

FAIRVIEW TOWNSHIP

YEAR ENDED DECEMBER 31, 2016

FAIRVIEW TOWNSHIP

YEAR ENDED DECEMBER 31, 2016

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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 (the Township) as of and for the year ended December 31, 2016, 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, 2016, 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 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 Steidman & Fritz

Camp Hill, Pennsylvania
June 9, 2017

FAIRVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2016

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 \$40,784,231 as of December 31, 2016. Net position decreased by \$1,680,931 in 2016.
- ◆ The total cost of all the Township's programs was \$9,965,191.
- ◆ During the year, the Township had expenses of \$8,768,910 from governmental activities, which was \$1,328,712 more than the \$7,440,138 generated in general revenues and program revenues. These figures do not include developer contributions of \$667,409 and transfers in of \$5,860,000.
- ◆ During 2016, the Township used unrestricted funds held over from previous fiscal years to pay-off various outstanding notes totaling \$9,861,495, net of amortized bond discount.

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, 2016

Government-wide financial statements

The analysis of the Township as a whole begins on page 11. 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, 2016

Government-wide financial analysis

The following table reflects the condensed statement of net position:

Statement of Net Position

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets	\$ 15,339,229	\$ 26,970,291
Noncurrent assets	<u>25,927,604</u>	<u>25,785,835</u>
Total assets	41,266,833	52,756,126
Deferred outflows of resources	<u>814,829</u>	<u>927,283</u>
Total assets and deferred outflows of resources	<u>\$ 42,081,662</u>	<u>\$ 53,683,409</u>
Liabilities:		
Current liabilities	\$ 672,924	\$ 606,114
Noncurrent liabilities	<u>508,485</u>	<u>10,472,906</u>
Total liabilities	1,181,409	11,079,020
Deferred inflows of resources	<u>116,022</u>	<u>139,227</u>
Total liabilities and deferred inflows of resources	<u>1,297,431</u>	<u>11,218,247</u>
Net position:		
Net investment in capital assets	24,320,914	23,917,629
Restricted	3,150,980	4,003,486
Unrestricted	<u>13,312,337</u>	<u>14,544,047</u>
Total net position	<u>40,784,231</u>	<u>42,465,162</u>
Total liabilities and net position	<u>\$ 42,081,662</u>	<u>\$ 53,683,409</u>

For more detailed information, see the statement of net position on page 11.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2016

Government-wide financial analysis (continued)

Statement of Activities

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 459,020	\$ 5,987,621
Operating grants and contributions	945,429	840,031
Capital grants and contributions	113,138	180,138
General revenues:		
Taxes	5,424,319	6,827,372
Cable TV franchise fees	294,171	288,460
Investment earnings	21,203	3,409
Developer contributions	667,409	982,047
Gain on sale of assets	36,712	995,557
Miscellaneous	322,859	250,308
Total revenues	<u>8,284,260</u>	<u>16,354,943</u>
Expenses:		
General government	908,994	789,611
Public safety	4,257,763	4,113,012
Health and welfare	16,488	17,930
Public works	3,352,828	3,349,894
Culture and recreation	232,837	228,595
Interest		17,161
Sewer	948,832	3,380,863
Refuse	247,449	1,523,544
Total expenses	<u>9,965,191</u>	<u>13,420,610</u>

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2016

Government-wide financial analysis (continued)

Statement of Activities (continued)

	<u>2016</u>	<u>2015</u>
Change in net position	\$ (1,680,931)	\$ 2,934,333
Net position:		
Beginning	<u>42,465,162</u>	<u>39,530,829</u>
Ending	<u>\$ 40,784,231</u>	<u>\$ 42,465,162</u>

For more detailed information, see the statement of activities on pages 12 and 13.

The Township's combined net position decreased to \$40,784,231 from \$42,465,162 as a result of a decrease in real estate taxes of approximately \$1,500,000 compared to 2015. 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 \$13,312,337.

The Township's funds

Governmental funds:

At year-end, the governmental funds reported a combined fund balance of \$13,110,380.

Proprietary funds:

The Township's proprietary funds provide the same type of information found in government-wide financial statements, but in more detail.

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 \$925,581. Expenditures also exceeded budgetary estimates by \$141,132.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2016

Capital asset and debt administration

Capital assets:

The investment in capital assets for governmental and business-type activities as of December 31, 2016, amounts to \$64,808,664, net of accumulated depreciation of \$40,487,750, leaving a net book value of \$24,320,914. 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 \$667,409 during 2016. Actual expenditures to purchase or construct capital assets were \$2,042,816 and disposals were \$246,677. Depreciation charges for the year totaled \$2,275,486. Additional information on the Township's capital assets can be found in Note 10 of the notes to the financial statements of this report.

The Township's investment in capital assets increased in 2016. The increase was a result of the Township paying off all debt in 2016. The total debt payments in 2016 amounted to \$9,980,000 of principal.

Debt administration:

General obligation 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 \$9,980,000 in 2016 due to the payoff of the 2013 Sewer Revenue Bonds during 2016.

In 2016, \$10,318,443 were deposited in a Trust Escrow Account to advance refund the General Obligation Bond, Series of 2013 as the bond matures. As of December 31, 2016, the balance of the General Obligation Bond, Series of 2013 was \$9,975,000, and the balance of the escrow fund for the General Obligation Bond, Series of 2013 was \$10,412,337. See Note 3 for additional information.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2016

Economic factors and next year's budgets and rates

The Township's elected and appointed officials considered many factors when setting the fiscal year 2017 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 2017 in comparison to 2016.

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 General Fund and are used for daily operating expenses.

Defined benefit pensions plans

As of December 31, 2016, the Police Pension Plan and the Nonuniformed Pension Plan had net pension assets of \$368,029 and \$160,022, 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, 2016

Postemployment medical benefit plans

As of January 1, 2014, the police and nonuniformed postemployment medical benefit plans had an actuarial accrued liability and 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.

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FAIRVIEW TOWNSHIP

STATEMENT OF NET POSITION – DECEMBER 31, 2016

ASSETS

	Primary government		
	Governmental activities	Business-type activities	Total
Current assets:			
Cash and investments	\$ 13,714,929	\$ 1,177,338	\$ 14,892,267
Taxes receivable	130,558		130,558
Other receivables		316,404	316,404
Total current assets	<u>13,845,487</u>	<u>1,493,742</u>	<u>15,339,229</u>
Noncurrent assets:			
Net postemployment benefits asset (other than pensions)	1,078,639		1,078,639
Net pension asset	528,051		528,051
Capital assets, net	<u>23,899,812</u>	<u>421,102</u>	<u>24,320,914</u>
Total noncurrent assets	<u>25,506,502</u>	<u>421,102</u>	<u>25,927,604</u>
Deferred outflows of resources, related to pensions	<u>814,829</u>		<u>814,829</u>
Total assets and deferred outflows of resources	<u>\$ 40,166,818</u>	<u>\$ 1,914,844</u>	<u>\$ 42,081,662</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	\$ 158,615	\$ 16,551	\$ 175,166
Escrows payable	497,758		497,758
Total current liabilities	656,373	16,551	672,924
Noncurrent liabilities, compensated absences	508,485		508,485
Total liabilities	1,164,858	16,551	1,181,409
Deferred inflows of resources, related to pensions	116,022		116,022
Net position:			
Investment in capital assets	23,899,812	421,102	24,320,914
Restricted for:			
Pension asset	528,051		528,051
Postemployment benefit asset	1,078,639		1,078,639
Highway aid	1,491,890		1,491,890
Street light	36,815		36,815
Fire hydrant fund	15,585		15,585
Unrestricted	11,835,146	1,477,191	13,312,337
Total net position	38,885,938	1,898,293	40,784,231
Total liabilities and net position	\$ 40,166,818	\$ 1,914,844	\$ 42,081,662

