

***FAIRVIEW TOWNSHIP***

***YEAR ENDED DECEMBER 31, 2014***

**FAIRVIEW TOWNSHIP**

YEAR ENDED DECEMBER 31, 2014

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## 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, 2014, 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 from 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, 2014, 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.

## **Change in Accounting Principle**

As discussed in Note 17 to the financial statements, in 2014 the Township adopted new accounting guidance, Governmental Auditing Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

## **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 and budgetary comparison information and schedule for the Capital Projects fund 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.

The budgetary comparison information and schedule for the Capital Projects fund has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurances on it.

*Brown Schultz Steidan & Fritz*

June 22, 2015  
Camp Hill, PA

## **FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2014

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 \$39,530,829 as of December 31, 2014. Net position increased by \$1,266,059 in 2014.
- ◆ The total cost of all the Township's programs was \$13,154,676.
- ◆ During the year, the Township had expenses of \$8,131,763 from governmental activities, which was \$425,159 less than the \$8,556,922 generated in general revenues and program revenues. These figures do include developer contributions of \$172,147.
- ◆ The Township refuse and sewer activities increased net position by \$668,753 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, 2014

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

The analysis of the Township as a whole begins on page 13. 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 deferred outflows of resources less liabilities and deferred inflows of resources - 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, 2014

**Government-wide financial analysis**

The following table reflects the condensed statement of net position:

**Statement of Net Position**

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets	\$ 20,125,568	\$ 19,588,130
Noncurrent assets	<u>41,914,833</u>	<u>38,737,330</u>
Total assets	<u>\$ 62,040,401</u>	<u>\$ 58,325,460</u>
Liabilities:		
Current liabilities	\$ 3,347,503	\$ 3,065,275
Noncurrent liabilities	<u>19,162,069</u>	<u>16,995,415</u>
Total liabilities	<u>22,509,572</u>	<u>20,060,690</u>
Net position:		
Net investment in capital assets	28,167,469	28,421,770
Restricted	8,024,746	6,332,073
Unrestricted	<u>3,338,614</u>	<u>3,510,927</u>
Total net position	<u>39,530,829</u>	<u>38,264,770</u>
Total liabilities and net position	<u>\$ 62,040,401</u>	<u>\$ 58,325,460</u>

For more detailed information see the statement of net position on page 13.

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2014

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

**Statement of Activities**

	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 6,246,949	\$ 5,691,614
Operating grants and contributions	788,555	781,860
Capital grants and contributions	194,558	92,529
General revenues:		
Taxes	6,508,923	6,825,475
Cable TV franchise fees	278,441	270,186
Investment earnings	8,762	10,881
Developer contributions	172,147	235,793
Loss on sale of assets	(572)	16,494
Miscellaneous	222,972	229,856
	<u>14,420,735</u>	<u>14,154,688</u>
Total revenues		
Expenses:		
General government	870,770	676,919
Public safety	3,529,120	4,151,776
Health and welfare	21,260	25,380
Public works, land purchase	44,071	4,344
Highways	3,295,245	2,913,981
Culture and recreation	336,825	170,331
Interest	34,472	16,222
Sewer	3,506,721	3,255,052
Refuse	1,516,192	1,488,986
Fairview Township Authority		
	<u>13,154,676</u>	<u>12,702,991</u>
Total expenses		

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2014

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

**Statement of Activities (continued)**

	<u>2014</u>	<u>2013</u>
Change in net position	\$ 1,266,059	\$ 1,451,697
Net position:		
Beginning	<u>38,264,770</u>	<u>36,813,073</u>
Ending	<u><u>\$ 39,530,829</u></u>	<u><u>\$ 38,264,770</u></u>

For more detailed information see the statement of activities on pages 14 and 15.

The Township's combined net position increased to \$39,530,829 from \$38,264,770 as a result of the increase in net position of \$1,266,059. 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 \$3,338,614.

**The Township's funds**

*Governmental funds:*

At year-end, the governmental funds reported a combined fund balance of \$7,078,298, which is an increase of \$1,207,374 over the beginning of the year. The general fund experienced a net decrease of \$331,472.

*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 \$668,753 as a result of operations in the proprietary funds.

## **FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2014

#### **The Township's funds (continued)**

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

Over the course of the year, the Township monitors the Township budget. No budget amendments were required. During the year, revenues exceeded budgetary estimates by \$731,880, thus eliminating the need to draw upon existing fund balance. Expenditures were less than budgetary estimates by \$249,764. The decrease in expenditures was due primarily to less than expected expenditures for public safety and highways.

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

##### *Capital assets:*

The investment in capital assets for its governmental and business-type activities as of December 31, 2014, amounts to \$87,736,530, net of accumulated depreciation of \$48,458,411, leaving a net book value of \$39,278,119. 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 Township's investment in capital assets, net of debt decreased in 2014 by \$254,301. Actual expenditures to purchase or construct capital assets were \$5,837,811 and disposals were \$261,819 during 2014. The Township received assets contributed to the Township by developers of \$172,147 during 2014. The actual expenditures were used to purchase vehicles and equipment, \$1,799,985; infrastructure, \$463,166; sewer improvements, \$2,294,083 and refuse equipment, \$14,685. Depreciation charges for the year totaled \$2,856,718. Additional information on the Township's capital assets can be found in Note 11 of the notes to the financial statements of this report.

## **FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2014

#### **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 of \$20,815,772 at December 31, 2014 increased by \$613,151 in 2014 due to the issuance of the General Obligation Bond, Series 2014. 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 2015 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 and in future years. 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 2015 in comparison to 2014.

#### **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, 2014

#### **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 December 31, 2014, the police pension plan and the nonuniformed pension plan had net pension assets of \$799,857 and \$589,060, 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 pension plan.

#### **Postemployment medical benefit plans**

As of January 1, 2014, the police and nonuniformed postemployment medical benefit plans had an unfunded actuarial accrued liability and overfunded actuarial accrued asset of \$39,661 and \$281,234, respectively.

#### **Township sewer concerns**

The system provides sewer services to various residents of the Township and, through a separate agreement, with the Lower Allen Authority. The Township shares in approximately 8% of the costs of the improvements to the Lower Allen Authority. The Township issued a portion of the 2010 General Obligation Bonds in the aggregate principal of \$1,675,000 to cover its share of the costs of the improvements. The Township refinanced the 2010 debt in 2014.

The 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 unearned revenues.

## ***FAIRVIEW TOWNSHIP***

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

YEAR ENDED DECEMBER 31, 2014

#### **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, 2014, the Township has made \$468,413 of payments for nutrient credits through a Commonwealth program that allows municipalities to defer significant capital improvement costs associated with the Initiative.

#### **Significant sewer 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 two years. The Township borrowed \$9,990,000 of general obligation bonds in 2013 for construction of Phase 1 which began in 2014. The 2013 debt was issued in addition to the previously issued sewer debt of approximately \$9.3 million of debt.

#### **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, 2014

ASSETS

	Primary government		
	Governmental activities	Business-type activities	Total
Current assets:			
Cash and investments	\$ 7,429,271	\$ 11,656,037	\$ 19,085,308
Taxes receivable	259,615		259,615
Other receivables		468,145	468,145
Prepaid expenses		312,500	312,500
	<hr/>	<hr/>	<hr/>
Total current assets	<u>7,688,886</u>	<u>12,436,682</u>	<u>20,125,568</u>
Noncurrent assets:			
Net postemployment benefits asset (other than pensions)	1,247,797		1,247,797
Net pension asset	1,388,917		1,388,917
Capital assets, net	<u>23,640,153</u>	<u>15,637,966</u>	<u>39,278,119</u>
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	<u>26,276,867</u>	<u>15,637,966</u>	<u>41,914,833</u>
Total assets	<u>\$ 33,965,753</u>	<u>\$ 28,074,648</u>	<u>\$ 62,040,401</u>

See notes to financial statements.

## LIABILITIES AND NET POSITION

	Primary government		
	Governmental activities	Business-type activities	Total
Current liabilities:			
Accounts payable and accrued expenses	\$ 31,408	\$ 17,598	\$ 49,006
Unearned revenues		649,065	649,065
Accrued interest payable		38,650	38,650
Escrows payable	452,488		452,488
Current portion of long-term debt	681,893	1,476,401	2,158,294
Total current liabilities	<u>1,165,789</u>	<u>2,181,714</u>	<u>3,347,503</u>
Noncurrent liabilities:			
Bond and notes payable, net of original issue discount	882,315	17,642,287	18,524,602
Compensated absences	563,714	73,753	637,467
Total noncurrent liabilities	<u>1,446,029</u>	<u>17,716,040</u>	<u>19,162,069</u>
Total liabilities	<u>2,611,818</u>	<u>19,897,754</u>	<u>22,509,572</u>
Net position:			
Net investment in capital assets	22,075,945	6,091,524	28,167,469
Restricted for:			
Pension asset	1,388,917		1,388,917
Postemployment benefit asset	1,247,797		1,247,797
Capital projects	2,886,960		2,886,960
Highway aid	1,921,916		1,921,916
Street light	35,522		35,522
Debt retirement		543,634	543,634
Unrestricted	1,796,878	1,541,736	3,338,614
Total net position	<u>31,353,935</u>	<u>8,176,894</u>	<u>39,530,829</u>
Total liabilities and net position	<u>\$ 33,965,753</u>	<u>\$ 28,074,648</u>	<u>\$ 62,040,401</u>

**FAIRVIEW TOWNSHIP**

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

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
Primary government:							
Governmental activities:							
General government	\$ 870,770	\$ 17,936			\$ (852,834)		\$ (852,834)
Public safety	3,529,120	642,813	\$ 333,707		(2,552,600)		(2,552,600)
Health and welfare	21,260				(21,260)		(21,260)
Public works	44,071				(44,071)		(44,071)
Highways	3,295,245		454,848	\$ 84,172	(2,756,225)		(2,756,225)
Culture and recreation	336,825	10,900			(325,925)		(325,925)
Unallocated interest expense and bond costs	34,472				(34,472)		(34,472)
<b>Total governmental activities</b>	<b>8,131,763</b>	<b>671,649</b>	<b>788,555</b>	<b>84,172</b>	<b>(6,587,387)</b>		<b>(6,587,387)</b>
Business-type activities:							
Sewer	3,506,721	4,198,273				\$ 691,552	691,552
Refuse	1,516,192	1,377,027		110,386		(28,779)	(28,779)
<b>Total business-type activities</b>	<b>5,022,913</b>	<b>5,575,300</b>		<b>110,386</b>		<b>662,773</b>	<b>662,773</b>
<b>Total primary government</b>	<b>\$ 13,154,676</b>	<b>\$ 6,246,949</b>	<b>\$ 788,555</b>	<b>\$ 194,558</b>	<b>(6,587,387)</b>	<b>662,773</b>	<b>(5,924,614)</b>

