

***FAIRVIEW TOWNSHIP***

***YEAR ENDED DECEMBER 31, 2015***

**FAIRVIEW TOWNSHIP**

YEAR ENDED DECEMBER 31, 2015

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YEAR ENDED DECEMBER 31, 2015

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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 as of and for the year ended December 31, 2015, 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 on 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

*Other Supplementary Information*

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

*Brown Schultz Steidan & Fritz*

Camp Hill, Pennsylvania  
May 16, 2016

## **FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2015

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 \$42,465,162 as of December 31, 2015. Net position increased by \$2,934,333 in 2015.
- ◆ The total cost of all the Township's programs was \$13,420,610.
- ◆ During the year, the Township had expenses of \$8,516,203 from governmental activities, which was \$344,619 less than the \$8,860,822 generated in general revenues and program revenues. These figures do not include developer contributions of \$982,047 and transfers in of \$1,006,700.
- ◆ The Township refuse and sewer activities increased net position by \$600,967 from operations.
- ◆ In December 2015, the Township executed an agreement with Pennsylvania-American Water Company (PAWC) to sell all of the assets, properties and rights of the Township's wastewater system. The Township recognized a gain of \$981,843 on the sale
- ◆ During 2015, the Township used unrestricted funds held over from previous fiscal years to pay-off various outstanding notes totaling \$10,835,773.

#### **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, 2015

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

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

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

These two statements report the Township's net position and changes in net position. You can think of the Township's net position – the difference between assets and 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, 2015

**Government-wide financial analysis**

The following table reflects the condensed statement of net position:

**Statement of Net Position**

	<u>2015</u>	<u>2014</u>
Assets:		
Current assets	\$ 26,970,291	\$ 20,125,568
Noncurrent assets	<u>25,785,835</u>	<u>41,914,833</u>
Total assets	52,756,126	62,040,401
Deferred outflows of resources	<u>927,283</u>	
Total assets and deferred outflows of resources	<u><u>\$ 53,683,409</u></u>	<u><u>\$ 62,040,401</u></u>
Liabilities:		
Current liabilities	\$ 606,114	\$ 3,347,503
Noncurrent liabilities	<u>10,472,906</u>	<u>19,162,069</u>
Total liabilities	11,079,020	22,509,572
Deferred inflows of resources	<u>139,227</u>	
Total liabilities and deferred inflows of resources	<u><u>11,218,247</u></u>	<u><u>22,509,572</u></u>
Net position:		
Net investment in capital assets	23,917,629	28,167,469
Restricted	4,003,486	5,139,854
Unrestricted	<u>14,544,047</u>	<u>6,223,506</u>
Total net position	<u><u>42,465,162</u></u>	<u><u>39,530,829</u></u>
Total liabilities and net position	<u><u>\$ 53,683,409</u></u>	<u><u>\$ 62,040,401</u></u>

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

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2015

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

**Statement of Activities**

	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 5,987,621	\$ 6,246,949
Operating grants and contributions	840,031	788,555
Capital grants and contributions	180,138	194,558
General revenues:		
Taxes	6,827,372	6,508,923
Cable TV franchise fees	288,460	278,441
Investment earnings	3,409	8,762
Developer contributions	982,047	172,147
Gain (loss) on sale of assets	995,557	(572)
Miscellaneous	250,308	222,972
	<u>16,354,943</u>	<u>14,420,735</u>
Total revenues		
Expenses:		
General government	789,611	870,770
Public safety	4,113,012	3,529,120
Health and welfare	17,930	21,260
Public works, land purchase	225,409	44,071
Highways	3,124,485	3,295,245
Culture and recreation	228,595	336,825
Interest	17,161	34,472
Sewer	3,380,863	3,506,721
Refuse	1,523,544	1,516,192
	<u>13,420,610</u>	<u>13,154,676</u>
Total expenses		

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2015

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

**Statement of Activities (continued)**

	<u>2015</u>	<u>2014</u>
Change in net position	\$ 2,934,333	\$ 1,266,059
Net position:		
Beginning	<u>39,530,829</u>	<u>38,264,770</u>
Ending	<u><u>\$ 42,465,162</u></u>	<u><u>\$ 39,530,829</u></u>

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

The Township's combined net position increased to \$42,465,162 from \$39,530,829 as a result of the increase in net position of \$2,934,333. 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 \$14,544,047.

**The Township's funds**

*Governmental funds:*

At year-end, the governmental funds reported a combined fund balance of \$7,937,581, which is an increase of \$859,283 over the beginning of the year. The general fund experienced a net increase of \$448,192.

*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 \$600,967 as a result of operations and the sale of the wastewater system in December 2015 for a net gain of \$981,843 reported in the proprietary funds.

## **FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2015

#### **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 \$903,278, thus eliminating the need to draw upon existing fund balance. Expenditures also exceeded budgetary estimates by \$603,434. The increase in expenditures was due primarily to increases in expected expenditures for general government 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, 2015, amounts to \$62,345,116, net of accumulated depreciation of \$38,427,487, leaving a net book value of \$23,917,629. 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 received assets contributed to the Township by developers of \$982,047 during 2015. Actual expenditures to purchase or construct capital assets were \$3,917,558 and disposals were \$45,560, excluding the sale of the wastewater system in 2015. Depreciation charges for the year totaled \$2,981,404. Additional information on the Township's capital assets can be found in Note 11 of the notes to the financial statements of this report.

The Township's investment in capital assets, net of debt decreased in 2015. The decrease was a result of the Township selling the wastewater system assets, properties and rights. The assets were sold at an original cost of \$30,245,459 less accumulated depreciation of \$12,968,522 for a net book value of \$17,276,937.

##### *Debt administration:*

General obligation bonds and sewer revenue bonds are backed by the full faith, credit and taxing power of the Township, including the Township's power to levy additional taxes to ensure repayment of the debt. Township debt decreased by \$10,835,773 in 2015 due to the payoff of all Township debt during 2015 with the exception of the 2013 Sewer Revenue Bonds which has an outstanding balance of \$9,980,000 at December 31, 2015. See Note 3 for additional information.

## **FAIRVIEW TOWNSHIP**

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

**YEAR ENDED DECEMBER 31, 2015**

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

The Township's elected and appointed officials considered many factors when setting the fiscal year 2016 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 2016 in comparison to 2015.

#### **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.

#### **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, 2015, the police pension plan and the nonuniformed pension plan had net pension assets of \$500,403 and \$237,050, 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.

