

***FAIRVIEW TOWNSHIP***

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



**FAIRVIEW TOWNSHIP**

YEAR ENDED DECEMBER 31, 2012

CONTENTS

	Page
Independent auditors' report	1-2
Required supplementary information - management's discussion and analysis (unaudited)	3-11
Basic financial statements:	
Government-wide financial statements:	
Statement of net position	12
Statement of activities	13-14
Fund financial statements and reconciliations:	
Balance sheet - governmental funds	15
Reconciliation of total governmental fund balances to net position of governmental activities	16
Statement of revenues, expenditures and changes in fund balances - governmental funds	17-18
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	19
Statement of net position - proprietary funds	20-22
Statement of revenues, expenses and changes in net position - proprietary funds	23-24
Statement of cash flows - proprietary funds	25-27
Statement of fiduciary net position	28
Statement of changes in fiduciary net position	29
Statement of postemployment net position	30
Statement of changes in postemployment net position	31



**FAIRVIEW TOWNSHIP**

YEAR ENDED DECEMBER 31, 2012

CONTENTS (CONTINUED)

	Page
Basic financial statements (continued):	
Notes to financial statements	32-71
Supplementary information:	
Required supplementary information:	
Historical pension and postemployment information:	
Schedule of funding progress - police pension plan	72
Schedule of funding progress - nonuniformed pension plan	73
Schedule of interest rate sensitivity testing	74
Schedule of changes of unfunded actuarial accrued liability	75
Schedules of employer contributions and notes to required supplementary information	76-77
Schedule of funding progress and actuarial assumptions - other postemployment benefits – nonuniformed and police	78
Schedule of revenues, expenditures and changes in fund balances - budget compared to actual - general fund	79-80
Schedule of revenues, expenditures and changes in fund balances - budget compared to actual - highway aid fund	81
Schedule of revenues, expenditures and changes in fund balances - budget compared to actual - capital projects fund	82
Other supplementary information:	
Nonmajor governmental funds - combining balance sheets	83
Nonmajor governmental funds - combining statements of revenues, expenditures and changes in fund balances	84-85





## Independent Auditors' Report

Board of Supervisors  
Fairview Township  
New Cumberland, Pennsylvania

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fairview Township of New Cumberland, Pennsylvania, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### **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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 Township'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 Township'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 opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fairview Township as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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 the management's discussion and analysis, budgetary comparison information and schedules of historical pension and postemployment employee benefits information be presented to supplement the basic financial statements. Such information, although not a 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 responses 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 any assurance.

### *Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fairview Township's financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Brown Schultz Steindler & Fritz*

July 8, 2013

## **FAIRVIEW TOWNSHIP**

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

**YEAR ENDED DECEMBER 31, 2012**

The Township of Fairview, York County (the Township) discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Township's financial activity, (c) identify changes in the Township's financial position, (d) identify any material deviations from the financial plan and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Township's financial statements.

#### **Highlights**

##### *Financial highlights:*

- ◆ The Township's net position is stated at \$36,832,426 as of December 31, 2012. Net position increased by \$1,336,727 in 2012.
- ◆ The total cost of all the Township's programs was \$12,523,030.
- ◆ During the year, the Township had expenses of \$7,855,530 for governmental activities, which was \$130,372 less than the \$7,985,902 generated in general revenues and program revenues. These figures do not include developer contributions of \$631,636 in 2012.
- ◆ The Township refuse, sewer and authority activities increased net position by \$574,719 from operations.

#### **Using this annual report**

The annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Township on a government-wide basis and present a longer-term view of the Township's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements report the Township's operations in more detail by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

## ***FAIRVIEW TOWNSHIP***

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

YEAR ENDED DECEMBER 31, 2012

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

The analysis of the Township as a whole begins on page 12. One of the most important questions asked about the Township's finances is, "Are the taxpayers of the Township, as a whole, better off or worse off as a result of the year's activities?"

The statement of net position and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used in most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net position and changes in net position. You can think of the Township's net position – the difference between assets and liabilities - as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's property tax base or the condition of the Township's infrastructure, to assess the overall health of the Township.

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2012

**Government-wide financial analysis**

The following table reflects the condensed statement of net position:

**Statement of Net Position**

	<u>2012</u>	<u>2011</u>
Assets:		
Current assets	\$ 10,575,905	\$ 10,481,792
Noncurrent assets	<u>37,827,394</u>	<u>37,698,078</u>
Total assets	<u>48,403,299</u>	<u>48,179,870</u>
Liabilities:		
Current liabilities	3,056,728	2,647,254
Noncurrent liabilities	<u>8,514,145</u>	<u>10,036,917</u>
Total liabilities	<u>11,570,873</u>	<u>12,684,171</u>
Net position:		
Net investment in capital assets	26,572,528	24,823,365
Restricted	5,622,115	6,570,374
Unrestricted	<u>4,637,783</u>	<u>4,101,960</u>
Total net position	<u>\$ 36,832,426</u>	<u>\$ 35,495,699</u>

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

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2012

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

**Statement of Activities**

	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 5,699,459	\$ 4,974,206
Operating grants and contributions	757,824	1,047,993
Capital grants and contributions	379,484	
General revenues:		
Taxes	6,057,716	4,938,578
Cable TV franchise fees	255,664	245,248
Investment earnings	12,304	26,857
Developer contributions	631,636	1,713,666
Miscellaneous	65,670	82,678
	<u>13,859,757</u>	<u>13,029,226</u>
Total revenues		
Expenses:		
General government	620,613	608,186
Public safety	3,917,658	4,003,683
Health and welfare	17,940	22,329
Public works, land purchase	178,197	
Highways	2,869,932	2,896,293
Culture and recreation	225,300	159,670
Interest	25,890	35,185
Sewer	3,225,526	2,924,640
Refuse	1,441,934	1,466,467
Fairview Township Authority	40	
	<u>12,523,030</u>	<u>12,116,453</u>
Total expenses		

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2012

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

**Statement of Activities (continued)**

	<u>2012</u>	<u>2011</u>
Change in net position	\$ 1,336,727	\$ 912,773
Net position:		
Beginning	<u>35,495,699</u>	<u>34,582,926</u>
Ending	<u>\$ 36,832,426</u>	<u>\$ 35,495,699</u>

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

The Township's combined net position increased to \$36,832,426 from \$35,495,699 as a result of the increase in net position of \$1,336,727. The Township's combined unrestricted net position for governmental activities and business-type activities, the part of net position that can be used to finance day-to-day operations, was \$4,637,783.

**Prior period adjustment**

Net position, as originally stated, December 31, 2010	\$ 34,047,426
Prior period adjustment	<u>535,500</u>
Net position, as restated, December 31, 2010	<u>\$ 34,582,926</u>

The \$648,750 of revenue was recorded by the Township as deferred revenues in past years. This amount should have been recognized as revenue over the past few years as the Township and developers met their respective obligations. Township management determined an adjustment was necessary to recognize these revenues earned in the past few years with the December 31, 2011 net position. The prior period adjustment decreased 2011 current liabilities by \$648,750, 2011 charges for services increased by \$113,250 and the 2011 beginning net position increased by \$535,500, as noted above.

## **FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2012

#### **The Township's funds**

##### *Governmental funds:*

At year end, the governmental funds reported a combined fund balance of \$5,571,087, which is a increase of \$1,212,587 over the beginning of the year. The general fund experienced a net increase of \$633,358.

##### *Proprietary funds:*

The Township's proprietary funds provide the same type of information found in government-wide financial statements, but in more detail. As discussed in the business-type activities, the Township's net position increased by \$574,719 as a result of operations in the proprietary funds.

##### *General fund budgetary highlights:*

Over the course of the year, the Township monitors the Township budget. No budget amendments were required. During the year, revenues exceeded budgetary estimates by \$557,157, thus eliminating the need to draw upon existing fund balance. Budgetary estimates exceeded expenditures by \$130,365. The decrease in expenditures was due to the decrease in spending on public safety.

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

##### *Capital assets:*

The investment in capital assets for its governmental and business-type activities as of December 31, 2012, amounts to \$79,250,035, net of accumulated depreciation of \$43,237,445, leaving a net book value of \$36,012,590. This investment in capital assets includes land, buildings, improvements, equipment and infrastructure. Infrastructure assets are items that are normally immovable and of value only to the Township, such as roads, bridges, streets, drainage systems, lighting systems and similar items.

The total net additions in the Township's investment in capital assets for the current fiscal year were \$2,797,950. Actual expenditures to purchase or construct capital assets were \$2,166,314 and disposals were \$82,801 during 2012. The Township received assets contributed to the Township by developers of \$631,636 during 2012. The actual expenditures were used to purchase municipal equipment and building improvements, \$111,826; highway equipment, \$94,947; police and fire equipment, \$42,207; infrastructure, \$325,884; sewer improvements, \$1,577,083 and equipment and building improvements for the parks, \$14,367. Depreciation charges for the year totaled \$2,539,307. Additional information on the Township's capital assets can be found in Note 12 of the notes to the financial statements of this report.

## **FAIRVIEW TOWNSHIP**

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

**YEAR ENDED DECEMBER 31, 2012**

#### **Capital asset and debt administration (continued)**

##### *Debt administration:*

General obligation bonds and sewer revenue bonds are backed by the full faith, credit and taxing power of the Township, including the Township's power to levy additional taxes to ensure repayment of the debt. Township debt decreased by \$1,490,520 in 2012 due to scheduled debt service payments. See Note 3 for additional information.

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

The Township's elected and appointed officials considered many factors when setting the fiscal year 2013 budget, tax rates and fees that will be charged for the business-type enterprises. One of those factors is the economy.

In our budget process, the Township attempts to predict the financial condition of the Township at the end of each fiscal year. Certain statistical tools are then used to develop a realistic picture of the income and expense for the coming year. Every effort is made to budget appropriate amounts for contingencies; however, no one can totally anticipate all unexpected occurrences that may arise after the formalization and adoption of an operational budget. Municipalities such as Fairview Township consistently monitor revenue and expenses to assure that income received by the Township meets the projections of the budget to ensure those services adopted in the budget are delivered. Minor adjustments, if required, are made during the year to reflect the changes in the income and subsequent expenditures.

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

The Local Services Tax is charged to all employees working within the Township with annual incomes in excess of \$12,000. The Township expects annual revenues from this tax to remain relatively stable in 2013 in comparison to 2012.