(continued)

**FAIRVIEW TOWNSHIP**

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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					\$ 3,201,051		\$ 3,201,051
Real estate transfer					406,339		406,339
Earned income					2,436,175		2,436,175
Per capita					63,256		63,256
Emergency services					393,575		393,575
Public utility					8,527		8,527
Cable TV franchise fees					278,441		278,441
Investment earnings					2,782	\$ 5,980	8,762
Loss on sale of assets					(572)		(572)
Miscellaneous					222,972		222,972
					<u>7,012,546</u>	<u>5,980</u>	<u>7,018,526</u>
Total general revenues							
Developer contributions					<u>172,147</u>		<u>172,147</u>
Change in net position					597,306	668,753	1,266,059
Net position:							
Beginning					<u>30,756,629</u>	<u>7,508,141</u>	<u>38,264,770</u>
Ending					<u>\$ 31,353,935</u>	<u>\$ 8,176,894</u>	<u>\$ 39,530,829</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

**BALANCE SHEET – GOVERNMENTAL FUNDS – DECEMBER 31, 2014**

	General	Highway aid fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
ASSETS						
Cash and investments	\$ 1,645,169	\$ 1,921,916	\$ 1,626,406	\$ 1,260,554	\$ 975,226	\$ 7,429,271
Taxes receivable	207,676					207,676
Total assets	<u>\$ 1,852,845</u>	<u>\$ 1,921,916</u>	<u>\$ 1,626,406</u>	<u>\$ 1,260,554</u>	<u>\$ 975,226</u>	<u>\$ 7,636,947</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 31,408					\$ 31,408
Escrow deposits	452,488					452,488
Total liabilities	483,896					483,896
Deferred inflows of resources, unavailable revenues	74,753					74,753
Fund balances:						
Restricted:						
Street light fund					\$ 35,522	35,522
Highway aid fund		\$ 1,921,916				1,921,916
Committed:						
Capital projects fund				\$ 1,260,554		1,260,554
Capital reserve fund			\$ 1,626,406			1,626,406
Fire service fund					235,654	235,654
Fire department					25,923	25,923
EMS fund					23,820	23,820
Employee benefits	856,143					856,143
Fire hydrant fund					2,068	2,068
LST tax fund					610,582	610,582
Assigned, Fire Station					41,657	41,657
Unassigned	438,053					438,053
Total fund balances	1,294,196	1,921,916	1,626,406	1,260,554	975,226	7,078,298
Total liabilities and fund balances	<u>\$ 1,852,845</u>	<u>\$ 1,921,916</u>	<u>\$ 1,626,406</u>	<u>\$ 1,260,554</u>	<u>\$ 975,226</u>	<u>\$ 7,636,947</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2014

Total governmental fund balances	\$ 7,078,298
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.	23,640,153
Net pension asset is not included in the governmental funds.	1,388,917
Net postemployment benefits asset is not included in governmental funds.	1,247,797
Other assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds, tax revenues.	126,692
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	(563,714)
Long-term debt	<u>(1,564,208)</u>
Net position of governmental activities	<u><u>\$ 31,353,935</u></u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2014

	General	Highway aid fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
Revenues:						
Taxes	\$ 5,518,136				\$ 1,014,016	\$ 6,532,152
Licenses, permits and fees	3,711			\$ 278,441		282,152
Fines and penalties	80,555					80,555
Interest and rents	116	\$ 1,152	\$ 616	398	4,610	6,892
Intergovernmental revenue	381,406	454,848			715	836,969
Service fees	341,461					341,461
Contributions from private sector			45,000		196,137	241,137
Miscellaneous revenue	225,995				41,937	267,932
<b>Total revenues</b>	<b>6,551,380</b>	<b>456,000</b>	<b>45,616</b>	<b>278,839</b>	<b>1,257,415</b>	<b>8,589,250</b>
Expenditures:						
General government	647,897			5,120	2,004	655,021
Public safety	3,249,626				2,017,538	5,267,164
Health and welfare	21,260					21,260
Public works	5,138			38,933		44,071
Highways	1,981,970	139,269			63,659	2,184,898
Culture and recreation	184,083		122,119			306,202
Debt service	14,540				686,975	701,515
Miscellaneous	4,732					4,732
<b>Total expenditures</b>	<b>6,109,246</b>	<b>139,269</b>	<b>122,119</b>	<b>44,053</b>	<b>2,770,176</b>	<b>9,184,863</b>
Excess (deficiency) of revenues over expenditures	442,134	316,731	(76,503)	234,786	(1,512,761)	(595,613)

(continued)

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2014

	General	Highway aid fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
Other financing sources (uses):						
Bond issuance costs					\$ (22,284)	\$ (22,284)
Bond proceeds					1,779,555	1,779,555
Proceeds from sale of assets	\$ 45,716					45,716
Interfund transfers:						
Received	118,650		\$ 500,000	\$ 437,972		1,056,622
Expended	<u>(937,972)</u>			<u>(40,577)</u>	<u>(78,073)</u>	<u>(1,056,622)</u>
Total other financing sources (uses)	<u>(773,606)</u>		<u>500,000</u>	<u>397,395</u>	<u>1,679,198</u>	<u>1,802,987</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(331,472)	\$ 316,731	423,497	632,181	166,437	1,207,374
Fund balances:						
Beginning of year	<u>1,625,668</u>	<u>1,605,185</u>	<u>1,202,909</u>	<u>628,373</u>	<u>808,789</u>	<u>5,870,924</u>
End of year	<u>\$ 1,294,196</u>	<u>\$ 1,921,916</u>	<u>\$ 1,626,406</u>	<u>\$ 1,260,554</u>	<u>\$ 975,226</u>	<u>\$ 7,078,298</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2014

Net change in fund balances, total governmental funds	\$ 1,207,374
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, net of disposals	2,390,865
Deduct, depreciation expense	(2,114,845)
The change in value of the net pension asset is not reported in governmental funds.	316,047
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 decrease from the revenue previously unavailable.	(31,756)
Note proceeds provide current financial resources in the governmental funds, but issuing debt increases long term liabilities in the statement of net position	(1,779,555)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	689,327
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.	(73,352)
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>(6,799)</u>
Change in net position of governmental activities	<u>\$ 597,306</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – DECEMBER 31, 2014

ASSETS

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Current assets:			
Cash and investments	\$ 11,607,702	\$ 48,335	\$ 11,656,037
Accounts receivable	398,184	69,961	468,145
Prepaid expenses	312,500		312,500
	<u>12,318,386</u>	<u>118,296</u>	<u>12,436,682</u>
Total current assets			
	12,318,386	118,296	12,436,682
Noncurrent assets, capital assets, depreciable, net	<u>15,285,999</u>	<u>351,967</u>	<u>15,637,966</u>
Total assets	<u>\$ 27,604,385</u>	<u>\$ 470,263</u>	<u>\$ 28,074,648</u>

(continued)

**FAIRVIEW TOWNSHIP**

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – DECEMBER 31, 2014 (CONTINUED)

LIABILITIES AND NET POSITION

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Current liabilities:			
Accounts payable and accrued expenses	\$ 17,166	\$ 432	\$ 17,598
Accrued interest payable	38,650		38,650
Unearned revenues	649,065		649,065
Current portion of long-term debt	<u>1,476,401</u>		<u>1,476,401</u>
Total current liabilities	<u>2,181,282</u>	<u>432</u>	<u>2,181,714</u>
Noncurrent liabilities:			
Bonds and notes payable, net of original issue discount	17,642,287		17,642,287
Compensated absences	<u>71,786</u>	<u>1,967</u>	<u>73,753</u>
Total noncurrent liabilities	<u>17,714,073</u>	<u>1,967</u>	<u>17,716,040</u>
Total liabilities	<u>19,895,355</u>	<u>2,399</u>	<u>19,897,754</u>
Net position:			
Net investment in capital assets	5,739,557	351,967	6,091,524
Reserved, bond retirement	543,634		543,634
Unreserved	<u>1,425,839</u>	<u>115,897</u>	<u>1,541,736</u>
Total net position	<u>7,709,030</u>	<u>467,864</u>	<u>8,176,894</u>
Total liabilities and net position	<u>\$ 27,604,385</u>	<u>\$ 470,263</u>	<u>\$ 28,074,648</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2014

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 3,869,870	\$ 1,374,262	\$ 5,244,132
Sewer permits	309,625		309,625
Miscellaneous	18,778	2,765	21,543
	<u>4,198,273</u>	<u>1,377,027</u>	<u>5,575,300</u>
Total operating revenues			
Operating expenses:			
Personnel	844,630	213,192	1,057,822
Collection, disposal and treatment	1,346,493	1,274,042	2,620,535
Amortization	14,377		14,377
Depreciation	712,915	28,958	741,873
	<u>2,918,415</u>	<u>1,516,192</u>	<u>4,434,607</u>
Total operating expenses			
Excess (deficiency) of operating revenues over expenses	<u>1,279,858</u>	<u>(139,165)</u>	<u>1,140,693</u>
Nonoperating revenues (expenses):			
Grant revenue		110,386	110,386
Earnings on temporary deposits and investments	5,894	86	5,980
Interest paid	(550,391)		(550,391)
Bond issuance costs	(37,915)		(37,915)
	<u>(582,412)</u>	<u>110,472</u>	<u>(471,940)</u>
Total nonoperating revenues (expenses)			

(continued)

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2014

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Excess (deficiency) of revenues and other financing sources over expenses and other uses	\$ 697,446	\$ (28,693)	\$ 668,753
Net position:			
Beginning of year	<u>7,011,584</u>	<u>496,557</u>	<u>7,508,141</u>
End of year	<u><u>\$ 7,709,030</u></u>	<u><u>\$ 467,864</u></u>	<u><u>\$ 8,176,894</u></u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2014

