaneous Revenue	155,872	3,414		159,286	38,056	197,342	105,187
Unrealized Gain on Investments					49,281	49,281	5,781
<b>TOTAL REVENUES</b>	<b>3,725,914</b>	<b>651,130</b>	<b>141,958</b>	<b>4,519,002</b>	<b>1,365,398</b>	<b>5,884,400</b>	<b>5,251,112</b>
EXPENDITURES							
General Government	460,987		26,816	487,803	34,082	521,885	511,222
Public Safety	1,521,893	168,788	26,235	1,716,916		1,716,916	1,557,174
Health and Welfare	44,521			44,521		44,521	50,714
Public Works					110,262	182,373	28,022
Sanitation			72,111	72,111		182,373	28,022
Highways, Roads and Streets	816,355	223,896	315,396	1,355,647		1,355,647	890,356
Culture, Recreation	105,944			105,944		105,944	197,878
Debt Service	150,104	155,104		305,208	1,199,993	1,505,201	1,656,433
Other	85,196			85,196		85,196	164,413
<b>TOTAL EXPENDITURES</b>	<b>3,185,000</b>	<b>547,788</b>	<b>440,558</b>	<b>4,173,346</b>	<b>1,344,337</b>	<b>5,517,683</b>	<b>5,056,212</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>540,914</u>	<u>103,342</u>	<u>(298,600)</u>	<u>345,656</u>	<u>21,061</u>	<u>366,717</u>	<u>194,900</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from Issuance of Bonds			500,000	500,000		500,000	15,560,000
Interfund Transfers							
Received					13,010	13,010	213,400
Expended							(117,400)
Bond Issuance Costs			(7,350)	(7,350)		(7,350)	(310,467)
Payment to Escrow Agent							(15,803,068)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			<b>492,650</b>	<b>492,650</b>	<b>13,010</b>	<b>505,660</b>	<b>(457,535)</b>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>540,914</u>	<u>103,342</u>	<u>194,050</u>	<u>838,306</u>	<u>34,071</u>	<u>872,377</u>	<u>(262,635)</u>
FUND EQUITY, BEGINNING OF YEAR	<u>645,946</u>	<u>228,993</u>	<u>649,311</u>	<u>1,524,250</u>	<u>1,417,218</u>	<u>2,941,468</u>	<u>3,204,103</u>
FUND EQUITY, END OF YEAR	<u>1,186,860</u>	<u>332,335</u>	<u>843,361</u>	<u>2,362,556</u>	<u>1,451,289</u>	<u>3,813,845</u>	<u>2,941,468</u>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND EQUITY - ACTUAL TO BUDGET -  
 BUDGETED GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2002

	GENERAL			SPECIAL REVENUE		
	BUDGET	ACTUAL	VARIANCE/ FAVORABLE/ (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE/ FAVORABLE/ (UNFAVORABLE)
REVENUES						
Taxes	2,323,300	2,757,709	434,409	299,450	335,295	35,845
Licenses, Permits and Fees	500	4,435	3,935			
Fines and Penalties	67,000	77,816	10,816			
Interest and Rents	50,000	32,283	(17,717)	6,600	7,319	719
Intergovernmental	147,700	229,185	81,485	292,000	305,102	13,102
Service Fees	281,250	468,614	187,364			
Miscellaneous	<u>116,800</u>	<u>155,872</u>	<u>39,072</u>	<u>2,000</u>	<u>3,414</u>	<u>1,414</u>
TOTAL REVENUES	<u>2,986,550</u>	<u>3,725,914</u>	<u>739,364</u>	<u>600,050</u>	<u>651,130</u>	<u>51,080</u>
EXPENDITURES						
General Government	415,259	460,987	(45,728)			
Public Safety	1,495,942	1,521,893	(25,951)	206,666	168,788	37,878
Health and Welfare	30,000	44,521	(14,521)			
Highway and Street	808,250	816,355	(8,105)	300,000	223,896	76,104
Culture and Recreation	124,377	105,944	18,433			
Debt Service	136,110	150,104	(13,994)	155,583	155,104	479
Other	<u>97,138</u>	<u>85,196</u>	<u>11,942</u>			
TOTAL EXPENDITURES	<u>3,107,076</u>	<u>3,185,000</u>	<u>(77,924)</u>	<u>662,249</u>	<u>547,788</u>	<u>114,461</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(120,526)</u>	<u>540,914</u>	<u>661,440</u>	<u>(62,199)</u>	<u>103,342</u>	<u>165,541</u>
FUND BALANCE, BEGINNING OF YEAR		<u>645,946</u>			<u>228,993</u>	
FUND BALANCE, END OF YEAR		<u>1,186,860</u>			<u>332,335</u>	

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP  
 COMBINED STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND EQUITY  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
OPERATING REVENUES		
Collection Fees	3,320,495	2,922,130
Sewer Permits	460,470	337,450
Intergovernmental Revenue	181,390	222,916
Miscellaneous	<u>165,489</u>	<u>23,430</u>
TOTAL OPERATING REVENUES	<u>4,127,844</u>	<u>3,505,926</u>
OPERATING EXPENSES		
Personnel	514,937	443,427
Collection, Disposal and Treatment	1,905,822	1,442,559
Lease Rentals	<u>1,182,892</u>	<u>1,126,059</u>
TOTAL OPERATING EXPENSES	<u>3,603,651</u>	<u>3,012,045</u>
EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER EXPENSES	<u>524,193</u>	<u>493,881</u>
NON-OPERATING REVENUES (EXPENSES)		
Earnings on Temporary Deposits and Investments	34,828	35,992
Interest Paid	<u>(6,107)</u>	<u>(6,793)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>28,721</u>	<u>29,199</u>
OTHER FINANCING SOURCES (USES)		
Transfers to Authority	(13,010)	(46,000)
Interfund Transfers	<u>          </u>	<u>(50,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(13,010)</u>	<u>(96,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENSES AND OTHER USES	<u>539,904</u>	<u>427,080</u>
FUND EQUITY, BEGINNING OF YEAR	<u>923,015</u>	<u>495,935</u>
FUND EQUITY, ENDING OF YEAR	<u>1,462,919</u>	<u>923,015</u>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP  
 STATEMENTS OF CHANGES IN PLAN NET ASSETS  
 ALL FIDUCIARY FUND TYPES  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	NON-UNIFORMED PENSION FUND	POLICE PENSION FUND	TOTALS
	2002	2001	2002      2001
ADDITIONS			
Contributions			
State Aid	136,114		136,114      81,178
Employer	<u>19,603</u>		<u>19,603</u> <u>6,545</u>
Employee			<u>18,471</u>
Total Contributions	<u>155,717</u>		<u>155,717</u> <u>106,194</u>
Investment Income			
Net Appreciation (Depreciation) in Fair			
Value of Investments	(18,926)	(414,381)	(433,307)      (216,324)
Interest and Dividends	<u>1,932</u>	<u>14,404</u>	<u>16,336</u> <u>15,947</u>
Less: Investment Expense	<u>(16,994)</u>	<u>(399,977)</u>	<u>(416,971)</u> <u>(200,377)</u>
Net Investment Income	<u>10,901</u>	<u>35,122</u>	<u>46,023</u> <u>(50,133)</u>
Less: Investment Income	<u>(27,895)</u>	<u>(435,099)</u>	<u>(462,994)</u> <u>(250,510)</u>
TOTAL ADDITIONS	<u>127,822</u>	<u>(435,099)</u>	<u>(307,277)</u> <u>(144,316)</u>
DEDUCTIONS			
Benefit Payments	54,897	135,285	190,182      162,379
Administrative Expenses	<u>6,200</u>	<u>6,663</u>	<u>12,863</u> <u>10,768</u>
TOTAL DEDUCTIONS	<u>61,097</u>	<u>141,948</u>	<u>203,045</u> <u>173,147</u>
NET INCREASE	66,725	(577,047)	(510,322)      (317,463)
FUND BALANCE RESERVED FOR EMPLOYEES'			
PENSION BENEFITS, BEGINNING OF YEAR	<u>2,103,924</u>	<u>5,469,520</u>	<u>7,573,444</u> <u>7,890,907</u>
FUND BALANCE RESERVED FOR EMPLOYEES'			
PENSION BENEFITS, END OF YEAR	<u>2,170,649</u>	<u>4,892,473</u>	<u>7,063,122</u> <u>7,573,444</u>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (Deficiency) of Operating Revenues Over Expenses	<u>524,193</u>	<u>493,881</u>
Adjustments to Reconcile Excess (Deficiency) of Operating Revenues Over Expenses to Net Cash Provided by Operating Activities		
Payments to Authority and Other Funds	1,182,892	1,126,059
(Increase) Decrease in Assets		
Accounts Receivable	11,089	90,297
Due from Other Funds	(74,900)	
Increase (Decrease) in Liabilities		
Accounts Payable	27,493	(17,518)
Other Liabilities	4,168	16,582
Due to Other Funds	<u>74,900</u>	
Total Adjustments	<u>1,225,642</u>	<u>1,215,420</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,749,835</u>	<u>1,709,301</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Payments to Authority and Other Funds	(1,195,902)	(1,222,059)
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	<u>(1,195,902)</u>	<u>(1,222,059)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Bonds	(59,999)	(17,414)
Interest Paid on Bonds	(6,107)	(6,793)
Proceeds of Long Term Debt	<u>136,650</u>	
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>70,544</u>	<u>(24,207)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	<u>34,828</u>	<u>35,992</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>34,828</u>	<u>35,992</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	659,305	499,027
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,033,853</u>	<u>534,826</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>1,693,158</u>	<u>1,033,853</u>