#### **Earned Income Tax (EIT)**

The Township believes that future budget projections of EIT revenues will need to be closely monitored by the Township. In accordance with Act 32 passed by the Pennsylvania legislature, EIT collections were moved to a countywide collection bureau as of January 1, 2012.

## ***FAIRVIEW TOWNSHIP***

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

YEAR ENDED DECEMBER 31, 2012

#### **Franchise taxes**

The Township currently collects cable television franchise fees from three cable companies operating within the Township. These funds are accounted for in the Capital Projects Fund and will be used for future capital acquisition and improvement projects.

#### **Defined benefit pensions plans**

As of January 1, 2013, the police pension plan and the nonuniformed pension plan had an unfunded actuarial accrued liability of \$56,609 and \$699,183, respectively. The Township funds the pension plans annually with employee contributions and the minimum municipal obligation consisting of employer contributions and state aid. The Township contributed an amount equal to the minimum municipal obligation for the police and nonuniformed pension plans.

#### **Township sewer concerns**

The Fairview Township Authority (the Authority) was established to finance projects to serve the residents of Fairview Township. The Authority leases the sewer system to the Township in exchange for the pledge of revenues generated by the system to meet the lease rental debt service payments. The system provides sewer services to various residents of the Township and, through a separate agreement, with the Lower Allen Authority.

In 2010, the Authority and Township were provided analysis that Lower Allen Authority was preparing for Phase II capital improvements in 2011 through 2013 to their sewer facilities. The Authority and Township will share in approximately 8% of the costs of the improvements. The Township issued a portion of the 2010 General Obligation Bonds in the aggregate principal of \$1,675,000 to cover their share of the costs of the improvements and to refinance the 2009 debt used for Phase I of the project.

The Authority and Township adopted a resolution to establish sanitary sewer reserved capacity fees for approved or future approved land development and/or subdivision plans. The resolution allows developers to prepay capacity fees at the current rates for approved and/or future plans. The future capacity fees have been recorded in the Township's Sewer Revenue Fund as deferred revenues.

## **FAIRVIEW TOWNSHIP**

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

**YEAR ENDED DECEMBER 31, 2012**

#### **Township sewer concerns (continued)**

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

The Township is currently assessing the current and future costs related to compliance requirements of the Chesapeake Bay Initiative (the Initiative). The Commonwealth and federal requirements for compliance with the Initiative are continuously changing and the estimated costs to comply are also continually changing. The Township is assessing these potential future costs in an effort to keep future sewer rental rates reasonable.

As of December 31, 2012, the Township has made \$271,500 of payments for nutrient credits through a Commonwealth program that allows municipalities to defer significant capital improvement costs associated with the Initiative.

In 2012, the Authority transferred the remaining assets and the operating permits to the Township. The Authority will remain inactive until its possible use in the future for additional financing of Township projects.

#### **Significant capital expenditures**

In 2010, the Township began incurring costs in relation to Act 537. This Pennsylvania Act requires the Township to expand the sewer system to include certain areas of the Township as mandated by the Department of Environmental Protection Agency (DEP). The Township is expecting to incur approximately \$21 million in costs to comply with Act 537 over the next three years. The Township intends to finance the project through general obligation bonds.

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

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances, and to show the Township's accountability for the monies it receives. If you have any questions about this report, or need additional information, contact Fairview Township at 599 Lewisberry Road, New Cumberland, PA 17070.

**FAIRVIEW TOWNSHIP**

STATEMENT OF NET POSITION – DECEMBER 31, 2012

ASSETS

	Primary government		Total
	Governmental activities	Business-type activities	
Current assets:			
Cash and investments	\$ 6,217,196	\$ 3,216,168	\$ 9,433,364
Taxes receivable	221,705		221,705
Other receivables	48,330	535,006	583,336
Prepaid expenses		337,500	337,500
Total current assets	<u>6,487,231</u>	<u>4,088,674</u>	<u>10,575,905</u>
Noncurrent assets:			
Bond issuance costs, net of amortization		19,353	19,353
Net postemployment benefits asset (other than pensions)	1,398,533		1,398,533
Net pension asset	396,918		396,918
Capital assets, net	<u>24,136,111</u>	<u>11,876,479</u>	<u>36,012,590</u>
Total noncurrent assets	<u>25,931,562</u>	<u>11,895,832</u>	<u>37,827,394</u>
Total assets	<u>\$ 32,418,793</u>	<u>\$ 15,984,506</u>	<u>\$ 48,403,299</u>

See notes to financial statements.

## LIABILITIES

	Primary government		
	Governmental activities	Business-type activities	Total
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 198,943	\$ 345,829	\$ 544,772
Deferred revenues		353,940	353,940
Escrows payable	621,354		621,354
Current portion of long-term debt	436,756	1,099,906	1,536,662
Total current liabilities	1,257,053	1,799,675	3,056,728
<b>Noncurrent liabilities:</b>			
Bonds payable	459,250	7,444,150	7,903,400
Compensated absences	520,215	90,530	610,745
Total noncurrent liabilities	979,465	7,534,680	8,514,145
Total liabilities	\$ 2,236,518	\$ 9,334,355	\$ 11,570,873

## NET POSITION

<b>Net position:</b>			
Net investment in capital assets	\$ 23,240,105	\$ 3,332,423	\$ 26,572,528
<b>Restricted for:</b>			
Pension asset	396,918		396,918
Postemployment benefit asset	1,398,533		1,398,533
Capital projects	1,421,665		1,421,665
Highway aid	1,181,919		1,181,919
Debt retirement		1,223,080	1,223,080
Unrestricted	2,543,135	2,094,648	4,637,783
Total net position	\$ 30,182,275	\$ 6,650,151	\$ 36,832,426

**FAIRVIEW TOWNSHIP**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2012**

Functions/programs	Program revenues			Net (expenses) revenue and changes in net position			
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Primary government:							
Governmental activities:							
General government	\$ 620,613	\$ 16,382			\$ (604,231)	\$ (604,231)	
Public safety	3,917,658	558,569	\$ 332,053	\$ 5,776	(3,021,260)	(3,021,260)	
Health and welfare	17,940				(17,940)	(17,940)	
Public works, land purchase	178,197				(178,197)	(178,197)	
Highways	2,869,932		425,771	250,517	(2,193,644)	(2,193,644)	
Culture and recreation	225,300	8,725			(216,575)	(216,575)	
Unallocated interest expense	25,890				(25,890)	(25,890)	
Total governmental activities	7,855,530	583,676	757,824	256,293	(6,257,737)	(6,257,737)	
Business-type activities:							
Sewer	3,225,526	3,755,224		113,958		\$ 643,656	643,656
Refuse	1,441,934	1,360,559		9,233		(72,142)	(72,142)
Fairview Township Authority	40					(40)	(40)
Total business-type activities	4,667,500	5,115,783		123,191		571,474	571,474
Total primary government	\$ 12,523,030	\$ 5,699,459	\$ 757,824	\$ 379,484	(6,257,737)	571,474	(5,686,263)

(continued)

**FAIRVIEW TOWNSHIP**

**STATEMENT OF ACTIVITIES (CONTINUED)**

YEAR ENDED DECEMBER 31, 2012

Functions/programs	Expenses	Program revenues			Net (expenses) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
General revenues:							
Taxes:							
Real estate		\$ 3,143,540			\$ 3,143,540		\$ 3,143,540
Real estate transfer		307,189			307,189		307,189
Earned income		2,170,570			2,170,570		2,170,570
Per capita		61,162			61,162		61,162
Emergency services		368,528			368,528		368,528
Public utility		6,727			6,727		6,727
Cable TV franchise fees		255,664			255,664		255,664
Investment earnings		9,059			9,059	\$ 3,245	12,304
Miscellaneous		65,670			65,670		65,670
<b>Total general revenues</b>		<b>6,388,109</b>			<b>6,388,109</b>	<b>3,245</b>	<b>6,391,354</b>
Developer contributions		631,636			631,636		631,636
Change in net position		762,008			762,008	574,719	1,336,727
Net position:							
Beginning as restated		29,420,267			29,420,267	6,075,432	35,495,699
Ending		\$ 30,182,275			\$ 30,182,275	\$ 6,650,151	\$ 36,832,426

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

BALANCE SHEET – GOVERNMENTAL FUNDS – DECEMBER 31, 2012

	General	Highway aid fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
<b>ASSETS</b>						
Cash and investments	\$ 2,918,813	\$ 1,181,919	\$ 653,366	\$ 730,955	\$ 732,143	\$ 6,217,196
Taxes receivable	193,863					193,863
Accounts receivable			47,188		1,142	48,330
Due from other funds			50,330		204,480	254,810
<b>Total assets</b>	<b>\$ 3,112,676</b>	<b>\$ 1,181,919</b>	<b>\$ 750,884</b>	<b>\$ 730,955</b>	<b>\$ 937,765</b>	<b>\$ 6,714,199</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 128,264		\$ 60,174		\$ 10,505	\$ 198,943
Deferred revenues	68,005					68,005
Due to other funds					254,810	254,810
Escrow deposits	621,354					621,354
<b>Total liabilities</b>	<b>817,623</b>		<b>60,174</b>		<b>265,315</b>	<b>1,143,112</b>
<b>Fund balances:</b>						
<b>Restricted:</b>						
Street light fund					24,290	24,290
Highway aid fund		\$ 1,181,919				1,181,919
<b>Committed:</b>						
Capital projects fund				\$ 730,955		730,955
Capital reserve fund			690,710			690,710
Fire department					21,175	21,175
Employee benefits	1,634,858					1,634,858
LST tax fund					856,271	856,271
Unassigned	660,195				(229,286)	430,909
<b>Total fund balances</b>	<b>2,295,053</b>	<b>1,181,919</b>	<b>690,710</b>	<b>730,955</b>	<b>672,450</b>	<b>5,571,087</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,112,676</b>	<b>\$ 1,181,919</b>	<b>\$ 750,884</b>	<b>\$ 730,955</b>	<b>\$ 937,765</b>	<b>\$ 6,714,199</b>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