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customer and users	\$ 3,924,570	\$ 1,371,520	\$ 5,296,090
Payments to:			
Suppliers	(1,351,821)	(1,276,965)	(2,628,786)
Employees	(871,011)	(212,117)	(1,083,128)
Other operating revenue	<u>18,778</u>	<u>2,765</u>	<u>21,543</u>
 Net cash provided by (used in) operating activities	 <u>1,720,516</u>	 <u>(114,797)</u>	 <u>1,605,719</u>
 Cash flows provided by noncapital financing activities, grant revenues		 <u>110,386</u>	 <u>110,386</u>

(continued)

**FAIRVIEW TOWNSHIP**

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Cash flows from capital and related financing activities:			
Proceeds from bonds	\$ 9,736,445		\$ 9,736,445
Bond issuance costs	(37,915)		(37,915)
Principal paid on bonds	(7,922,442)		(7,922,442)
Interest paid on bonds	(511,741)		(511,741)
Purchase of fixed assets	<u>(3,385,975)</u>	<u>\$ (14,685)</u>	<u>(3,400,660)</u>
Net cash used in capital and related financing activities	<u>(2,121,628)</u>	<u>(14,685)</u>	<u>(2,136,313)</u>
Cash flows provided by investing activities, investment income	<u>5,894</u>	<u>86</u>	<u>5,980</u>
Net decrease in cash and cash equivalents	(395,218)	(19,010)	(414,228)
Cash and cash equivalents:			
Beginning	<u>12,002,920</u>	<u>67,345</u>	<u>12,070,265</u>
Ending	<u><u>\$ 11,607,702</u></u>	<u><u>\$ 48,335</u></u>	<u><u>\$ 11,656,037</u></u>

(continued)

**FAIRVIEW TOWNSHIP**

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Cash flows from operating activities:			
Excess (deficiency) of operating revenues over expenses	<u>\$ 1,279,858</u>	<u>\$ (139,165)</u>	<u>\$ 1,140,693</u>
Adjustments:			
Depreciation and amortization	727,292	28,958	756,250
(Increase) decrease in assets:			
Accounts receivable	(10,750)	(2,742)	(13,492)
Prepaid expenses	12,500		12,500
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(17,828)	(2,923)	(20,751)
Other liabilities	<u>(270,556)</u>	<u>1,075</u>	<u>(269,481)</u>
Total adjustments	<u>440,658</u>	<u>24,368</u>	<u>465,026</u>
Net cash provided by (used in) operating activities	<u><u>\$ 1,720,516</u></u>	<u><u>\$ (114,797)</u></u>	<u><u>\$ 1,605,719</u></u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF FIDUCIARY NET POSITION – PENSION FUNDS

DECEMBER 31, 2014

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 41,824	\$ 38,897	\$ 80,721
Investments	<u>7,963,257</u>	<u>9,212,666</u>	<u>17,175,923</u>
Total assets	<u>\$ 8,005,081</u>	<u>\$ 9,251,563</u>	<u>\$ 17,256,644</u>
Net position restricted for pensions	<u>\$ 8,005,081</u>	<u>\$ 9,251,563</u>	<u>\$ 17,256,644</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PENSION FUNDS

YEAR ENDED DECEMBER 31, 2014

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
Additions:			
Contributions:			
State aid	\$ 100,689	\$ 100,690	\$ 201,379
Employer	243,135	179,219	422,354
Employee	<u>34,744</u>	<u>44,613</u>	<u>79,357</u>
Total contributions	<u>378,568</u>	<u>324,522</u>	<u>703,090</u>
Investment income:			
Net appreciation in fair value of investments	545,823	692,761	1,238,584
Interest and dividends	<u>24,226</u>	<u>36</u>	<u>24,262</u>
	570,049	692,797	1,262,846
Less investment expense	<u>(43,168)</u>	<u>(49,734)</u>	<u>(92,902)</u>
Net investment gain	<u>526,881</u>	<u>643,063</u>	<u>1,169,944</u>
Total additions, net of investment gains	<u>905,449</u>	<u>967,585</u>	<u>1,873,034</u>
Deductions:			
Benefit payments	(279,181)	(316,283)	(595,464)
Administrative expenses	<u>(9,568)</u>	<u>(7,979)</u>	<u>(17,547)</u>
Total deductions	<u>(288,749)</u>	<u>(324,262)</u>	<u>(613,011)</u>
Net increase	616,700	643,323	1,260,023
Net position restricted for pensions:			
Beginning of year	<u>7,388,381</u>	<u>8,608,240</u>	<u>15,996,621</u>
End of year	<u><u>\$ 8,005,081</u></u>	<u><u>\$ 9,251,563</u></u>	<u><u>\$ 17,256,644</u></u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF FIDUCIARY NET POSITION – POSTEMPLOYMENT FUNDS

YEAR ENDED DECEMBER 31, 2014

	<u>Nonuniformed benefits fund</u>	<u>Police benefits fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 42,591	\$ 143,476	\$ 186,067
Investments	<u>1,158,538</u>	<u>773,224</u>	<u>1,931,762</u>
Total assets	<u>\$ 1,201,129</u>	<u>\$ 916,700</u>	<u>\$ 2,117,829</u>
Net position held in trust for OPEB	<u>\$ 1,201,129</u>	<u>\$ 916,700</u>	<u>\$ 2,117,829</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF CHANGES FIDUCIARY NET POSITION – POSTEMPLOYMENT FUNDS

YEAR ENDED DECEMBER 31, 2014

	Nonuniformed benefits fund	Police benefits fund	Total
Additions:			
Contributions, employer	\$ 37,530	\$ 65,337	\$ 102,867
Investment income:			
Net appreciation in fair value of investments	23,892	15,827	39,719
Interest and dividends	14,126	11,267	25,393
	38,018	27,094	65,112
Less investment expense	3,341	2,395	5,736
Net investment income	34,677	24,699	59,376
Total additions, net of investment losses	72,207	90,036	162,243
Net position held in trust for OPEB benefits:			
Beginning of year	1,128,922	826,664	1,955,586
End of year	\$ 1,201,129	\$ 916,700	\$ 2,117,829

See notes to financial statements.

# **FAIRVIEW TOWNSHIP**

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

### **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 standards. 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 Fire Department (Fire Department) is included in these financial statements in other governmental funds based upon the criteria described above. During 2005, 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.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

*Reporting entity (continued):*

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, 2014

#### **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, deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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, 2014

#### **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, 2014

#### **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. 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. 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.

Fire Station Fund - The Township has assigned resources to this fund to pay the operating costs of the fire station within the Township. During the year ended December 31, 2014, the fund was subsidized from revenues received from the LST.

# **FAIRVIEW TOWNSHIP**

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

### **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. The Sewer Fund activity includes the two following funds:

*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.

*Sewer Capital Fund* - The Sewer Capital Fund is used to construct sanitary collection and transmission facilities required for rendering service to a new area of the Township. The fund is in a deficit as of December 31, 2014.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

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

##### Major funds (continued):

*Sewer Debt Reserve Fund* - The Sewer Debt Reserve Fund is used to account for the receipt of the General Obligation Bond, Series F of 2014 and its purpose to construct and improve the Township's sanitary sewer system.

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

*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 retirees. Postemployment benefits funds are accounted for in a manner similar to Proprietary Funds since capital preservation is critical.

##### *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, deferred outflows of resources, current liabilities and deferred inflows of resources 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.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

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

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, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these activities are either included on the statement of net position or on the statement of fiduciary net position. 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.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

*Basis of accounting (continued):*

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 unavailable revenues. Taxpayer assessed revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Unavailable revenues at December 31, 2014 consist of the following:

General:	
Real estate taxes	\$ 68,253
Per capita taxes	<u>6,500</u>
Total unavailable revenues	<u>\$ 74,753</u>

- 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.

*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.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

*Receivables:*

Accounts receivable and taxes receivable determined as being uncollectible are accounted for via the direct write-off method. As of December 31, 2014, 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.

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

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

##### *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 bond/notes payable, amortized bond discounts 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.

##### *Unearned 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 unearned revenues until the capacity is utilized.

##### *Compensated absences:*

The Township's policies regarding sick and vacation time permit employees to accumulate earned but unused sick and vacation leave. The liability for these compensated absences is recorded as long-term 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.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

##### *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 does not meet the definition of "restricted" or "net investment in capital assets."

##### Fund financial statements

The Township follows GASB standards which provide 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 formal actions taken by the Township's Board of Supervisors to commit these funds for specific purposes.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

*Equity classifications (continued):*

Fund financial statements (continued)

- 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.

*Amortization of bond discount costs:*

The bond discount costs incurred upon issuing the General Obligation Bond, Series of 2013, are being amortized over the term of the debt using the interest method. During 2014, the Township incurred amortization expense of \$14,377.

*Deferred outflows/inflows of resources:*

The statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future periods and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Township did not have any items that qualify for reporting in this category.

The balance sheet – governmental funds reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Township has one type of item, unavailable tax revenues, which arise only under a modified accrual basis of accounting, which qualifies for reporting in this category.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

**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, 2014, \$19,216,351 of the Township's bank balance of \$19,678,367 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	\$ 19,216,351
Insured by Federal Deposit Insurance Corporation	462,016
Deposits in transit	4,495
Outstanding checks	(412,087)
Petty cash	<u>600</u>
Total deposits	<u>19,271,375</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

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

	Ratings	Fair value
Investments:		
Mellon Bank:		
Total Return Fund Class A		\$ 6,440,712
PE US Small CAP Opportunistic Value Fund		832,713
EB NCML International Fund		1,585,105
EB ISSG US Large CAP Core Fund		2,798,020
DV Enhanced Large CAP Core Fund		2,818,705
DV Enhanced Mid CAP Core Fund		1,613,259
Temporary investment funds	Unrated	80,721
Charles Schwab mutual funds	Unrated	1,087,409
PNC Institutional Investments:		
PNC Advantage Government Fund	Unrated	77,908
U.S. treasury notes; 2.00%; 2/15/22	AAA	729,820
U.S. treasury notes; .875%; 2/28/17	AAA	363,879
U.S. treasury notes; 1.25%; 10/31/18	AAA	248,380
U.S. treasury notes; 1.00%; 5/31/18	AAA	148,547
U.S. treasury notes; .375%; 3/15/15	AAA	363,228
 Total investments		 19,188,406
 Total deposits and investments		 \$ 38,459,781
 Governmental funds		 \$ 7,429,271
Business-type funds		11,656,037
Postemployment benefit funds		2,117,829
Pension funds		17,256,644
		 \$ 38,459,781

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

#### **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, 2014:

*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 matured on February 15, 2014 and was paid in full.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

#### **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. The note was paid in full in 2014 with the proceeds from the General Obligation Note, 2014 Series B.