## ***FAIRVIEW TOWNSHIP***

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

YEAR ENDED DECEMBER 31, 2015

### **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.

### **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, 2015

ASSETS

	Primary government		
	Governmental activities	Business-type activities	Total
Current assets:			
Cash and investments	\$ 8,401,590	\$ 16,293,993	\$ 24,695,583
Taxes receivable	206,888		206,888
Other receivables		2,067,820	2,067,820
	<hr/>	<hr/>	<hr/>
Total current assets	<u>8,608,478</u>	<u>18,361,813</u>	<u>26,970,291</u>
Noncurrent assets:			
Net postemployment benefits asset (other than pensions)	1,130,753		1,130,753
Net pension asset	737,453		737,453
Capital assets, net	<u>23,594,988</u>	<u>322,641</u>	<u>23,917,629</u>
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	<u>25,463,194</u>	<u>322,641</u>	<u>25,785,835</u>
Deferred outflows of resources, related to pensions	<u>927,283</u>		<u>927,283</u>
Total assets and deferred outflows of resources	<u>\$ 34,998,955</u>	<u>\$ 18,684,454</u>	<u>\$ 53,683,409</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	\$ 55,981	\$ 16,028	\$ 72,009
Accrued interest payable		29,070	29,070
Escrows payable	500,035		500,035
Current portion of long-term debt		5,000	5,000
Total current liabilities	<u>556,016</u>	<u>50,098</u>	<u>606,114</u>
Noncurrent liabilities:			
Bond and notes payable, net of original issue discount and of current portion		9,856,495	9,856,495
Compensated absences	616,411		616,411
Total noncurrent liabilities	<u>616,411</u>	<u>9,856,495</u>	<u>10,472,906</u>
Total liabilities	<u>1,172,427</u>	<u>9,906,593</u>	<u>11,079,020</u>
Deferred inflows of resources, related to pensions		<u>139,227</u>	<u>139,227</u>
Net position:			
Net investment in capital assets	23,594,988	322,641	23,917,629
Restricted for:			
Pension asset	737,453		737,453
Postemployment benefit asset	1,130,753		1,130,753
Highway aid	2,091,017		2,091,017
Street light	35,028		35,028
Fire hydrant fund	9,235		9,235
Unrestricted	6,088,827	8,455,220	14,544,047
Total net position	<u>33,687,301</u>	<u>8,777,861</u>	<u>42,465,162</u>
Total liabilities and net position	<u>\$ 34,998,955</u>	<u>\$ 18,684,454</u>	<u>\$ 53,683,409</u>

**FAIRVIEW TOWNSHIP**

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

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	\$ 789,611	\$ 5,996			\$ (783,615)		\$ (783,615)
Public safety	4,113,012	454,873	\$ 338,106		(3,320,033)		(3,320,033)
Health and welfare	17,930				(17,930)		(17,930)
Public works	225,409				(225,409)		(225,409)
Highways	3,124,485		501,925	\$ 165,168	(2,457,392)		(2,457,392)
Culture and recreation	228,595	13,500			(215,095)		(215,095)
Unallocated interest expense and bond costs	17,161				(17,161)		(17,161)
<b>Total governmental activities</b>	<b>8,516,203</b>	<b>474,369</b>	<b>840,031</b>	<b>165,168</b>	<b>(7,036,635)</b>		<b>(7,036,635)</b>
Business-type activities:							
Sewer	3,380,863	4,079,856				\$ 698,993	698,993
Refuse	1,523,544	1,433,396		14,970		(75,178)	(75,178)
<b>Total business-type activities</b>	<b>4,904,407</b>	<b>5,513,252</b>		<b>14,970</b>		<b>623,815</b>	<b>623,815</b>
<b>Total primary government</b>	<b>\$ 13,420,610</b>	<b>\$ 5,987,621</b>	<b>\$ 840,031</b>	<b>\$ 180,138</b>	<b>(7,036,635)</b>	<b>623,815</b>	<b>(6,412,820)</b>

(continued)

**FAIRVIEW TOWNSHIP**

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

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					\$ 3,245,922		\$ 3,245,922
Real estate transfer					394,216		394,216
Earned income					2,747,152		2,747,152
Per capita					15,958		15,958
Emergency services					416,544		416,544
Public utility					7,580		7,580
Cable TV franchise fees					288,460		288,460
Investment earnings					1,400	\$ 2,009	3,409
Gain on sale of assets					13,714	981,843	995,557
Miscellaneous					250,308		250,308
Total general revenues					7,381,254	983,852	8,365,106
Transfers in (out)					1,006,700	(1,006,700)	-
Developer contributions					982,047		982,047
Change in net position					2,333,366	600,967	2,934,333
Net position:							
Beginning					31,353,935	8,176,894	39,530,829
Ending					\$ 33,687,301	\$ 8,777,861	\$ 42,465,162

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

**BALANCE SHEET – GOVERNMENTAL FUNDS – DECEMBER 31, 2015**

	General	Highway aid fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
ASSETS						
Cash and investments	\$ 2,206,397	\$ 2,091,017	\$ 2,117,257	\$ 1,340,160	\$ 646,759	\$ 8,401,590
Taxes receivable	156,920					156,920
 Total assets	<u>\$ 2,363,317</u>	<u>\$ 2,091,017</u>	<u>\$ 2,117,257</u>	<u>\$ 1,340,160</u>	<u>\$ 646,759</u>	<u>\$ 8,558,510</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 55,981					\$ 55,981
Escrow deposits	500,035					500,035
 Total liabilities	<u>556,016</u>					<u>556,016</u>
 Deferred inflows of resources, unavailable revenues	<u>64,913</u>					<u>64,913</u>
Fund balances:						
Restricted:						
Street light fund					\$ 35,028	35,028
Highway aid fund		\$ 2,091,017				2,091,017
Fire hydrant fund					9,235	9,235
Committed:						
Capital projects fund				\$ 1,340,160		1,340,160
Capital reserve fund			\$ 2,117,257			2,117,257
Fire service fund					102,504	102,504
Fire department					44,479	44,479
EMS fund					41,226	41,226
Employee benefits	974,677					974,677
LST tax fund					375,875	375,875
Assigned, Fire Station					38,412	38,412
Unassigned	767,711					767,711
 Total fund balances	<u>1,742,388</u>	<u>2,091,017</u>	<u>2,117,257</u>	<u>1,340,160</u>	<u>646,759</u>	<u>7,937,581</u>
 Total liabilities, deferred outflows of resources and fund balances	<u>\$ 2,363,317</u>	<u>\$ 2,091,017</u>	<u>\$ 2,117,257</u>	<u>\$ 1,340,160</u>	<u>\$ 646,759</u>	<u>\$ 8,558,510</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2015

Total governmental fund balances	\$ 7,937,581
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.	23,594,988
Net pension asset is not included in the governmental funds.	737,453
Net postemployment benefits asset is not included in governmental funds.	1,130,753
Deferred outflows and deferred inflows of resources are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resourced related to pensions	927,283
Deferred inflows of resources related to pensions	(139,227)
Other assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds, tax revenues.	114,881
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	<u>(616,411)</u>
Net position of governmental activities	<u><u>\$ 33,687,301</u></u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2015

	General	Highway aid fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
Revenues:						
Taxes	\$ 5,770,251				\$ 1,061,351	\$ 6,831,602
Licenses, permits and fees	4,121			\$ 288,460		292,581
Fines and penalties	63,898					63,898
Interest and rents	308	\$ 292	\$ 311	256	1,833	3,000
Intergovernmental revenue	397,354	501,925			5,420	904,699
Service fees	217,085					217,085
Contributions from private sector					134,159	134,159
Miscellaneous revenue	370,861				41,033	411,894
<b>Total revenues</b>	<b>6,823,878</b>	<b>502,217</b>	<b>311</b>	<b>288,716</b>	<b>1,243,796</b>	<b>8,858,918</b>
Expenditures:						
General government	899,448		8,509	52,032	2,069	962,058
Public safety	3,059,692				700,277	3,759,969
Health and welfare	17,930					17,930
Public works	62,323			163,086		225,409
Highways	1,829,238	333,116			70,248	2,232,602
Culture and recreation	236,295		951			237,246
Debt service					1,581,369	1,581,369
Miscellaneous	3,466					3,466
<b>Total expenditures</b>	<b>6,108,392</b>	<b>333,116</b>	<b>9,460</b>	<b>215,118</b>	<b>2,353,963</b>	<b>9,020,049</b>
Excess (deficiency) of revenues over expenditures	715,486	169,101	(9,149)	73,598	(1,110,167)	(161,131)

(continued)