Total governmental fund balances	\$ 5,571,087
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	24,136,111
Net pension asset is not included in the governmental funds.	396,918
Net postemployment benefits asset is not included in governmental funds.	1,398,533
Other assets are not available to pay for current-period expenditures, and therefore, are deferred in the funds, tax revenues.	95,847
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds:	
Compensated absences	(520,215)
Long-term debt	<u>(896,006)</u>
Net position of governmental activities	<u>\$ 30,182,275</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2012

	General	Highway aid fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
<b>Revenues:</b>						
Taxes	\$ 5,144,484				\$ 911,370	\$ 6,055,854
Licenses, permits and fees	2,162			\$ 255,665		257,827
Fines and penalties	95,270					95,270
Interest and rents	2,983	\$ 4,304	\$ 462	569	741	9,059
Intergovernmental revenue	589,297	425,771			5,776	1,020,844
Service fees	213,516					213,516
Miscellaneous revenue	67,890				270,507	338,397
<b>Total revenues</b>	<b>6,115,602</b>	<b>430,075</b>	<b>462</b>	<b>256,234</b>	<b>1,188,394</b>	<b>7,990,767</b>
<b>Expenditures:</b>						
General government	542,325		101,322	5,900	1,712	651,259
Public safety	3,029,150				669,928	3,699,078
Health and welfare	17,940					17,940
Public works, land purchase			178,197			178,197
Highways	1,513,525				58,067	1,571,592
Culture and recreation	204,334					204,334
Debt service	171,725				280,810	452,535
Miscellaneous	3,245					3,245
<b>Total expenditures</b>	<b>5,482,244</b>		<b>279,519</b>	<b>5,900</b>	<b>1,010,517</b>	<b>6,778,180</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>633,358</b>	<b>430,075</b>	<b>(279,057)</b>	<b>250,334</b>	<b>177,877</b>	<b>1,212,587</b>

(continued)

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2012

	General	Highway aid fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
Other financing sources (uses):						
Interfund transfers:						
Received			\$ 178,197			\$ 178,197
Expended				\$ (178,197)		(178,197)
Total other financing sources (uses)			178,197	(178,197)		-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	\$ 633,358	\$ 430,075	(100,860)	72,137	\$ 177,877	1,212,587
Fund balances:						
Beginning of year	1,661,695	751,844	791,570	658,818	494,573	4,358,500
End of year	\$ 2,295,053	\$ 1,181,919	\$ 690,710	\$ 730,955	\$ 672,450	\$ 5,571,087

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

Net change in fund balances, total governmental funds	\$ 1,212,587
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Add, capital outlays	1,220,867
Deduct, depreciation expense	(1,965,450)
The change in value of the net pension asset is not reported in governmental funds.	(23,884)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, tax revenues. This amount results in an increase from the revenue previously deferred.	(4,864)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	426,645
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the funds, postemployment benefits liability.	(102,945)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the funds, accrued compensated absences. This amount results from an increase in this accrual.	<u>(948)</u>
Change in net position of governmental activities	<u>\$ 762,008</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – DECEMBER 31, 2012

	ASSETS					
	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Eliminations	Total
Current assets:						
Cash and investments	\$ 1,577,020	\$ 1,446,691	\$ 192,457			\$ 3,216,168
Accounts receivable		467,393	67,613			535,006
Prepaid expenses		337,500				337,500
<b>Total current assets</b>	<b>1,577,020</b>	<b>2,251,584</b>	<b>260,070</b>			<b>4,088,674</b>
Noncurrent assets:						
Bond issuance costs, net of amortization of \$3,121		19,353				19,353
Capital assets, depreciable, net		11,541,970	334,509			11,876,479
<b>Total noncurrent assets</b>		<b>11,561,323</b>	<b>334,509</b>			<b>11,895,832</b>
<b>Total assets</b>	<b>\$ 1,577,020</b>	<b>\$ 13,812,907</b>	<b>\$ 594,579</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,984,506</b>

(continued)

**FAIRVIEW TOWNSHIP**

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – DECEMBER 31, 2012 (CONTINUED)

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Eliminations	Total
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued expenses		\$ 344,619	\$ 1,210			\$ 345,829
Deferred revenues	\$ 353,940					353,940
Current portion of long-term debt		1,099,906				1,099,906
<b>Total current liabilities</b>	<b>353,940</b>	<b>1,444,525</b>	<b>1,210</b>			<b>1,799,675</b>
Noncurrent liabilities:						
Bonds and notes payable		7,444,150				7,444,150
Compensated absences		90,530				90,530
<b>Total noncurrent liabilities</b>		<b>7,534,680</b>				<b>7,534,680</b>
<b>Total liabilities</b>	<b>\$ 353,940</b>	<b>\$ 8,979,205</b>	<b>\$ 1,210</b>			<b>\$ 9,334,355</b>

(continued)

**FAIRVIEW TOWNSHIP**

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – DECEMBER 31, 2012 (CONTINUED)

	NET POSITION					
	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Eliminations	Total
Net position:						
Net investment in capital assets		\$ 2,997,914	\$ 334,509			\$ 3,332,423
Reserved, bond retirement	\$ 1,223,080					1,223,080
Unreserved		1,835,788	258,860			2,094,648
Total net position	\$ 1,223,080	\$ 4,833,702	\$ 593,369	\$ -	\$ -	\$ 6,650,151

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2012

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Eliminations	Total
Operating revenues:						
Charges for services		\$ 3,603,505	\$ 1,356,880			\$ 4,960,385
Sewer permits		137,105				137,105
Miscellaneous		14,614	3,679			18,293
Total operating revenues		<u>3,755,224</u>	<u>1,360,559</u>			<u>5,115,783</u>
Operating expenses:						
Personnel		854,911	174,412			1,029,323
Collection, disposal and treatment		1,548,318	1,243,545			2,791,863
Authority expenses		2,497		40		40
Amortization		549,880	23,977			2,497
Depreciation						573,857
Total operating expenses		<u>2,955,606</u>	<u>1,441,934</u>	<u>40</u>		<u>4,397,580</u>
Excess (deficiency) of operating revenues over expenses		<u>799,618</u>	<u>(81,375)</u>	<u>(40)</u>		<u>718,203</u>

(continued)

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2012

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Eliminations	Total
Nonoperating revenues (expenses):						
Grant revenue		\$ 113,958	\$ 9,233			\$ 123,191
Earnings on temporary deposits and investments	\$ 1,592	1,411	242			3,245
Interest paid		(269,920)				(269,920)
Total nonoperating revenues (expenses)	1,592	(154,551)	9,475			(143,484)
Other financing sources (uses):						
Transfers in (out)	(456,239)	456,239				-
Payments to (from) Authority		91		(91)		-
Total financing sources (uses)	(456,239)	456,330		(91)		-
Excess (deficiency) of revenues and other financing sources over expenses and other uses	(454,647)	1,101,397	(71,900)	(131)		574,719
Net position:						
Beginning of year, as restated	1,677,727	3,732,305	665,269	131		6,075,432
End of year	\$ 1,223,080	\$ 4,833,702	\$ 593,369	\$ -	\$ -	\$ 6,650,151

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2012

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Total
Cash flows from operating activities:					
Receipts from (refunds to) customers and users	\$ (39,960)	\$ 3,628,597	\$ 1,369,459		\$ 4,958,096
Payments to:					
Suppliers		(1,220,354)	(1,244,193)		(2,464,547)
Employees		(846,476)	(174,850)		(1,021,326)
Other operating revenue		14,614	3,679		18,293
Authority expenses				\$ (40)	(40)
Net cash provided by (used in) operating activities	<u>(39,960)</u>	<u>1,576,381</u>	<u>(45,905)</u>	<u>(40)</u>	<u>1,490,476</u>
Cash flows from noncapital financing activities:					
Grant revenues		113,958	9,233		123,191
Payments to/from Authority and other funds	<u>(456,239)</u>	<u>456,330</u>		<u>(91)</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>(456,239)</u>	<u>570,288</u>	<u>9,233</u>	<u>(91)</u>	<u>123,191</u>

(continued)

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2012

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Total
Cash flows from capital and related financing activities:					
Principal paid on bonds		\$ (1,063,875)			\$ (1,063,875)
Interest paid on bonds		(269,920)			(269,920)
Purchase of fixed assets		<u>(1,577,083)</u>			<u>(1,577,083)</u>
Net cash used in capital and related financing activities		<u>(2,910,878)</u>			<u>(2,910,878)</u>
Cash flows provided by investing activities, investment income	\$ 1,592	1,411	\$ 242		<u>3,245</u>
Net decrease in cash and cash equivalents	(494,607)	(762,798)	(36,430)	\$ (131)	(1,293,966)
Cash and cash equivalents: Beginning	<u>2,071,627</u>	<u>2,209,489</u>	<u>228,887</u>	<u>131</u>	<u>4,510,134</u>
Ending	<u>\$ 1,577,020</u>	<u>\$ 1,446,691</u>	<u>\$ 192,457</u>	<u>\$ -</u>	<u>\$ 3,216,168</u>

(continued)

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2012

	Sewer reserve fund	Sewer fund	Refuse fund	Fairview Township Authority	Total
Cash flows from operating activities:					
Excess (deficiency) of operating revenues over expenses		\$ 799,618	\$ (81,375)	\$ (40)	\$ 718,203
Adjustments:					
Depreciation and amortization		552,377	23,977		576,354
(Increase) decrease in assets:					
Accounts receivable		(112,013)	12,579		(99,434)
Prepaid expenses		12,500			12,500
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses		315,464	(648)		314,816
Other liabilities		8,435	(438)		(31,963)
Total adjustments	(39,960)	776,763	35,470		772,273
Net cash provided by (used in) operating activities	\$ (39,960)	\$ 1,576,381	\$ (45,905)	\$ (40)	\$ 1,490,476

See notes to financial statements.