See Notes to Financial Statements.

FAIRVIEW TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fairview Township is located in York County, Pennsylvania. It is a Township of the second class established in 1803 and operates under an elected five member Board of Supervisors. The Township provides services in many areas to its residents, including building and sewerage regulation, maintenance of streets and highways, community enrichment programs and various general government services.

REPORTING ENTITY - The Township defines its reporting entity based upon the criteria established by Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity". The Township includes in its reporting entity organizations for which it is financially accountable and other organizations for which the nature and significance of the relationship with the Township is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of reporting entity is based primarily on the notion of financial accountability. The Township is financially accountable to an organization if they appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific burdens on, the Township. The Township would include any organization fiscally dependent upon it.

The Township Authority, included in these financial statements, has been determined by the above criteria as being a part of the reporting entity. The significant factors for including the Authority in the reporting entity of the Township are: the appointment of Authority board members by Township supervisors and the Township's guaranty of outstanding Authority revenue bonds.

The Fairview Township Authority was created in 1963 and was organized under the laws governing authorities within the Commonwealth of Pennsylvania (Municipality Authorities Act of 1945). The Authority has the power to construct, finance, operate, maintain and lease sewer systems. The Authority owns the sewer system and leases it to Fairview Township. Separate financial statements regarding the operations of the Authority may be obtained by contacting the Township office.

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

BASIS OF ACCOUNTING - The Township uses the modified accrual basis as required by U.S. generally accepted accounting principles for governmental units. 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. Licenses,

FAIRVIEW TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING (CONTINUED)

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, per capita, occupation and earned income taxes which are uncollected or delinquent are accounted for as receivables. Current levies of taxes which are not available to finance current expenditures are recorded as deferred revenues. Taxpayer-assessed revenues are recognized in the period in which they became susceptible to accrual, when they became 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.
- d. Accumulated unpaid vacation pay, sick pay and other employee compensated absences amounts are recognized as they are earned. Salary related payments associated with the payment of compensated absences are also accrued.

The Township follows Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting" (Statement No. 20) of the Governmental Accounting Standards Board (GASB) for reporting and disclosure purposes. As permitted by Statement No. 20, the Township has elected to not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless the GASB specifically adopts the FASB Statement or interpretation.

**BASIS OF PRESENTATION** - The Township accounts for all funds and account groups existing under its jurisdiction, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures. Township resources are allocated to and accounted for in the individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into a fund type and account group as follows:

**GOVERNMENTAL FUND TYPES** - Governmental Funds are those through which most governmental functions of the Township are financed. The measurement focus is upon determination of changes in financial resources, rather than upon net income determination. The funds included in this category are:

**GENERAL FUND** - The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property, per capita, and other taxes, user fees and other intergovernmental distributions.

**SPECIAL REVENUE FUNDS** - Special Revenue Funds are used to account for the proceeds of specific revenues that are restricted to expenditures for specified purposes.

FAIRVIEW TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

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.

STREET LIGHT FUND - This fund is used to account for the assessment of fees, based on front footage of served lots, and their expenditure to provide street lighting.

FIRE HYDRANT FUND - This fund is used to account for the collections of a tax imposed on residents served by fire hydrants and the expenditure for fire hydrant water service.

DARE FUND - This fund is used to account for the monies the Township received from local resident contributions for the Drug Awareness program implemented in the Township's schools.

FIRE SERVICE FUND - The Fire Service Fund is used to account for the collections of real estate taxes designated for assisting the volunteer fire company with its capital and operating expenditures. All expenditures from this fund require Township approval. On an annual basis, the Township commissions an audit of the volunteer fire company paid for from this Fund. A copy of the audit is available at the Township's office.

EMERGENCY MEDICAL SERVICES (EMS) FUND - The EMS Fund is used to account for the collections of real estate taxes designated for assisting the Township's EMS Service with its capital and operating expenditures. All expenditures from this fund require Township approval. On an annual basis, the Township commissions an audit of the EMS service paid for from this Fund. A copy of the audit is available at the Township's office.

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.

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.

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.

FAIRVIEW TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPRIETARY FUND TYPES (CONTINUED)

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 debt service requirements if there are insufficient sewer rentals to meet these requirements.

REFUSE FUND - The Refuse Fund is used to account for the financial transactions associated with the collection of refuse in the Township.

FIDUCIARY FUND TYPES - Fiduciary Funds are used to account for assets held by the Township as a trustee or agent for other funds or governmental entities.

TRUST FUNDS - Trust Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds.

POLICE AND NON-UNIFORMED PENSION FUNDS - These trust funds are used to account for the retirement contributions of the Township and its employees. Pension Trust Funds are accounted for in a manner similar to Proprietary Funds since capital maintenance is critical.

COMPONENT UNIT - AUTHORITY - BASIS OF PRESENTATION - The Authority's policy is to prepare its component unit financial statements on the modified accrual basis, as required by U.S. generally accepted accounting principles.

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 modified accrual basis of accounting had been utilized, as required by U.S. generally accepted accounting principles 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 balance sheet. 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 as income when received and distributed by the trustee to separate funds for present and future redemption of bonds and for payment of interest as directed by the terms of the trust indentures.

BUDGETS - Prior to the beginning of each fiscal year, an annual budget is adopted for the General Fund, Highway Aid 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  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAX REVENUE - Real estate, per capita, earned income and occupational privilege taxes are recorded at gross amounts collected with expenses and commissions paid recorded as an expenditure under tax collection. Real estate transfer and delinquent real estate taxes are recorded at the net amount received from the collecting agency after deduction for fees and expenses.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents consist of cash on hand and short-term, highly liquid investments with an original maturity of three months or less maintained at a local financial institution.

RECEIVABLES - Accounts receivable and taxes receivable determined as being uncollectible are accounted for via the direct write-off method. As of December 31, 2001, the Township believes all accounts receivable are 100% collectible.

INTERFUND RECEIVABLES AND PAYABLES - Due from other funds and due to other funds have not been eliminated.

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 during the reporting periods. Actual results could differ from those estimates.

COMPENSATED ABSENCES - Township employees are entitled to certain compensated absences, sick leave, and vacation time as more fully described in Note 11.

LONG-TERM DEBT - Long-term liabilities that will be financed from general revenues of governmental funds are accounted for in the General Long-term Debt Account Group. Long-term liabilities of all proprietary funds and fiduciary funds are accounted for in the respective funds.

