

FAIRVIEW TOWNSHIP

YEAR ENDED DECEMBER 31, 2017

FAIRVIEW TOWNSHIP

YEAR ENDED DECEMBER 31, 2017

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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, 2017, 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, 2017, 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 basic financial statements as a whole. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund 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 27, 2018

FAIRVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2017

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 \$40,695,055 as of December 31, 2017. Net position decreased by \$89,176 in 2017.
- ◆ The total cost of all the Township's programs was \$8,541,458.
- ◆ During the year, the Township had expenses of \$8,433,762 from governmental activities, which was \$508,250 more than the \$7,925,512 generated in general revenues and program revenues. These figures do not include developer contributions of \$343,723 and transfers in of \$702,542.

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, 2017

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, 2017

Government-wide financial analysis

The following table reflects the condensed statement of net position:

Statement of Net Position

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets	\$ 12,104,365	\$ 15,339,229
Noncurrent assets	<u>31,897,258</u>	<u>25,927,604</u>
Total assets	44,001,623	41,266,833
Deferred outflows of resources, related to pensions	<u>1,060,220</u>	<u>814,829</u>
Total assets and deferred outflows of resources	<u>\$ 45,061,843</u>	<u>\$ 42,081,662</u>
Liabilities:		
Current liabilities	\$ 588,712	\$ 672,924
Noncurrent liabilities	<u>550,685</u>	<u>508,485</u>
Total liabilities	1,139,397	1,181,409
Deferred inflows of resources, related to pensions	<u>3,227,391</u>	<u>116,022</u>
Total liabilities and deferred inflows of resources	<u>4,366,788</u>	<u>1,297,431</u>
Net position:		
Net investment in capital assets	24,336,705	24,320,914
Restricted	5,773,206	3,150,980
Unrestricted	<u>10,585,144</u>	<u>13,312,337</u>
Total net position	<u>40,695,055</u>	<u>40,784,231</u>
Total liabilities and net position	<u>\$ 45,061,843</u>	<u>\$ 42,081,662</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, 2017

Government-wide financial analysis (continued)

Statement of Activities

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 482,192	\$ 459,020
Operating grants and contributions	1,004,816	945,429
Capital grants and contributions	197,474	113,138
General revenues:		
Taxes	5,552,213	5,424,319
Cable TV franchise fees	304,054	294,171
Investment earnings	82,994	21,203
Developer contributions	343,723	667,409
Gain on sale of assets	179,297	36,712
Miscellaneous	305,519	322,859
Total revenues	<u>8,452,282</u>	<u>8,284,260</u>
Expenses:		
General government	775,604	908,994
Public safety	3,423,298	4,257,763
Health and welfare	14,426	16,488
Public works:		
Highways, roads and streets	3,800,753	3,352,828
Recycling center and leaf collection	194,794	
Culture and recreation	224,887	232,837
Sewer	80,734	948,832
Refuse	26,962	247,449
Total expenses	<u>8,541,458</u>	<u>9,965,191</u>

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2017

Government-wide financial analysis (continued)

Statement of Activities (continued)

	<u>2017</u>	<u>2016</u>
Change in net position	\$ (89,176)	\$ (1,680,931)
Net position:		
Beginning	<u>40,784,231</u>	<u>42,465,162</u>
Ending	<u>\$ 40,695,055</u>	<u>\$ 40,784,231</u>

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

The Township's combined net position decreased to \$40,695,055 from \$40,784,231 as a result of a decrease in developer contributions of approximately \$320,000 compared to 2016. The Township's combined unrestricted net position for governmental activities and business-type activities was \$10,585,144.

The Township's funds

Governmental funds:

At year-end, the governmental funds reported a combined fund balance of \$10,186,448.

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 \$1,029,382. Budgetary expenditures exceeded actual expenditures by \$161,059.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2017

Capital asset and debt administration

Capital assets:

The investment in capital assets for governmental and business-type activities as of December 31, 2017, amounts to \$69,400,645 net of accumulated depreciation of \$42,163,662, leaving a net book value of \$27,236,983. 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 \$343,723 during 2017. Actual expenditures to purchase or construct capital assets were \$4,886,606 and disposals were \$638,348. There was also a transfer of assets with a cost basis of \$785,327 and accumulated depreciation of \$282,785 from the business-type activities to the governmental activities during 2017. Depreciation charges for the year totaled \$2,280,815. 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 stayed consistent in comparison to 2017.