**FAIRVIEW TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2012**

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 42,083	\$ 26,121	\$ 68,204
Investments	<u>5,583,090</u>	<u>7,364,399</u>	<u>12,947,489</u>
Total assets	<u>5,625,173</u>	<u>7,390,520</u>	<u>13,015,693</u>
Net position held in trust for pension benefits	<u><u>\$ 5,625,173</u></u>	<u><u>\$ 7,390,520</u></u>	<u><u>\$ 13,015,693</u></u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED DECEMBER 31, 2012

	Nonuniformed pension fund	Police pension fund	Total
Additions:			
Contributions:			
State aid	\$ 100,131	\$ 107,283	\$ 207,414
Employer	264,121	108,752	372,873
Employee	28,341	22,601	50,942
Total contributions	392,593	238,636	631,229
Investment income:			
Net appreciation in fair value of investments	701,475	930,695	1,632,170
Interest and dividends	148	30	178
	701,623	930,725	1,632,348
Less investment expense	32,129	42,065	74,194
Net investment gain	669,494	888,660	1,558,154
Total additions, net of investment gains	1,062,087	1,127,296	2,189,383
Deductions, benefit payments	352,328	387,202	739,530
Net increase	709,759	740,094	1,449,853
Net position held in trust for pension benefits:			
Beginning of year	4,915,414	6,650,426	11,565,840
End of year	\$ 5,625,173	\$ 7,390,520	\$ 13,015,693

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF POSTEMPLOYMENT NET POSITION

YEAR ENDED DECEMBER 31, 2012

	<u>Nonuniformed benefits fund</u>	<u>Police benefits fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 155,053	\$ 131,431	\$ 286,484
Investments	<u>1,005,613</u>	<u>667,984</u>	<u>1,673,597</u>
Total assets	<u>1,160,666</u>	<u>799,415</u>	<u>1,960,081</u>
Net position held in trust for OPEB	<u><u>\$ 1,160,666</u></u>	<u><u>\$ 799,415</u></u>	<u><u>\$ 1,960,081</u></u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF CHANGES IN POSTEMPLOYMENT NET POSITION

YEAR ENDED DECEMBER 31, 2012

	<u>Nonuniformed benefits fund</u>	<u>Police benefits fund</u>	<u>Total</u>
Additions:			
Contributions, employer		<u>\$ 24,534</u>	<u>\$ 24,534</u>
Investment income:			
Net appreciation in fair value of investments	<u>\$ 23,209</u>	<u>24,282</u>	<u>47,491</u>
Interest and dividends	<u>9,600</u>	<u>6,368</u>	<u>15,968</u>
	<u>32,809</u>	<u>30,650</u>	<u>63,459</u>
Less investment expense	<u>1,776</u>	<u>1,267</u>	<u>3,043</u>
Net investment gain	<u>31,033</u>	<u>29,383</u>	<u>60,416</u>
Total additions, net of investment gains	<u>31,033</u>	<u>53,917</u>	<u>84,950</u>
Net position held in trust for OPEB benefits:			
Beginning of year	<u>1,129,633</u>	<u>745,498</u>	<u>1,875,131</u>
End of year	<u>\$ 1,160,666</u>	<u>\$ 799,415</u>	<u>\$ 1,960,081</u>

See notes to financial statements.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

The financial statements of Fairview Township (the Township) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of Fairview Township are described below.

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

#### *Reporting entity:*

The Township defines its reporting entity based upon the criteria established by the GASB. The Township includes in its reporting entity organizations for which it is financially accountable and other organizations for which the nature and significance of the relationship with the Township is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

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

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

##### *Reporting entity (continued):*

The Fairview Township Fire Department (Fire Department) is included in these financial statements in other governmental funds based upon the criteria described above. During 2006, the Township acquired control over the operations of the Fire Department and became financially accountable for the financial matters of the organization. The majority of the assets titled to the Fire Department were transferred to the Township in previous years. The Fire Department has been reported as a blended component unit in the other governmental funds.

The Fairview Township Fire Department is an all volunteer organization, which provides fire fighting, education and prevention services to the residents of Fairview Township and surrounding areas. The Fire Department generates support and revenues from donations and fund-raising events. The Township assesses a real estate tax for fire protection purposes against the residents of Fairview Township in order to pay for operating expenses of the Fire Department. The Township employs paid drivers to support the firefighting activities of the Fire Department.

##### *Jointly governed organization:*

The Township is a participant with other municipalities and school districts in the Cumberland County Tax Bureau (the Bureau), previously named 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 local services tax. The Bureau's operations are separated into three funds, two for tax receipts and distribution of such receipts and one for administration of the tax collection operation. The assets and liabilities of the Bureau are not included in the financial statements.

##### *Basis of presentation:*

Government-wide financial statements - The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

*Basis of presentation (continued):*

Fund financial statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual fund are at least 10% of the corresponding element total for all funds of that category or type; and
- b. Same element that met 10% criteria in a. is at least 5% of the corresponding element total for all funds combined.

The following paragraphs describe the fund accounting structure of the Township:

**Governmental fund types** - Governmental funds are those through which most governmental functions of the Township are financed.

Following are descriptions of the Township's governmental fund types:

*General Fund* - The principal fund of the Township which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the Township are financed through revenues of the General Fund.

*Special Revenue Funds* – Funds used to account for and report the proceeds of specific revenue sources (other than capital projects and debt service) that are restricted or committed for specified purposes.

*Capital Projects* – Funds used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

*Basis of presentation (continued):*

Fiduciary fund types, trust funds - Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent. Trust funds of Fairview Township include pension and postemployment benefits trust funds and are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

Major funds:

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

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. Restrictions for use of these funds are placed on them by the Commonwealth of Pennsylvania.

Capital Projects Fund - The Capital Projects Fund has been committed by the Board of Supervisors for the payment of the Township's compliance with the Commonwealth of Pennsylvania's Act 537 plan. The fund annually receives all cable TV franchise fees received by the Township.

Capital Reserve Fund - The Capital Reserve Fund has been committed by the Board of Supervisors to provide financial resources to be used for expenditure of capital outlays and the acquisition or construction of capital facilities. The funds are also to be used to subsidize other funds with deficit fund balances.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

*Basis of presentation (continued):*

Nonmajor funds:

Street Light Fund - This fund is used to account for the assessment of fees, based on front footage of served lots, and their expenditure to provide street lighting. For 2012, the Township approved an increase in the tax millage rate for street lights which was sufficient to cover expenditures of the fund. These revenues are restricted for the payment of street light costs.

Fire Hydrant Fund - This fund is used to account for the collections of a tax imposed on residents served by fire hydrants and the expenditure for fire hydrant water service. This fund has a deficit fund balance as of December 31, 2012 due to expenditures exceeding tax revenues. These revenues are restricted for the payment of hydrant costs.

Fire Service Fund - The Fire Service Fund is used to account for the collections of real estate taxes committed by the Board of Supervisors 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 committed by the Board of Supervisors 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. As of December 31, 2012, the fund has a negative fund balance.

Fire Station Fund - The Township has assigned resources to this fund to pay the operating costs of the fire station within the Township. As of December 31, 2012 the fund has a negative fund balance and it was subsidized from revenues received from the LST in 2012.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

*Basis of presentation (continued):*

##### Nonmajor funds (continued):

**Local Services Tax (LST) Fund** - The Township deposits the collection of LST taxes into this fund. The tax is assessed at \$52 per eligible worker in the Township. The tax has been collected and segregated into this fund and committed by the Board of Supervisors to provide funds for emergency services within the Township. The funds are also to be used to meet the debt service requirements of the new fire station loan.

**Fairview Township Fire Department** - This is a blended component unit of the Township. The Fire Department provides fire fighting, education and protection services to the residents of Fairview Township. The Fire Department relies on donations from the public and fire tax revenues assessed by the Township.

**Proprietary Fund Types** - Proprietary fund types account for operations that are financed and operated in a manner similar to private business enterprises.

**Enterprise Funds** - Enterprise Funds are used to account for operations where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

##### Major funds:

**Sewer Fund** - The Sewer Fund is used to account for the financial transactions associated with the operations and administration of the Township's sewer system.

**Sewer Reserve Fund** - The Sewer Reserve Fund is used to account for funds received for sewer connections in excess of 62 connections per year and the savings on annual debt service of the sewer revenue bonds versus budgeted figures. The funds will be used to pay for future sewer connections.

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

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

*Basis of presentation (continued):*

Fiduciary fund types - Fiduciary funds are used to account for assets held by the Township as a trustee or agent for other funds or governmental entities.

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

*Police and Nonuniformed Pension Funds* - These trust funds are used to account for the retirement contributions of the Township and its employees. Pension Trust Funds are accounted for in a manner similar to Proprietary Funds since capital preservation is critical.

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

*Fairview Township Authority:*

The Fairview Township Authority was created in 1963 and was organized under the laws governing authorities within the Commonwealth of Pennsylvania (Municipality Authorities Act of 1945). The Authority has the power to construct, finance, operate, maintain and lease sewer systems. The Authority owns the sewer system and leases it to Fairview Township.

The governing body of the Authority is a Board consisting of five members appointed by the Fairview Township Board of Supervisors. The terms of the members of the Board are five years each. The terms are staggered so that the term of one member expires each year. Members of the Board may be reappointed. The Board is authorized to exercise any and all powers conferred by the Act necessary for the acquisition, construction, improvement, extension, maintenance and operations of sewer systems.

*Authority - basis of presentation:*

The Authority's policy is to prepare its component unit financial statements on the accrual basis, as required by accounting principles generally accepted in the United States of America.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

##### *Authority - basis of presentation (continued):*

In accordance with the financial provisions of the trust indentures securing the sewer revenue bonds, the trust assets of the Authority are accounted for in various funds established by the indentures. The purpose of the funds is to segregate the trust assets into restricted-use accounts for the security of the bondholders. The funds are maintained by an independent trustee on the cash basis, as required by the indenture. The accounting records maintained by the trustee do not differ significantly from the accounting records which would be maintained if the accrual basis of accounting had been utilized, as required by accounting principles generally accepted in the United States of America for Debt Service Funds of a Local Governmental Unit. Because the Authority merely acts as a conduit for the receipt of rent and the payment of the interest and principal of the bonds and the related executory expenses and may, upon provision for the retirement of its debt, convey title to the facilities to the Township, the "direct financing method" of accounting for long-term capital leases is utilized on the Authority's statements of net position. 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. During 2011, the Township refinanced the Authority's debt and paid off the lease rental debt and terminated the lease rental agreement with the Township. In 2012, the Authority transferred the remaining assets to the Township. The Authority will remain inactive until its possible use in the future for additional financing of Township projects.