INVENTORY - A recorded inventory of parts and supplies held by the various funds is not maintained by the Township.

MEMORANDUM ONLY - TOTALS - Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Interfund eliminations have not been made in the aggregation of this data.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, other than \$400 cash on hand, consists of cash deposited in financial institutions. The following is a summary of cash and cash equivalents which are insured (FDIC), not insured but collateralized in the Township's name, and not insured or collateralized in the Township's name. Deposits not invested in pooled federal securities are collateralized in accordance with Act 72, which requires an institution to pool collateral for all governmental deposits and have it held by a custodian in the institution's name. As of December 31, 2002 the institution's pooled assets cover all governmental deposits.

FAIRVIEW TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

2. CASH AND CASH EQUIVALENTS (CONTINUED)

	<u>Carrying Value</u>	<u>Bank Balance</u>
Insured (FDIC)	124,016	124,016
Collateral not held in Township's name	<u>4,109,708</u>	<u>4,247,336</u>
	<u>4,233,724</u>	<u>4,371,352</u>

3. INVESTMENTS - PENSION

Investments are purchased by the Trustee as part of the Pension Trust Funds. The investments are stated at fair value as of December 31, 2002 and consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Non-Uniformed Pension		
Fixed Income Fund	1,390,763	1,390,763
Bond Funds	223,199	283,928
Stock Funds	478,612	359,890
Common Stocks	<u>118,334</u>	<u>126,977</u>
	<u>2,210,908</u>	<u>2,161,558</u>
Police Pension		
Bond Funds	1,668,438	2,155,547
Stock Funds	<u>3,376,038</u>	<u>2,722,001</u>
	<u>5,044,476</u>	<u>4,877,548</u>
Total Investments - Pension	<u>7,255,384</u>	<u>7,039,106</u>

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

4. CASH, CASH EQUIVALENTS AND INVESTMENTS - AUTHORITY

Cash, cash equivalents and investments held by the trustee are restricted in accordance with the provisions of the Trust Indentures. The cash in the Authority Administrative Fund, which is controlled by the Authority Treasurer and Administrative Secretary, is unrestricted and totals \$4,779 at December 31, 2002. It is insured up to \$100,000 by FDIC.

Cash equivalents and investments are purchased by the Trustee as part of the Trust Indentures' Funds. The investments are classified as to credit risk by the following three categories.

- Category 1 - Insured or registered securities held by the Authority in the Authority's name.
- Category 2 - Uninsured and unregistered securities held by the trust department in the Authority's name.
- Category 3 - Uninsured and unregistered securities held by the trust department, but not in the Authority's name.

FAIRVIEW TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

4. CASH, CASH EQUIVALENTS AND INVESTMENTS - AUTHORITY (CONTINUED)

<u>Series</u>	<u>Category</u>			<u>Cost</u>	<u>Fair Value</u>	
	<u>1</u>	<u>2</u>	<u>3</u>			
Restricted Cash Equivalents:						
ARK Funds U.S. Government Cash Management Corporate Cash II			545	545	545	2001
			545	545	545	
Restricted Investments:						
U. S. Treasury Bond; 9.375%, Due 2/15/06			1,006,000	1,006,000	1,227,320	2001
U. S. Treasury Security; Stripped Interest Payment Due 2/15/06			234,000	234,000	218,645	2001
			1,240,000	1,240,000	1,445,965	

Investment policies followed during the year did not significantly alter the categorization of investments.

Unrealized Gain (Loss) on Investments

<u>2002</u>	<u>Restricted Investments</u>
Cost	1,240,000
Fair Value	<u>1,445,965</u>
Unrealized Gain (Loss) on Investments	<u>205,965</u>
 <u>2001</u>	
Cost	1,240,000
Fair Value	<u>1,396,684</u>
Unrealized Gain (Loss) on Investments	<u>156,684</u>
Total Unrealized Gain (Loss) on Investments	<u>49,281</u>

The Municipality Authorities Act authorizes the Authority to invest in the following:

1. U. S. Treasury Bills
2. Short-term obligations of the U. S. Government and federal agencies;
3. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions
4. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision, and
5. Shares of Mutual Funds whose investments are restricted to the above categories

FAIRVIEW TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

5. FUTURE LEASE RENTAL RECEIVABLE

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, 2002 the present value of the future minimum lease rentals is \$14,400,000.

Minimum rentals under the 2001 Bond Issues, including interest of \$7,475,510, are as follows:

<u>LEASE YEARS</u> <u>ENDING</u>	<u>RENTAL</u> <u>PAYMENT</u>
2003	1,205,947
2004	1,203,348
2005	1,233,572
2006	1,235,818
2007	1,236,177
Thereafter	<u>15,760,648</u>
	<u>21,875,510</u>

The 2001 minimum lease rental of \$1,199,993 was reduced by \$17,101 of funds from the 2001 Settlement Fund. Under the new indenture, minimum lease rentals will be reduced by excess trustee funds invested in the 2001 Debt Service Reserve Fund as determined by the terms of the indenture. The Township has guaranteed the 2001 Bond Issue with its full faith, credit and taxing power.

6. 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 5.

FAIRVIEW TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

6. SEWER REVENUE BONDS PAYABLE - AUTHORITY (CONTINUED)

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

2003	3.20%	550,000	2013	4.70%	745,000
2004	3.50%	565,000	2014	4.80%	785,000
2005	3.70%	615,000	2015	4.90%	820,000
2006	3.85%	640,000	2016	5.00%	860,000
2007	4.05%	665,000	2017	5.00%	905,000
2008	4.15%	690,000	2018	5.05%	945,000
2009	4.25%	720,000	2019	5.10%	995,000
2010	4.35%	755,000	2020	5.15%	1,055,000
2011	4.45%	780,000	2021	5.15%	595,000
2012	4.60%	715,000			

Total Debt Service Requirements are:

<u>YEAR</u>	<u>AMOUNT</u>
2003	1,205,947
2004	1,203,348
2005	1,233,572
2006	1,235,818
2007	1,236,177
Thereafter	<u>15,760,648</u>
	<u>21,875,510</u>

The Sewer Revenue Bonds, Series of 1965, were advance refunded in November 1987. Funds were deposited in irrevocable trust escrow accounts and invested in U. S. Treasury obligations which, together with future interest thereon, will be sufficient to redeem the bonds and pay all the related interest.

Pursuant to the defeasance provisions of the Trust Indentures, Series of 1965, the Trustee has released, canceled and discharged the liens of the Indentures. Accordingly, the assets and liabilities of the trust escrow accounts are not included in the financial statements of the Authority.

As of December 31, 2002, the following defeased sewer revenue obligations were outstanding:

1965	<u>85,000</u>
	<u>85,000</u>

7. GENERAL OBLIGATION DEBT

General obligation notes payable/capital lease obligations consist of the following as of December 31, 2002:

Capital Lease Obligation

During 2000, the Township entered into a copier lease with a five year term which expires on May 22, 2005. The lease requires monthly payments of \$335, including a 5.10% implicit rate of interest. The copier is collateral for this obligation. The copier has an original cost of \$17,683. The outstanding balance as of December 31, 2002 is \$11,376.

FAIRVIEW TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

7. GENERAL OBLIGATION DEBT (CONTINUED)

General Obligation Note, Series of 1997

On October 15, 1997 the Township issued its General Obligation Note, Series of 1997 in the principal sum of \$982,000 to: (1) refund the General Obligation Note, Series of 1989; (2) fund the purchase of sanitary sewage treatment capacity; (3) purchase an ambulance and other municipal equipment; (4) pay for remediation and restoration of storage tank removals on the Township's property; and (5) pay costs, fees and expenses related to this issue. Of the \$982,000 issue, \$792,000, was deposited in the General Fund and recorded as General Long-term Debt as of December 31, 1997. This portion of the note bears interest at 4.90% per annum and requires 72 monthly payments of principal and interest of \$12,575. This portion of the note matures December 1, 2003. The remaining portion of the note, \$190,000, was deposited and recorded in the Sewer Fund (a proprietary fund) as a liability. This portion of the note bears interest at 5.01% per annum and requires 120 monthly payments of principal and interest of \$2,017. This portion of the note matures November 1, 2007. As of December 31, 2002 the balance outstanding is \$148,942 and \$105,919, respectively.