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2015

	General	Highway aid fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
Other financing sources (uses):						
Proceeds from sale of assets	\$ 13,714					\$ 13,714
Interfund transfers:						
Received	244,427		\$ 500,000	\$ 250,435	\$ 781,700	1,776,562
Expended	<u>(525,435)</u>			<u>(244,427)</u>		<u>(769,862)</u>
Total other financing sources (uses)	<u>(267,294)</u>		<u>500,000</u>	<u>6,008</u>	<u>781,700</u>	<u>1,020,414</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	448,192	\$ 169,101	490,851	79,606	(328,467)	859,283
Fund balances:						
Beginning 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>
End of year	<u><u>\$ 1,742,388</u></u>	<u><u>\$ 2,091,017</u></u>	<u><u>\$ 2,117,257</u></u>	<u><u>\$ 1,340,160</u></u>	<u><u>\$ 646,759</u></u>	<u><u>\$ 7,937,581</u></u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2015

Net change in fund balances, total governmental funds	\$ 859,283
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	2,151,415
Deduct, depreciation expense	(2,196,581)
The change in value of the net pension asset is not reported in governmental funds.	(651,464)
The change in the deferred outflows and inflows related to pensions:	
Difference between expected and actual experience	(133,610)
Difference between projected and actual investment earnings	921,666
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.	(11,810)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,564,208
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	(117,044)
Accrued compensated absences	<u>(52,697)</u>
Change in net position of governmental activities	<u><u>\$ 2,333,366</u></u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – DECEMBER 31, 2015

	ASSETS		
	Sewer fund	Refuse fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Current assets:			
Cash and investments	\$ 15,946,251	\$ 347,742	\$ 16,293,993
Accounts receivable	1,970,444	97,376	2,067,820
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total current assets	17,916,695	445,118	18,361,813
Noncurrent assets, capital assets, depreciable, net	<u>                    </u>	322,641	322,641
Total assets	<u>\$ 17,916,695</u>	<u>\$ 767,759</u>	<u>\$ 18,684,454</u>

See notes to financial statements

## LIABILITIES AND NET POSITION

	Sewer fund	Refuse fund	Total
Current liabilities:			
Accounts payable and accrued expenses	\$ 16,028		\$ 16,028
Accrued interest payable	29,070		29,070
Current portion of long-term debt	5,000		5,000
Total current liabilities	50,098		50,098
Noncurrent liabilities, bonds and notes payable, net of original issue discount and of current portion	9,856,495		9,856,495
Total liabilities	9,906,593		9,906,593
Net position:			
Net investment in capital assets		\$ 322,641	322,641
Unreserved	8,010,102	445,118	8,455,220
Total net position	8,010,102	767,759	8,777,861
Total liabilities and net position	\$ 17,916,695	\$ 767,759	\$ 18,684,454

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2015

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 3,842,957	\$ 1,430,879	\$ 5,273,836
Sewer permits	223,890		223,890
Miscellaneous	13,009	2,517	15,526
Total operating revenues	<u>4,079,856</u>	<u>1,433,396</u>	<u>5,513,252</u>
Operating expenses:			
Personnel	720,056	217,318	937,374
Collection, disposal and treatment	1,424,090	1,276,900	2,700,990
Amortization	14,372		14,372
Depreciation	755,497	29,326	784,823
Total operating expenses	<u>2,914,015</u>	<u>1,523,544</u>	<u>4,437,559</u>
Excess (deficiency) of operating revenues over expenses	<u>1,165,841</u>	<u>(90,148)</u>	<u>1,075,693</u>
Nonoperating revenues (expenses):			
Grant revenue		14,970	14,970
Earnings on temporary deposits and investments	1,984	25	2,009
Interest paid	(466,848)		(466,848)
Gain on sale of sewer system	981,843		981,843
Total nonoperating revenues (expenses)	<u>516,979</u>	<u>14,995</u>	<u>531,974</u>

(continued)

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2015

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Other financing sources (uses), transfers in (out)	<u>\$ (1,381,748)</u>	<u>\$ 375,048</u>	<u>\$ (1,006,700)</u>
Excess of revenues and other financing sources over expenses and other financing uses	301,072	299,895	600,967
Net position:			
Beginning of year	<u>7,709,030</u>	<u>467,864</u>	<u>8,176,894</u>
End of year	<u><u>\$ 8,010,102</u></u>	<u><u>\$ 767,759</u></u>	<u><u>\$ 8,777,861</u></u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2015

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 3,321,201	\$ 1,403,464	\$ 4,724,665
Payments to:			
Suppliers	(1,412,728)	(1,277,332)	(2,690,060)
Employees	(791,842)	(219,285)	(1,011,127)
Other operating revenue	<u>13,009</u>	<u>2,517</u>	<u>15,526</u>
Net cash provided by (used in) operating activities	<u>1,129,640</u>	<u>(90,636)</u>	<u>1,039,004</u>
Cash flows from noncapital financing activities:			
Grant revenues		14,970	14,970
Payment to/from other funds	<u>(1,381,748)</u>	<u>375,048</u>	<u>(1,006,700)</u>
Net cash provided by (used in) noncapital financing activities	<u>(1,381,748)</u>	<u>390,018</u>	<u>(991,730)</u>

(continued)

**FAIRVIEW TOWNSHIP**

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets	\$ 17,083,101		\$ 17,083,101
Principal paid on bonds	(9,271,565)		(9,271,565)
Interest paid on bonds	(476,428)		(476,428)
Purchase of fixed assets	<u>(2,746,435)</u>		<u>(2,746,435)</u>
Net cash provided by capital and related financing activities	<u>4,588,673</u>		<u>4,588,673</u>
Cash flows provided by investing activities, investment income	<u>1,984</u>	<u>\$ 25</u>	<u>2,009</u>
Net increase in cash and cash equivalents	4,338,549	299,407	4,637,956
Cash and cash equivalents:			
Beginning	<u>11,607,702</u>	<u>48,335</u>	<u>11,656,037</u>
Ending	<u>\$ 15,946,251</u>	<u>\$ 347,742</u>	<u>\$ 16,293,993</u>

(continued)

**FAIRVIEW TOWNSHIP**

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Cash flows from operating activities:			
Excess (deficiency) of operating revenues over expenses	<u>\$ 1,165,841</u>	<u>\$ (90,148)</u>	<u>\$ 1,075,693</u>
Adjustments:			
Depreciation and amortization	769,869	29,326	799,195
(Increase) decrease in assets:			
Accounts receivable	(96,581)	(27,415)	(123,996)
Prepaid expenses	12,500		12,500
Decrease in liabilities:			
Accounts payable and accrued expenses	(1,138)	(432)	(1,570)
Other liabilities	<u>(720,851)</u>	<u>(1,967)</u>	<u>(722,818)</u>
Total adjustments	<u>(36,201)</u>	<u>(488)</u>	<u>(36,689)</u>
Net cash provided by (used in) operating activities	<u><u>\$ 1,129,640</u></u>	<u><u>\$ (90,636)</u></u>	<u><u>\$ 1,039,004</u></u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF FIDUCIARY NET POSITION – PENSION FUNDS

DECEMBER 31, 2015

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 39,006	\$ 37,952	\$ 76,958
Investments	<u>8,047,178</u>	<u>9,261,166</u>	<u>17,308,344</u>
Total assets	<u>\$ 8,086,184</u>	<u>\$ 9,299,118</u>	<u>\$ 17,385,302</u>
Net position restricted for pensions	<u>\$ 8,086,184</u>	<u>\$ 9,299,118</u>	<u>\$ 17,385,302</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PENSION FUNDS