##### *Basis of accounting:*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds' statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statements of net position and statements of activities and proprietary funds and fiduciary trust funds financial statements are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these activities are either included on the statement of net position or on the statement of fiduciary net position.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

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

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

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

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

Licenses, permits and fines, rental income and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Intergovernmental revenues and investment income are recorded when earned since they are measurable and available. Real estate taxes which are uncollected or delinquent are recorded as receivables, net of the allowance for doubtful accounts. Current levies of taxes which are not available to finance current expenditures are recorded as deferred revenues. Taxpayer assessed revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period.

- b. Prepaid expenses are not recognized as such.
- c. Principal and interest on long-term debt are recognized when due.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

*Tax revenue:*

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

*Cash, cash equivalents and investments:*

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

*Receivables:*

Accounts receivable and taxes receivable determined as being uncollectible are accounted for via the direct write-off method. As of December 31, 2012, the Township believes all accounts receivable are 100% collectible.

*Capital assets:*

Capital assets, which include land, land improvements, buildings, machinery and equipment, sewer systems and infrastructure assets (e.g., roads), are reported in the government-wide financial statements. Infrastructure assets include Township-owned roads, traffic signals and storm sewers. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

*Capital assets (continued):*

All capital assets are depreciated, except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Township's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental activities' estimated lives</u>
Buildings and improvements	40 years
Machinery and equipment	10 years
Vehicles	7 years
Infrastructure	25 - 50 years
Sewer improvements and equipment	5 - 40 years
Refuse improvements and equipment	5 - 40 years

*Long-term debt:*

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest is reported as expenditures.

*Deferred sewer reserve and sewer fund revenues:*

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

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

*Compensated absences:*

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

*Use of estimates:*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting periods. Actual results could differ from those estimates.

*Equity classifications:*

Government-wide statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

*Equity classifications (continued):*

Fund financial statements

The Township follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Township's fund balances more transparent. The following classifications describe the relative strength of the spending constraints.

- a. Restricted fund balances – Resources constrained by external parties such as creditors, grantors, contributors or laws or regulations of other governments, or imposed by law through enabling legislation.
- b. Committed fund balances – Resources constrained by the Township's intent to use them for specific purposes such as capital improvement projects. There have been no formal actions taken by the Township's Board of Supervisors to commit these funds for any specific purpose.
- c. Unassigned fund balances – Resources that have not been restricted, committed or assigned for specific purposes. Accounts for funds not reported in other funds.

Proprietary fund equity is classified the same as in the government-wide statements.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

**2. Deposits and investments:**

*Custodial credit risk, deposits and investments:*

For deposits, custodial credit risk is the risk that, in the event of bank failure, the Township's deposits may not be returned to it. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investment or collateral security that is in the possession of an outside party. The Township's current investment policy requires that securities be held by custodians specified in the Township's investment program, and that there are written custodial agreements and commitments documenting collateral pledges. The policy also requires depository institutions to provide collateral for all deposits according to law.

As of December 31, 2012, \$9,351,469 of the Township's bank balance of \$9,632,709 was not covered by the Federal Deposit Insurance Corporation, but was collateralized in accordance with Act 72. This Act requires the institution to pool collateral for all its government deposits and to have the collateral held by an approved custodian in the institution's name.

	<u>Fair value</u>
Deposits:	
Collateral held by the pledging bank under Act 72 but not in the Township's name	\$ 9,351,469
Insured by Federal Deposit Insurance Corporation	281,240
Outstanding checks	(189,780)
Deposits in transit	24,535
Petty cash	<u>500</u>
Total deposits	<u>9,467,964</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

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

	Ratings	Fair value
Investments:		
Mellon Bank:		
Total Return Fund Class A		\$ 5,149,635
PE US Large CAP Core Fund		1,130,501
PE US Small Mid CAP Growth Fund		457,803
PE US Small Mid CAP Value Fund		460,693
EB US Large CAP Core Fund		1,131,609
NCML International Fund		1,313,207
DV Enhanced Large CAP Core Fund		2,249,542
DV Enhanced Mid CAP Core Fund		655,470
DV Enhanced Small CAP Fund		399,029
Temporary investment Funds	Unrated	68,204
PNC Institutional Investments:		
PNC Advantage Government Fund	Unrated	36,950
U.S. treasury bills; .18%; 3/7/13	Unrated	214,934
U.S. treasury notes; 2.00%; 2/15/22	AAA	758,354
U.S. treasury notes; .25%; 2/28/14	AAA	182,255
U.S. treasury notes; .75%; 2/28/17	AAA	368,845
U.S. treasury notes; .38%; 3/15/15	AAA	364,143
Total investments		14,941,174
Total deposits and investments		\$ 24,409,138
Governmental funds		\$ 6,217,196
Business-type funds		3,216,168
Postemployment benefit funds		1,960,081
Pension funds		13,015,693
		\$ 24,409,138

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

*Interest rate risk:*

The Township has a formal investment policy that permits investments as authorized by law and requires that maturities of investments are consistent with cash flow requirements. The policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk:*

According to the Township's investment policy, the selection of depository institutions, repurchase investment advisors, brokers, custodians, investment advisors, local government investment pools and money market mutual funds are based on legality, performance, quality of service, creditworthiness, reputation and integrity. In addition, the investment companies used by the Township must be rated in the highest category by a nationally recognized rating agency.

**3. General obligation debt:**

General obligation notes payables consist of the following as of December 31, 2012:

*General Obligation Notes, Series of 2010:*

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

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

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

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

*General Obligation Notes, Series of 2010 (continued):*

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

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

Note 4 – The note was issued for \$1,000,000, of which \$950,000 and \$50,000 was drawn down during 2011 and 2010, respectively. The note has an interest rate of 2.75% and matures on December 15, 2020. The note requires interest only payments through December 15, 2011, and then monthly payments of \$10,463 of principal and interest.

*General Obligation Note, Series of 2011:*

On October 12, 2011, the Township issued its General Obligation Note, Series of 2011, in the maximum principal amount of \$8,000,000 to refund the Series of 2001 Sewer Revenue Bonds and related fees and expenses in the approximate amount of \$7,000,000 and to fund capital improvements in the approximate amount of \$1,000,000. The note bears interest at a rate of 2.95% per annum with interest only payments to be made in 2011. The Township will pay monthly installments of interest and principal of \$93,655 through the maturity date of December 1, 2019. As of December 31, 2012, the balance of the bond is \$7,103,829.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

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

	Balance, January 1, 2012	Additions	Payments	Balance December 31, 2012	Due within one year
G. O. Bonds, 2011 (Sewer Revenue)	\$ 8,000,000		\$ (896,171)	\$ 7,103,829	\$ 926,874
G. O. Bonds, 2010:					
Note #1	336,684		(166,557)	170,127	170,127
Note #2	985,967		(260,088)	725,879	266,629
Note #3 (Sewer Revenue)	607,931		(68,848)	539,083	70,967
Note #4 (Sewer Revenue)	1,000,000		(98,856)	901,144	102,065
	<u>\$ 10,930,582</u>		<u>\$ (1,490,520)</u>	<u>\$ 9,440,062</u>	<u>\$ 1,536,662</u>

Scheduled principal maturities are as follows:

Year	G. O. Bond 2011	G. O. Bond 2010 #1	G. O. Bond 2010 #2	G. O. Bond 2010 #3	G. O. Bond 2010 #4	Total
2013	\$ 926,874	\$ 170,127	\$ 266,629	\$ 70,967	\$ 102,065	\$ 1,536,662
2014	954,590		272,962	72,870	104,908	1,405,330
2015	983,134		186,288	74,825	107,829	1,352,076
2016	1,012,532			76,832	110,832	1,200,196
2017	1,042,809			78,893	113,919	1,235,621
2018	1,073,991			81,010	117,091	1,272,092
2019	1,109,899			83,686	120,352	1,313,937
2020					124,148	124,148
	<u>\$ 7,103,829</u>	<u>\$ 170,127</u>	<u>\$ 725,879</u>	<u>\$ 539,083</u>	<u>\$ 901,144</u>	<u>\$ 9,440,062</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

Minimum debt service requirements are as follows:

Year	G. O. Bond 2011	G. O. Bond 2010 #1	G. O. Bond 2010 #2	G. O. Bond 2010 #3	G. O. Bond 2010 #4	Total
2013	\$ 1,123,860	\$ 171,725	\$ 280,811	\$ 84,382	\$ 125,554	\$ 1,786,332
2014	1,123,860		280,810	84,381	125,555	1,614,606
2015	1,123,860		187,207	84,381	125,554	1,521,002
2016	1,123,860			84,381	125,554	1,333,795
2017	1,123,860			84,381	125,554	1,333,795
2018	1,123,860			84,381	125,554	1,333,795
2019	1,123,860			84,382	125,555	1,333,797
2020					125,554	125,554
	<u>\$ 7,867,020</u>	<u>\$ 171,725</u>	<u>\$ 748,828</u>	<u>\$ 590,669</u>	<u>\$ 1,004,434</u>	<u>\$ 10,382,676</u>

**4. Property taxes and assessments:**

*Real estate and fire hydrant taxes:*

The Township's property and fire hydrant taxes are levied each February 15 on the assessed value as of January 1 as maintained by the County. Real property taxes are assessed on all nonexempt real property located in the Township. The fire hydrant tax is assessed on those residents owning real property in the Township within 780 feet of a fire hydrant. The millage rates for 2012 were 1.6 mills - real estate and .06 mills - fire hydrant.

*Street light assessments:*

The Township's street light assessment is levied each February 15 and is based on the road frontage footage of nonexempt property served by street lights. The assessment rates for the year ended December 31, 2012 were 23.0 cents/foot for unimproved and 85.0 cents/foot for improved road frontage.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

#### **4. 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.

#### **5. Sewage treatment agreement:**

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

The original agreement was reached on December 28, 1976. Under the agreement, the municipalities will pay their pro rata shares of operating and administrative costs of the treatment plant. During 2012, the Township paid costs to Lower Allen Township of \$98,313. All payments were made from the Sewer Fund. During 2012, the Township did not transfer any funds to the Authority for operating costs.