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. The note was paid in full in 2014 with the proceeds from the General Obligation Note, 2014 Series C.

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. The note was paid in full in 2014 with the proceeds from the General Obligation Note, 2014 Series D.

*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, 2014, the balance of the note was paid in full in 2014 with the proceeds from the General Obligation Note, 2014 Series A.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

##### *General Obligation Bond, Series of 2013:*

On September 26, 2013, the Township issued its General Obligation Bond, Series of 2013, in the maximum principal amount of \$9,990,000 to finance the construction of sanitary sewage collection and transmission facilities required for rendering sewage service in a new area of the Township and pay the costs of issuing the bonds. The bond bears interest at a rate of 3.27% per annum. The Township will pay semiannual principal and interest payments on June 1 and December 1 of each year through the maturity date of December 1, 2026. As of December 31, 2014, the balance of the bond is \$9,985,000.

##### *General Obligation Notes, Series of 2014:*

On August 28, 2014, the Township issued its General Obligation Notes, Series of 2014, in four general obligation notes in the aggregate principal balance of \$7,016,000 for the purpose of currently refunding the General Obligation Notes, Series of 2010 and 2011 and pay the costs of issuing the notes.

The Series of 2014 notes were divided into four separate notes as follows:

Series A of 2014 – The note was issued for \$5,581,000 with the purpose of refunding the General Obligation Note, Series of 2011. The note has an interest rate of 1.95% and matures on December 1, 2019. The note requires monthly payments of \$91,758 of principal and interest.

Series B of 2014 – The note was issued for \$279,555 with the purpose of refunding the General Obligation Note, Series of 2010 #2. The note has an interest rate of 1.35% and matures on August 15, 2015. The note requires monthly payments of \$23,442 of principal and interest.

Series C of 2014 – The note was issued for \$442,015 with the purpose of refunding the General Obligation Note, Series of 2010 #3. The note has an interest rate of 1.95% and matures on December 15, 2019. The note requires monthly payments of \$6,944 of principal and interest.

Series D of 2014 – The note was issued for \$733,430 with the purpose of refunding the General Obligation Note, Series of 2010 #4. The note has an interest rate of 2.05% and matures on December 15, 2020. The note requires monthly payments of \$10,291 of principal and interest.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

*General Obligation Notes, Series of 2014 (continued):*

On September 30, 2014, the Township issued its General Obligation Notes, 2014 Series E and F, in the aggregate principal balance of \$4,500,000 for the purpose of purchasing fire trucks; constructing extensions and improvements to the Township's sanitary sewer system; and paying the costs of issuing the notes.

Series E of 2014 – The note was issued for \$1,500,000 with the purpose of purchasing two fire trucks. The note has an interest rate of 1.39% and matures on September 1, 2017. The note requires monthly payments of \$42,551 of principal and interest.

Series F of 2014 – The note was issued for \$3,000,000 with the purpose of constructing and improving the Township's sanitary sewer system. The note has an interest rate of 1.95% and matures on September 15, 2024. The note requires monthly payments of \$27,522 of principal and interest through September 15, 2017, and then the monthly payments increase to \$38,118 per month at an interest rate of 12%.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

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

	Outstanding balance January 1, 2014	Additions	Payments	Outstanding balance December 31, 2014	Current portion at December 31, 2014	Bond discount, net of amortization	Outstanding long-term portion at December 31, 2014
G. O. Bonds, 2013 (Sewer Revenue)	\$ 9,990,000		\$ (5,000)	\$ 9,985,000	\$ (5,000)	\$ (132,877)	\$ 9,847,123
G.O. Note, 2014A (Sewer Revenue)		\$ 5,581,000	(339,723)	5,241,277	(1,007,610)		4,233,667
G.O. Note, 2014B (Fire Station)		279,555	(92,860)	186,695	(186,695)		-
G.O. Note, 2014C (Sewer Revenue)		422,015	(25,391)	396,624	(76,250)		320,374
G.O. Note, 2014D (Sewer Revenue)		733,430	(36,793)	696,637	(110,216)		586,421
G.O. Note, 2014E (Fire Fund)		1,500,000	(122,487)	1,377,513	(495,198)		882,315
G.O. Note, 2014F (Sewer Revenue)		3,000,000	(67,973)	2,932,027	(277,325)		2,654,702
G. O. Note, 2011 (Sewer Revenue)	6,179,824		(6,179,824)	-			-
G. O. Note, 2010:							
Note #1 (General)	14,516		(14,516)	-			-
Note #2 (Fire Station)	459,464		(459,464)	-			-
Note #3 (Sewer Revenue)	468,317		(468,317)	-			-
Note #4 (Sewer Revenue)	799,420		(799,420)	-			-
	<u>\$ 17,911,541</u>	<u>\$ 11,516,000</u>	<u>\$ (8,611,768)</u>	<u>\$ 20,815,773</u>	<u>\$ (2,158,294)</u>	<u>\$ (132,877)</u>	<u>\$ 18,524,602</u>

Scheduled principal maturities are as follows:

Year	G. O. Bond 2013	G. O. Note 2014A	G. O. Note 2014B	G. O. Note 2014C	G. O. Note 2014D	G. O. Note 2014E	G. O. Note 2014F	Total
2015	\$ 5,000	\$ 1,007,610	\$ 186,695	\$ 76,250	\$ 110,216	\$ 495,198	\$ 277,325	\$ 2,158,294
2016	5,000	1,027,687		77,768	112,530	501,539	280,995	2,005,519
2017	5,000	1,047,907		79,298	114,858	380,776	264,441	1,892,280
2018	5,000	1,068,525		80,858	117,235		215,927	1,487,545
2019	5,000	1,089,548		82,450	119,661		243,312	1,539,971
2020	1,215,000				122,137		274,170	1,611,307
2021	1,375,000						308,941	1,683,941
2022	1,415,000						348,123	1,763,123
2023	1,460,000						392,273	1,852,273
2024	1,505,000						326,520	1,831,520
2025	1,555,000							1,555,000
2026	1,435,000							1,435,000
	<u>\$ 9,985,000</u>	<u>\$ 5,241,277</u>	<u>\$ 186,695</u>	<u>\$ 396,624</u>	<u>\$ 696,637</u>	<u>\$ 1,377,513</u>	<u>\$ 2,932,027</u>	<u>\$ 20,815,773</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

Minimum debt service requirements are as follows:

Year	G. O. Bond 2013	G. O. Note 2014A	G. O. Note 2014B	G. O. Note 2014C	G. O. Note 2014D	G. O. Note 2014E	G. O. Note 2014F	Total
2015	\$ 328,135	\$ 1,099,844	\$ 187,641	\$ 83,305	\$ 123,466	\$ 510,616	\$ 330,259	\$ 2,663,266
2016	328,022	1,101,091		83,323	123,498	510,616	330,259	2,476,809
2017	327,910	1,101,091		83,322	123,498	382,962	362,049	2,380,832
2018	327,798	1,101,091		83,322	123,498		457,418	2,093,127
2019	327,685	1,101,090		83,323	123,498		457,418	2,093,014
2020	1,537,573				123,498		457,418	2,118,489
2021	1,661,122						457,418	2,118,540
2022	1,659,873						457,418	2,117,291
2023	1,662,422						457,418	2,119,840
2024	1,661,432						343,064	2,004,496
2025	1,662,520							1,662,520
2026	1,488,095							1,488,095
	<u>\$ 12,972,587</u>	<u>\$ 5,504,207</u>	<u>\$ 187,641</u>	<u>\$ 416,595</u>	<u>\$ 740,956</u>	<u>\$ 1,404,194</u>	<u>\$ 4,110,139</u>	<u>\$ 25,336,319</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 York 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 2014 were 2.35 mills - real estate and .09 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, 2014 were 13.0 cents/foot for unimproved and 47.0 cents/foot for improved road frontage.

Real estate and fire hydrant taxes and street light assessments attach as an enforceable lien on property on January 1 and are collected by an elected tax collector. Taxes paid through April 15 are given a 2% discount. Taxes paid after June 15 are charged a 10% penalty. Delinquent real estate taxes are collected by the County. Delinquent fire hydrant taxes and street light assessments are collected by the Township or elected tax collector.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

The Township is 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 2014, the Township paid costs to Lower Allen Township of \$113,953. All payments were made from the Sewer Fund.

#### **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 and Charles Schwab as trustee of the Nonuniformed Pension Plan assets and Mellon Bank as trustee of the Police Pension 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.

The Township, by ordinance, has established a Police Pension Board to administer the Police Pension Plan and a separate Nonuniformed Pension Plan Board to administer the Nonuniformed pension plan.

The Police Pension Board shall consist of five members appointed by the Board of Supervisors, at least two of whom shall be duly elected or appointed Supervisors serving in such position, and at least two of whom shall be police officers, excepting the Chief of Police, in the active employment of the Township and duly elected by the police officers of Fairview Township. The fifth person appointed to the Board shall be a person mutually agreeable to the Board of Supervisors and the police officer representatives on the Board.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

*Plan descriptions (continued):*

The Nonuniformed Pension Board shall consist of five members appointed by the Board of Supervisors, at least two of whom shall be duly elected or appointed Supervisors serving in such position, and at least two of whom shall be nonuniform employees, in the active employment of the Township and duly elected by the nonuniform employees of Fairview Township. The fifth person appointed to the Board shall be a person mutually agreeable to the Board of Supervisors and the nonuniform employees' representatives on the Board.