FAIRVIEW TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

Functions/programs	Program revenues			Net (expenses) revenue and changes in net position			
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Primary government:							
Governmental activities:							
General government	\$ 908,994	\$ 26,588			\$ (882,406)		\$ (882,406)
Public safety	4,257,763	333,410	\$ 357,555		(3,566,798)		(3,566,798)
Health and welfare	16,488				(16,488)		(16,488)
Public works	3,352,828		587,874	\$ 8,663	(2,756,291)		(2,756,291)
Culture and recreation	232,837	29,503			(203,334)		(203,334)
Total governmental activities	8,768,910	389,501	945,429	8,663	(7,425,317)		(7,425,317)
Business-type activities:							
Sewer	948,832	47,296				\$ (901,536)	(901,536)
Refuse	247,449	22,223		104,475		(120,751)	(120,751)
Total business-type activities	1,196,281	69,519		104,475		(1,022,287)	(1,022,287)
Total primary government	\$ 9,965,191	\$ 459,020	\$ 945,429	\$ 113,138	(7,425,317)	(1,022,287)	(8,447,604)

(continued)

FAIRVIEW TOWNSHIP

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

Functions/programs	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				\$ 1,716,444		\$ 1,716,444
Real estate transfer				392,169		392,169
Earned income				2,771,316		2,771,316
Per capita				2,091		2,091
Emergency services				534,642		534,642
Public utility				7,657		7,657
Cable TV franchise fees				294,171		294,171
Investment earnings				19,334	\$ 1,869	21,203
Gain on sale of assets				35,862	850	36,712
Miscellaneous				322,859		322,859
Total general revenues				6,096,545	2,719	6,099,264
Transfers in (out)				5,860,000	(5,860,000)	-
Developer contributions				667,409		667,409
Change in net position				5,198,637	(6,879,568)	(1,680,931)
Net position:						
Beginning				33,687,301	8,777,861	42,465,162
Ending				\$ 38,885,938	\$ 1,898,293	\$ 40,784,231

See notes to financial statements.

FAIRVIEW TOWNSHIP

BALANCE SHEET – GOVERNMENTAL FUNDS – DECEMBER 31, 2016

	General	Highway aid fund	LST fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
ASSETS							
Cash and investments	\$ 2,424,523	\$ 1,491,890	\$ 463,756	\$ 7,884,641	\$ 1,217,856	\$ 232,263	\$ 13,714,929
Taxes receivable	93,551						93,551
Total assets	\$ 2,518,074	\$ 1,491,890	\$ 463,756	\$ 7,884,641	\$ 1,217,856	\$ 232,263	\$ 13,808,480
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 132,297					\$ 26,318	\$ 158,615
Escrow deposits	497,758						497,758
Total liabilities	630,055					26,318	656,373
Deferred inflows of resources, unavailable revenues	41,727						41,727
Fund balances:							
Restricted:							
Street light fund						36,815	36,815
Highway aid fund		\$ 1,491,890					1,491,890
Fire hydrant fund						15,585	15,585
Committed:							
Capital projects fund					\$ 1,217,856		1,217,856
Capital reserve fund				\$ 7,884,641			7,884,641
Fire service fund						43,470	43,470
Fire department						63,991	63,991
EMS fund						29,190	29,190
Employee benefits	1,025,085						1,025,085
LST tax fund			\$ 463,756				463,756
Assigned, fire station						16,894	16,894
Unassigned	821,207						821,207
Total fund balances	1,846,292	1,491,890	463,756	7,884,641	1,217,856	205,945	13,110,380
Total liabilities, deferred outflows of resources and fund balances	\$ 2,518,074	\$ 1,491,890	\$ 463,756	\$ 7,884,641	\$ 1,217,856	\$ 232,263	\$ 13,808,480

See notes to financial statements.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2016

Total governmental fund balances	\$ 13,110,380
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.	23,899,812
Net pension asset is not included in the governmental funds.	528,051
Net postemployment benefits asset is not included in governmental funds.	1,078,639
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	814,829
Deferred inflows of resources related to pensions	(116,022)
Other assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds, tax revenues.	78,734
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(508,485)</u>
Net position of governmental activities	<u><u>\$ 38,885,938</u></u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2016

	General	Highway aid fund	LST fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
Revenues:							
Taxes	\$ 4,780,441		\$ 534,642			\$ 137,726	\$ 5,452,809
Licenses, permits and fees	7,596				\$ 294,172		301,768
Fines and penalties	59,826						59,826
Interest and rents	1,390	\$ 988	239	\$ 15,480	949	357	19,403
Intergovernmental revenue	373,875	587,874					961,749
Service fees	119,883						119,883
Contributions from private sector						136,079	136,079
Miscellaneous revenue	327,170					61,737	388,907
Total revenues	5,670,181	588,862	534,881	15,480	295,121	335,899	7,440,424
Expenditures:							
General government	747,703			5,621	1,425		754,749
Public safety	3,298,440			148,187		760,997	4,207,624
Health and welfare	16,488						16,488
Public works	1,574,089	1,187,989				120,341	2,882,419
Culture and recreation	272,385						272,385
Miscellaneous	488			60,788			61,276
Total expenditures	5,909,593	1,187,989		214,596	1,425	881,338	8,194,941
Excess (deficiency) of revenues over expenditures	(239,412)	(599,127)	534,881	(199,116)	293,696	(545,439)	(754,517)

(continued)

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2016

	General	Highway aid fund	LST fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
Other financing sources (uses):							
Proceeds from sale of assets	\$ 67,316						\$ 67,316
Interfund transfers:							
Received	276,000			\$ 6,000,000		\$ 480,500	6,756,500
Expended	<u> </u>		<u>\$ (447,000)</u>	<u>(33,500)</u>	<u>\$ (416,000)</u>	<u> </u>	<u>(896,500)</u>
Total other financing sources (uses)	<u>343,316</u>		<u>(447,000)</u>	<u>5,966,500</u>	<u>(416,000)</u>	<u>480,500</u>	<u>5,927,316</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	103,904	\$ (599,127)	87,881	5,767,384	(122,304)	(64,939)	5,172,799
Fund balances:							
Beginning of year	<u>1,742,388</u>	<u>2,091,017</u>	<u>375,875</u>	<u>2,117,257</u>	<u>1,340,160</u>	<u>270,884</u>	<u>7,937,581</u>
End of year	<u>\$ 1,846,292</u>	<u>\$ 1,491,890</u>	<u>\$ 463,756</u>	<u>\$ 7,884,641</u>	<u>\$ 1,217,856</u>	<u>\$ 205,945</u>	<u>\$ 13,110,380</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, 2016

Net change in fund balances, total governmental funds \$ 5,172,799

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	2,547,746
Deduct, depreciation expense	(2,242,922)

The change in value of the net pension asset is not reported in governmental funds. (209,402)

The change in the deferred outflows and inflows related to pensions is not reported in the governmental funds:

Difference between expected and actual experience	22,402
Difference between projected and actual investment earnings	(111,651)