YEAR ENDED DECEMBER 31, 2015

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
Additions:			
Contributions:			
State aid	\$ 109,783	\$ 101,942	\$ 211,725
Employer	238,024	171,032	409,056
Employee	<u>35,331</u>	<u>45,505</u>	<u>80,836</u>
Total contributions	<u>383,138</u>	<u>318,479</u>	<u>701,617</u>
Investment income:			
Net appreciation in fair value of investments	46,507	105,948	152,455
Interest and dividends	<u>25,877</u>	<u>56</u>	<u>25,933</u>
	72,384	106,004	178,388
Less investment expense	<u>(53,896)</u>	<u>(61,516)</u>	<u>(115,412)</u>
Net investment income	<u>18,488</u>	<u>44,488</u>	<u>62,976</u>
Total additions, net of investment expense	<u>401,626</u>	<u>362,967</u>	<u>764,593</u>
Deductions:			
Benefit payments	(308,415)	(306,084)	(614,499)
Administrative expenses	<u>(12,108)</u>	<u>(9,328)</u>	<u>(21,436)</u>
Total deductions	<u>(320,523)</u>	<u>(315,412)</u>	<u>(635,935)</u>
Net increase	81,103	47,555	128,658
Net position restricted for pensions:			
Beginning of year	<u>8,005,081</u>	<u>9,251,563</u>	<u>17,256,644</u>
End of year	<u><u>\$ 8,086,184</u></u>	<u><u>\$ 9,299,118</u></u>	<u><u>\$ 17,385,302</u></u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF FIDUCIARY NET POSITION – POSTEMPLOYMENT FUNDS

YEAR ENDED DECEMBER 31, 2015

	<u>Nonuniformed benefits fund</u>	<u>Police benefits fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 42,655	\$ 143,691	\$ 186,346
Investments	<u>1,171,457</u>	<u>778,770</u>	<u>1,950,227</u>
Total assets	<u>\$ 1,214,112</u>	<u>\$ 922,461</u>	<u>\$ 2,136,573</u>
Net position held in trust for OPEB	<u>\$ 1,214,112</u>	<u>\$ 922,461</u>	<u>\$ 2,136,573</u>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – POSTEMPLOYMENT FUNDS

YEAR ENDED DECEMBER 31, 2015

	Nonuniformed benefits fund	Police benefits fund	Total
Additions:			
Contributions, employer	\$ -	\$ -	\$ -
Investment income:			
Net depreciation in fair value of investments	(1,506)	(1,290)	(2,796)
Interest and dividends	17,916	9,505	27,421
	16,410	8,215	24,625
Less investment expense	(3,427)	(2,454)	(5,881)
Net investment income	12,983	5,761	18,744
Total additions, net of investment income	12,983	5,761	18,744
Net position held in trust for OPEB:			
Beginning of year	1,201,129	916,700	2,117,829
End of year	\$ 1,214,112	\$ 922,461	\$ 2,136,573

See notes to financial statements.

# **FAIRVIEW TOWNSHIP**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2015**

### **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 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, 2015

#### **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 fire fighting 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). 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, 2015

#### **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 expenditures/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, 2015

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

*Basis of presentation (continued):*

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 future capital projects. 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. This fund is also to be used to subsidize other funds with deficit fund balances.

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.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

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

*Basis of presentation (continued):*

Nonmajor funds (continued):

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, 2015, the fund was subsidized from revenues received from the LST Fund.

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.

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.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

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

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

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 three following funds:

*Sewer Reserve Fund* - The Sewer Reserve Fund was 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 outstanding sewer debt.

*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 holding the proceeds from the 2015 sale of the wastewater system to pay off the 2013 general obligation bonds.

*Sewer Debt Reserve Fund* - The Sewer Debt Reserve Fund was 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. The General Obligation Bond, series F of 2014 was paid in full in 2015, and the Fund has been closed out.

**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.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

#### **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.

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, 2015

#### **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, 2015

**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, 2015 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, 2015

**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, 2015, 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>Capital assets 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, 2015

#### **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. All of these funds were transferred to PAWC as part of the sale of the sewer system in 2015.

##### *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, 2015

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

##### *Fund balance classifications:*

##### Government-wide statements

Fund balance 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.
- c. Assigned fund balances – Resources the Township intends to use for specific purposes. Intent can be expressed by the Township's Board of Supervisors or by an official or body to which the Township Board of Supervises delegates the authority.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

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

*Fund balance classifications (continued):*

Fund financial statements (continued)

- d. 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 2015, the Township incurred amortization expense of \$14,372.

*Deferred outflows/inflows of resources:*

The statement of net position reports a separate section for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements represent a consumption (outflows) or acquisition (inflows) of net position or fund balance that applies to future periods and thus, will not be recognized as an outflow of resources (expense/expenditure) or inflow of resources (revenue) until then. The Township reported both an outflows of resources and inflows of resources related to its pension plans.

The balance sheet – governmental funds report 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, 2015

**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, 2015, \$24,709,993 of the Township's bank balance of \$24,881,930 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	\$ 24,709,993
Insured by Federal Deposit Insurance Corporation	480,826
Outstanding checks	(309,489)
Petty cash	<u>600</u>
Total deposits	<u>24,881,930</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

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

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

	Ratings	Fair value
Investments:		
Mellon Bank:		
EB Emerging Markets Debt Opportunity Fund	Unrated	\$ 631,107
EB Opportunistic Fixed Income Fund	Unrated	619,789
PE Small Core Bond Plus Fund	Unrated	1,263,146
BNYM Fixed Income Multi-Strategy Fund	Unrated	3,812,619
EB NCML International Fund	Unrated	1,665,627
BNYM US Large Cap Equity Fund	Unrated	1,731,036
EB NCML Emerging Market Equity Fund	Unrated	686,815
BNYM MCM International Equity Fund	Unrated	1,624,162
PE US Small Cap Opportunistic Value Equity Fund	Unrated	492,517
EB DV Enhanced Large Cap Core Fund	Unrated	1,604,804
EB DV Enhanced Mid Cap Core Fund	Unrated	1,632,815
EB DL Small Cap Core Fund	Unrated	474,436
Temporary investment funds	Unrated	76,958
Charles Schwab mutual funds	Unrated	1,069,471
PNC Institutional Investments:		
PNC Advantage Government Fund	Unrated	29,016
U.S. treasury notes; 2.00%; 2/15/22	AAA	729,310
U.S. treasury notes; .875%; 2/28/17	AAA	363,142
U.S. treasury notes; 2.00%; 7/31/20	AAA	429,879
U.S. treasury notes; 1.00%; 5/31/18	AAA	149,232
U.S. treasury notes; 1.25%; 10/31/18	AAA	249,648
 Total investments		 19,335,529
 Total deposits and investments		 \$ 44,217,459
 Governmental funds		 \$ 8,401,591
Business-type funds		16,293,993
Postemployment benefit funds		2,136,573
Pension funds		17,385,302
		\$ 44,217,459

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

#### **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, 2015:

*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, 2015, the balance of the bond is \$9,980,000. See subsequent events Note 15.

*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.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

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

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

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 had an interest rate of 1.95% and would have matured on December 1, 2019. The note required monthly payments of \$91,758 of principal and interest. The note was paid in full in 2015.

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 had an interest rate of 1.35% and would have matured on August 15, 2015. The note required monthly payments of \$23,442 of principal and interest. The note was paid in full in 2015.

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 had an interest rate of 1.95% and would have matured on December 15, 2019. The note required monthly payments of \$6,944 of principal and interest. The note was paid in full in 2015.

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 had an interest rate of 2.05% and would have matured on December 15, 2020. The note required monthly payments of \$10,291 of principal and interest. The note was paid in full in 2015.

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 had an interest rate of 1.39% and would have matured on September 1, 2017. The note required monthly payments of \$42,551 of principal and interest. The note was paid in full in 2015.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

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

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

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 had an interest rate of 1.95% and would have matured on September 15, 2024. The note required monthly payments of \$27,522 of principal and interest through September 15, 2017, and then the monthly payments would have increased to \$38,118 per month at an interest rate of 12%. The note was paid in full in 2015.