#### **6. Defined benefit pension plans:**

##### *Plan descriptions:*

Fairview Township employees are covered under one of two defined benefit pension plans administered by the Township as a single-employer public employee retirement system (PERS). The employees are covered according to their occupation in either the Nonuniformed or Police Pension Plans. The plans are controlled by the provisions of the Township ordinances and Collective Bargaining Agreement adopted pursuant to Act 600 as enacted by the Pennsylvania legislature in 1988. The Township has delegated the authority to manage plan assets to Mellon Bank as trustee of the respective plan assets. The respective plan assets may be used only for the payment of benefits to members and plan expenses, in accordance with the terms of the plan. The plans provide retirement, disability and death benefits to plan members and their beneficiaries.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

*Plan membership:*

As of January 1, 2013, participation in the respective plans is as follows:

Nonuniformed pension plan:

Membership as of January 1, 2013:

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

Total 47

Police pension plan:

Membership as of January 1, 2013:

Retirees and beneficiaries currently receiving benefits	10
Terminated employees entitled to deferred benefits	2
Active members	<u>14</u>

Total 26

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

*Plan membership (continued):*

A summary of employee eligibility requirements and benefits as of January 1, 2013 is as follows:

	Nonuniformed	Police
a. Covered employees	All full-time nonuniformed employees	All full-time police
b. Eligibility for benefits	After age 65, or age 60 and completion of 25 years of service	After age 50 and completion of 25 years of service
c. Monthly pension benefit	Equal to 2.00% of average monthly pay times the number of years of service completed; if hired prior to January 1, 2001, 1.5% of average monthly pay times the number of years of service up to a maximum of 25 years, if greater. Service increment of \$100 per month for members who complete 26 or more years of service, with maximum of \$300 additional per month.	Equal to 50% of average monthly pay, plus a service increment of \$100 per month for members who complete 26 or more years of service, with maximum of \$300 additional per month.
	Average monthly pay is based upon the final plan year preceding retirement.	Average monthly pay is based upon the last 36 months of employment.
d. Vesting	Immediate 100%	Upon completion of 12 years of service.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

*Funding policy:*

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

Funding of the respective plans was provided as follows for 2012:

Description	Nonuniformed pension plan **	Police pension plan
Annual covered payroll	\$ 1,424,717	\$ 1,050,246
Employee contribution rate **	2.0% of gross wages	2.0% of gross wages
Employee contributions paid in 2012	\$ 28,341	\$ 22,601
Employer contributions paid in 2012	\$ 264,121	\$ 108,752
State aid contributions paid in 2012	\$ 100,131	\$ 107,283
Total contributions made as a percentage of payroll	27.6%	22.7%

\*\* Members hired on or before August 29, 2011 contribute 2% of compensation. Members hired after August 29, 2011, contribute 5% of compensation.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

*Funding policy (continued):*

The funded status of each plan as of January 1, 2013, the most recent actuarial valuation date, is as follows:

	Market related value of assets	Entry age actuarial accrued liability	Unfunded actuarial accrued liability	Net position as a percentage of total liability	Funded ratio	Annual covered payroll	Unfunded actuarial accrued liability as a percentage of covered payroll
Police	\$ 7,387,669	\$ 7,444,278	\$ 56,609	0.8 %	99.2 %	\$ 1,050,246	5.4 %
Nonuniformed	5,613,539	6,312,722	699,183	11.1	88.9	1,424,717	49.1

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

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

*Annual pension cost and net pension asset:*

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

	<u>Nonuniformed pension plan</u>	<u>Police pension plan</u>
Annual required contribution	\$ 361,546	\$ 216,035
Interest on net pension asset	(23,975)	(5,482)
Adjustment to annual required contribution	<u>48,928</u>	<u>7,119</u>
Annual pension cost	386,499	217,672
Contributions made	<u>364,252</u>	<u>216,035</u>
Decrease in net pension asset	22,247	1,637
Net pension asset:		
Beginning of year	<u>(342,494)</u>	<u>(78,308)</u>
End of year	<u><u>\$ (320,247)</u></u>	<u><u>\$ (76,671)</u></u>

The Township's nonuniformed and police pension plan's records indicate a net pension asset of approximately \$396,918 as of December 31, 2012.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

	<u>Nonuniformed pension plan</u>	<u>Police pension plan</u>
Actuarial valuation date	January 1, 2013	January 1, 2013
Actuarial cost method	Entry age normal	Entry age normal
Actuarial value of assets	Market value	Market value
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	7 years	11 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	5.0%	5.0%
Cost of living	3.0%	3.0%
Mortality	RP2000 Table	RP2000 Table

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

Investments are purchased by the trustee as part of the Pension Trust Funds. The investments are stated at fair value as of December 31, 2012 and consist of the following:

	<u>Cost</u>	<u>Fair value</u>
Nonuniformed pension:		
Temporary investments and deposits	\$ 42,083	\$ 42,083
Funds, collective trust funds	<u>4,475,976</u>	<u>5,583,090</u>
	<u>4,518,059</u>	<u>5,625,173</u>
Police pension:		
Temporary investments and deposits	26,121	26,121
Funds, collective trust funds	<u>5,821,862</u>	<u>7,364,399</u>
	<u>5,847,983</u>	<u>7,390,520</u>
Investments, pension	<u>\$ 10,366,042</u>	<u>\$ 13,015,693</u>

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

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

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

	Nonuniformed pension plan	Police pension plan
Net realized gains	\$ 143,340	\$ 178,031
Net unrealized gains	558,135	752,664
Net appreciation in fair value of investments	\$ 701,475	\$ 930,695

*Three-year trend information:*

<u>Nonuniformed pension plan</u>	Annual pension cost (APC)	Percentage of APC contributed	Net pension asset
Year			
2012	\$ 386,499	97 %	\$ (320,247)
2011	371,409	100	(342,494)
2010	281,873	100	(192,717)

  

<u>Police pension plan</u>	Annual pension cost (APC)	Percentage of APC contributed	Net pension asset
Year			
2012	\$ 217,672	100 % +	\$ (76,671)
2011	218,312	100 +	(78,308)
2010	139,987	100	(11,656)

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

#### **7. Compensated absences:**

The Township allows nonuniformed and uniformed employees to accumulate unused sick leave to a maximum of 180 days under their collective bargaining agreements. The Township allows nonuniformed and police employees to accumulate vested unused vacation time to a maximum of 50 days under the collective bargaining agreement. Upon termination, the vested unused vacation time is paid to the stated maximums. Sick leave is vested and paid upon termination for nonuniformed employees in accordance with Township policy and to police officers at 50% of all accumulated sick leave upon termination under the collective bargaining agreement.

As of December 31, 2012, the liability for vested unused vacation and sick leave is approximately \$610,745. These amounts include payroll related tax liabilities.

#### **8. Commitments and contingencies:**

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, 2012 are approximately \$621,354.

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

The Township has committed to purchase nutrient credits, through a state program, over the next 15 years to reduce short-term capital costs for the sewer plants. The credits represent costs of removing farm waste that could have otherwise flowed into the Chesapeake Bay. In 2008, the Township purchased \$375,000 of nutrient credits in advance. Each year \$12,500 of this advance payment is used to meet the annual obligation. As of December 31, 2012, \$337,500 of the advance payment is still available. During 2012, the Township paid \$93,590, net of the \$12,500 advance payment, for the nutrient credits. The Township has commitments through 2024 of \$1,213,301, net of the advance payment of \$337,500 as of December 31, 2012.

During the year ended December 31, 2012, the Township entered into an agreement with a contractor for a sanitary sewer improvement project for \$318,298. The project is expected to be completed during 2013. There is approximately \$36,606 outstanding on the contract at December 31, 2012.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

During the year ended December 31, 2012, the Township entered into an agreement with a contractor for improvements to the north wastewater treatment plant for \$905,000. The project is expected to be completed during 2013. There is approximately \$542,300 outstanding on the contract at December 31, 2012.

The Township executed a five-year lease agreement commencing January 1, 2008 and ending on December 31, 2012 for office space for the Township's police department. On November 30, 2012, the lease was renewed until December 31, 2017. The lease has a five-year renewal option available. Either party may terminate the lease at the end of a five-year term with written notice. The future minimum lease payments are as follows:

2013	\$ 52,849
2014	54,434
2015	56,067
2016	57,750
2017	<u>59,482</u>
	<u>\$ 280,582</u>

**9. 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.

The Township participates in a self-funded trust with other municipalities to provide medical benefits to employees and retirees. Under the trust plan, the Township pays reasonable and customary healthcare expenses. For the year ended December 31, 2012, the Township paid premiums of \$557,581. Actual claims paid for the year ended December 31, 2012 were \$689,172 less reimbursements of \$45,195, or net claims of approximately \$643,977.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

**10. 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, 2012 were zero.

**11. Reservations of fund equity:**

Reservations of fund balances as of December 31, 2012 are not appropriable for expenditure, or are legally segregated for specific purposes as follows:

General fund (listed as committed funds by Board of Supervisors):

Compensated absences, Township employees	\$ 820,627
Pooled sick days, police	97,752
Future pension costs, minimum municipal obligations	<u>716,479</u>
	<u>\$ 1,634,858</u>

Postemployment benefits trust funds, healthcare benefits \$ 1,960,081

Pension trust funds, employee benefits \$ 13,015,693

Reserved retained earnings of the Proprietary Funds as of December 31, 2012 consist of the following:

Sewer reserve fund, reserved for debt retirement \$ 1,223,080

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

**12. Capital assets:**

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Capital assets not being depreciated, land	\$ 542,800			\$ 542,800
Capital assets being depreciated:				
Vehicles and equipment	5,210,364	\$ 251,996	\$ 82,801	5,379,559
Buildings and improvements	4,273,109	11,351		4,284,460
Refuse improvements and equipment	532,898			532,898
Sewer improvements and equipment	20,838,348	1,577,083		22,415,431
Roads, traffic signals and storm sewers	45,137,367	957,520		46,094,887
Total capital assets being depreciated	75,992,086	2,797,950	82,801	78,707,235
Less accumulated depreciation:				
Vehicles and equipment	3,035,987	371,239	82,801	3,324,425
Buildings and improvements	704,274	86,037		790,311
Refuse improvements and equipment	174,412	23,977		198,389
Sewer improvements and equipment	10,323,581	549,880		10,873,461
Roads, traffic signals and storm sewers	26,542,685	1,508,174		28,050,859
Total accumulated depreciation	40,780,939	2,539,307	82,801	43,237,445
Capital assets, net	\$ 35,753,947	\$ 258,643	\$ -	\$ 36,012,590

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

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

Depreciation expense was charged to functions as follows:

Refuse	\$ 23,977
Sewer	549,880
General government	64,401
Public safety	209,250
Highways	1,656,466
Recreation	<u>35,333</u>
Total depreciation expense	<u>\$ 2,539,307</u>

**13. Other postemployment medical benefits:**

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

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

Effective January 1, 2000, the Township shall provide medical benefits to police officers and their spouses for all officers retiring for disability or normal age and service retirement. Benefits will be paid for a period of five years from the date of the officer's retirement. The officer may not be eligible for medical coverage from any other employer-sponsored healthcare plan, including a plan sponsored by the employer of their spouse. Currently, there is one retired officer receiving this benefit.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

**13. Other postemployment medical benefits (continued):**

Effective January 1, 2006, the Township shall provide medical benefits to full-time, nonuniform employees and their spouses for all employees retiring at normal retirement age pursuant to the Nonuniformed Pension Plan and a minimum service requirement of 12 years. Benefits shall extend for five years from the date of the employee's retirement and shall only be provided if the employee certifies in writing, on or before the anniversary date of his/her retirement, that he or she is not eligible for coverage under any other employer-sponsored healthcare plan, including a plan sponsored by the employer of his or her spouse. Further, for spousal coverage, the employee must be legally married to his/her spouse at the time of retirement. An employee must choose and be eligible for this benefit at the time of his or her retirement. Currently, there are four nonuniformed employees receiving these benefits.