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 a decrease from the revenue previously unavailable. (36,147)

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	(52,114)
Compensated absences	<u>107,926</u>

Change in net position of governmental activities \$ 5,198,637

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – DECEMBER 31, 2016

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 865,341	\$ 311,997	\$ 1,177,338
Accounts receivable	<u>250,390</u>	<u>66,014</u>	<u>316,404</u>
Total current assets	1,115,731	378,011	1,493,742
Noncurrent assets, capital assets, depreciable, net		<u>421,102</u>	<u>421,102</u>
Total assets	<u>\$ 1,115,731</u>	<u>\$ 799,113</u>	<u>\$ 1,914,844</u>
LIABILITIES AND NET POSITION			
Current liabilities, accounts payable and accrued expenses	<u>\$ 4,692</u>	<u>\$ 11,859</u>	<u>\$ 16,551</u>
Net position:			
Investment in capital assets		421,102	421,102
Unrestricted	<u>1,111,039</u>	<u>366,152</u>	<u>1,477,191</u>
Total net position	<u>1,111,039</u>	<u>787,254</u>	<u>1,898,293</u>
Total liabilities and net position	<u>\$ 1,115,731</u>	<u>\$ 799,113</u>	<u>\$ 1,914,844</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2016

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 27,918	\$ 19,939	\$ 47,857
Miscellaneous	<u>19,378</u>	<u>2,284</u>	<u>21,662</u>
 Total operating revenues	 <u>47,296</u>	 <u>22,223</u>	 <u>69,519</u>
 Operating expenses:			
Personnel	2,537	130,769	133,306
Collection, disposal and treatment	151,261	76,780	228,041
Miscellaneous	22,265	7,336	29,601
Depreciation		<u>32,564</u>	<u>32,564</u>
 Total operating expenses	 <u>176,063</u>	 <u>247,449</u>	 <u>423,512</u>
 Deficiency of operating revenues over expenses	 <u>(128,767)</u>	 <u>(225,226)</u>	 <u>(353,993)</u>
 Nonoperating revenues (expenses):			
Grant revenue		104,475	104,475
Earnings on temporary deposits and investments	1,623	246	1,869
Interest paid	(761,769)		(761,769)
Bond issuance costs	<u>(11,000)</u>		<u>(11,000)</u>
 Total nonoperating revenues (expenses)	 <u>(771,146)</u>	 <u>104,721</u>	 <u>(666,425)</u>

(continued)

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2016

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Other financing sources (uses):			
Gain on sale of assets	\$ 850		\$ 850
Transfers in (out)	<u>(6,000,000)</u>	<u>\$ 140,000</u>	<u>(5,860,000)</u>
Total other financing sources (uses)	<u>(5,999,150)</u>	<u>140,000</u>	<u>(5,859,150)</u>
Excess (deficiency) of revenues and other financing sources over expenses and other financing uses	(6,899,063)	19,495	(6,879,568)
Net position:			
Beginning of year	<u>8,010,102</u>	<u>767,759</u>	<u>8,777,861</u>
End of year	<u><u>\$ 1,111,039</u></u>	<u><u>\$ 787,254</u></u>	<u><u>\$ 1,898,293</u></u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2016

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,747,972	\$ 51,300	\$ 1,799,272
Payments to:			
Suppliers	(184,862)	(72,256)	(257,118)
Employees	(2,537)	(130,769)	(133,306)
Other operating revenue	<u>19,378</u>	<u>2,284</u>	<u>21,662</u>
 Net cash provided by (used in) operating activities	 <u>1,579,951</u>	 <u>(149,441)</u>	 <u>1,430,510</u>
 Cash flows from noncapital financing activities:			
Grant revenues		104,475	104,475
Payment to/from other funds	<u>(6,000,000)</u>	<u>140,000</u>	<u>(5,860,000)</u>
 Net cash provided by (used in) noncapital financing activities	 <u>(6,000,000)</u>	 <u>244,475</u>	 <u>(5,755,525)</u>

(continued)

FAIRVIEW TOWNSHIP

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

	<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	\$ 850		\$ 850
Bond issuance costs	(11,000)		(11,000)
Advanced refunding of bonds, net of discount	(9,861,495)		(9,861,495)
Interest paid on bonds	(790,839)		(790,839)
Purchase of fixed assets		<u>\$ (131,025)</u>	<u>(131,025)</u>
Net cash used in capital and related financing activities	<u>(10,662,484)</u>	<u>(131,025)</u>	<u>(10,793,509)</u>
Cash flows provided by investing activities, investment income	<u>1,623</u>	<u>246</u>	<u>1,869</u>
Net decrease in cash and cash equivalents	(15,080,910)	(35,745)	(15,116,655)
Cash and cash equivalents:			
Beginning	<u>15,946,251</u>	<u>347,742</u>	<u>16,293,993</u>
Ending	<u>\$ 865,341</u>	<u>\$ 311,997</u>	<u>\$ 1,177,338</u>

(continued)

FAIRVIEW TOWNSHIP

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Cash flows from operating activities:			
Deficiency of operating revenues over expenses	<u>\$ (128,767)</u>	<u>\$ (225,226)</u>	<u>\$ (353,993)</u>
Adjustments:			
Depreciation and amortization		32,564	32,564
Decrease in assets, accounts receivable	1,720,054	31,362	1,751,416
Increase (decrease) in liabilities, accounts payable	<u>(11,336)</u>	<u>11,859</u>	<u>523</u>
Total adjustments	<u>1,708,718</u>	<u>75,785</u>	<u>1,784,503</u>
Net cash provided by (used in) operating activities	<u><u>\$ 1,579,951</u></u>	<u><u>\$ (149,441)</u></u>	<u><u>\$ 1,430,510</u></u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION – PENSION FUNDS

DECEMBER 31, 2016

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 39,568	\$ 41,812	\$ 81,380
Investments	<u>8,333,634</u>	<u>9,669,163</u>	<u>18,002,797</u>
Total assets	<u>\$ 8,373,202</u>	<u>\$ 9,710,975</u>	<u>\$ 18,084,177</u>
Net position restricted for pensions	<u>\$ 8,373,202</u>	<u>\$ 9,710,975</u>	<u>\$ 18,084,177</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PENSION FUNDS

YEAR ENDED DECEMBER 31, 2016

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
Additions:			
Contributions:			
State aid	\$ 120,221	\$ 111,635	\$ 231,856
Employer	52,883	31,448	84,331
Employee	<u>22,940</u>	<u>46,927</u>	<u>69,867</u>
Total contributions	<u>196,044</u>	<u>190,010</u>	<u>386,054</u>
Investment income:			
Net appreciation in fair value of investments	499,090	563,479	1,062,569
Interest and dividends	<u>42,952</u>	<u>14,665</u>	<u>57,617</u>
	542,042	578,144	1,120,186
Less investment expense	<u>(29,583)</u>	<u>(29,739)</u>	<u>(59,322)</u>
Net investment income	<u>512,459</u>	<u>548,405</u>	<u>1,060,864</u>
Total additions, net of investment expense	<u>708,503</u>	<u>738,415</u>	<u>1,446,918</u>
Deductions:			
Benefit payments	(408,477)	(317,630)	(726,107)
Administrative expenses	<u>(13,008)</u>	<u>(8,928)</u>	<u>(21,936)</u>
Total deductions	<u>(421,485)</u>	<u>(326,558)</u>	<u>(748,043)</u>
Net increase	287,018	411,857	698,875
Net position restricted for pensions:			
Beginning of year	<u>8,086,184</u>	<u>9,299,118</u>	<u>17,385,302</u>
End of year	<u>\$ 8,373,202</u>	<u>\$ 9,710,975</u>	<u>\$ 18,084,177</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION – POSTEMPLOYMENT FUNDS