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

	Outstanding balance January 1, 2015	Additions	Payments	Outstanding balance December 31, 2015	Current portion at December 31, 2015	Bond discount, net of amortization	Outstanding long-term portion at December 31, 2015
G.O. Bonds, 2013 (Sewer Revenue)	\$ 9,985,000		\$ (5,000)	\$ 9,980,000	\$ (5,000)	\$ (118,505)	\$ 9,856,495
G.O. Note, 2014A (Sewer Revenue)	5,241,277		(5,241,277)				-
G.O. Note, 2014B (Fire Station)	186,695		(186,695)				-
G.O. Note, 2014C (Sewer Revenue)	396,624		(396,624)				-
G.O. Note, 2014D (Sewer Revenue)	696,637		(696,637)				-
G.O. Note, 2014E (Fire Fund)	1,377,513		(1,377,513)				-
G.O. Note, 2014F (Sewer Revenue)	2,932,027		(2,932,027)				-
	<u>\$ 20,815,773</u>	<u>\$ -</u>	<u>\$ (10,835,773)</u>	<u>\$ 9,980,000</u>	<u>\$ (5,000)</u>	<u>\$ (118,505)</u>	<u>\$ 9,856,495</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

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

Scheduled principal maturities are as follows:

<u>Year</u>	<u>G. O. Bond 2013</u>
2016	\$ 5,000
2017	5,000
2018	5,000
2019	5,000
2020	5,000
2021	1,215,000
2022	1,375,000
2023	1,415,000
2024	1,460,000
2025	1,505,000
2026	1,555,000
2027	<u>1,435,000</u>
	<u>\$ 9,985,000</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

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

Minimum debt service requirements are as follows:

<u>Year</u>	<u>G. O. Bond 2013</u>
2016	\$ 328,135
2017	328,022
2018	327,910
2019	327,798
2020	327,685
2021	1,537,573
2022	1,661,122
2023	1,659,873
2024	1,662,422
2025	1,661,432
2026	1,662,520
2027	<u>1,488,095</u>
	<u>\$ 12,972,587</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 2015 were: 1.949 mills - real estate for general purposes, .231 mills - real estate for fire protection purposes, .17 mills - real estate for ambulance services and .09 mills - fire hydrant.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**4. Property taxes and assessments (continued):**

*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, 2015 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.

**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 2015, the Township paid costs to Lower Allen Township of \$113,953. All payments were made from the Sewer Fund. This agreement was assigned to PAWC as part of the sale of the wastewater system in 2015.

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

#### **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.

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.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

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

*Plan membership:*

As of December 31, 2015, participation in the respective plans is as follows:

Nonuniformed pension plan:

Membership as of December 31, 2015:

Retirees and beneficiaries currently receiving benefits	12
Terminated employees entitled to deferred benefits	13
Active members	<u>21</u>

Total 46

Police pension plan:

Membership as of December 31, 2015:

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

Total 25

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

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

*Plan membership (continued):*

A summary of employee eligibility requirements and benefits as of December 31, 2015 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	<p>Immediate 100% for employees hired before July 1, 2014</p> <p>Vest upon completion of five years of service if hired after July 1, 2014</p>	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, 2015

**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, 2015

**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 2015:

Description	Nonuniformed pension plan **	Police pension plan *
Annual covered payroll	\$ 1,192,260	\$ 1,134,341
Employee contribution rate	2.0% of gross wages **	4.0% of gross wages *
Employee contributions paid in 2015	\$ 35,331	\$ 45,505
Employer contributions paid in 2015	\$ 238,024	\$ 171,032
State aid contributions paid in 2015	\$ 109,783	\$ 101,942
Total contributions made as a percentage of payroll	32.1%	28.1%

\* 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, 2015

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

*Net pension liability:*

The net pension liabilities (assets) were measured as of December 31, 2015, and the total pension liability (assets) was determined by rolling forward the liabilities (assets) from an actuarial valuation as of January 1, 2015. 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, 2015 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	36%	5.5% - 7.5%
International equity	24%	4.5% - 5.5%
Fixed income	40%	1.0% - 3.0%

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**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, 2015

**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, 2014	\$ 7,416,021	\$ 8,005,081	\$ (589,060)
Service cost	212,600		212,600
Interest cost	523,658		523,658
Changes in benefit terms	-		-
Changes for experience	6,420		6,420
Changes of assumptions	-		-
Contributions - employer		347,807	(347,807)
Contributions - members		35,205	(35,205)
Net investment income		16,381	(16,381)
Benefit payments, including refund of member contributions	(308,415)	(308,415)	-
Administrative expense		(10,000)	10,000
Other changes	-	1,275	(1,275)
Net changes	434,263	82,253	352,010
Balance at December 31, 2015	<u>\$ 7,850,284</u>	<u>\$ 8,087,334</u>	<u>\$ (237,050)</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**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)	\$ 664,298	\$ (237,050)	\$ (1,006,149)

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**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, 2014	\$ 8,451,706	\$ 9,251,563	\$ (799,857)
Service cost	231,464		231,464
Interest cost	585,739		585,739
Changes in benefit terms	-		-
Changes for experience	(162,432)		(162,432)
Changes of assumptions	-		-
Contributions - employer		272,974	(272,974)
Contributions - members		45,456	(45,456)
Net investment income		42,160	(42,160)
Benefit payments, including refund of member contributions	(306,084)	(306,084)	-
Administrative expense		(7,000)	7,000
Other changes	-	1,727	(1,727)
Net changes	348,687	49,233	299,454
Balance at December 31, 2015	<u>\$ 8,800,393</u>	<u>\$ 9,300,796</u>	<u>\$ (500,403)</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**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)	\$ 676,907	\$ (500,403)	\$ (1,478,242)

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

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

*Pension expense – Nonuniformed Pension Plan:*

Service cost	\$ 212,600
Interest on the total pension liability	523,658
Differences between expected and actual experience <sup>1</sup>	803
Changes of assumptions	-
Member contributions	(35,205)
Projected earnings on pension plan investments	(562,706)
Difference between projected and actual earnings on investments <sup>2</sup>	109,265
Pension plan administrative expense	10,000
Other changes in fiduciary net position	<u>-</u>
Total pension expense	<u><u>\$ 258,415</u></u>

At December 31, 2015, the Township reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
<sup>1</sup> Difference between expected and actual experience	\$ 5,617	\$ -
<sup>2</sup> Difference between projected and actual investment earnings	<u>437,060</u>	<u>-</u>
Total	<u><u>\$ 442,677</u></u>	<u><u>\$ -</u></u>
Year ended:		
2016	\$ 110,068	
2017	110,068	
2018	110,068	
2019	110,067	
2020	802	
2021	802	
2022	<u>802</u>	
	<u><u>\$ 442,677</u></u>	

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

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

*Pension expense – Police Pension Plan:*

Service cost	\$	231,464
Interest on the total pension liability		585,739
Differences between expected and actual experience <sup>1</sup>		(23,205)
Changes of assumptions		-
Member contributions		(45,456)
Projected earnings on pension plan investments		(647,917)
Difference between projected and actual earnings on investments <sup>2</sup>		121,151
Pension plan administrative expense		7,000
Other changes in fiduciary net position		<u>-</u>
Total pension expense	\$	<u>228,776</u>