*Plan membership:*

As of December 31, 2014, participation in the respective plans is as follows:

Nonuniformed pension plan:

Membership as of December 31, 2014:

Retirees and beneficiaries currently receiving benefits	13
Terminated employees entitled to deferred benefits	8
Active members	<u>27</u>
Total	<u>48</u>

Police pension plan:

Membership as of December 31, 2014:

Retirees and beneficiaries currently receiving benefits	10
Terminated employees entitled to deferred benefits	2
Active members	<u>13</u>
Total	<u>25</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

*Plan membership (continued):*

A summary of employee eligibility requirements and benefits as of December 31, 2014 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	<p>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.</p> <p>Average monthly pay is based upon the final plan year preceding retirement for employees hired before July 1, 2014.</p> <p>Average monthly pay is based upon the last 36 months of employment for employees hired on or after July 1, 2014</p>	<p>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.</p> <p>Average monthly pay is based upon the last 36 months of employment.</p>
d. Vesting	Immediate 100%	Upon completion of 12 years of service.
e. Disability retirement	If an active member becomes totally and permanently disabled, he is eligible for a disability pension. The monthly disability pension is equal to the benefit accrued to the date of disability.	If an active member is disabled in the line of duty, he is eligible for a disability pension. The monthly disability pension is equal to 75% of the members monthly salary at the time the disability was incurred.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

*Plan membership (continued):*

	Nonuniformed	Police
f. Death benefits	The preretirement death benefit for a member is a refund of his contributions with interest.	If a member is eligible for retirement at the time of death, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 50% of the monthly benefit the member would have been receiving had he been retired at the time of death.
g. Deferred retirement option program	An active member hired on or before August 29, 2011, who has met the eligible requirements for normal retirement may elect to participate in the deferred retirement option program for a period of not less than three months nor more than 24 months. His monthly pension shall be calculated as of his date of participation in the deferred retirement option program and shall be accumulated with 5.0% interest per annum and distributed in a lump sum at retirement.	An active member who has met the eligibility requirements for normal retirement may elect to participate in the deferred retirement option program for a period of not less than three months nor more than 24 months. His monthly pension shall be calculated as of his date of participation in the deferred retirement option program and shall be accumulated with interest earned on the deferred retirement option program account and distributed in a lump sum at retirement.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

**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 2014:

Description	Nonuniformed pension plan **	Police pension plan *
Annual covered payroll	\$ 1,568,816	\$ 1,134,166
Employee contribution rate	2.0% of gross wages **	4.0% of gross wages *
Employee contributions paid in 2014	\$ 34,744	\$ 44,613
Employer contributions paid in 2014	\$ 243,135	\$ 179,219
State aid contributions paid in 2014	\$ 100,689	\$ 100,690
Total contributions made as a percentage of payroll	24.1%	28.6%

\* Effective January 1, 2014 members contribute 4.0% of compensation.

\*\* 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, 2014

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

*Net pension liability:*

The net pension liabilities (assets) were measured as of December 31, 2014, and the total pension liability (assets) was determined by rolling forward the liabilities (assets) from an actuarial valuation as of January 1, 2014. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

*Actuarial assumption:*

The total pension liabilities in the January 1, 2014 actuarial valuations were determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary increases	5.00%	(average, including inflation)
Investment rate of return	7.00%	(including inflation)
Postretirement cost of living increase	3.00%	

Mortality rates were based on the RP2000 Table for males and females. The table does not include projected mortality improvements.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	50.00%	7.00%
International equity	10.00%	6.00%
Fixed income	40.00%	2.50%

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

*Actuarial assumption (continued):*

Discount rate:

The discount rate used to measure the total pension liability was 7.00%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

*Changes in the Nonuniformed net pension liability:*

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net position liability (asset) (a) - (b)
Balances at December 31, 2013	\$ 6,982,129	\$ 7,388,381	\$ (406,252)
Service cost	218,781		218,781
Interest cost	494,292		494,292
Changes in benefit terms	-		-
Changes for experience	-		-
Changes of assumptions	-		-
Contributions - employer		343,824	(343,824)
Contributions - members		34,744	(34,744)
Net investment income		526,881	(526,881)
Benefit payments, including refund of member contributions	(279,181)	(279,181)	-
Administrative expense		(9,568)	9,568
Other changes	-	-	-
Net changes	433,892	616,700	(182,808)
Balance at December 31, 2014	<u>\$ 7,416,021</u>	<u>\$ 8,005,081</u>	<u>\$ (589,060)</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

*Sensitivity of the Nonuniformed net pension liability (asset) to changes in the discount rate:*

The following presents the net pension liability (asset) of the plan, calculated using the discount rate of 7.00%, as well as what the plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1.00% point lower or 1.00% point higher than the current rate:

	1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
Plan's net pension liability (asset)	\$ 274,992	\$ (589,060)	\$ (1,329,116)

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

*Changes in the Police net pension liability:*

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net position liability (asset) (a) - (b)
Balances at December 31, 2013	\$ 7,991,734	\$ 8,608,240	\$ (616,506)
Service cost	212,994		212,994
Interest cost	563,261		563,261
Changes in benefit terms	-		-
Changes for experience	-		-
Changes of assumptions	-		-
Contributions - employer		279,909	(279,909)
Contributions - members		44,613	(44,613)
Net investment income		643,063	(643,063)
Benefit payments, including refund of member contributions	(316,283)	(316,283)	-
Administrative expense		(7,979)	7,979
Other changes	-	-	-
Net changes	459,972	643,323	(183,351)
Balance at December 31, 2014	<u>\$ 8,451,706</u>	<u>\$ 9,251,563</u>	<u>\$ (799,857)</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

*Sensitivity of the Police net pension liability (asset) to changes in the discount rate:*

The following presents the net pension liability (asset) of the plan, calculated using the discount rate of 7.00%, as well as what the plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1.00% point lower or 1.00% point higher than the current rate:

	1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
Plan's net pension liability (asset)	\$ 351,100	\$ (799,857)	\$ (1,757,483)

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

*Pension expense – Nonuniformed Pension Plan:*

Service cost	\$ 218,781
Interest on the total pension liability	494,292
Differences between expected and actual experience <sup>1</sup>	-
Changes of assumptions <sup>1</sup>	-
Member contributions	(34,744)
Projected earnings on pension plan investments	(520,442)
Difference between projected and actual earnings on investments <sup>2</sup>	(904)
Pension plan administrative expense	9,568
Other changes in fiduciary net position	<u>-</u>
Total pension expense	<u><u>\$ 166,551</u></u>

<sup>1</sup> Each year's gain or loss is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are provided pensions through this pension plan.

<sup>2</sup> Each year's gain or loss is recognized over a five-year period.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

*Pension expense – Police Pension Plan:*

Service cost	\$ 212,994
Interest on the total pension liability	563,261
Differences between expected and actual experience <sup>1</sup>	-
Changes of assumptions <sup>1</sup>	-
Member contributions	(44,613)
Projected earnings on pension plan investments	(602,723)
Difference between projected and actual earnings on investments <sup>2</sup>	(7,632)
Pension plan administrative expense	7,979
Other changes in fiduciary net position	<u>-</u>
Total pension expense	<u><u>\$ 129,266</u></u>

<sup>1</sup> Each year's gain or loss is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are provided pensions through this pension plan.

<sup>2</sup> Each year's gain or loss is recognized over a five-year period.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

**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, 2014 and consist of the following:

	Cost	Fair value
Nonuniformed pension:		
Temporary investments and deposits	\$ 41,824	\$ 41,824
Mutual funds	1,073,314	1,087,410
Funds, collective trust funds	5,340,724	6,875,847
	6,455,862	8,005,081
Police pension:		
Temporary investments and deposits	38,897	38,897
Funds, collective trust funds	7,111,765	9,212,666
	7,150,662	9,251,563
Investments, pension	\$ 13,606,524	\$ 17,256,644

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

*Investment policy:*

The assets of the pension plans will be invested in a manner consistent with the following considerations: a) the safeguards and diversity to which a prudent investor would adhere must be present and b) all transactions undertaken on behalf of the plans must be for the sole benefit of plan participants and their beneficiaries.

The following characteristics are expected to be associated with the plans and will be viewed as guidelines for management of investments.

Objective:

The investment objective will be to obtain a return commensurate with the level of assumed risk as indicated by these investment guidelines.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

*Investment policy (continued):*

Asset mix/investment management:

The following will represent the target allocation of asset classes described. The Bank of New York Mellon will be expected to manage the total Police Pension Plan portfolio and a portion of the Nonuniformed Pension Plan portfolio in accordance with these target allocations. Each asset class will be actively managed to provide incremental returns relative to appropriate market benchmarks.

	<u>Target allocation</u>
Equities:	
Large capitalization stocks	35 %
Small/mid capitalization stocks	15
International equities	<u>10</u>
	60
Fixed income, core bonds	<u>40</u>
Total	<u><u>100 %</u></u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

*Investment policy (continued):*

Asset mix/investment management (continued):

A portion of the Nonuniformed Pension Plan's assets are managed through Conrad Siegel Investment Advisors which are being held by Charles Schwab. The investment objectives are the same as stated above. The asset allocation is as follows:

	Target allocation
Fixed income	35 %
Equities	65
Total	100 %

The investment policy remains in effect until revoked or changed by the respective pension boards. There were no changes in policy for 2014.

Net realized 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	\$ 654,928	\$ 865,115
Net unrealized losses	(109,105)	(172,354)
Net appreciation in fair value of investments	\$ 545,823	\$ 692,761

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

The following is a summary of the Nonuniformed Pension Plan's net dollar-weighted rates of investment return for the past six calendar years on a market value basis:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Market value of assets	19.7%	13.6%	0.9%	13.7%	16.3%	7.7%

The following is a summary of the Police Pension Plan's net dollar-weighted rates of investment return for the past six calendar years on a market value basis:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Market value of assets	19.5%	13.1%	0.9%	13.9%	16.5%	8.0%

**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, 2014, the liability for vested unused vacation and sick leave is \$637,467. 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 a default occur, it may be necessary for the Township to take over the defaulted project.

Outstanding escrow deposits at December 31, 2014 are approximately \$452,488.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

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, 2014, \$312,500 of the advance payment is still available. During 2014, the Township paid \$100,051, net of the \$12,500 advance payment, for the nutrient credits. The Township has commitments through 2024 of \$1,016,477, net of the advance payment of \$312,500 as of December 31, 2014.

The Township executed a five-year lease agreement commencing January 1, 2013 and ending on December 31, 2017 for office space for the Township's police department. 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:

2015	\$ 56,067
2016	57,750
2017	<u>59,482</u>
	<u>\$ 173,299</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

**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, 2014, the Township paid premiums of \$592,025. Actual claims paid for the year ended December 31, 2014 were \$471,899 less reimbursements of \$32,063, or net claims of approximately \$439,836. The Township also incurred a shared cost of \$3,501 and is anticipating a refund of \$148,688.