YEAR ENDED DECEMBER 31, 2016

	<u>Nonuniformed benefits fund</u>	<u>Police benefits fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 42,720	\$ 206,920	\$ 249,640
Investments	<u>1,041,488</u>	<u>789,429</u>	<u>1,830,917</u>
Total assets	<u>\$ 1,084,208</u>	<u>\$ 996,349</u>	<u>\$ 2,080,557</u>
Net position restricted for OPEB	<u>\$ 1,084,208</u>	<u>\$ 996,349</u>	<u>\$ 2,080,557</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – POSTEMPLOYMENT FUNDS

YEAR ENDED DECEMBER 31, 2016

	<u>Nonuniformed benefits fund</u>	<u>Police benefits fund</u>	<u>Total</u>
Additions:			
Contributions, employer		\$ 63,012	\$ 63,012
Investment income:			
Net appreciation in fair value of investments	\$ 613	943	1,556
Interest and dividends	<u>19,246</u>	<u>12,422</u>	<u>31,668</u>
	19,859	13,365	33,224
Less investment expense	<u>(3,493)</u>	<u>(2,489)</u>	<u>(5,982)</u>
Net investment income	<u>16,366</u>	<u>10,876</u>	<u>27,242</u>
Total additions, net of investment income	16,366	73,888	90,254
Transfers out	<u>(146,270)</u>	<u> </u>	<u>(146,270)</u>
Change in net position	(129,904)	73,888	(56,016)
Net position restricted for OPEB:			
Beginning of year	<u>1,214,112</u>	<u>922,461</u>	<u>2,136,573</u>
End of year	<u>\$ 1,084,208</u>	<u>\$ 996,349</u>	<u>\$ 2,080,557</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

1. Summary of significant accounting policies:

The financial statements of Fairview Township (the Township) have been prepared in accordance 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, 2016

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 fundraising events. A portion of the Local Services Tax, charged to all employees working within the Township, pays for operating expenses of the Fire Department. The Township employs paid drivers to support the fire fighting activities of the Fire Department.

The Fairview Township Emergency Medical Services, Inc. (the EMS) provides advanced and basic life support services, as well as emergency and nonemergency medical transportation primarily to the residents of Fairview Township. The EMS generates support and revenues from billable service fees, membership dues and donations. The assets and liabilities of the EMS are not included in the financial statements.

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, 2016

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, 2016

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.

Local Services Tax (LST) Fund - The Township deposits the collections of LST 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.

Capital Projects Fund - The Capital Projects Fund has been committed by the Board of Supervisors for the payment of future capital projects.

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, 2016

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Nonmajor funds (continued):

Fire Service Fund – The Township's Board of Supervisors has committed resources to this fund to assist 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. During the year ended December 31, 2016, the fund was subsidized from revenues received from the LST Fund.

Emergency Medical Services (EMS) Fund - The Township's Board of Supervisors has committed resources to this fund to assist 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. During the year ended December 31, 2016, the fund was subsidized from revenues received from the LST Fund.

Fire Station Fund - The Township has assigned resources to this fund to pay the operating costs of the fire station within the Township. The fund relies on subsidized revenues received from the LST Fund.

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 a portion of the Local Services Tax, charged to all employees working within the Township.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

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 administration of the Township's formerly owned sewer system.

Refuse Fund - The Refuse Fund is used to account for the financial transactions associated with the operation of the yard waste facility.

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

1. Summary of significant accounting policies (continued):

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.

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, 2016

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, 2016 consist of \$41,727 of real estate taxes in the general fund.

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

Cash, cash equivalents and investments:

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

Receivables:

Accounts receivable and taxes receivable determined as being uncollectible are accounted for via the direct write-off method. As of December 31, 2016, the Township believes all accounts receivable are 100% collectible.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

1. Summary of significant accounting policies (continued):

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 acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

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

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

1. Summary of significant accounting policies (continued):

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.

Fund balance classifications:

Government-wide statements

Fund balance is classified as net position and displayed in three components:

- a. 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 "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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

1. Summary of significant accounting policies (continued):

Fund balance classifications (continued):

Fund financial statements (continued)

- 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 Supervisors delegates the authority.
- a. 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.

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 outflows of resources and inflows of resources related to its pension plans.

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

Subsequent events:

The Township has evaluated events through June 9, 2017, the date which the financial statements were available to be issued.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

2. Deposits and investments:

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including the following:

- United States treasury bills
- Obligations of the United States government and federal agencies
- Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions
- General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency or of any Pennsylvania political subdivision
- Shares of mutual funds whose investments are restricted to the above categories
- Repurchase agreements collateralized by United States treasury bills or federal agency securities
- Commercial paper issued by corporations or other business entities organized in accordance with federal and state law, with a maturity not to exceed 270 days and the issuing corporation or business entity is rated in the top short-term category by at least two nationally recognized statistical ratings organizations
- Bankers' acceptances that do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations
- Negotiable certificates of deposit with a remaining maturity of three years or less, issued by a nationally or state-chartered bank, a federal or state savings and loan association or a state-licensed branch of a foreign bank

The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

Cash is maintained in either demand deposits or highly liquid money market funds and is captioned as cash in the financial statements. These amounts are stated at fair value. The deposits and investments of the fiduciary funds are administered by trustees and are held separately from those other municipal funds.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

2. Deposits and investments (continued):

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, 2016, \$8,769,035 of the Township's bank balance of \$9,268,698 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	\$ 8,769,035
Insured by Federal Deposit Insurance Corporation	499,663
Outstanding checks	(84,747)
Deposits in transit	9,934
Petty cash	<u>450</u>
Total deposits	<u>9,194,335</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

2. Deposits and investments (continued):

Custodial credit risk, deposits and investments (continued):

As of December 31, 2016, the Township had the following investments:

	Ratings	Fair value
Investments:		
Level 1:		
Mellon Bank:		
Temporary investments and deposits	Unrated	\$ 81,380
Fixed income funds	Unrated	6,786,265
Equities	Unrated	10,048,352
Charles Schwab, mutual funds	Unrated	1,168,180
PNC Institutional Investments:		
Mutual funds	Unrated	93,181
Fixed income - U.S. Treasury bills	Unrated	994,691
Fixed income - U.S. Treasury notes	AAA	3,771,436
Total investments at level 1		22,943,485
Level 2:		
PNC Institutional Investments, fixed income	AAA	2,919,181
Total investments		25,862,666
Total deposits and investments		\$ 35,057,001
Reconciliation with financial statement amounts:		
Governmental funds		\$ 13,714,929
Business-type funds		1,177,338
Postemployment benefit funds		2,080,557
Pension funds		18,084,177
		\$ 35,057,001

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

2. Deposits and investments (continued):

Custodial credit risk, deposits and investments (continued):

In 2016, the Township adopted GASB Statement No. 72, *Fair Value Measurement and Application*. In accordance with GASB Statement No. 72, the Township categorizes the fair value of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs. The Township does not have any investments that are measured using Level 3 inputs.