At December 31, 2015, the Township reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
<sup>1</sup> Difference between expected and actual experience		<u>\$ 139,227</u>
<sup>2</sup> Difference between projected and actual investment earnings	<u>\$ 484,606</u>	
Year ended:		
2016	\$ 121,151	\$ 23,205
2017	121,151	23,205
2018	121,152	23,205
2019	121,152	23,204
2020		23,204
2021		<u>23,204</u>
	<u>\$ 484,606</u>	<u>\$ 139,227</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**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, 2015 and consist of the following:

	<u>Cost</u>	<u>Fair value</u>
Nonuniformed pension:		
Temporary investments and deposits	\$ 39,006	\$ 39,006
Mutual funds	1,081,719	1,069,471
Funds, collective trust funds	<u>5,887,521</u>	<u>6,977,707</u>
	<u>7,008,246</u>	<u>8,086,184</u>
Police pension:		
Temporary investments and deposits	37,952	37,952
Funds, collective trust funds	<u>7,768,327</u>	<u>9,261,166</u>
	<u>7,806,279</u>	<u>9,299,118</u>
Investments, pension	<u><u>\$ 14,814,525</u></u>	<u><u>\$ 17,385,302</u></u>

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, 2015

**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	20 %
Small/mid capitalization stocks	16
International equities	<u>24</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, 2015

**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 2015.

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	\$ 517,788	\$ 714,010
Net unrealized losses	(471,281)	(608,062)
Net appreciation in fair value of investments	\$ 46,507	\$ 105,948

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**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>	<u>2015</u>
Market value of assets	19.7%	13.6%	0.9%	13.7%	16.3%	7.7%	0.9%

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>	<u>2015</u>
Market value of assets	19.5%	13.1%	0.9%	13.9%	16.5%	8.0%	1.1%

**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, 2015, the liability for vested unused vacation and sick leave is \$616,411. 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, 2015 are \$500,035.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**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. During 2015, the Township paid \$103,427, net of the \$12,500 advance payment, for the nutrient credits. As of the date in December 2015, just prior to sale of wastewater assets to PAWC, the Township had a balance of \$300,000 of the advance payment available. The Township sold the nutrient credits as part of the sale of the wastewater system to PAWC for \$300,000.

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:

2016	\$ 57,750
2017	<u>59,482</u>
	<u>\$ 117,232</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**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, 2015, the Township paid premiums of \$640,357. Actual claims paid for the year ended December 31, 2015 were \$442,524 less reimbursements of \$11,112, or net claims of \$431,412. The Township also incurred a shared cost of \$2,761 and is anticipating a refund of \$206,184.

**10. Reservations of fund balances and net position:**

Reservations of fund balances and net position as of December 31, 2015 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	\$ 834,059
Pooled sick days, police	<u>140,618</u>
	<u>\$ 974,677</u>
Postemployment benefits trust funds, healthcare benefits	<u>\$ 2,136,573</u>
Pension trust funds, employee benefits	<u>\$ 17,385,302</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**11. Capital assets:**

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
Capital assets not being depreciated:				
Land	\$ 542,800			\$ 542,800
Construction in progress <sup>1</sup>	1,091,892	\$ 1,299,365	\$ 2,391,257	
Capital assets not being depreciated	<u>1,634,692</u>	<u>1,299,365</u>	<u>2,391,257</u>	<u>542,800</u>
Capital assets being depreciated:				
Vehicles and equipment	7,254,720	313,623	45,560	7,522,783
Buildings and improvements	4,444,120	241,500		4,685,620
Refuse improvements and equipment <sup>1</sup>	572,862			572,862
Sewer improvements and equipment <sup>1</sup>	26,407,131	1,447,071	27,854,202	
Roads, traffic signals and storm sewers	47,423,005	1,598,046		49,021,051
Total capital assets being depreciated	<u>86,101,838</u>	<u>3,600,240</u>	<u>27,899,762</u>	<u>61,802,316</u>
Less accumulated depreciation:				
Vehicles and equipment	3,921,250	554,043	43,806	4,431,487
Buildings and improvements	971,620	99,223		1,070,843
Refuse improvements and equipment	220,895	29,326		250,221
Sewer improvements and equipment	12,213,025	755,497	12,968,522	
Roads, traffic signals and storm sewers	31,131,621	1,543,315		32,674,936
Total accumulated depreciation	<u>48,458,411</u>	<u>2,981,404</u>	<u>13,012,328</u>	<u>38,427,487</u>
Capital assets, net	<u>\$ 39,278,119</u>	<u>\$ 1,918,201</u>	<u>\$ 17,278,691</u>	<u>\$ 23,917,629</u>

<sup>1</sup> Denotes assets related to business activities

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

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

Depreciation expense was charged to functions as follows:

Business activities:	
Refuse	\$ 29,326
Sewer	755,497
Governmental activities:	
General government	80,955
Public safety	359,411
Highways	1,719,726
Recreation	<u>36,489</u>
Total depreciation expense	<u>\$ 2,981,404</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, 2015

**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, 2015

**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	(39,142)	(17,009)
Adjustment to annual required contribution	53,400	23,204
Annual OPEB cost	47,837	69,207
Contributions made	-	-
Decrease in net OPEB asset	47,837	69,207
Net OPEB asset:		
Beginning of year	(869,829)	(377,968)
End of year	\$ (821,992)	\$ (308,761)

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**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>
2015	\$ 47,837	- %	\$ (821,992)
2014	47,890	93.20	(869,829)
2013	52,705	-	(873,073)
<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>
2015	\$ 69,207	- %	\$ (308,761)
2014	73,086	0.4	(377,968)
2013	73,896	66.2	(448,076)

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, 2015

**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, 2015 and consist of the following:

	Cost	Fair value
Nonuniformed plan:		
PNC Advantage Government Fund*	\$ 17,123	\$ 17,123
U.S. treasury notes; 2.00%; 2/15/22	430,302	438,788
U.S. treasury notes; .875%; 2/28/17	216,442	218,085
U.S. treasury notes; 2.00%; 7/31/20	249,700	247,813
U.S. treasury notes; 1.25%; 10/31/18	248,136	249,648
	1,161,703	1,171,457
Police plan:		
PNC Advantage Government Fund*	11,893	11,893
U.S. treasury notes; 2.00%; 2/15/22	284,915	290,522
U.S. treasury notes; .875%; 2/28/17	143,953	145,057
U.S. treasury notes; 1.00%; 5/31/18	148,377	149,232
U.S. treasury notes; 2.00%; 7/31/20	183,453	182,066
	772,591	778,770
Investments, OPEB	\$ 1,934,294	\$ 1,950,227

\* Cash and cash equivalents

## **FAIRVIEW TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

#### **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, 2015.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**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. 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.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**14. Interfund receivables, payables and transfers (continued):**

In the year ended December 31, 2015, the Township made the following transfers:

	<u>Transfers to other funds</u>	<u>Transfers from other funds</u>
General fund	\$ 525,435	\$ 244,427
Capital reserve fund		500,000
Capital projects fund	244,427	250,435
Refuse fund		375,048
Sewer fund	12,666,918	8,021,519
Sewer debt reserve fund	947,698	961,727
Fire station fund		140,737
LST fund	651,353	
Fire service fund		1,292,316
Sewer capital fund	<u>7,073,821</u>	<u>10,323,443</u>
	<u>\$ 22,109,652</u>	<u>\$ 22,109,652</u>

There were no interfund receivables and payables as of December 31, 2015

**15. Subsequent events:**

On February 1, 2016, the Township transferred \$10,652,334 to an escrow agent for the defeasance of the General Obligation Bonds, Series of 2013. The 2013 bonds had an outstanding principal balance of \$9,980,000 as of December 31, 2015. The Township also paid settlement fees of \$11,000 with this defeasance.