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

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

**13. Other postemployment medical benefits (continued):**

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

	Nonuniformed employees	Police employees
Annual required contribution	\$ 37,530	\$ 65,337
Interest on net OPEB obligation	(44,071)	(23,495)
Adjustment to annual required contribution	60,124	32,054
 Annual OPEB cost	 53,583	 73,896
Contributions made	24,534	24,534
 Decrease in net OPEB asset	 53,583	 49,362
 Net OPEB asset:		
Beginning of year	(979,361)	(522,117)
End of year	\$ (925,778)	\$ (472,755)

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

**13. Other postemployment medical benefits (continued):**

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

<u>Nonuniformed employees</u>			
<u>Year</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB (asset) liability</u>
2012	\$ 53,583	- %	\$ (925,778)
2011	53,126	100.0 +	(979,361)
2010	69,618	100.0 +	(951,847)
<u>Police employees</u>			
<u>Year</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB (asset) liability</u>
2012	\$ 73,896	33.2 %	\$ (472,755)
2011	73,917	100.0 +	(522,117)
2010	76,797	100.0 +	(523,442)

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

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

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

**13. Other postemployment medical benefits (continued):**

Investments are purchased by the trustee as part of the OPEB Trust Funds. The investments are stated at fair value as of December 31, 2012 and consist of the following:

	Cost	Fair value
Nonuniformed plan:		
PNC Advantage Government Fund	\$ 20,055	\$ 20,055
U.S. treasury bills; .18%; 3/7/13	129,960	129,960
U.S. treasury notes; 2.00%; 2/15/22	430,303	456,263
U.S. treasury notes; .25%; 2/28/14	108,817	109,153
U.S. treasury notes; .75%; 2/28/17	216,442	221,510
U.S. treasury notes; .38%; 3/15/15	217,192	218,687
	1,122,769	1,155,628
Police plan:		
PNC Advantage Government Fund	16,895	16,895
U.S. treasury bills; .18%; 3/7/13	84,974	84,974
U.S. treasury notes; 2.00%; 2/15/22	284,915	302,091
U.S. treasury notes; .25%; 2/28/14	72,883	73,102
U.S. treasury notes; .75%; 2/28/17	143,953	147,335
U.S. treasury notes; .38%; 3/15/15	144,462	145,456
	748,082	769,853
Investments, OPEB	\$ 1,870,851	\$ 1,925,481

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

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

#### **13. Other postemployment medical benefits (continued):**

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

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

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

The actuarial assumptions used are generally in line with the assumptions used for the Fairview Township Police Pension Plan and the Fairview Township Nonuniformed Pension Plan. Also, an assumption as to annual increases in healthcare cost was introduced at 7.5% in 2012 and decreases by 0.5% per year to 5.5% in 2016. Since benefits are unrelated to salary, the use of the salary scale was limited to the allocation of costs to each year of service under the entry age normal actuarial cost method. Premium rates for the plan were based upon the combined experience of active and retired lives.

During 2010, the Township established irrevocable trusts for both the uniformed and nonuniformed employees for postemployment medical benefits as required by GASB standards. The Township funded both trusts during 2010 using the funds it had previously set aside for this purpose. The Township has presented statements of postemployment benefits net position and changes in net position as of December 31, 2012.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

**14. Deferred compensation plan:**

The Township has a deferred compensation plan authorized under Internal Revenue Code Section 457 which is available to its full-time employees. Participation in the plan is voluntary and it is funded only by employee contributions.

The Township follows GASB Statement 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. GASB Statement 32 was adopted in response to amendments of Internal Revenue Code 457 which now requires that a 457 deferred compensation plan hold all assets and income of the plan for the exclusive benefit of the participants and their beneficiaries. The Township has amended the plan to comply with the Code Section amendments. Accordingly, the plan is not reported as part of these financial statements.

**15. Subsequent events:**

In 2013, the Township agreed to a new collective bargaining agreement with the police department through December 31, 2014. The previous contract had expired on December 31, 2011. As a result of the increase in employee wages in the new contract retroactive to January 1, 2012, the Township had to pay employees approximately \$150,000 of wages retroactive to the 2012 calendar year in 2013.

The Township has evaluated events through July 8, 2013, the date which the financial statements were available to be issued.

**16. Interfund receivables and payables:**

As of December 31, 2012, Township interfund receivables and payables consist of the following:

<u>Receivable fund</u>		<u>Payable fund</u>	
Capital reserve fund	\$ 50,330	Fire station fund	\$ 204,480
LST fund	<u>204,480</u>	Fire hydrant fund	<u>50,330</u>
	<u>\$ 254,810</u>		<u>\$ 254,810</u>

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

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

**17. Prior period adjustment:**

	<u>Sewer fund</u>	<u>Business-type activities</u>	<u>Primary government</u>
Net position, as originally stated, December 31, 2011	\$ 3,083,555	\$ 5,426,682	\$ 34,846,949
Prior period adjustment	<u>648,750</u>	<u>648,750</u>	<u>648,750</u>
Net position, as restated, December 31, 2011	<u>\$ 3,732,305</u>	<u>\$ 6,075,432</u>	<u>\$ 35,495,699</u>

The \$648,750 of revenue was recorded by the Township as deferred revenues in past years. This amount should have been recognized as revenue over the past few years as the Township and developers met their respective obligations. Township management determined an adjustment was necessary to recognize these revenues earned in the past few years with the December 31, 2011 net position.

**18. New pension accounting pronouncements:**

GASB Statement No. 67, *Financial Reporting for Pension Plans*, revises existing guidance for separately issued financial reports of most pension plans. The statement is effective for years beginning after June 15, 2013.

GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*, revises and establishes new financial reporting requirements for the Township concerning pension benefits provided for employees. The standard will improve the way the Township reports its pension liabilities and expenses. This statement will be effective for years beginning after June 15, 2014. The Township is still evaluating the potential effects of this pronouncement on its financial statements.

**FAIRVIEW TOWNSHIP**

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

January 1	Market related value of assets	Entry age actuarial accrued liability	Unfunded actuarial accrued liability	Net position as a percentage of total liability	Funded ratio	Annual covered payroll	Unfunded actuarial accrued liability as a percentage of covered payroll
2011	\$ 6,571,653	\$ 7,034,498	\$ 462,845	6.6 %	93.4 %	\$ 1,129,831	41.0 %
2012	6,650,380	7,407,977	757,597	10.2	89.8	1,140,865	66.4
2013	7,387,669	7,444,278	56,609	0.8	99.2	1,050,246	5.4

**FAIRVIEW TOWNSHIP**

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

January 1	Market related value of assets	Entry age actuarial accrued liability	Unfunded actuarial accrued liability	Net position as a percentage of total liability	Funded ratio	Annual covered payroll	Unfunded actuarial accrued liability as a percentage of covered payroll
2011	\$ 4,546,408	\$ 5,924,371	\$ 1,377,963	23.3 %	76.7 %	\$ 1,406,440	98.0 %
2012	4,907,221	6,199,577	1,292,356	20.8	79.2	1,417,956	91.1
2013	5,613,539	6,312,722	699,183	11.1	88.9	1,424,717	49.1

**FAIRVIEW TOWNSHIP**

(REQUIRED SUPPLEMENTARY INFORMATION)  
SCHEDULE OF INTEREST RATE SENSITIVITY TESTING

Nonuniformed  
pension plan

<u>Interest rate</u>	<u>Market related value of assets</u>	<u>Entry age actuarial accrued liability</u>	<u>Unfunded actuarial accrued liability</u>	<u>Net position as a percentage of total liability</u>	<u>Funded ratio</u>
6.00 %	\$ 5,613,539	\$ 7,006,282	\$ 1,392,743	19.9 %	80.1 %
7.00	5,613,539	6,312,722	699,183	11.1	88.9
8.00	5,613,539	5,639,511	25,972	0.5	99.5

Police  
pension plan

<u>Interest rate</u>	<u>Market related value of assets</u>	<u>Entry age actuarial accrued liability</u>	<u>Unfunded actuarial accrued liability</u>	<u>Net position as a percentage of total liability</u>	<u>Funded ratio</u>
6.00 %	\$ 7,387,669	\$ 8,488,456	\$ 1,100,787	13.0 %	87.0 %
7.00	7,387,669	7,444,278	56,609	0.8	99.2
8.00	7,387,669	6,581,605	(806,064)	(12.2)	112.2

**FAIRVIEW TOWNSHIP**

(REQUIRED SUPPLEMENTARY INFORMATION)  
SCHEDULE OF CHANGES OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

<u>Nonuniformed pension plan</u>	
Modification in plan	\$ -
Changes in actuarial assumptions	(298,746)
2011 Investment (gain)/loss	292,846
2012 Investment (gain)/loss	(326,334)
Experience (gain)/loss	(326,528)
<u>Police pension plan</u>	
Modification in plan	\$ -
Changes in actuarial assumptions	(406,695)
2011 Investment (gain)/loss	404,593
2012 Investment (gain)/loss	(437,347)
Experience (gain)/loss	(502,256)