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, 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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

3. General obligation debt:

General obligation bond payable consists of the following as of December 31, 2016:

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 had interest at a rate of 3.27% per annum. The Township paid semiannual principal and interest payments on June 1 and December 1 of each year, and the bond would have matured on December 1, 2026.

In 2016, \$10,318,443 was deposited in a Trust Escrow Account to advance refund the General Obligation Bond, Series of 2013 as the bond matures. As of December 31, 2016, the balance of the General Obligation Bond, Series of 2013 was \$9,975,000, and the balance of the escrow fund for the General Obligation Bond, Series of 2013 was \$10,412,337.

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

	Outstanding balance <u>January 1, 2016</u>	<u>Additions</u>	<u>Payments</u>	Outstanding balance <u>December 31, 2016</u>
G.O. Bonds, 2013 (Sewer Revenue)	\$ 9,980,000		\$ (9,980,000)	\$ -

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 2016 were: 1.175 mills - real estate for general purposes and .09 mills - fire hydrant.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

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, 2016 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. 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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

5. Defined benefit pension plans:

Plan descriptions (continued):

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.

Plan membership:

As of December 31, 2016, participation in the respective plans is as follows:

Nonuniformed Pension Plan:	
Retirees and beneficiaries currently receiving benefits	15
Terminated employees entitled to deferred benefits	14
Active members	<u>18</u>
Total	<u>47</u>
Police Pension Plan:	
Retirees and beneficiaries currently receiving benefits	12
Terminated employees entitled to deferred benefits	1
Active members	<u>14</u>
Total	<u>27</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

5. Defined benefit pension plans (continued):

Plan membership (continued):

A summary of employee eligibility requirements and benefits as of December 31, 2016 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 member's monthly salary at the time the disability was incurred.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

5. 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 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 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, 2016

5. 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 2016:

Description	Nonuniformed pension plan **	Police pension plan *
Annual covered payroll	\$ 985,845	\$ 1,158,670
Employee contribution rate	2.0% of gross wages **	4.0% of gross wages *
Employee contributions paid in 2016	\$ 22,940	\$ 46,927
Employer contributions paid in 2016	\$ 52,883	\$ 31,448
State aid contributions paid in 2016	\$ 120,221	\$ 111,635
Total contributions made as a percentage of payroll	19.9%	16.4%

* 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, 2016

5. Defined benefit pension plans (continued):

Net pension assets:

The net pension assets were measured as of December 31, 2016, and the total pension liabilities were determined by rolling forward the liabilities 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	50%	5.5% - 7.5%
International equity	10%	4.5% - 6.5%
Fixed income	40%	1.0% - 3.0%

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

5. 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, 2016

5. Defined benefit pension plans (continued):

Changes in the Nonuniformed net pension asset:

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net position asset (a) - (b)
Balances at January 1, 2016	\$ 7,850,284	\$ 8,087,334	\$ (237,050)
Service cost	223,230		223,230
Interest cost	550,951		550,951
Contributions:			
Employer		173,104	(173,104)
Members		24,599	(24,599)
Net investment income		510,350	(510,350)
Benefit payments, including refund of member contributions	(406,585)	(406,585)	-
Administrative expense		(10,900)	10,900
Net changes	367,596	290,568	77,028
Balance at December 31, 2016	<u>\$ 8,217,880</u>	<u>\$ 8,377,902</u>	<u>\$ (160,022)</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

5. 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)	\$ 777,610	\$ (160,022)	\$ (960,666)

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

5. Defined benefit pension plans (continued):

Changes in the Police net pension asset:

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net position asset (a) - (b)
Balances at January 1, 2016	\$ 8,800,393	\$ 9,300,796	\$ (500,403)
Service cost	243,037		243,037
Interest cost	621,796		621,796
Contributions:			
Employer		143,083	(143,083)
Members		49,899	(49,899)
Net investment income		546,077	(546,077)
Benefit payments, including refund of member contributions	(317,630)	(317,630)	-
Administrative expense		(6,600)	6,600
Net changes	547,203	414,829	132,374
Balance at December 31, 2016	\$ 9,347,596	\$ 9,715,625	\$ (368,029)

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

5. 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)	\$ 859,288	\$ (368,029)	\$ (1,388,633)

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

5. Defined benefit pension plans (continued):

Pension expense – Nonuniformed Pension Plan:

Service cost	\$ 223,230
Interest on the total pension liability	550,951
Differences between expected and actual experience	803
Member contributions	(24,599)
Projected earnings on pension plan investments	(558,421)
Difference between projected and actual earnings on investments	118,879
Pension plan administrative expense	<u>10,900</u>
Total pension expense	<u>\$ 321,743</u>

At December 31, 2016, 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>	<u>Total</u>
Difference between expected and actual experience	\$ 4,814		\$ 4,814
Difference between projected and actual investment earnings	<u>366,252</u>		<u>366,252</u>
Total	<u>\$ 371,066</u>		<u>\$ 371,066</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be included in the pensions as follows:

Year ended:	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Total</u>
2017	\$ 119,682		\$ 119,682
2018	119,681		119,681
2019	119,681		119,681
2020	10,417		10,417
2021	802		802
2022	<u>803</u>		<u>803</u>
	<u>\$ 371,066</u>		<u>\$ 371,066</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

5. Defined benefit pension plans (continued):

Pension expense – Police Pension Plan:

Service cost	\$ 243,037
Interest on the total pension liability	621,796
Differences between expected and actual experience	(23,205)
Member contributions	(49,899)
Projected earnings on pension plan investments	(646,462)
Difference between projected and actual earnings on investments	141,228
Pension plan administrative expense	<u>6,600</u>
Total pension expense	<u>\$ 293,095</u>

At December 31, 2016, 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>	<u>Total</u>
Difference between expected and actual experience		\$ 116,022	\$ (116,022)
Difference between projected and actual investment earnings	<u>\$ 443,763</u>		<u>443,763</u>
Total	<u>\$ 443,763</u>	<u>\$ 116,022</u>	<u>\$ 327,741</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be included in the pensions as follows:

Year ended:	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Total</u>
2017	\$ 141,228	\$ 23,205	\$ 118,023
2018	141,229	23,204	118,025
2019	141,229	23,205	118,024
2020	20,077	23,204	(3,127)
2021		<u>23,204</u>	<u>(23,204)</u>
	<u>\$ 443,763</u>	<u>\$ 116,022</u>	<u>\$ 327,741</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

5. 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, 2016 and consist of the following:

	Cost	Fair value
Level 1:		
Nonuniformed pension:		
Mellon Bank:		
Temporary investments and deposits	\$ 39,568	\$ 39,568
Fixed income	2,554,099	2,888,242
Equities	3,249,070	4,277,212
Charles Schwab, mutual funds	1,101,904	1,168,180
	6,944,641	8,373,202
Level 1:		
Police pension:		
Mellon Bank:		
Temporary investments and deposits	41,812	41,812
Fixed income	3,393,389	3,898,023
Equities	4,346,834	5,771,140
	7,782,035	9,710,975
Investments, pension	\$ 14,726,676	\$ 18,084,177

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

5. Defined benefit pension plans (continued):

Investment policy (continued):

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.

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, 2016

5. 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:

	<u>Target allocation</u>
Fixed income	35 %
Equities	<u>65</u>
Total	<u><u>100 %</u></u>

The investment policy remains in effect until revoked or changed by the respective pension boards. There were no changes in policy for 2016.