The Township has evaluated events through May 16, 2016, the date which the financial statements were available to be issued.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

**16. New GASB pronouncements:**

GASB Statement No. 72, *Fair Value Measurement and Application*, improves financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance and enhancing disclosures about fair value measurements. This statement is effective for periods beginning after June 15, 2015.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions included in the financial statements of state and local governments and will provide information for making decisions and assessing accountability of these benefits. The statement is effective for years beginning after June 15, 2016.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It will provide information for making decisions, assessing accountability and creating additional transparency of these benefits. The statement is effective for years beginning after June 15, 2017.

**FAIRVIEW TOWNSHIP**

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

	2015	2014
Total pension liability:		
Service cost	\$ 231,464	\$ 212,994
Interest	585,739	563,261
Changes of benefit terms	-	-
Changes for experience	(162,432)	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(306,084)	(316,283)
Net change in total pension liability	348,687	459,972
Total pension liability:		
Beginning of year	8,451,706	7,991,734
End of year (a)	\$ 8,800,393	\$ 8,451,706
Plan fiduciary net position:		
Contributions - employer	\$ 272,974	\$ 279,909
Contributions - member	45,456	44,613
Net investment income	42,160	643,063
Benefit payments, including refunds of member contributions	(306,084)	(316,283)
Administrative expense	(7,000)	(7,979)
Other changes	1,727	-
Net change in plan fiduciary net position	49,233	643,323
Total fiduciary net position:		
Beginning of year	9,251,563	8,608,240
End of year (b)	\$ 9,300,796	\$ 9,251,563
Net pension liability (asset), end of year (a) - (b)	\$ (500,403)	\$ (799,857)
Plan fiduciary net position as a percentage of the total pension liability	105.7%	109.5%
Covered employee payroll	\$ 1,134,341	\$ 1,134,166
Net pension liability (asset) as a percentage of covered employee payroll	(44.1)%	(70.5)%

**FAIRVIEW TOWNSHIP**

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

	2015	2014
Total pension liability:		
Service cost	\$ 212,600	\$ 218,781
Interest	523,658	494,292
Changes of benefit terms	-	-
Changes for experience	6,420	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(308,415)	(279,181)
Net change in total pension liability	434,263	433,892
Total pension liability:		
Beginning of year	7,416,021	6,982,129
End of year (a)	\$ 7,850,284	\$ 7,416,021
Plan fiduciary net position:		
Contributions - employer	\$ 347,807	\$ 343,824
Contributions - member	35,205	34,744
Net investment income	16,381	526,881
Benefit payments, including refunds of member contributions	(308,415)	(279,181)
Administrative expense	(10,000)	(9,568)
Other changes	(1,725)	
Net change in plan fiduciary net position	79,253	616,700
Total fiduciary net position:		
Beginning of year	8,008,081	7,388,381
End of year (b)	\$ 8,087,334	\$ 8,005,081
Net pension liability (asset), end of year (a) - (b)	\$ (237,050)	\$ (589,060)
Plan fiduciary net position as a percentage of the total pension liability	103.0%	107.9%
Covered employee payroll	\$ 1,192,260	\$ 1,568,816
Net pension liability (asset) as a percentage of covered employee payroll	(19.9)%	(37.5)%

**FAIRVIEW TOWNSHIP**

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

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>	<u>2015</u>
Nonuniformed Pension Plan	19.7%	13.6%	0.9%	13.7%	16.3%	7.7%	0.9%
Police Pension Plan	19.5%	13.1%	0.9%	13.9%	16.5%	8.0%	1.1%

**FAIRVIEW TOWNSHIP**

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

Year	Nonuniformed Pension Plan				
	Actuarially determined contribution	Contributions from employer	Contribution deficiency/ (excess)	Covered employee payroll	Contributions as a % of payroll
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%
2015	347,807	347,807	-	1,192,260	29.17%

*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 reported.

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  
 (unaudited)

Year	Police Pension Plan				
	Actuarially determined contribution	Contributions from employer	Contribution deficiency/ (excess)	Covered employee payroll	Contributions as a % of payroll
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%
2015	272,974	272,974	-	1,134,341	24.06%

*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 reported.

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)  
 SCHEDULE OF FUNDING PROGRESS AND ACTUARIAL ASSUMPTIONS  
 OTHER POSTEMPLOYMENT BENEFITS  
 NONUNIFORMED AND POLICE  
 (unaudited)

		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, 2015  
 (unaudited)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Taxes	\$ 5,146,000	\$ 5,146,000	\$ 5,770,251	\$ 624,251
Licenses, permits and fees	3,000	3,000	4,121	1,121
Fines and penalties	84,000	84,000	63,898	(20,102)
Interest and rents	500	500	308	(192)
Intergovernmental	340,600	340,600	397,354	56,754
Service fees	322,200	322,200	217,085	(105,115)
Miscellaneous	<u>24,300</u>	<u>24,300</u>	<u>370,861</u>	<u>346,561</u>
Total revenues	<u>5,920,600</u>	<u>5,920,600</u>	<u>6,823,878</u>	<u>903,278</u>
Expenditures:				
General government	647,459	647,459	899,448	251,989
Public safety	3,155,304	3,155,304	3,059,692	(95,612)
Health and welfare	22,000	22,000	17,930	(4,070)
Public works			62,323	62,323
Highways	1,498,953	1,498,953	1,829,238	330,285
Culture and recreation	178,242	178,242	236,295	58,053
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>3,466</u>	<u>466</u>
Total expenditures	<u>5,504,958</u>	<u>5,504,958</u>	<u>6,108,392</u>	<u>603,434</u>
Excess of revenues over expenditures	<u>415,642</u>	<u>415,642</u>	<u>715,486</u>	<u>299,844</u>
Other financing sources (uses):				
Proceeds from sale of assets	15,000	15,000	13,714	(1,286)
Interfund transfers received			244,427	244,427
Interfund transfers expended	<u>(352,500)</u>	<u>(352,500)</u>	<u>(525,435)</u>	<u>(172,935)</u>
	<u>(337,500)</u>	<u>(337,500)</u>	<u>(267,294)</u>	<u>70,206</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, 2015  
 (unaudited)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$ 78,142</u>	<u>\$ 78,142</u>	\$ 448,192	<u>\$ 370,050</u>
Fund balance:				
Beginning of year			<u>1,294,196</u>	
End of year			<u>\$ 1,742,388</u>	

**Budgets:**

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

Actual expenditures exceeded budget appropriations in 2015 for the following general fund functions:

General government	\$ 251,989
Public works	62,323
Highways	330,285
Culture and recreation	58,083

**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, 2015  
(unaudited)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Interest and rents	\$ 1,000	\$ 1,000	\$ 292	\$ (708)
Intergovernmental	<u>450,000</u>	<u>450,000</u>	<u>501,925</u>	<u>51,925</u>
Total revenues	451,000	451,000	502,217	51,217
Expenditures, highways	<u>902,000</u>	<u>902,000</u>	<u>333,116</u>	<u>(568,884)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (451,000)</u>	<u>\$ (451,000)</u>	169,101	<u>\$ 620,101</u>
Fund balance:				
Beginning of year			<u>1,921,916</u>	
End of year			<u>\$ 2,091,017</u>	

**FAIRVIEW TOWNSHIP**

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEETS

DECEMBER 31, 2015

	<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 fund</u>	<u>Fairview Township Fire Department</u>	<u>Total</u>
	ASSETS							
Cash and investments	<u>\$ 38,412</u>	<u>\$ 375,875</u>	<u>\$ 35,028</u>	<u>\$ 102,504</u>	<u>\$ 9,235</u>	<u>\$ 41,226</u>	<u>\$ 44,479</u>	<u>\$ 646,759</u>
	FUND BALANCES							
Fund balances	<u>\$ 38,412</u>	<u>\$ 375,875</u>	<u>\$ 35,028</u>	<u>\$ 102,504</u>	<u>\$ 9,235</u>	<u>\$ 41,226</u>	<u>\$ 44,479</u>	<u>\$ 646,759</u>