General Obligation Note, Series of 1999

On February 19, 1999, the Township issued its General Obligation Note, Series of 1999 in the principal sum of \$473,000 to provide funds to construct a salt storage shed; purchase a street sweeper, front-end loader and various other municipal vehicles; and to purchase a fire truck for the benefit of the Township's volunteer fire company. The Note is comprised of two payment schedules. The first has a principal sum of \$340,000 and an interest rate of 4.27% per annum. The monthly payments of interest and principal are \$10,944 and commence on April 1, 1999, with final payment on December 1, 2001. The second note has a principal balance of \$133,000 and bears an interest rate of 4.32% per annum. The monthly payments of interest and principal are \$2,587 and commence on April 1, 1999, with a final payment on December 1, 2003. As of December 31, 2002, the combined balance outstanding is \$30,569.

General Obligation Note, Series of 2000

On August 4, 2000, the Township issued its General Obligation Note, Series of 2000 in the principal sum of \$250,702 to provide funds to purchase a tanker truck for the Fairview Township Volunteer Fire Department. The Note bears interest at a rate of 5.79% per annum with thirty payments of principal and interest of \$8,996. The Note matures on February 4, 2003. As of December 31, 2002, the outstanding principal balance is \$17,863.

General Obligation Note, Series of 2002

On January 1, 2002, the Township issued its General Obligation Note, Series of 2002 in the principal sum of \$500,000 to provide funds to construct a storage building and to purchase highway equipment, computer equipment, and related office equipment. The Note bears interest at a rate of 3.29% per annum with thirty-six payments of principal and interest of \$14,988. The Note proceeds were used to purchase highway equipment for the General Fund, and various other equipment for the Sewer and Refuse Enterprise Funds. The loan proceeds, payments, and ending balances have been allocated among these Funds based upon equipment expenditures. As of December 31, 2002, the balances were \$252,526, \$89,411, and \$5,560, or \$347,497 total, in the General, Sewer, and Refuse Funds, respectively.

FAIRVIEW TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

7. GENERAL OBLIGATION DEBT (CONTINUED)

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

	BALANCE, JANUARY 1, 2002	ADDITIONS	PAYMENTS	BALANCE, DECEMBER 31, 2002
Capital Lease Obligation	14,858		3,482	11,376
G. O. Note, 1997 (General Fund)	288,663		139,721	148,942
G. O. Note, 1997 (Sewer Fund)	124,239		18,320	105,919
G. O. Note, 1999 (General Fund)	70,874		40,305	30,569
G. O. Note, 2000 (General Fund)	121,504		103,641	17,863
G. O. Note, 2002 (General Fund)	0	363,350	110,824	252,526
G. O. Note, 2002 (Sewer Fund)	0	128,650	39,239	89,411
G. O. Note, 2002 (Refuse Fund)	0	8,000	2,440	5,560
	<u>620,138</u>	<u>500,000</u>	<u>457,972</u>	<u>662,166</u>

Scheduled principal maturities are:

YEAR	TOTAL	CAPITAL LEASE OBLIGATION	G. O. NOTE 1997	G. O. NOTE 1999	G. O. NOTE 2000	G. O. NOTE 2002
2003	391,017	3,635	168,089	30,569	17,863	170,861
2004	267,232	3,824	86,772			176,636
2005	<u>3,917</u>	<u>3,917</u>				
	<u>662,166</u>	<u>11,376</u>	<u>254,861</u>	<u>30,569</u>	<u>17,863</u>	<u>347,497</u>

Minimum debt service requirements are:

YEAR	TOTAL	CAPITAL LEASE OBLIGATION	G. O. NOTE 1997	G. O. NOTE 1999	G. O. NOTE 2000	G. O. NOTE 2002
2003	409,864	4,014	176,965	31,040	17,992	179,853
2004	279,237	4,014	95,370			179,853
2005	<u>3,917</u>	<u>3,917</u>				
	<u>693,018</u>	<u>11,945</u>	<u>272,335</u>	<u>31,040</u>	<u>17,992</u>	<u>359,706</u>

8. PROPERTY TAXES AND ASSESSMENTS

REAL ESTATE AND FIRE HYDRANT TAXES - The Township's property and fire hydrant taxes are levied each February 15 on the assessed value as of January 1 as maintained by the County. Real property taxes are assessed on all non-exempt real property located in the Township. The fire hydrant tax is assessed on those residents owning real property in the Township within 780 feet of a fire hydrant. The millage rates for 2002 were 1.036 mills - real estate and .150 mills - fire hydrant, fire services and EMS services.

STREET LIGHT ASSESSMENTS - The Township's street light assessment is levied each February 15 and is based on the road frontage footage of non-exempt property served by street lights. The assessment rates for the year ended December 31, 2002 were \$0.125/foot for unimproved and \$0.50/foot for improved road frontage.

FAIRVIEW TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

8. PROPERTY TAXES AND ASSESSMENTS (CONTINUED)

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.

9. SEWAGE TREATMENT AGREEMENT

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

The original agreement was reached on December 28, 1976. Under the agreement the municipalities will pay their pro rata shares of operating and administrative costs of the treatment plant. During 2002 the Township paid treatment costs to Lower Allen Township of \$187,208. The Township also paid \$13,010 to the Township Authority for operating costs. All payments were made from the Sewer Fund.

10. 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 Non-Uniformed or Police Pension plans. The Plans are controlled by the provisions of the Township ordinances and Collective Bargaining Agreement adopted pursuant to Act 600 as enacted by the Pennsylvania legislature in 1988. The Township has delegated the authority to manage Plan assets to Mellon Bank and Provident Mutual as trustees of the respective plan assets. The respective plan assets may be used only for the payment of benefits to members and plan expenses, in accordance with the terms of the plan. The plans provide retirement, disability and death benefits to plan members and their beneficiaries.

PLAN MEMBERSHIP - As of January 1, 2003 participation in the respective plans is as follows:

Non-Uniformed Pension Plan

Membership as of 1/1/2003

Retirees and Beneficiaries Currently Receiving Benefits	6
Terminated Employees Entitled to Deferred Benefits	5
Active Members	<u>26</u>
Total	<u>37</u>

FAIRVIEW TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

10. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Police Pension Plan

Membership as of 1/1/2003

Retirees and Beneficiaries Currently Receiving Benefits	7
Terminated Employees Entitled to Deferred Benefits	1
Active Members	<u>11</u>
 Total	 <u>19</u>

A summary of employee eligibility requirements and benefits as of January 1, 2003 is as follows:

	<u>NON-UNIFORMED</u>	<u>POLICE</u>
a. Covered Employees	All full-time non-uniformed 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 of service
c. Monthly Pension Benefit	Equal to 1.50% of average monthly pay times the number of years of service completed, if hired prior to January 1, 2001 and 2% of average monthly pay times the number of years of service up to a maximum of 25 years, if greater.	Equal to 50% of average monthly pay, plus a service increment of \$100 per month for members who complete 26 or more years of service.
	Average monthly pay is based upon the final plan year preceding retirement.	Average monthly pay is based upon the last 36 months of employment.
d. Vesting	Immediate 100%	Upon completion of 12 years of service.