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

	<u>Nonuniformed pension plan</u>	<u>Police pension plan</u>
Net realized gains	\$ 157,510	\$ 127,378
Net unrealized gains	<u>341,580</u>	<u>436,101</u>
Net appreciation in fair value of investments	<u><u>\$ 499,090</u></u>	<u><u>\$ 563,479</u></u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

5. 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 seven calendar years on a market value basis:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Market value of assets	13.6%	0.9%	13.7%	16.3%	7.7%	0.9%	6.8%

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Market value of assets	13.1%	0.9%	13.9%	16.5%	8.0%	1.1%	6.2%

6. Compensated absences:

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

For nonuniformed employees hired after August 29, 2011, the Township allows those employees to accumulate unused sick leave to a maximum of 120 days. The Township does not allow those employees to accumulate vacation days. Upon retirement, the accumulated unused sick leave is paid out at 50% in accordance with Township policy.

As of December 31, 2016, the liability for vested unused vacation and sick leave is \$508,485. These amounts include payroll related tax liabilities.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

7. 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, 2016 are \$497,758.

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 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 at December 31, 2016 were \$59,482.

During 2016, the Township entered into an agreement with an architectural firm for design of a new Township police station for \$224,750. The architectural design portion of the project is expected to be completed in 2017. There was \$39,331 remaining on the agreement at December 31, 2016.

8. 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, 2016, the Township paid premiums of \$587,900. Actual claims paid for the year ended December 31, 2016 were \$385,698 less reimbursements of \$11,647, or net claims of \$374,051. The Township also incurred a shared cost of \$18,937 and is anticipating a refund of \$194,911.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

9. Reservations of fund balances and net position:

Reservations of fund balances and net position as of December 31, 2016 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	\$ 877,775
Pooled sick days, police	<u>147,310</u>

\$ 1,025,085

Postemployment benefits trust funds, healthcare benefits

\$ 2,080,557

Pension trust funds, employee benefits

\$ 18,084,177

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

10. Capital assets:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
Capital assets not being depreciated, land	<u>\$ 542,800</u>			<u>\$ 542,800</u>
Capital assets being depreciated:				
Vehicles and equipment	7,522,783	\$ 454,799	\$ 246,677	7,730,905
Buildings and improvements	4,685,620	250,301		4,935,921
Refuse improvements and equipment ¹	572,862	131,025		703,887
Roads, traffic signals and storm sewers	<u>49,021,051</u>	<u>1,874,100</u>		<u>50,895,151</u>
Total capital assets being depreciated	<u>61,802,316</u>	<u>2,710,225</u>	<u>246,677</u>	<u>64,265,864</u>
Less accumulated depreciation:				
Vehicles and equipment	4,431,487	569,935	215,223	4,786,199
Buildings and improvements	1,070,843	100,804		1,171,647
Refuse improvements and equipment	250,221	32,564		282,785
Roads, traffic signals and storm sewers	<u>32,674,936</u>	<u>1,572,183</u>		<u>34,247,119</u>
Total accumulated depreciation	<u>38,427,487</u>	<u>2,275,486</u>	<u>215,223</u>	<u>40,487,750</u>
Capital assets, net	<u>\$ 23,917,629</u>	<u>\$ 434,739</u>	<u>\$ 31,454</u>	<u>\$ 24,320,914</u>

¹ Denotes assets related to business activities.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

10. Capital assets (continued):

Depreciation expense was charged to functions as follows:

Business activities, refuse	\$ 32,564
Governmental activities:	
General government	79,614
Public safety	371,973
Highways	1,747,659
Recreation	<u>43,676</u>
Total depreciation expense	<u>\$ 2,275,486</u>

11. 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, 2016

11. 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, 2016

11. 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 No. 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	(36,990)	(13,894)
Adjustment to annual required contribution	50,464	18,955
Annual OPEB cost	47,053	68,073
Contributions made		63,012
Decrease in net OPEB asset	47,053	5,061
Net OPEB asset:		
Beginning of year	(821,992)	(308,761)
End of year	\$ (774,939)	\$ (303,700)

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

11. 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</u>
2016	\$ 47,053	- %	\$ (774,939)
2015	47,837	-	(821,992)
2014	47,890	93.20	(869,829)
<u>Police employees</u>			
<u>Year</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB asset</u>
2016	\$ 68,073	92.57 %	\$ (303,700)
2015	69,207	-	(308,761)
2014	73,086	0.4	(377,968)

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>(Overfunded) underfunded 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, 2016

11. 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, 2016 and consist of the following:

	Cost	Fair value
Level 1:		
Nonuniformed plan:		
PNC Institutional Investments:		
Mutual funds	\$ 36,191	\$ 36,191
Fixed income	995,652	1,005,297
Total Nonuniformed plan	1,031,843	1,041,488
Level 1:		
Police plan:		
PNC Institutional Investments:		
Mutual funds	21,610	21,610
Fixed income	760,698	767,819
Total Police plan	782,308	789,429
Investments, OPEB	\$ 1,814,151	\$ 1,830,917

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

11. Other postemployment medical benefits (continued):

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 a discount 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 a discount 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. The healthcare cost trend rate was 5.5% in 2016. The rate decreases 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, 2016.

12. 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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

13. Interfund receivables, payables and transfers:

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

In the year ended December 31, 2016, the Township made the following transfers:

	<u>Transfers to other funds</u>	<u>Transfers from other funds</u>
General fund		\$ 276,000
Capital reserve fund	\$ 33,500	6,000,000
Capital projects fund	416,000	
Refuse fund		140,000
Sewer fund	6,000,000	529,572
Sewer reserve fund	500,502	
EMS fund		215,000
LST fund	447,000	
Fire service fund		265,500
Sewer capital fund	29,070	
	<u>\$ 7,426,072</u>	<u>\$ 7,426,072</u>

There were no interfund receivables and payables as of December 31, 2016.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

14. New GASB pronouncements:

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 the Township's December 31, 2017 financial statements.

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 the Township's December 31, 2018 financial statements.

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
 SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED PERCENTAGES –
 POLICE PENSION PLAN
 DECEMBER 31, 2016
 (unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:			
Service cost	\$ 243,037	\$ 231,464	\$ 212,994
Interest	621,796	585,739	563,261
Changes for experience		(162,432)	
Benefit payments, including refunds of member contributions	<u>(317,630)</u>	<u>(306,084)</u>	<u>(316,283)</u>
Net change in total pension liability	547,203	348,687	459,972
Total pension liability:			
Beginning of year	<u>8,800,393</u>	<u>8,451,706</u>	<u>7,991,734</u>
End of year (a)	<u>\$ 9,347,596</u>	<u>\$ 8,800,393</u>	<u>\$ 8,451,706</u>
Plan fiduciary net position:			
Contributions:			
Employer	\$ 143,083	\$ 272,974	\$ 279,909
Member	49,899	45,456	44,613
Net investment income	546,077	42,160	643,063
Benefit payments, including refunds of member contributions	(317,630)	(306,084)	(316,283)
Administrative expense	(6,600)	(7,000)	(7,979)
Other changes		1,727	
Net change in plan fiduciary net position	414,829	49,233	643,323
Total fiduciary net position:			
Beginning of year	<u>9,300,796</u>	<u>9,251,563</u>	<u>8,608,240</u>
End of year (b)	<u>\$ 9,715,625</u>	<u>\$ 9,300,796</u>	<u>\$ 9,251,563</u>
Net pension asset, end of year (a) - (b)	<u>\$ (368,029)</u>	<u>\$ (500,403)</u>	<u>\$ (799,857)</u>
Plan fiduciary net position as a percentage of the total pension liability	103.9%	105.7%	109.5%
Covered employee payroll	\$ 1,158,670	\$ 1,134,341	\$ 1,134,166
Net pension asset as a percentage of covered employee payroll	(31.8)%	(44.1)%	(70.5)%

The schedule of changes in net pension asset and related percentages results for the required ten-year timeframe will be added as available.