**10. Reservations of fund equity:**

Reservations of fund balances as of December 31, 2014 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	\$ 726,641
Pooled sick days, police	<u>129,502</u>
	<u>\$ 856,143</u>
Postemployment benefits trust funds, healthcare benefits	<u>\$ 2,117,829</u>
Pension trust funds, employee benefits	<u>\$ 17,256,644</u>

Reserved net position of the Proprietary Funds as of December 31, 2014 consist of the following:

Sewer reserve fund, reserved for debt retirement	<u>\$ 543,634</u>
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**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

**11. Capital assets:**

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
Capital assets not being depreciated:				
Land	\$ 542,800			\$ 542,800
Construction in progress		\$ 1,091,892		1,091,892
Capital assets not being depreciated	<u>542,800</u>	<u>1,091,892</u>		<u>1,634,692</u>
Capital assets being depreciated:				
Vehicles and equipment	5,694,279	1,799,985	\$ 239,544	7,254,720
Buildings and improvements	4,452,395		8,275	4,444,120
Refuse improvements and equipment	558,177	14,685		572,862
Sewer improvements and equipment	24,127,048	2,294,083	14,000	26,407,131
Roads, traffic signals and storm sewers	46,785,839	637,166		47,423,005
Total capital assets being depreciated	<u>81,617,738</u>	<u>4,745,919</u>	<u>261,819</u>	<u>86,101,838</u>
Less accumulated depreciation:				
Vehicles and equipment	3,649,852	472,931	201,533	3,921,250
Buildings and improvements	878,109	93,511		971,620
Refuse improvements and equipment	191,937	28,958		220,895
Sewer improvements and equipment	11,514,110	712,915	14,000	12,213,025
Roads, traffic signals and storm sewers	29,583,218	1,548,403		31,131,621
Total accumulated depreciation	<u>45,817,226</u>	<u>2,856,718</u>	<u>215,533</u>	<u>48,458,411</u>
Capital assets, net	<u>\$ 36,343,312</u>	<u>\$ 2,981,093</u>	<u>\$ 46,286</u>	<u>\$ 39,278,119</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

Depreciation expense was charged to functions as follows:

Refuse	\$ 28,958
Sewer	712,915
General government	78,902
Public safety	277,031
Highways	1,719,461
Recreation	<u>39,451</u>
Total depreciation expense	<u>\$ 2,856,718</u>

**12. Other postemployment medical benefits:**

The Township follows GASB standards for the measurement, recognition and reporting of expenditures for postemployment benefits (OPEB) other than pensions and the related liabilities (assets) in the financial reports of state and local governmental employers. 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.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

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

Effective January 1, 2006, the Township shall provide medical benefits to full-time, nonuniformed 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. Nonuniformed employees hired on or after August 29, 2011 are not eligible for postemployment benefits.

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

Effective January 1, 2012, all police officers hired in 2012 or later will be required to contribute 40% of medical insurance premiums during retirement.

As of January 1, 2014, there were twelve active police officers and one vested former member. There were also twenty-five active nonuniformed employees and two retired members.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

**12. 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	\$ 33,579	\$ 63,012
Interest on net OPEB obligation	(39,288)	(20,163)
Adjustment to annual required contribution	53,599	27,508
Annual OPEB cost	47,890	70,357
Contributions made	44,646	249
Decrease in net OPEB asset	3,244	70,108
Net OPEB asset:		
Beginning of year	(873,073)	(448,076)
End of year	\$ (869,829)	\$ (377,968)

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

**12. 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 (asset) liability 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>
2014	\$ 47,890	93.20 %	\$ (869,829)
2013	52,705	-	(873,073)
2012	53,583	-	(925,778)
<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>
2014	\$ 70,357	0.4 %	\$ (377,968)
2013	73,086	66.2	(448,076)
2012	73,896	33.2	(472,755)

The funded status of the plan as of the latest actuarial valuation dated January 1, 2014 was as follows:

	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability</u>	<u>(Overfunded) unfunded actuarial accrued liability</u>	<u>Percentage funded</u>	<u>Annual covered payroll</u>	<u>(Over) under funded actuarial accrued liability as a percentage of covered payroll</u>
Police	\$ 826,664	\$ 866,325	\$ 39,661	95.4 %	\$ 1,043,932	3.8 %
Nonuniformed	1,128,922	847,688	(281,234)	133.2	1,502,448	(18.7)

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

**12. 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, 2014 and consist of the following:

	<u>Cost</u>	<u>Fair value</u>
Nonuniformed plan:		
PNC Advantage Government Fund*	\$ 34,398	\$ 34,398
U.S. treasury notes; 2.00%; 2/15/22	430,302	439,095
U.S. treasury notes; .875%; 2/28/17	216,442	218,528
U.S. treasury notes; 1.25%; 10/31/18	248,136	248,380
U.S. treasury notes; .375%; 3/15/15	217,192	218,137
	<u>1,146,470</u>	<u>1,158,538</u>
Police plan:		
PNC Advantage Government Fund*	43,510	43,510
U.S. treasury notes; 2.00%; 2/15/22	284,915	290,725
U.S. treasury notes; .875%; 2/28/17	143,952	145,351
U.S. treasury notes; 1.00%; 5/31/18	148,377	148,547
U.S. treasury notes; .375%; 3/15/15	144,462	145,091
	<u>765,216</u>	<u>773,224</u>
Investments, OPEB	<u>\$ 1,911,686</u>	<u>\$ 1,931,762</u>

\* Cash and cash equivalents

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

#### **12. 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 2014 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 5.0% 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 6.5% in 2014 and decreases by 0.5% per year to 5.5% in 2016. The rates decrease gradually from 5.3% in 2017 to 4.2% in 2089. 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 which meet the requirements of GASB standards for plan assets. 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, 2014.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

#### **13. 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 standards that were 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.

#### **14. Subsequent events:**

On May 28, 2015, the Township entered into a purchase agreement with Pennsylvania-American Water Company for the sale of the Township's wastewater treatment, collection and disposal system. The purchase price is \$16.8 million with up to an additional \$1 million to be paid for reimbursement of the Lewisberry Road sewer main relocation project. The agreement is contingent upon the approval by the Pennsylvania Utility Commission and transfer of licenses by the Department of Environmental Protection. Pennsylvania-American Water Company has agreed to make improvements in accordance with the requirements of ACT 537 including the completion of Phase II of the sanitary sewer upgrade. Additional improvements are contemplated in the agreement. Those improvements include but are not limited to upgrades to portions of the facilities and inflow and infiltration issues that currently exist. The agreement will allow the Township to retire all existing sewer debt and will relieve the Township residents from the expenses of maintaining, financing, inspecting, upgrading, repairing and improving the system under current requirements and any additional requirements as promulgated by the Department of Environmental Protection or the Environmental Protection Agency. Township residents are guaranteed that there will be no further rate increases until after December 31, 2017, and further rate increases, if warranted, will be subject to review by the Pennsylvania Utility Commission.

The Township has evaluated events through June 22, 2015, the date which the financial statements were available to be issued.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

**15. Interfund receivables, payables and transfers:**

Transfers are used to (1) move revenues from the fund that the statute or budget requires to collect them to the fund that the statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the appropriate fund as debt service payments come due and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ended December 31, 2014, the Township made the following transfers:

	<u>Transfers to other funds</u>	<u>Transfers from other funds</u>
General fund	\$ 937,972	\$ 118,650
Capital reserve fund		500,000
Capital projects fund	40,577	437,972
Sewer reserve fund	2,017	
Sewer fund		1,887,149
Sewer debt reserve fund		57,500
Fire station fund		281,032
LST fund	1,035,825	
Fire service fund		676,720
Sewer capital fund	<u>1,942,632</u>	
	<u>\$ 3,959,023</u>	<u>\$ 3,959,023</u>

There were no interfund receivables and payables as of December 31, 2014

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

**16. Change in accounting principle:**

Effective January 1, 2014, the Township adopted GASB Statements No 67, *Financial Reporting for Pension Plans*, and early adopted Statement No. 68, *Accounting and Financial Reporting for Pensions*. The new standards revise and establish new financial reporting requirements for pension benefits provided for employees. The statements provided new standards and criteria to determine a net pension liability or asset for both Township Plans as of December 31, 2014.

	<u>Total pension plans</u>
Net pension liability (asset) December 31, 2013 under new pension standards	\$ (1,022,758)
Net pension liability (asset) December 31, 2013 under previous pension standards	<u>(1,072,870)</u>
Reduction in net pension liability (asset) as a result of adopting GASB 67 and 68	<u>\$ 50,112</u>

Due to the fact the change in the net position asset as of December 31, 2013, was reduced by \$50,112, the Township did not restate net position as of December 31, 2013, but reported the change in the net position asset in the 2014 activity.