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

FAIRVIEW TOWNSHIP  
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 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

10. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Funding of the respective plans were provided as follows for 2002:

<u>DESCRIPTION</u>	<u>NON-UNIFORMED PENSION PLAN</u>	<u>POLICE PENSION PLAN</u>
Annual Covered Payroll	\$984,785	\$600,133
Employee Contribution Rate	2.0% of gross wages	Suspended 01/01/00
Employee Contributions Paid in 2002	\$ 19,603	\$ 0
Employer Contributions Paid in 2002	\$ 0	\$ 0
State Aid Contributions Paid in 2002	\$136,114	\$ 0
Total Contributions made as a Percentage of Payroll	15.8%	0.0%

ANNUAL PENSION COST AND NET PENSION OBLIGATION - The Township's annual pension cost (APC) net pension obligation, and related information for the respective plans for the current year were as follows:

	<u>NON-UNIFORMED PENSION PLAN</u>	<u>POLICE PENSION PLAN</u>
Annual Required Contribution	91,406	0
Contributions Made	<u>136,114</u>	<u>0</u>
	<u>(44,708)</u>	<u>0</u>

The Township's Police Pension Plan's records indicate that all actuarially determined required contributions from 1987 to present, have been paid, and the net pension obligation at transition is zero. The Townships Non-Uniformed Pension Plan's records indicate a net pension (asset) obligation of approximately (\$13,079). The Township has not recorded this asset in the General Long-term Debt account, nor its impact on the annual pension cost.

	<u>NON-UNIFORMED PENSION PLAN</u>	<u>POLICE PENSION PLAN</u>
Actuarial Valuation Date	1/1/03	1/1/03
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar Closed	Annual Funding Adjustment equal to 10% of Negative Unfunded Actuarial Accrued Liability
Remaining Amortization Period	15 Years	10 Years

FAIRVIEW TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

10. DEFINED BENEFIT PENSION PLANS (CONTINUED)

	<u>NON-UNIFORMED PENSION PLAN</u>	<u>POLICE PENSION PLAN</u>
Asset Valuation Method	Market Value as Determined by Trustee	Market Value as Determined by Trustee
Actuarial Assumptions:		
Investment Rate of Return	7.0%	7.0%
Projected Salary Increases	6.0%	6.0%
Cost of Living	3.0%	3.0%
Mortality	Up 1984 Table	Up 1984 Table

THREE-YEAR TREND INFORMATION

Non-Uniformed  
Pension Plan

<u>YEAR</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
2002	91,406	100%+	0
2001	87,723	100%	0
2000	75,038	100%	0

Police Pension Plan

<u>YEAR</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
2002	0	100%	0
2001	0	100%	0
2000	0	100%	0

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

	<u>NON-UNIFORMED PENSION PLAN</u>		<u>POLICE PENSION PLAN</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Realized Gains or Losses	4,641	15,117	37,604	168,801
Unrealized Gains or Losses	(23,567)	(64,251)	(451,985)	(335,991)
Net Appreciation (Depreciation) in Fair Value of Investment	(18,926)	(49,134)	(414,381)	(167,190)

FAIRVIEW TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

11. COMPENSATED ABSENCES

The Township allows non-uniformed and uniformed employees to accumulate unused sick leave to a maximum of 180 days under their collective bargaining agreements. The Township allows non-uniformed and police employees to accumulate vested unused vacation time to a maximum of 45 and 50 days, respectively. Upon termination the vested unused vacation time is paid to the stated maximums. Sick leave is vested and paid upon termination for non-uniformed employees at 25% of all accumulated sick leave. Sick leave is vested and paid to police officers at 40% of all accumulated sick leave upon termination. On March 31, 2003, the Township increased the non-uniformed employees accumulation of unused vacation time from 45 to 50 days, and payment of accumulated sick leave from 25% to 40%. These subsequent changes have not been reflected in these financial statements.

As of December 31, 2002, the liability for vested unused vacation and sick leave is approximately \$279,485. These amounts include payroll related tax liabilities. The General Fund amount has been recorded in the General Long-term Debt Account Group at \$253,916 and the amount expected to be paid from current resources is not significant. The amounts to be paid from the Enterprise Funds are \$25,569 and are expected to be paid from current resources. The Enterprise Fund amounts are recorded directly in the respective funds.

12. COMMITMENTS AND CONTINGENCIES

As described in Note 5, the Township is contingently liable for repayment of the \$14,400,000 of Sewer Revenue Bonds issued by the Fairview Township Municipal Authority should the Authority default on the required repayment terms.

The Authority Bonds outstanding at December 31, 2002 are:

<u>SEWER REVENUE BOND SERIES</u>	<u>TOTAL</u>	<u>NOT DEFEASED</u>	<u>DEFEASED</u>
1965	85,000		85,000
2001	<u>14,400,000</u>	<u>14,400,000</u>	<u>          </u>
	<u>14,485,000</u>	<u>14,400,000</u>	<u>85,000</u>

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, 2002 are approximately \$200,337.

During the normal course of performing its duties to the general public which it serves, the Township is subject to numerous threatened lawsuits and complaints. The Township has notified its insurance carrier and turned these matters over to the insurance carrier. It is the belief of legal counsel that any loss will be covered by insurance.

The Township continues to incur expenses related to the process of cleaning up ground water contamination as a result of an underground storage tank leak at the Township's property. The additional estimated cost of ground water remediation has not been determined at this time.

FAIRVIEW TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Township has incurred costs to date of \$438,516. The State Indemnification Fund has reimbursed the Township for \$321,200 of these costs to date. The Township has recorded additional state reimbursements as receivables of \$39,437 as of December 31, 2002, which it has not received to date.

The Township entered into a lease agreement for the use of a computer file server for a term of 3 years. The payments were \$564 per month for 36 months commencing March 30, 1996. The lease expired in 1999. During 1999, the Township renewed the 3 year lease for a server with payments of \$644 per month, which expired in early 2002. The lease expense for 2002 was \$1,073. The Township purchased a file server in 2002 as part of the 2002 General Obligation Note.

The Township entered into a lease agreement for the use of a new telephone system for a term of 5 years. The payments are \$330 per month for 60 months commencing July 16, 1997 and expiring July, 2002. The lease expense for 2002 was \$1,980. The lease was recorded as an operating lease. During 2002, the Township entered into a five year lease agreement for the use of various telephone equipment and monthly services. The payments are \$1,093 per month, and the lease expense for 2002 was \$7,651. The minimum lease requirements for the next five years are as follows:

<u>YEAR</u>	<u>AMOUNT</u>
2003	13,116
2004	13,116
2005	13,116
2006	13,116
2007	<u>5,465</u>
	<u>57,929</u>

13. 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.

14. 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, 2002 were zero.

FAIRVIEW TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

15. RESERVATIONS OF FUND EQUITY

Reservations of fund balances as of December 31, 2002 are not appropriable for expenditure, or are legally segregated for specific purposes as follows:

GENERAL FUND	
Medical Benefits - Police	99,588
Compensated Absences - Township Employees	253,916
Encumbrances for 2002 Expenditures	19,838
Pooled Sick Days - Police	49,141
Trees - Park Improvements	<u>10,000</u>
	<u>432,483</u>
SPECIAL REVENUES FUNDS	
Encumbrances for 2002 Expenditures	<u>2,806</u>
PENSION TRUST FUNDS	
Employee Benefits	<u>7,063,122</u>
Total Reserved Fund Balances	<u>7,498,411</u>

Appropriated retained earnings of the Sewer Fund as of December 31, 2002 consists of the following:

SEWER FUND	
Encumbrances for 2002 Expenditures	<u>11,511</u>
SEWER RESERVE FUND	
Encumbrances for Debt Service	<u>636,107</u>
REFUSE FUND	
Encumbrances for 2002 Expenditures	<u>1,291</u>
Total Appropriated Retained Earnings	<u>648,909</u>

As of December 31, 2002 and 2001, the Township has set aside approximately \$704,971 and \$405,634, respectively, of general fund assets to fund the future payment of the medical benefits and compensated absences noted above. Currently, the Township is appealing the police contract arbitration award which provided the post-retirement medical benefits.