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
 SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED PERCENTAGES –
 NONUNIFORMED PENSION PLAN
 DECEMBER 31, 2016
 (unaudited)

	2016	2015	2014
Total pension liability:			
Service cost	\$ 223,230	\$ 212,600	\$ 218,781
Interest	550,951	523,658	494,292
Changes for experience		6,420	
Benefit payments, including refunds of member contributions	(406,585)	(308,415)	(279,181)
Net change in total pension liability	367,596	434,263	433,892
Total pension liability:			
Beginning of year	7,850,284	7,416,021	6,982,129
End of year (a)	\$ 8,217,880	\$ 7,850,284	\$ 7,416,021
Plan fiduciary net position:			
Contributions:			
Employer	\$ 173,104	\$ 347,807	\$ 343,824
Member	24,599	35,205	35,971
Net investment income	510,350	16,381	524,961
Benefit payments, including refunds of member contributions	(406,585)	(308,415)	(279,181)
Administrative expense	(10,900)	(10,000)	(7,600)
Net change in plan fiduciary net position	290,568	80,978	617,975
Total fiduciary net position:			
Beginning of year	8,087,334	8,006,356	7,388,381
End of year (b)	\$ 8,377,902	\$ 8,087,334	\$ 8,006,356
Net pension asset, end of year (a) - (b)	\$ (160,022)	\$ (237,050)	\$ (590,335)
Plan fiduciary net position as a percentage of the total pension liability	101.9%	103.0%	108.0%
Covered employee payroll	\$ 985,845	\$ 1,192,260	\$ 1,568,816
Net pension asset as a percentage of covered employee payroll	(16.2)%	(19.9)%	(37.6)%

The schedule of changes in net pension asset and related percentages results for the required ten-year timeframe will be added as available.

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
SCHEDULE OF INVESTMENT RETURNS
LAST EIGHT CALENDAR YEARS
DECEMBER 31, 2016
(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>	<u>2016</u>
Nonuniformed Pension Plan	19.7%	13.6%	0.9%	13.7%	16.3%	7.7%	0.9%	6.8%
Police Pension Plan	19.5%	13.1%	0.9%	13.9%	16.5%	8.0%	1.1%	6.2%

The schedule of investment returns results for the required ten-year timeframe will be added as available.

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
 SCHEDULE OF EMPLOYER CONTRIBUTIONS AND NOTES TO SCHEDULE –
 NONUNIFORMED PENSION PLAN
 DECEMBER 31, 2016
 (unaudited)

Year	Nonuniformed Pension Plan				
	Actuarially determined contribution	Contributions from employer	Contribution deficiency/ (excess)	Covered employee payroll	Contributions as a % of payroll
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	361,546	-		
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%
2016	173,104	173,104	-	985,845	17.56%

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, 2016: 1/1/2015
- Actuarial cost method: Entry age normal
- Amortization method: Level dollar closed
- Remaining amortization period: N/A 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 1/1/2015

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
 SCHEDULE OF EMPLOYER CONTRIBUTIONS AND NOTES TO SCHEDULE –
 POLICE PENSION PLAN
 DECEMBER 31, 2016
 (unaudited)

Year	Police Pension Plan				
	Actuarially determined contribution	Contributions from employer	Contribution deficiency/ (excess)	Covered employee payroll	Contributions as a % of payroll
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%
2016	143,083	143,083	-	1,158,670	12.35%

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, 2016: 1/1/2015
- Actuarial cost method: Entry age normal
- Amortization method: Level dollar closed
- Remaining amortization period: N/A 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 1/1/2015

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
 SCHEDULE OF FUNDING PROGRESS AND ACTUARIAL ASSUMPTIONS
 OTHER POSTEMPLOYMENT BENEFITS
 NONUNIFORMED AND POLICE
 DECEMBER 31, 2016
 (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	
Discount 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, 2016
 (unaudited)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Taxes	\$ 4,196,000	\$ 4,196,000	\$ 4,780,441	\$ 584,441
Licenses, permits and fees	3,000	3,000	7,596	4,596
Fines and penalties	72,000	72,000	59,826	(12,174)
Interest and rents			1,390	1,390
Intergovernmental	333,400	333,400	373,875	40,475
Service fees	105,200	105,200	119,883	14,683
Miscellaneous	35,000	35,000	327,170	292,170
Total revenues	<u>4,744,600</u>	<u>4,744,600</u>	<u>5,670,181</u>	<u>925,581</u>
Expenditures:				
General government	630,853	630,853	747,703	116,850
Public safety	3,315,901	3,315,901	3,298,440	(17,461)
Health and welfare	20,000	20,000	16,488	(3,512)
Public works	1,527,032	1,527,032	1,574,089	47,057
Culture and recreation	271,675	271,675	272,385	710
Miscellaneous	3,000	3,000	488	(2,512)
Total expenditures	<u>5,768,461</u>	<u>5,768,461</u>	<u>5,909,593</u>	<u>141,132</u>
Excess (deficiency) of revenues over expenditures	<u>(1,023,861)</u>	<u>(1,023,861)</u>	<u>(239,412)</u>	<u>784,449</u>
Other financing sources:				
Proceeds from sale of assets	20,000	20,000	67,316	47,316
Interfund transfers received	850,000	850,000	276,000	(574,000)
Total other financing sources	<u>870,000</u>	<u>870,000</u>	<u>343,316</u>	<u>(526,684)</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, 2016
 (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>\$ (153,861)</u>	<u>\$ (153,861)</u>	\$ 103,904	<u>\$ 257,765</u>
Fund balance:				
Beginning of year			<u>1,742,388</u>	
End of year			<u>\$ 1,846,292</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, LST 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 2016 for the following general fund functions:

General government	\$ 116,850
Public works	47,057
Culture and recreation	710

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, 2016
 (unaudited)

	Original budget	Final budget	Actual	Variance over (under)
Revenues:				
Interest and rents	\$ 100	\$ 100	\$ 988	\$ 888
Intergovernmental	600,000	600,000	587,874	(12,126)
Total revenues	600,100	600,100	588,862	(11,238)
Expenditures, public works	1,328,000	1,328,000	1,187,989	(140,011)
Excess (deficiency) of revenues over expenditures	\$ (727,900)	\$ (727,900)	(599,127)	\$ 128,773
Fund balance:				
Beginning of year			2,091,017	
End of year			\$ 1,491,890	

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

LST FUND

YEAR ENDED DECEMBER 31, 2016
 (unaudited)

	Original budget	Final budget	Actual	Variance over (under)
Revenues:				
Taxes	\$ 400,000	\$ 400,000	\$ 534,642	\$ 134,642
Interest and rents			239	239
Total revenues	400,000	400,000	534,881	134,881
Other financing uses, interfund transfers expended	(957,616)	(957,616)	(447,000)	510,616
Excess (deficiency) of revenues over other financing uses	\$ (557,616)	\$ (557,616)	87,881	\$ 645,497
Fund balance:				
Beginning of year			375,875	
End of year			\$ 463,756	