**FAIRVIEW TOWNSHIP**

(REQUIRED SUPPLEMENTARY INFORMATION)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS – POLICE PENSION PLAN

	2014
Total pension liability:	
Service cost	\$ 212,994
Interest	563,261
Changes of benefit terms	-
Changes for experience	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	(316,283)
	459,972
Net change in total pension liability	459,972
Total pension liability:	
Beginning of year	7,991,734
End of year (a)	\$ 8,451,706
Plan fiduciary net position:	
Contributions - employer	\$ 279,909
Contributions - member	44,613
Net investment income	643,063
Benefit payments, including refunds of member contributions	(316,283)
Administrative expense	(7,979)
Other changes	-
	643,323
Net change in plan fiduciary net position	643,323
Total fiduciary net position:	
Beginning of year	8,608,240
End of year (b)	\$ 9,251,563
Net position liability (asset), end of year (a) - (b)	\$ (799,857)
Plan fiduciary net position as a percentage of the total pension liability	109.5%
Covered employee payroll	\$ 1,134,166
Net pension liability (asset) as a percentage of covered employee payroll	(70.5)%

**FAIRVIEW TOWNSHIP**

(REQUIRED SUPPLEMENTARY INFORMATION)  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS –  
 NONUNIFORMED PENSION PLAN

	2014
Total pension liability:	
Service cost	\$ 218,781
Interest	494,292
Changes of benefit terms	-
Changes for experience	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	(279,181)
	433,892
Net change in total pension liability	433,892
Total pension liability:	
Beginning of year	6,982,129
End of year (a)	\$ 7,416,021
Plan fiduciary net position:	
Contributions - employer	\$ 343,824
Contributions - member	34,744
Net investment income	526,881
Benefit payments, including refunds of member contributions	(279,181)
Administrative expense	(9,568)
Other changes	-
	616,700
Net change in plan fiduciary net position	616,700
Total fiduciary net position:	
Beginning of year	7,388,381
End of year (b)	\$ 8,005,081
Net position liability (asset), end of year (a) - (b)	\$ (589,060)
Plan fiduciary net position as a percentage of the total pension liability	107.9%
Covered employee payroll	\$ 1,568,816
Net pension liability (asset) as a percentage of covered employee payroll	(37.5)%

**FAIRVIEW TOWNSHIP**

(REQUIRED SUPPLEMENTARY INFORMATION)  
SCHEDULE OF INVESTMENT RETURNS  
LAST SIX CALENDAR YEARS

Annual dollar-weighted rate of return on a market value basis:	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Nonuniformed Pension Plan	19.7%	13.6%	0.9%	13.7%	16.3%	7.7%
Police Pension Plan	19.5%	13.1%	0.9%	13.9%	16.5%	8.0%

**FAIRVIEW TOWNSHIP**

(REQUIRED SUPPLEMENTARY INFORMATION)  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS AND NOTES TO SCHEDULE –  
 NONUNIFORMED PENSION PLAN

Year	Nonuniformed Pension Plan				
	Actuarially determined contribution	Contributions from employer	Contribution deficiency/ (excess)	Covered employee payroll	Contributions as a % of payroll
2005	\$ 258,128	\$ 258,128	\$ -		
2006	269,313	269,313	-		
2007	273,563	273,563	-		
2008	269,449	269,449	-		
2009	281,259	281,260	(1)		
2010	281,425	459,673	(178,248)		
2011	365,628	521,186	(155,558)		
2012	361,546	364,252	(2,706)		
2013	379,594	1,080,482	(700,888)		
2014	343,824	343,824	-	\$ 1,568,816	21.92%

*Notes to schedule:*

Valuation date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reports.

Methods and assumptions used to determine contributions rates:

- Actuarial valuation date: 1/1/2013
- Actuarial cost method: Entry age normal
- Amortization method: Level dollar closed
- Remaining amortization period: 7 years
- Asset valuation method: Market value of assets as determined by the trustee.
- Inflation: 3.00%
- Salary increases: 5.00%
- Investment rate of return: 7.00%
- Retirement age: Normal retirement age
- Mortality: RP2000 Table. This table does not include projected mortality improvements.

Changes in benefit terms, for employees hired on or after July 1, 2014:

- Average monthly compensation is based upon the last 36 months of employment.
- Benefits vest upon completion of five years of vesting service.

**FAIRVIEW TOWNSHIP**

(REQUIRED SUPPLEMENTARY INFORMATION)  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS AND NOTES TO SCHEDULE –  
 POLICE PENSION PLAN

Year	Police Pension Plan				
	Actuarially determined contribution	Contributions from employer	Contribution deficiency/ (excess)	Covered employee payroll	Contributions as a % of payroll
2005	\$ 140,081	\$ 140,081	\$ -		
2006	97,925	97,925	-		
2007	104,217	104,217	-		
2008	92,234	92,234	-		
2009	127,822	127,822	-		
2010	139,987	151,643	(11,656)		
2011	218,312	284,964	(66,652)		
2012	216,035	216,035	-		
2013	313,626	313,626	-		
2014	279,909	279,909	-	\$ 1,134,166	24.68%

*Notes to schedule:*

Valuation date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reports.

Methods and assumptions used to determine contributions rates:

- Actuarial valuation date: 1/1/2013
- Actuarial cost method: Entry age normal
- Amortization method: Level dollar closed
- Remaining amortization period: 11 years
- Asset valuation method: Market value of assets as determined by the trustee.
- Inflation: 3.00%
- Salary increases: 5.00%
- Investment rate of return: 7.00%
- Retirement age: Normal retirement age
- Mortality: RP2000 Table. This table does not include projected mortality improvements.

Changes in benefit terms: None since 1/1/2013

**FAIRVIEW TOWNSHIP**

(REQUIRED SUPPLEMENTARY INFORMATION)  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Notes to required supplementary information:

	<u>Nonuniformed pension plan</u>	<u>Police pension plan</u>
Actuarial valuation date	January 1, 2014	January 1, 2014
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	10 years	10 years
Asset valuation method	Market value as determined by Trustee	Market value as determined by Trustee
Actuarial assumptions:		
Investment rate of return	7.0%	7.0%
Projected salary increases	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 (asset)	Percentage funded	Annual covered payroll	Underfunded (overfunded) actuarial accrued liability (asset) 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
	1/1/2014	826,664	866,325	39,661	95.4	1,043,932	3.8
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)
	1/1/2014	1,128,922	847,688	(281,234)	133.2	1,502,448	(18.7)

	<u>Nonuniformed</u>	<u>Police</u>
Actuarial valuation date	January 1, 2014	January 1, 2014
Actuarial assumptions, actuarial cost method	Entry age normal	Entry age normal
Healthcare cost trend rate	6.5% in 2014, decreasing 0.5% per year to 5.5% in 2016, 5.3% in 2017 gradually decreasing to 4.2% in 2089	6.5% in 2014, decreasing 0.5% per year to 5.5% in 2016, 5.3% in 2017 gradually decreasing to 4.2% in 2089
Retiree contributions	Increase at same rate as the healthcare cost trend rate	Increase at same rate as the healthcare cost trend rate
Interest rate	4.5%	4.5%
Salary increase	5.00%	5.00%
Premium rates	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, 2014

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Taxes	\$ 5,105,000	\$ 5,105,000	\$ 5,518,136	\$ 413,136
Licenses, permits and fees	3,000	3,000	3,711	711
Fines and penalties	94,500	94,500	80,555	(13,945)
Interest and rents	3,000	3,000	116	(2,884)
Intergovernmental	332,000	332,000	381,406	49,406
Service fees	268,700	268,700	341,461	72,761
Miscellaneous	13,300	13,300	225,995	212,695
Total revenues	<u>5,819,500</u>	<u>5,819,500</u>	<u>6,551,380</u>	<u>731,880</u>
Expenditures:				
General government	567,303	567,303	647,897	80,594
Public safety	3,485,224	3,485,224	3,249,626	(235,598)
Health and welfare	20,000	20,000	21,260	1,260
Public works			5,138	5,138
Highways	2,099,622	2,099,622	1,981,970	(117,652)
Culture and recreation	183,861	183,861	184,083	222
Debt service			14,540	14,540
Miscellaneous	3,000	3,000	4,732	1,732
Total expenditures	<u>6,359,010</u>	<u>6,359,010</u>	<u>6,109,246</u>	<u>(249,764)</u>
Excess (deficiency) of revenues over expenditures	<u>(539,510)</u>	<u>(539,510)</u>	<u>442,134</u>	<u>981,644</u>
Other financing sources (uses):				
Proceeds from sale of assets	30,000	30,000	45,716	15,716
Interfund transfers received			118,650	118,650
Interfund transfers expended	92,700	92,700	(937,972)	(1,030,672)
	<u>122,700</u>	<u>122,700</u>	<u>(773,606)</u>	<u>(896,306)</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, 2014

	Original budget	Final budget	Actual	Variance over (under)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	\$ (416,810)	\$ (416,810)	\$ (331,472)	\$ 85,338
Fund balance:				
Beginning of year			1,625,668	
End of year			\$ 1,294,196	

**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.

Actual expenditures exceeded budget appropriations in 2014 for the following general fund functions:

General government	\$ 80,594
Health and welfare	1,260
Public works	5,138
Culture and recreation	222
Debt service	14,540

**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, 2014

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Interest and rents	\$ 4,000	\$ 4,000	\$ 1,152	\$ (2,848)
Intergovernmental	<u>400,000</u>	<u>400,000</u>	<u>454,848</u>	<u>54,848</u>
Total revenues	404,000	404,000	456,000	52,000
Expenditures, highways	<u>587,000</u>	<u>587,000</u>	<u>139,269</u>	<u>(447,731)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (183,000)</u>	<u>\$ (183,000)</u>	316,731	<u>\$ 499,731</u>
Fund balance:				
Beginning of year			<u>1,605,185</u>	
End of year			<u>\$ 1,921,916</u>	

**FAIRVIEW TOWNSHIP**

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEETS

DECEMBER 31, 2014

	<u>Fire station fund</u>	<u>LST fund</u>	<u>Street light fund</u>	<u>Fire service fund</u>	<u>Fire hydrant fund</u>	<u>EMS service fund</u>	<u>Fairview Township Fire Department</u>	<u>Total</u>
	ASSETS							
Cash and investments	<u>\$ 41,657</u>	<u>\$ 610,582</u>	<u>\$ 35,522</u>	<u>\$ 235,654</u>	<u>\$ 2,068</u>	<u>\$ 23,820</u>	<u>\$ 25,923</u>	<u>\$ 975,226</u>
	FUND BALANCES							
Fund balances	<u>\$ 41,657</u>	<u>\$ 610,582</u>	<u>\$ 35,522</u>	<u>\$ 235,654</u>	<u>\$ 2,068</u>	<u>\$ 23,820</u>	<u>\$ 25,923</u>	<u>\$ 975,226</u>

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2014

	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	\$ 59,904	\$ 393,575	\$ 67,353	\$ 229,854	\$ 50,079	\$ 213,251		\$ 1,014,016
Interest and rents	3,184	257	25	115	8	29	\$ 992	4,610
Intergovernmental revenue							715	715
Contributions from private sector	200			105,820			90,117	196,137
Miscellaneous revenue				7,264			34,673	41,937
<b>Total revenues</b>	<b>63,288</b>	<b>393,832</b>	<b>67,378</b>	<b>343,053</b>	<b>50,087</b>	<b>213,280</b>	<b>126,497</b>	<b>1,257,415</b>
<b>Expenditures:</b>								
General government				1,002		1,002		2,004
Public safety	91,131			1,563,246	48,019	191,304	123,838	2,017,538
Highways, roads and streets			63,659					63,659
Debt service	559,320			127,655				686,975
<b>Total expenditures</b>	<b>650,451</b>		<b>63,659</b>	<b>1,691,903</b>	<b>48,019</b>	<b>192,306</b>	<b>123,838</b>	<b>2,770,176</b>
<b>Excess (deficiency) of revenues over expenditures before other financing sources (uses)</b>	<b>(587,163)</b>	<b>393,832</b>	<b>3,719</b>	<b>(1,348,850)</b>	<b>2,068</b>	<b>20,974</b>	<b>2,659</b>	<b>(1,512,761)</b>