16. NEW REPORTING STANDARD

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability, with reports issued in all prior years will be affected. The Township is required to implement this standard for the fiscal year ended December 31, 2004. The Township has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

SUPPLEMENTARY INFORMATION

FAIRVIEW TOWNSHIP  
(REQUIRED SUPPLEMENTARY INFORMATION)  
SCHEDULES OF FUNDING PROGRESS

POLICE PENSION PLAN

<u>JANUARY 1</u> <u>YEAR</u>	<u>NET ASSETS</u> <u>AVAILABLE</u> <u>FOR BENEFITS</u>	<u>ACTUARIAL</u> <u>ACCRUED</u> <u>LIABILITY</u>	<u>UNFUNDED</u> <u>ACTUARIAL</u> <u>ACCRUED</u> <u>LIABILITY</u>	<u>PERCENTAGE</u> <u>FUNDED</u>	<u>ANNUAL</u> <u>COVERED</u> <u>PAYROLL</u>	<u>UNFUNDED</u> <u>ACTUARIAL ACCRUED</u> <u>LIABILITY AS</u> <u>A PERCENTAGE OF</u> <u>COVERED PAYROLL</u>
1992	2,023,623	1,764,199	(259,424)	114.7%	461,208	(56.2%)
1993	2,189,420	2,059,932	(129,488)	106.3%	513,081	(25.2%)
1994	2,581,890	2,264,320	(317,570)	114.0%	532,338	(59.7%)
1995	2,600,002	2,470,087	(129,915)	105.3%	524,863	(24.8%)
1996	3,329,748	2,731,279	(598,469)	121.9%	555,177	(107.8%)
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%)

NON-UNIFORMED PENSION PLAN

<u>JANUARY 1</u> <u>YEAR</u>	<u>NET ASSETS</u> <u>AVAILABLE</u> <u>FOR BENEFITS</u>	<u>ACTUARIAL</u> <u>ACCRUED</u> <u>LIABILITY</u>	<u>UNFUNDED</u> <u>ACTUARIAL</u> <u>ACCRUED</u> <u>LIABILITY</u>	<u>PERCENTAGE</u> <u>FUNDED</u>	<u>ANNUAL</u> <u>COVERED</u> <u>PAYROLL</u>	<u>UNFUNDED</u> <u>ACTUARIAL ACCRUED</u> <u>LIABILITY AS</u> <u>A PERCENTAGE OF</u> <u>COVERED PAYROLL</u>
1992	850,704	1,053,804	203,100	80.7%	598,875	33.9%
1993	988,350	1,214,377	226,027	81.4%	643,725	35.1%
1994	1,127,139	1,346,286	219,147	83.7%	696,036	31.5%
1995	1,279,573	1,431,398	151,825	89.4%	712,846	21.3%
1996	1,414,930	1,513,503	98,573	93.5%	700,407	14.1%
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%

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP  
(REQUIRED SUPPLEMENTARY INFORMATION)  
SCHEDULES OF EMPLOYER CONTRIBUTIONS

YEAR	NON-UNIFORMED PLAN		POLICE PENSION PLAN	
	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED
2002	91,406	100%+	0	100%
2001	87,723	100%	0	100%
2000	75,038	100%	0	100%
1999	81,720	100%	40,296	100%
1998	74,711	100%	38,420	100%
1997	69,166	100%	106,028	100%
1996	69,087	100%	100,463	100%
1995	88,617	100%	71,104	100%
1994	88,957	100%	81,122	100%
1993	74,600	100%	99,829	100%
1992	76,324	98.7%	93,096	100%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

	NON-UNIFORMED PLAN	POLICE PENSION PLAN
Actuarial Valuation Date	1/1/03	1/1/03
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar Closed	Annual Funding Adjustment equal to 10% of Negative Unfunded Actuarial Accrued Liability
Remaining Amortization Period	15 Years	10 Years
Asset Valuation Method	Market Value as Determined by Trustee	Market Value as Determined by Trustee
Actuarial Assumptions:		
Investment Rate of Return	7.0%	7.0%
Projected Salary Increases	6.0%	6.0%
Cost of Living	3.0%	3.0%
Mortality	UP 1984 Table	UP 1984 Table

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP  
 COMBINING BALANCE SHEETS  
 ALL SPECIAL REVENUE FUND TYPES  
 DECEMBER 31, 2002 AND 2001

	HIGHWAY AID FUND	STREET LIGHT FUND	FIRE SERVICE FUND	FIRE HYDRANT FUND	EMS SERVICE FUND	TOTALS
						2002      2001
<b>ASSETS</b>						
Cash and Cash Equivalents	<u>188,645</u>	<u>2,632</u>	<u>104,827</u>	<u>19,941</u>	<u>20,290</u>	<u>230,717</u>
<b>TOTAL ASSETS</b>	<u>188,645</u>	<u>2,632</u>	<u>104,827</u>	<u>19,941</u>	<u>20,290</u>	<u>230,717</u>
<b>LIABILITIES AND FUND EQUITY</b>						
Liabilities						
Due to Other Funds					4,000	1,520
Accounts Payable						<u>204</u>
<b>TOTAL LIABILITIES</b>					<u>4,000</u>	<u>1,724</u>
Fund Equity						
Fund Balances (Deficit)	<u>188,645</u>	<u>2,632</u>	<u>104,827</u>	<u>19,941</u>	<u>16,290</u>	<u>228,993</u>
<b>TOTAL FUND EQUITY</b>	<u>188,645</u>	<u>2,632</u>	<u>104,827</u>	<u>19,941</u>	<u>16,290</u>	<u>228,993</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>188,645</u>	<u>2,632</u>	<u>104,827</u>	<u>19,941</u>	<u>20,290</u>	<u>230,717</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP  
 COMBINING BALANCE SHEETS  
 ALL CAPITAL PROJECTS FUND TYPES  
 DECEMBER 31, 2002 AND 2001

	<u>CAPITAL RESERVE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL 2002</u>	<u>TOTAL 2001</u>
ASSETS				
Cash and Cash Equivalents	560,339	278,382	838,721	627,116
Accounts Receivable	640		640	22,195
Due from Other Funds	<u>4,000</u>		<u>4,000</u>	
TOTAL ASSETS	<u>564,979</u>	<u>278,382</u>	<u>843,361</u>	<u>649,311</u>
FUND EQUITY				
Unappropriated	<u>564,979</u>	<u>278,382</u>	<u>843,361</u>	<u>649,311</u>
TOTAL FUND EQUITY	<u>564,979</u>	<u>278,382</u>	<u>843,361</u>	<u>649,311</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP  
 COMBINING BALANCE SHEETS  
 ALL PROPRIETARY FUND TYPES  
 DECEMBER 31, 2002 AND 2001

	<u>SEWER RESERVE FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>TOTALS</u>
				<u>2002</u> <u>2001</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	580,707	854,001	258,450	1,693,158
Accounts Receivables		60,255	16,443	76,698
Due from Other Funds	<u>74,900</u>			<u>74,900</u>
<b>TOTAL ASSETS</b>	<u>655,607</u>	<u>914,256</u>	<u>274,893</u>	<u>1,844,756</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities</b>				
General Obligation Debt		195,330	5,560	200,890
Due to Others		74,900		74,900
Accounts Payable	19,500	46,247	14,731	80,478
Compensated Absences		<u>17,931</u>	<u>7,638</u>	<u>25,569</u>
<b>TOTAL LIABILITIES</b>	<u>19,500</u>	<u>334,408</u>	<u>27,929</u>	<u>381,837</u>
<b>Fund Equity</b>				
Appropriated	636,107	11,511	1,291	648,909
Unappropriated		<u>568,337</u>	<u>245,673</u>	<u>814,010</u>
<b>TOTAL FUND EQUITY</b>	<u>636,107</u>	<u>579,848</u>	<u>246,964</u>	<u>1,462,919</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>655,607</u>	<u>914,256</u>	<u>274,893</u>	<u>1,844,756</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP  
 COMBINING STATEMENTS OF PLAN NET ASSETS  
 ALL FIDUCIARY FUND TYPES  
 DECEMBER 31, 2002 AND 2001