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2015

	Fire station fund	LST fund	Street light fund	Fire service fund	Fire hydrant fund	EMS fund	Fairview Township Fire Department	Total
Revenues:								
Taxes	\$ 60,541	\$ 416,543	\$ 69,745	\$ 241,143	\$ 51,360	\$ 222,019		\$ 1,061,351
Interest and rents	1,607	103	9	51	2	9	\$ 52	1,833
Intergovernmental revenue							5,420	5,420
Contributions from private sector	60,000						74,159	134,159
Miscellaneous revenue	2			38,082			2,949	41,033
<b>Total revenues</b>	<b>122,150</b>	<b>416,646</b>	<b>69,754</b>	<b>279,276</b>	<b>51,362</b>	<b>222,028</b>	<b>82,580</b>	<b>1,243,796</b>
Expenditures:								
General government				1,034		1,035		2,069
Public safety	78,491			309,980	44,195	203,587	64,024	700,277
Highways, roads and streets			70,248					70,248
Debt service	187,641			1,393,728				1,581,369
<b>Total expenditures</b>	<b>266,132</b>		<b>70,248</b>	<b>1,704,742</b>	<b>44,195</b>	<b>204,622</b>	<b>64,024</b>	<b>2,353,963</b>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(143,982)	416,646	(494)	(1,425,466)	7,167	17,406	18,556	(1,110,167)

(continued)

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2015

	Fire station fund	LST fund	Street light fund	Fire service fund	Fire hydrant fund	EMS fund	Fairview Township Fire Department	Total
Other financing sources (uses), transfers in (out)	<u>\$ 140,737</u>	<u>\$ (651,353)</u>		<u>\$ 1,292,316</u>				<u>\$ 781,700</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(3,245)	(234,707)	\$ (494)	(133,150)	\$ 7,167	\$ 17,406	\$ 18,556	(328,467)
Fund balance:								
Beginning 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>
End of year	<u><u>\$ 38,412</u></u>	<u><u>\$ 375,875</u></u>	<u><u>\$ 35,028</u></u>	<u><u>\$ 102,504</u></u>	<u><u>\$ 9,235</u></u>	<u><u>\$ 41,226</u></u>	<u><u>\$ 44,479</u></u>	<u><u>\$ 646,759</u></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			\$ 5,033	\$ 10,995	\$ 16,028
Interest payable				29,070	29,070
Current portion of long-term debt			<u>5,000</u>		<u>5,000</u>
Total current liabilities			10,033	40,065	50,098
Noncurrent liabilities					
bonds and notes payable, net of original issue discount and of current portion			<u>9,856,495</u>		<u>9,856,495</u>
Total liabilities			9,866,528	40,065	9,906,593
Net position, unreserved	<u>\$ 500,442</u>		<u>1,085,211</u>	<u>6,424,449</u>	<u>8,010,102</u>
Total liabilities and net position	<u>\$ 500,442</u>	<u>\$ -</u>	<u>\$ 10,951,739</u>	<u>\$ 6,464,514</u>	<u>\$ 17,916,695</u>

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2015

	Sewer reserve fund	Sewer debt reserve fund	Sewer capital fund	Sewer fund	Total
Operating revenues:					
Charges for services				\$ 3,842,957	\$ 3,842,957
Sewer permits				223,890	223,890
Miscellaneous				13,009	13,009
Total operating revenues				<u>4,079,856</u>	<u>4,079,856</u>
Operating expenses:					
Personnel				720,056	720,056
Collection, disposal and treatment			\$ 31,068	1,393,022	1,424,090
Amortization			14,372		14,372
Depreciation				755,497	755,497
Total operating expenses			<u>45,440</u>	<u>2,868,575</u>	<u>2,914,015</u>
Excess (deficiency) of operating revenues over expenses			<u>(45,440)</u>	<u>1,211,281</u>	<u>1,165,841</u>
Nonoperating revenues (expenses):					
Earnings on temporary deposits and investments	\$ 223	\$ 543	1,040	178	1,984
Interest paid		(57,987)		(408,861)	(466,848)
Gain on sale of sewer system				981,843	981,843
Total nonoperating revenues (expenses)	<u>223</u>	<u>(57,444)</u>	<u>1,040</u>	<u>573,160</u>	<u>516,979</u>
Other financing sources (uses), transfers in (out)		<u>14,029</u>	<u>3,249,622</u>	<u>(4,645,399)</u>	<u>(1,381,748)</u>
Excess (deficiency) of revenues and other financing sources over expenses and other uses	223	(43,415)	3,205,222	(2,860,958)	301,072
Net position:					
Beginning 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>
End of year	<u>\$ 500,442</u>	<u>\$ -</u>	<u>\$ 1,085,211</u>	<u>\$ 6,424,449</u>	<u>\$ 8,010,102</u>

**FAIRVIEW TOWNSHIP**

COMBINING STATEMENT OF CASH FLOWS – SEWER FUNDS

YEAR ENDED DECEMBER 31, 2015

	Sewer reserve fund	Sewer debt reserve fund	Sewer capital fund	Sewer fund	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ (649,065)			\$ 3,970,266	\$ 3,321,201
Payments to:					
Suppliers			\$ (26,035)	(1,386,693)	(1,412,728)
Employees				(791,842)	(791,842)
Other operating revenue				13,009	13,009
Net cash provided by (used in) operating activities	(649,065)		(26,035)	1,804,740	1,129,640
Cash flows provided by (used in) noncapital financing activities, payments to/from other funds		\$ 14,029	3,249,622	(4,645,399)	(1,381,748)
Cash flows from capital and related financing activities:					
Proceeds from sale of fixed assets			2,391,258	14,691,843	17,083,101
Principal paid on bonds		(2,932,027)	(5,000)	(6,334,538)	(9,271,565)
Interest paid on bonds		(57,987)		(418,441)	(476,428)
Purchase of fixed assets			(1,299,365)	(1,447,070)	(2,746,435)
Net cash provided by (used in) capital and related financing activities		(2,990,014)	1,086,893	6,491,794	4,588,673
Cash flows provided by investing activities, investment income	223	543	1,040	178	1,984
Net increase (decrease) in cash and cash equivalents	(648,842)	(2,975,442)	4,311,520	3,651,313	4,338,549
Cash and cash equivalents:					
Beginning	1,149,284	2,975,442	6,640,219	842,757	11,607,702
Ending	\$ 500,442	\$ -	\$ 10,951,739	\$ 4,494,070	\$ 15,946,251

(continued)

**FAIRVIEW TOWNSHIP**

COMBINING STATEMENT OF CASH FLOWS – SEWER FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

	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			\$ (45,440)	\$ 1,211,281	\$ 1,165,841
Adjustments:					
Depreciation and amortization			14,372	755,497	769,869
(Increase) decrease in assets:					
Accounts receivable				(96,581)	(96,581)
Prepaid expenses				12,500	12,500
Decrease in liabilities:					
Accounts payable and accrued expenses			5,033	(6,171)	(1,138)
Other liabilities	\$ (649,065)			(71,786)	(720,851)
Total adjustments	<u>(649,065)</u>		<u>19,405</u>	<u>593,459</u>	<u>(36,201)</u>
Net cash provided by (used in) operating activities	<u>\$ (649,065)</u>	<u>\$ -</u>	<u>\$ (26,035)</u>	<u>\$ 1,804,740</u>	<u>\$ 1,129,640</u>