FAIRVIEW TOWNSHIP

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEETS

DECEMBER 31, 2016

	Fire station fund	Street light fund	Fire service fund	Fire hydrant fund	EMS fund	Fairview Township Fire Department	Total
Assets, cash and investments	\$ 18,531	\$ 38,569	\$ 45,150	\$ 15,585	\$ 50,437	\$ 63,991	\$ 232,263
LIABILITIES AND FUND BALANCES							
Liabilities, accounts payable	\$ 1,637	\$ 1,754	\$ 1,680		\$ 21,247		\$ 26,318
Fund balances	16,894	36,815	43,470	\$ 15,585	29,190	\$ 63,991	205,945
Total liabilities and fund balances	\$ 18,531	\$ 38,569	\$ 45,150	\$ 15,585	\$ 50,437	\$ 63,991	\$ 232,263

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2016

	Fire station fund	Street light fund	Fire service fund	Fire hydrant fund	EMS fund	Fairview Township Fire Department	Total
Revenues:							
Taxes	\$ 85	\$ 73,646	\$ 5,357	\$ 54,780	\$ 3,943	\$ 63	\$ 137,726
Interest and rents		40	88	12	69		357
Intergovernmental revenue							
Contributions from private sector	60,000		1,742			74,337	136,079
Miscellaneous revenue			55,507			6,230	61,737
Total revenues	60,085	73,686	62,694	54,792	4,012	80,630	335,899
Expenditures:							
General government	81,603		387,228		231,048	61,118	760,997
Public safety		71,899		48,442			120,341
Public works							
Total expenditures	81,603	71,899	387,228	48,442	231,048	61,118	881,338
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(21,518)	1,787	(324,534)	6,350	(227,036)	19,512	(545,439)

(continued)

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2016

	Fire station fund	Street light fund	Fire service fund	Fire hydrant fund	EMS fund	Fairview Township Fire Department	Total
Other financing sources, transfers in			\$ 265,500		\$ 215,000		\$ 480,500
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (21,518)	\$ 1,787	(59,034)	\$ 6,350	(12,036)	\$ 19,512	(64,939)
Fund balance:							
Beginning of year	38,412	35,028	102,504	9,235	41,226	44,479	270,884
End of year	\$ 16,894	\$ 36,815	\$ 43,470	\$ 15,585	\$ 29,190	\$ 63,991	\$ 205,945

FAIRVIEW TOWNSHIP

COMBINING STATEMENT OF NET POSITION – SEWER FUNDS

YEAR ENDED DECEMBER 31, 2016

	<u>Sewer capital fund</u>	<u>Sewer fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 254,588	\$ 610,753	\$ 865,341
Accounts receivable		<u>250,390</u>	<u>250,390</u>
Total assets, all current	<u>\$ 254,588</u>	<u>\$ 861,143</u>	<u>\$ 1,115,731</u>
LIABILITIES AND NET POSITION			
Current liabilities, accounts payable and accrued expenses		\$ 4,692	\$ 4,692
Net position, unrestricted	<u>\$ 254,588</u>	<u>856,451</u>	<u>1,111,039</u>
Total liabilities and net position	<u>\$ 254,588</u>	<u>\$ 861,143</u>	<u>\$ 1,115,731</u>

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2016

	Sewer reserve fund	Sewer capital fund	Sewer fund	Eliminations	Total
Operating revenues:					
Charges for services			\$ 27,918		\$ 27,918
Miscellaneous			19,378		19,378
Total operating revenues			47,296		47,296
Operating expenses:					
Personnel			2,537		2,537
Collection, disposal and treatment		\$ 28,974	122,287		151,261
Miscellaneous			22,265		22,265
Total operating expenses		28,974	147,089		176,063
Deficiency of operating revenues over expenses		(28,974)	(99,793)		(128,767)
Nonoperating revenues (expenses):					
Earnings on temporary deposits and investments	\$ 60	190	1,373		1,623
Interest paid		(761,769)			(761,769)
Bond issuance costs		(11,000)			(11,000)
Total nonoperating revenues (expenses)	60	(772,579)	1,373		(771,146)
Other financing sources (uses):					
Gain on sale of assets			850		850
Transfers in			529,572	\$ (529,572)	-
Transfers out	(500,502)	(29,070)	(6,000,000)	529,572	(6,000,000)
Total other financing uses	(500,502)	(29,070)	(5,469,578)	-	(5,999,150)
Deficiency of revenues and other financing sources over expenses and other uses	(500,442)	(830,623)	(5,567,998)		(6,899,063)
Net position:					
Beginning of year	500,442	1,085,211	6,424,449		8,010,102
End of year	\$ -	\$ 254,588	\$ 856,451	\$ -	\$ 1,111,039

FAIRVIEW TOWNSHIP

COMBINING STATEMENT OF CASH FLOWS – SEWER FUNDS

YEAR ENDED DECEMBER 31, 2016

	Sewer reserve fund	Sewer capital fund	Sewer fund	Total
Cash flows from operating activities:				
Receipts from customers and users			\$ 1,747,972	\$ 1,747,972
Payments to:				
Suppliers		\$ (34,007)	(150,855)	(184,862)
Employees			(2,537)	(2,537)
Other operating revenue			19,378	19,378
 Net cash provided by (used in) operating activities		<u>(34,007)</u>	<u>1,613,958</u>	<u>1,579,951</u>
 Cash flows used in noncapital financing activities, payments to/from other funds	<u>\$ (500,502)</u>	<u>(29,070)</u>	<u>(5,470,428)</u>	<u>(6,000,000)</u>
 Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets			850	850
Bond issuance costs		(11,000)		(11,000)
Principal paid on bonds		(9,980,000)		(9,980,000)
Interest paid on bonds		(761,769)	(29,070)	(790,839)
Payment of bond discount		118,505		118,505
 Net cash used in capital and related financing activities		<u>(10,634,264)</u>	<u>(28,220)</u>	<u>(10,662,484)</u>
 Cash flows provided by investing activities, investment income	<u>60</u>	<u>190</u>	<u>1,373</u>	<u>1,623</u>
 Net decrease in cash and cash equivalents	(500,442)	(10,697,151)	(3,883,317)	(15,080,910)
 Cash and cash equivalents:				
Beginning	<u>500,442</u>	<u>10,951,739</u>	<u>4,494,070</u>	<u>15,946,251</u>
Ending	<u>\$ -</u>	<u>\$ 254,588</u>	<u>\$ 610,753</u>	<u>\$ 865,341</u>

(continued)

FAIRVIEW TOWNSHIP

COMBINING STATEMENT OF CASH FLOWS – SEWER FUNDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

	Sewer reserve fund	Sewer capital fund	Sewer fund	Total
Cash flows from operating activities:				
Deficiency of operating revenues over expenses		\$ (28,974)	\$ (99,793)	\$ (128,767)
Adjustments:				
Decrease in assets, accounts receivable			1,720,054	1,720,054
Decrease in liabilities, accounts payable		(5,033)	(6,303)	(11,336)
Total adjustments		(5,033)	1,713,751	1,708,718
Net cash provided by (used in) operating activities	\$ -	\$ (34,007)	\$ 1,613,958	\$ 1,579,951