ASSETS	NON-UNIFORMED PENSION FUND	POLICE PENSION FUND	TOTALS	
			2002	2001
Cash and Cash Equivalents	9,091	14,925	24,016	17,159
Investments	<u>2,161,558</u>	<u>4,877,548</u>	<u>7,039,106</u>	<u>7,556,285</u>
TOTAL ASSETS	<u>2,170,649</u>	<u>4,892,473</u>	<u>7,063,122</u>	<u>7,573,444</u>
NET ASSETS				
Fund Balances Reserved for Employees' Pension Benefits (A Schedule of Funding Progress for Each Plan is Presented on Page 27)	<u>2,170,649</u>	<u>4,892,473</u>	<u>7,063,122</u>	<u>7,573,444</u>
TOTAL NET ASSETS	<u>2,170,649</u>	<u>4,892,473</u>	<u>7,063,122</u>	<u>7,573,444</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP  
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY  
 ALL SPECIAL REVENUE FUND TYPES  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	HIGHWAY AID FUND	STREET LIGHT FUND	FIRE SERVICE FUND	FIRE HYDRANT FUND	EMS SERVICE FUND	TOTALS
						2002      2001
REVENUES						
Taxes		30,660	129,679	45,277	129,679	335,295
Interest and Rentals	2,840	182	2,874	518	905	7,319
Intergovernmental Revenue	305,102					305,102
Miscellaneous Revenue			3,414			3,414
TOTAL REVENUES	<u>307,942</u>	<u>30,842</u>	<u>135,967</u>	<u>45,795</u>	<u>130,584</u>	<u>651,130</u>
EXPENDITURES						
Public Safety			23,122	36,382	109,284	168,788
Highways, Roads and Streets	195,487	28,409	138,994		16,110	223,896
Debt Service						155,104
TOTAL EXPENDITURES	<u>195,487</u>	<u>28,409</u>	<u>162,116</u>	<u>36,382</u>	<u>125,394</u>	<u>632,672</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>112,455</u>	<u>2,433</u>	<u>(26,149)</u>	<u>9,413</u>	<u>5,190</u>	<u>(3,246)</u>
FUND EQUITY, BEGINNING OF YEAR	<u>76,190</u>	<u>199</u>	<u>130,976</u>	<u>10,528</u>	<u>11,100</u>	<u>232,239</u>
FUND EQUITY, END OF YEAR	<u>188,645</u>	<u>2,632</u>	<u>104,827</u>	<u>19,941</u>	<u>16,290</u>	<u>228,993</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP  
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND EQUITY  
 ALL CAPITAL PROJECTS FUND TYPES  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>CAPITAL RESERVE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL 2002</u>	<u>TOTAL 2001</u>
REVENUES				
Licenses, Permits and Fees	13,273	124,229	124,229	99,450
Interest	<u>4,456</u>	<u>4,456</u>	<u>17,729</u>	<u>17,186</u>
TOTAL REVENUES	<u>13,273</u>	<u>128,685</u>	<u>141,958</u>	<u>116,636</u>
EXPENDITURES				
General Government	26,816		26,816	
Public Safety	26,235		26,235	
Public Works				
Sanitation	72,111		72,111	
Highways, Roads and Streets	<u>315,396</u>		<u>315,396</u>	
TOTAL EXPENDITURES	<u>440,558</u>		<u>440,558</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(427,285)	128,685	(298,600)	116,636
OTHER FINANCING SOURCES (USES)				
Operating Transfers In (Out)				
Proceeds from Issuance of Bonds	500,000		500,000	117,400
Bond Issuance Costs	<u>(7,350)</u>		<u>(7,350)</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	65,365	128,685	194,050	234,036
FUND EQUITY, BEGINNING OF YEAR	<u>499,614</u>	<u>149,697</u>	<u>649,311</u>	<u>415,275</u>
FUND EQUITY, END OF YEAR	<u>564,979</u>	<u>278,382</u>	<u>843,361</u>	<u>649,311</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP  
STATEMENT OF REVENUE AND EXPENSES  
AND CHANGES IN FUND EQUITY  
ALL PROPRIETARY FUND TYPES  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>SEWER RESERVE FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>TOTALS</u>
				<u>2002</u> <u>2001</u>
OPERATING REVENUES				
Collection Fees		2,466,539	853,956	2,922,130
Sewer Permits		460,470		337,450
Intergovernmental Revenue		108,054	73,336	222,916
Miscellaneous	<u>72,509</u>	<u>79,145</u>	<u>13,835</u>	<u>23,430</u>
TOTAL OPERATING REVENUES	<u>72,509</u>	<u>3,114,208</u>	<u>941,127</u>	<u>3,505,926</u>
OPERATING EXPENSES				
Personnel		418,772	96,165	443,427
Collection, Disposal and Treatment		1,073,266	832,556	1,442,559
Lease Rentals		<u>1,182,892</u>		<u>1,126,059</u>
TOTAL OPERATING EXPENSES		<u>2,674,930</u>	<u>928,721</u>	<u>3,012,045</u>
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER EXPENSES	<u>72,509</u>	<u>439,278</u>	<u>12,406</u>	<u>493,881</u>
NON-OPERATING REVENUES (EXPENSES)				
Earnings on Temporary Deposits and Investments	7,850	20,959	6,019	35,992
Interest Paid		<u>(5,887)</u>	<u>(220)</u>	<u>(6,793)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>7,850</u>	<u>15,072</u>	<u>5,799</u>	<u>29,199</u>
OTHER FINANCING SOURCES (USES)				
Transfers to Authority		(13,010)		(46,000)
Interfund Transfers	<u>342,397</u>	<u>(342,397)</u>		<u>(50,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>342,397</u>	<u>(355,407)</u>		<u>(96,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENSES AND OTHER USES	<u>422,756</u>	<u>98,943</u>	<u>18,205</u>	<u>427,080</u>
FUND EQUITY, BEGINNING OF YEAR	<u>213,351</u>	<u>480,905</u>	<u>228,759</u>	<u>495,935</u>
FUND EQUITY, END OF YEAR	<u>636,107</u>	<u>579,848</u>	<u>246,964</u>	<u>923,015</u>

See Independent Auditor's Report.

FAIRVIEW TOWNSHIP  
 COMBINING STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>SEWER RESERVE FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>2002</u>	<u>2001</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Excess (Deficiency) of Operating Revenues Over Expenses	72,509	439,278	12,406	524,193	493,881
Adjustments to Reconcile Excess (Deficiency) of Operating Revenues Over Expenses to Net Cash Provided by Operating Activities		1,182,892		1,182,892	1,126,059
Payments to Authority and Other Funds (Increase) Decrease in Assets		7,722	3,367	11,089	90,297
Accounts Receivable Due from Other Funds	(74,900)			(74,900)	
Increase (Decrease) in Liabilities		8,415	9,778	27,493	(17,518)
Accounts Payable	9,300	3,172	996	4,168	16,582
Other Liabilities		74,900		74,900	
Due to Other Funds					
Total Adjustments	<u>(65,600)</u>	<u>1,277,101</u>	<u>14,141</u>	<u>1,225,642</u>	<u>1,215,420</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>6,909</u>	<u>1,716,379</u>	<u>26,547</u>	<u>1,749,835</u>	<u>1,709,301</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Payments to/from Authority and Other Funds	342,397	<u>(1,538,299)</u>		<u>(1,195,902)</u>	<u>(1,222,059)</u>
<b>NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES</b>	<u>342,397</u>	<u>(1,538,299)</u>		<u>(1,195,902)</u>	<u>(1,222,059)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal Paid on Bonds		(57,559)	(2,440)	(59,999)	(17,414)
Interest Paid on Bonds		(5,887)	(220)	(6,107)	(6,793)
Proceeds of Long Term Debt		128,650	8,000	136,650	
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>		<u>65,204</u>	<u>5,340</u>	<u>70,544</u>	<u>(24,207)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Income	7,850	20,959	6,019	34,828	35,992
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>7,850</u>	<u>20,959</u>	<u>6,019</u>	<u>34,828</u>	<u>35,992</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	357,156	264,243	37,906	659,305	499,027
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>223,551</u>	<u>589,758</u>	<u>220,544</u>	<u>1,033,853</u>	<u>534,826</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>580,707</u>	<u>854,001</u>	<u>258,450</u>	<u>1,693,158</u>	<u>1,033,853</u>

See Independent Auditor's Report.