**FAIRVIEW TOWNSHIP**

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

Year	Nonuniformed pension plan			Police pension plan		
	Annual required contribution	Contributions from employer	Contribution deficiency (surplus)	Annual required contribution	Contributions from employer	Contribution deficiency (surplus)
2012	\$ 361,546	\$ 364,252	\$ (2,706)	\$ 216,035	\$ 216,035	\$ -
2011	365,628	521,186	(155,558)	218,312	284,964	(66,652)
2010	281,425	459,673	(178,248)	139,987	151,643	(11,656)
2009	281,259	281,260	(1)	127,822	127,822	-
2008	269,449	269,449	-	92,234	92,234	-
2007	273,563	273,563	-	104,217	104,217	-
2006	269,313	269,313	-	97,925	97,925	-
2005	258,128	258,128	-	140,081	140,081	-
2004	156,018	160,125	(4,107)			
2003	147,094	147,094	-			

Notes to required supplementary information:

	Nonuniformed pension plan	Police pension plan
Actuarial valuation date	January 1, 2013	January 1, 2013
Actuarial cost method	Entry age normal	Entry age normal
Actuarial value of assets	Market value	Market value
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	7 years	11 Years
Asset valuation method	Market value as determined by Trustee	Market value as determined by Trustee

(continued)

**FAIRVIEW TOWNSHIP**

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

	<u>Nonuniformed pension plan</u>	<u>Police pension plan</u>
Actuarial assumptions:		
Investment rate of return	7.0%	7.0%
Projected salary increases	5.0%	5.0%
Cost of living	3.0%	3.0%
Mortality	RP2000 Table	RP2000 Table

**FAIRVIEW TOWNSHIP**

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

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

	Nonuniformed	Police
Actuarial valuation date	January 1, 2011	January 1, 2011
Actuarial assumptions, actuarial cost method	Entry age normal	Entry age normal
Healthcare cost trend rate	7.5% in 2012, decreasing 0.5% per year to 5.5% in 2016	7.5% in 2011, decreasing 0.5% per year to 5.5% in 2016
Retiree contributions	Increase at same rate as the healthcare cost trend rate	Increase at same rate as the healthcare cost trend rate
Interest rate	4.5%	4.5%
Salary increase	6.00%	5.00%
Premium rates	Combined experience of active and retired lives	Combined experience of active and retired lives
Retirement	Age 65 or, if earlier, age 60 with completion of 25 years	Age 50 with completion of 25 years

**FAIRVIEW TOWNSHIP**

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

GENERAL FUND

YEAR ENDED DECEMBER 31, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Taxes	\$ 4,840,500	\$ 4,840,500	\$ 5,144,484	\$ 303,984
Licenses, permits and fees	3,100	3,100	2,162	(938)
Fines and penalties	105,000	105,000	95,270	(9,730)
Interest and rents	500	500	2,983	2,483
Intergovernmental	359,095	359,095	589,297	230,202
Service fees	223,050	223,050	213,516	(9,534)
Miscellaneous	27,200	27,200	67,890	40,690
Total revenues	<u>5,558,445</u>	<u>5,558,445</u>	<u>6,115,602</u>	<u>557,157</u>
Expenditures:				
General government	528,321	528,321	542,325	14,004
Public safety	3,222,093	3,222,093	3,029,150	(192,943)
Health and welfare	20,000	20,000	17,940	(2,060)
Highways	1,512,154	1,512,154	1,513,525	1,371
Culture and recreation	156,316	156,316	204,334	48,018
Debt service	171,725	171,725	171,725	-
Miscellaneous	2,000	2,000	3,245	1,245
Total expenditures	<u>5,612,609</u>	<u>5,612,609</u>	<u>5,482,244</u>	<u>(130,365)</u>
Excess of revenues over expenditures	(54,164)	(54,164)	633,358	687,522
Other financing sources (uses), interfund transfers received	<u>58,500</u>	<u>58,500</u>		<u>(58,500)</u>

(continued)

**FAIRVIEW TOWNSHIP**

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

GENERAL FUND

YEAR ENDED DECEMBER 31, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>\$ 4,336</u>	<u>\$ 4,336</u>	\$ 633,358	<u>\$ 629,022</u>
Fund balance:				
Beginning of year			<u>1,661,695</u>	
End of year			<u>\$ 2,295,053</u>	

**Budgets:**

Prior to the beginning of each fiscal year, an annual budget is adopted for the General Fund, Highway Aid Fund, Capital Reserve Fund, Capital Project Fund, Fire Hydrant Fund, Fire Service Fund, EMS Service Fund and Street Light Fund. Encumbrances and appropriations outstanding at December 31 are reported as reservations of fund balances and do not constitute expenditures, expenses or liabilities of the present year because the commitments will be honored in the subsequent year.

**FAIRVIEW TOWNSHIP**

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

HIGHWAY AID FUND

YEAR ENDED DECEMBER 31, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Interest and rents	\$ 4,000	\$ 4,000	\$ 4,304	\$ 304
Intergovernmental	<u>402,430</u>	<u>402,430</u>	<u>425,771</u>	<u>23,341</u>
Total revenues	<u>\$ 406,430</u>	<u>\$ 406,430</u>	430,075	<u>\$ 23,645</u>
Fund balance:				
Beginning of year			<u>751,844</u>	
End of year			<u>\$ 1,181,919</u>	

**FAIRVIEW TOWNSHIP**

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

CAPITAL PROJECTS FUND

YEAR ENDED DECEMBER 31, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Licenses, permits and fees	\$ 232,000	\$ 232,000	\$ 255,665	\$ 23,665
Interest and rents	700	700	569	(131)
Total revenues	<u>232,700</u>	<u>232,700</u>	<u>256,234</u>	<u>23,534</u>
Expenditures, general government			<u>5,900</u>	<u>5,900</u>
Excess of revenues over expenditures	<u>232,700</u>	<u>232,700</u>	<u>250,334</u>	<u>17,634</u>
Other financing sources (uses), interfund transfers expended			<u>(178,197)</u>	<u>(178,197)</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>\$ 232,700</u>	<u>\$ 232,700</u>	<u>72,137</u>	<u>\$ (160,563)</u>
Fund balance:				
Beginning of year			<u>658,818</u>	
End of year			<u>\$ 730,955</u>	

**FAIRVIEW TOWNSHIP**

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEETS**

DECEMBER 31, 2012

	Fire station fund	LST fund	Street light fund	Fire service fund	Fire hydrant fund	EMS service fund	Fairview Township Fire Department	Total
ASSETS								
Cash and investments	\$ 43,652	\$ 651,791	\$ 28,148	\$ 6,087	\$ (5,485)	\$ (13,225)	\$ 21,175	\$ 732,143
Accounts receivable						1,142		1,142
Due from other funds		204,480						204,480
<b>Total assets</b>	<b>\$ 43,652</b>	<b>\$ 856,271</b>	<b>\$ 28,148</b>	<b>\$ 6,087</b>	<b>\$ (5,485)</b>	<b>\$ (12,083)</b>	<b>\$ 21,175</b>	<b>\$ 937,765</b>

LIABILITIES AND FUND BALANCES (DEFICIT)

LIABILITIES:								
Due to other funds	\$ 204,480				\$ 50,330			\$ 254,810
Accounts payable	695		\$ 3,858	\$ 1,642	3,746	\$ 564		10,505
<b>Total liabilities</b>	<b>205,175</b>		<b>3,858</b>	<b>1,642</b>	<b>54,076</b>	<b>564</b>		<b>265,315</b>
<b>Fund balances (deficit)</b>	<b>(161,523)</b>	<b>\$ 856,271</b>	<b>24,290</b>	<b>4,445</b>	<b>(59,561)</b>	<b>(12,647)</b>	<b>\$ 21,175</b>	<b>672,450</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 43,652</b>	<b>\$ 856,271</b>	<b>\$ 28,148</b>	<b>\$ 6,087</b>	<b>\$ (5,485)</b>	<b>\$ (12,083)</b>	<b>\$ 21,175</b>	<b>\$ 937,765</b>

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2012

	Fire station fund	LST fund	Street light fund	Fire service fund	Fire hydrant fund	EMS service fund	Fairview Township Fire Department	Total
<b>Revenues:</b>								
Taxes	\$ 42	\$ 368,528	\$ 67,185	\$ 213,070	\$ 49,517	\$ 213,070	\$	\$ 911,370
Interest and rents		418	33	64	5	48	131	741
Intergovernmental revenue				5,776				5,776
Miscellaneous revenue	83,700			85,281		5	101,521	270,507
<b>Total revenues</b>	<b>83,742</b>	<b>368,946</b>	<b>67,218</b>	<b>304,191</b>	<b>49,522</b>	<b>213,123</b>	<b>101,652</b>	<b>1,188,394</b>
<b>Expenditures:</b>								
General government				856		856		1,712
Public safety	76,114			250,052	45,014	172,590	126,158	669,928
Highways, roads and streets			58,067					58,067
Debt service	280,810							280,810
<b>Total expenditures</b>	<b>356,924</b>		<b>58,067</b>	<b>250,908</b>	<b>45,014</b>	<b>173,446</b>	<b>126,158</b>	<b>1,010,517</b>
<b>Excess (deficiency) of revenues over expenditures before other financing sources (uses)</b>	<b>(273,182)</b>	<b>368,946</b>	<b>9,151</b>	<b>53,283</b>	<b>4,508</b>	<b>39,677</b>	<b>(24,506)</b>	<b>177,877</b>

(continued)

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2012

	Fire station fund	LST fund	Street light fund	Fire service fund	Fire hydrant fund	EMS service fund	Fairview Township Fire Department	Total
Other financing sources (uses), transfers in (out)	\$ 280,810	\$ (280,810)						\$ -
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	7,628	88,136	\$ 9,151	\$ 53,283	\$ 4,508	\$ 39,677	\$ (24,506)	177,877
Fund balance (deficit):	(169,151)	768,135	15,139	(48,838)	(64,069)	(52,324)	45,681	494,573
Beginning of year	\$ (161,523)	\$ 856,271	\$ 24,290	\$ 4,445	\$ (59,561)	\$ (12,647)	\$ 21,175	\$ 672,450
End of year								