(continued)

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2014

	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):								
Bond issuance costs	\$ (1,267)			\$ (21,017)				\$ (22,284)
Bond proceeds	279,555	\$ 646,172		853,828				1,779,555
Transfers in (out)	281,032	(1,035,825)		676,720				(78,073)
Total financing sources (uses)	<u>559,320</u>	<u>(389,653)</u>		<u>1,509,531</u>				<u>1,679,198</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(27,843)	4,179	\$ 3,719	160,681	\$ 2,068	\$ 20,974	\$ 2,659	166,437
Fund balance:								
Beginning of year	<u>69,500</u>	<u>606,403</u>	<u>31,803</u>	<u>74,973</u>		<u>2,846</u>	<u>23,264</u>	<u>808,789</u>
End of year	<u>\$ 41,657</u>	<u>\$ 610,582</u>	<u>\$ 35,522</u>	<u>\$ 235,654</u>	<u>\$ 2,068</u>	<u>\$ 23,820</u>	<u>\$ 25,923</u>	<u>\$ 975,226</u>

**FAIRVIEW TOWNSHIP**

COMBINING STATEMENT OF NET POSITION – SEWER FUNDS

YEAR ENDED DECEMBER 31, 2014

	ASSETS				
	Sewer reserve fund	Sewer debt reserve fund	Sewer capital fund	Sewer fund	Total
Current assets:					
Cash and investments	\$ 1,149,284	\$ 2,975,442	\$ 6,640,219	\$ 842,757	\$ 11,607,702
Accounts receivable				398,184	398,184
Prepaid expenses				312,500	312,500
	<u>1,149,284</u>	<u>2,975,442</u>	<u>6,640,219</u>	<u>1,553,441</u>	<u>12,318,386</u>
Total current assets					
	<u>1,149,284</u>	<u>2,975,442</u>	<u>6,640,219</u>	<u>1,553,441</u>	<u>12,318,386</u>
Noncurrent assets, Capital assets, depreciable, net			<u>1,091,893</u>	<u>14,194,106</u>	<u>15,285,999</u>
Total assets	<u>\$ 1,149,284</u>	<u>\$ 2,975,442</u>	<u>\$ 7,732,112</u>	<u>\$ 15,747,547</u>	<u>\$ 27,604,385</u>

LIABILITIES AND NET POSITION

	<u>Sewer reserve fund</u>	<u>Sewer debt reserve fund</u>	<u>Sewer capital fund</u>	<u>Sewer fund</u>	<u>Total</u>
Current liabilities:					
Accounts payable and accrued expenses				\$ 17,166	\$ 17,166
Interest payable				38,650	38,650
Unearned revenues	\$ 649,065				649,065
Current portion of long-term debt		<u>\$ 277,325</u>	<u>\$ 5,000</u>	<u>1,194,076</u>	<u>1,476,401</u>
Total current liabilities	<u>649,065</u>	<u>277,325</u>	<u>5,000</u>	<u>1,249,892</u>	<u>2,181,282</u>
Noncurrent liabilities:					
Bonds and notes payable, net of original issue discount		2,654,702	9,847,123	5,140,462	17,642,287
Compensated absences				<u>71,786</u>	<u>71,786</u>
Total noncurrent liabilities		<u>2,654,702</u>	<u>9,847,123</u>	<u>5,212,248</u>	<u>17,714,073</u>
Total liabilities	<u>649,065</u>	<u>2,932,027</u>	<u>9,852,123</u>	<u>6,462,140</u>	<u>19,895,355</u>
Net position:					
Net investment in capital assets			(2,120,011)	7,859,568	5,739,557
Reserved, bond retirement	500,219	43,415			543,634
Unreserved				<u>1,425,839</u>	<u>1,425,839</u>
Total net position	<u>500,219</u>	<u>43,415</u>	<u>(2,120,011)</u>	<u>9,285,407</u>	<u>7,709,030</u>
Total liabilities and net position	<u>\$ 1,149,284</u>	<u>\$ 2,975,442</u>	<u>\$ 7,732,112</u>	<u>\$ 15,747,547</u>	<u>\$ 27,604,385</u>

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2014

	Sewer reserve fund	Sewer debt reserve fund	Sewer capital fund	Sewer fund	Total
Operating revenues:					
Charges for services				\$ 3,869,870	\$ 3,869,870
Sewer permits				309,625	309,625
Miscellaneous				18,778	18,778
Total operating revenues				<u>4,198,273</u>	<u>4,198,273</u>
Operating expenses:					
Personnel				844,630	844,630
Collection, disposal and treatment			\$ 14,411	1,332,082	1,346,493
Amortization			14,377		14,377
Depreciation				712,915	712,915
Total operating expenses			<u>28,788</u>	<u>2,889,627</u>	<u>2,918,415</u>
Excess (deficiency) of operating revenues over expenses			<u>(28,788)</u>	<u>1,308,646</u>	<u>1,279,858</u>
Nonoperating revenues (expenses):					
Earnings on temporary deposits and investments	\$ 649	\$ 507	4,319	419	5,894
Interest paid		(14,592)		(535,799)	(550,391)
Bond issuance costs				(37,915)	(37,915)
Total nonoperating revenues (expenses)	<u>649</u>	<u>(14,085)</u>	<u>4,319</u>	<u>(573,295)</u>	<u>(582,412)</u>
Other financing sources (uses), transfers in (out)	<u>(2,017)</u>	<u>57,500</u>	<u>(1,942,632)</u>	<u>1,887,149</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenses and other uses	(1,368)	43,415	(1,967,101)	2,622,500	697,446
Net position:					
Beginning of year	<u>501,587</u>		<u>(152,910)</u>	<u>6,662,907</u>	<u>7,011,584</u>
End of year	<u>\$ 500,219</u>	<u>\$ 43,415</u>	<u>\$ (2,120,011)</u>	<u>\$ 9,285,407</u>	<u>\$ 7,709,030</u>

**FAIRVIEW TOWNSHIP**

COMBINING STATEMENT OF CASH FLOWS – SEWER FUNDS

YEAR ENDED DECEMBER 31, 2014

	Sewer reserve fund	Sewer debt reserve fund	Sewer capital fund	Sewer fund	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ (244,175)			\$ 4,168,745	\$ 3,924,570
Payments to:					
Suppliers			\$ (14,411)	(1,337,410)	(1,351,821)
Employees				(871,011)	(871,011)
Other operating revenue				18,778	18,778
Net cash provided by (used in) operating activities	(244,175)		(14,411)	1,979,102	1,720,516
Cash flows provided by (used in) noncapital financing activities, payments to/from other funds	(2,017)	\$ 57,500	(1,942,632)	1,887,149	-

(continued)

**FAIRVIEW TOWNSHIP**

COMBINING STATEMENT OF CASH FLOWS – SEWER FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

	Sewer reserve fund	Sewer debt reserve fund	Sewer capital fund	Sewer fund	Total
Cash flows from capital and related financing activities:					
Proceeds from bonds		\$ 3,000,000		\$ 6,736,445	\$ 9,736,445
Bond issuance costs				(37,915)	(37,915)
Principal paid on bonds		(67,973)	\$ (5,000)	(7,849,469)	(7,922,442)
Interest paid on bonds		(14,592)		(497,149)	(511,741)
Purchase of fixed assets			(1,091,893)	(2,294,082)	(3,385,975)
		2,917,435	(1,096,893)	(3,942,170)	(2,121,628)
Net cash provided by (used in) capital and related financing activities					
Cash flows provided by investing activities, investment income	\$ 649	507	4,319	419	5,894
Net increase (decrease) in cash and cash equivalents	(245,543)	2,975,442	(3,049,617)	(75,500)	(395,218)
Cash and cash equivalents:					
Beginning	1,394,827		9,689,836	918,257	12,002,920
Ending	\$ 1,149,284	\$ 2,975,442	\$ 6,640,219	\$ 842,757	\$ 11,607,702

(continued)

**FAIRVIEW TOWNSHIP**

COMBINING STATEMENT OF CASH FLOWS – SEWER FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2014

	Sewer reserve fund	Sewer debt reserve fund	Sewer capital fund	Sewer fund	Total
Cash flows from operating activities:					
Excess (deficiency) of operating revenues over expenses			\$ (28,788)	\$ 1,308,646	\$ 1,279,858
Adjustments:					
Depreciation and amortization			14,377	712,915	727,292
(Increase) decrease in assets:					
Accounts receivable				(10,750)	(10,750)
Prepaid expenses				12,500	12,500
Decrease in liabilities:					
Accounts payable and accrued expenses				(17,828)	(17,828)
Other liabilities	\$ (270,556)				(270,556)
Total adjustments	<u>(270,556)</u>		<u>14,377</u>	<u>696,837</u>	<u>440,658</u>
Net cash provided by (used in) operating activities	<u>\$ (270,556)</u>	<u>\$ -</u>	<u>\$ (14,411)</u>	<u>\$ 2,005,483</u>	<u>\$ 1,720,516</u>

**FAIRVIEW TOWNSHIP**

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

CAPITAL PROJECTS FUND

YEAR ENDED DECEMBER 31, 2014

	Original budget	Final budget	Actual	Variance over (under)
Revenues:				
Licenses, permits and fees	\$ 266,000	\$ 266,000	\$ 278,441	\$ 12,441
Interest and rents	500	500	398	(102)
Total revenues	266,500	266,500	278,839	12,339
Expenditures:				
General government			5,120	5,120
Public works			38,933	38,933
Excess (deficiency) of revenues over expenditures	266,500	266,500	234,786	(31,714)
Other financing sources (uses), interfund transfers received (expended)	(250,000)	(250,000)	397,395	647,395
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	\$ 16,500	\$ 16,500	632,181	\$ 615,681
Fund balance:				
Beginning of year			628,373	
End of year			\$ 1,260,554	