# Chubb and Associates

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
Fairview Township  
New Cumberland, Pennsylvania

We have audited, in accordance with U.S. generally accepted auditing standards, the financial statements of Fairview Township as of and for the year ended December 31, 2002; and in our report dated January 30, 2003, we expressed a qualified opinion on those financial statements.

The financial statements do not include the General Fixed Assets Account Group and Sewer Fund fixed assets and related depreciation, which should be included in order to conform with U.S. generally accepted accounting principles. The amounts that should be reflected in the General Fixed Assets account group and Sewer Fund fixed assets and related depreciation are not known.

This summary financial information of Fairview Township, as of and for the year ended December 31, 2002, differs significantly from U.S. generally accepted accounting principles in that financial statement disclosures are omitted and certain funds are aggregated for summarizing purposes; therefore, this is not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the information set forth in the accompanying summary financial information is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

*Chubb and Associates*

CHUBB AND ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

January 30, 2003

FAIRVIEW TOWNSHIP  
COMBINED BALANCE SHEET  
ALL FUND TYPES, ACCOUNT GROUP AND COMPONENT UNIT  
DECEMBER 31, 2002

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		ACCOUNT GROUP		COMPONENT UNIT	
	GENERAL		SPECIAL REVENUE		CAPITAL PROJECTS		ENTERPRISE		TRUST		MUNICIPAL AUTHORITY	
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	ENTERPRISE	TRUST	GENERAL	LONG-TERM DEBT	TOTALS PRIMARY GOVERNMENT (MEMORANDUM ONLY)		TOTALS (MEMORANDUM ONLY)		
ASSETS												
Cash and Cash Equivalents	1,341,494	336,335	838,721	1,693,158	24,016			4,233,724	5,324	4,233,048		
Investments					7,039,106			7,039,106	1,445,965	8,485,071		
Taxes Receivable	160,450							160,450		160,450		
Accounts Receivable	39,437		640	76,698				116,775		116,775		
Due from Other Funds			4,000	74,900				78,900		78,900		
Future Lease Rentals Receivable												
Amount to be Provided for Retirement of General Obligation Debt							461,276	461,276		461,276		
Amount to be Provided for Payment of Compensated Absences							253,916	253,916		253,916		
<b>TOTAL ASSETS</b>	<b><u>1,541,381</u></b>	<b><u>336,335</u></b>	<b><u>843,361</u></b>	<b><u>1,844,756</u></b>	<b><u>7,063,122</u></b>		<b><u>715,192</u></b>	<b><u>12,344,147</u></b>	<b><u>15,851,289</u></b>	<b><u>28,195,436</u></b>		
LIABILITIES												
Deferred Revenues	38,065							38,065		38,065		
Accounts Payable	116,119			80,478				196,597		196,597		
Due to Other Funds		4,000		74,900				78,900		78,900		
Escrow Deposits/Other	200,337							200,337		200,337		
Sewer Revenue Bonds Payable												
General Obligation Debt				200,890				662,166		662,166		
Estimated Liabilities for Compensated Absences				25,569				279,485		279,485		
<b>TOTAL LIABILITIES</b>	<b><u>354,521</u></b>	<b><u>4,000</u></b>		<b><u>381,837</u></b>			<b><u>715,192</u></b>	<b><u>1,455,550</u></b>	<b><u>14,400,000</u></b>	<b><u>15,855,550</u></b>		
FUND EQUITY												
Retained Earnings				1,462,919				1,462,919		1,462,919		
Fund Balances	1,186,860	332,335	843,361		7,063,122			9,425,678		10,876,967		
<b>TOTAL FUND EQUITY</b>	<b><u>1,186,860</u></b>	<b><u>332,335</u></b>	<b><u>843,361</u></b>	<b><u>1,462,919</u></b>	<b><u>7,063,122</u></b>			<b><u>10,888,597</u></b>	<b><u>1,451,289</u></b>	<b><u>12,339,886</u></b>		
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>1,541,381</u></b>	<b><u>336,335</u></b>	<b><u>843,361</u></b>	<b><u>1,844,756</u></b>	<b><u>7,063,122</u></b>		<b><u>715,192</u></b>	<b><u>12,344,147</u></b>	<b><u>15,851,289</u></b>	<b><u>28,195,436</u></b>		

The above financial information has been summarized from a detailed audit report on file with Fairview Township and is subject to its contents.

FAIRVIEW TOWNSHIP  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -  
 ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES AND COMPONENT UNIT  
 FOR THE YEAR ENDED DECEMBER 31, 2002

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES	FIDUCIARY FUND TYPES	TOTAL PRIMARY GOVERNMENT (MEMORANDUM) (ONLY)	COMPONENT UNIT	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS					
REVENUES								
Taxes	2,757,709	335,295				3,093,004		3,093,004
Licenses, Permits and Fees	4,435		124,229			128,664		128,664
Fines and Penalties	77,816					77,816		77,816
Interest and Rents	32,283	7,319	17,729	34,828	16,336	106,495	95,169	203,664
Intergovernmental Revenue	229,185	305,102		181,390	136,114	851,791	1,182,892	2,034,683
Service Fees	468,614			3,780,965		4,249,579		4,249,579
Miscellaneous Revenue	155,872	3,414		165,489	19,603	344,378	38,056	382,434
Unrealized Gain (Loss) on Investments					(433,307)	(433,307)	49,281	(384,026)
TOTAL REVENUES	<u>3,725,914</u>	<u>651,130</u>	<u>141,958</u>	<u>4,162,672</u>	<u>(261,254)</u>	<u>8,420,420</u>	<u>1,365,398</u>	<u>9,785,818</u>
EXPENDITURES								
General Government	460,987		26,816			487,803	34,082	521,885
Public Safety	1,521,893	168,788	26,235			1,716,916		1,716,916
Health and Welfare	44,521					44,521		44,521
Public Works				3,603,651		3,675,762	110,262	3,786,024
Sanitation	816,355	223,896	72,111			1,355,647		1,355,647
Highways, Roads and Streets	105,944		315,396			105,944		105,944
Culture, Recreation	150,104	155,104		6,107		311,315	1,199,993	1,511,308
Debt Service	85,196				249,068	334,264		334,264
Other								
TOTAL EXPENDITURES	<u>3,185,000</u>	<u>547,788</u>	<u>440,558</u>	<u>3,609,758</u>	<u>249,068</u>	<u>8,032,172</u>	<u>1,344,337</u>	<u>9,376,509</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>540,914</u>	<u>103,342</u>	<u>(298,600)</u>	<u>552,914</u>	<u>(510,322)</u>	<u>388,248</u>	<u>21,061</u>	<u>409,309</u>
OTHER FINANCING SOURCES (USES)								
Proceeds from Issuance of Bonds			500,000			500,000		500,000
Transfers from Township						(13,010)	13,010	13,010
Transfers to Authority						(7,350)		(7,350)
Bond Issuance Costs								
TOTAL OTHER FINANCING SOURCES (USES)			<u>492,650</u>	<u>(13,010)</u>		<u>479,640</u>	<u>13,010</u>	<u>492,650</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>540,914</u>	<u>103,342</u>	<u>194,050</u>	<u>539,904</u>	<u>(510,322)</u>	<u>867,888</u>	<u>34,071</u>	<u>901,959</u>
FUND EQUITY, BEGINNING OF YEAR	<u>645,946</u>	<u>228,993</u>	<u>649,311</u>	<u>923,015</u>	<u>7,573,444</u>	<u>10,020,709</u>	<u>1,417,218</u>	<u>11,437,927</u>
FUND EQUITY, END OF YEAR	<u>1,186,860</u>	<u>332,335</u>	<u>843,361</u>	<u>1,462,919</u>	<u>7,063,122</u>	<u>10,888,597</u>	<u>1,451,289</u>	<u>12,339,886</u>

The above financial information has been summarized from a detailed audit report on file with Fairview Township and is subject to its contents.