Debt administration:

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, 2017, the balance of the General Obligation Bond, Series of 2013 was \$9,970,000, and the balance of the escrow fund for the General Obligation Bond, Series of 2013 was \$10,189,478. See Note 7 for additional information.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2017

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 2018 in comparison to 2017.

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.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2017

Traffic impact fee

The Township passed an ordinance requiring that a transportation impact fee be imposed upon residential and non-residential, including commercial and industrial, development in order to assist in the financing of specified major transportation capacity improvements in a transportation service area. The ordinance was established to ensure that the transportation system is available and adequate to support new growth and development. The fees collected will be expended for costs insured for improvements attributable to new development and designated in the Transportation Capital Improvement Plan for improvements within the transportation service areas in which the new development is located. The transportation impact fees for transportation capital improvements shall be based upon the total costs of the road improvements included in the adopted Transportation Capital Improvements Plan within the transportation service areas. The amount of per-peak-hour-trip fee for Transportation Service Area 1 (TSA #1) shall be \$1,583.; Transportation Service Area #2 (TSA #2) shall be \$1,964; and Transportation Service Area #3 (TSA #3) shall be \$0. The traffic impact fee will begin to be assessed in 2018.

Defined benefit pensions plans

As of December 31, 2017, the Police Pension Plan and the Nonuniformed Pension Plan had net pension assets of \$1,808,192 and \$1,910,662, 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 pension plans.

Postemployment medical benefit plans

As of January 1, 2017, the police and nonuniformed postemployment medical benefit plans had an actuarial accrued liability and actuarial accrued asset of \$188,230 and \$135,541, 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, 2017

ASSETS

	Primary government		
	Governmental activities	Business-type activities	Total
Current assets:			
Cash and investments	\$ 10,734,022	\$ 1,151,608	\$ 11,885,630
Taxes receivable	95,821		95,821
Other receivables		122,914	122,914
Total current assets	10,829,843	1,274,522	12,104,365
Noncurrent assets:			
Net postemployment benefits asset (other than pensions)	941,421		941,421
Net pension asset	3,718,854		3,718,854
Capital assets, net of depreciation and amortization:			
Land	542,800		542,800
Construction in progress	2,357,478		2,357,478
Other capital assets	24,336,705		24,336,705
Total noncurrent assets	31,897,258		31,897,258
Deferred outflows of resources, related to pensions	1,060,220		1,060,220
Total assets and deferred outflows of resources	\$ 43,787,321	\$ 1,274,522	\$ 45,061,843

See notes to financial statements.

LIABILITIES AND NET POSITION

	Primary government		Total
	Governmental activities	Business-type activities	
Current liabilities:			
Accounts payable and accrued expenses	\$ 163,311	\$ 3,420	\$ 166,731
Escrows payable	421,981		421,981
Total current liabilities	585,292	3,420	588,712
Noncurrent liabilities, compensated absences	550,685		550,685
Total liabilities	1,135,977	3,420	1,139,397
Deferred inflows of resources, related to pensions	3,227,391		3,227,391
Net position:			
Investment in capital assets	24,336,705		24,336,705
Restricted for:			
Postemployment benefit asset	941,421		941,421
Pension asset	3,718,854		3,718,854
Highway aid	1,055,355		1,055,355
Street light	32,743		32,743
Fire hydrant fund	24,833		24,833
Unrestricted	9,314,042	1,271,102	10,585,144
Total net position	39,423,953	1,271,102	40,695,055
Total liabilities and net position	\$ 43,787,321	\$ 1,274,522	\$ 45,061,843

FAIRVIEW TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

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	\$ 775,604	\$ 100,362			\$ (675,242)		\$ (675,242)
Public safety	3,423,298	276,000	\$ 337,407	\$ 3,500	(2,806,391)		(2,806,391)
Health and welfare	14,426				(14,426)		(14,426)
Public works:							
Highways, roads and streets	3,800,753		667,409	107,848	(3,025,496)		(3,025,496)
Recycling center and leaf collection	194,794				(194,794)		(194,794)
Culture and recreation	224,887	11,003			(213,884)		(213,884)
Total governmental activities	8,433,762	387,365	1,004,816	111,348	(6,930,233)		(6,930,233)
Business-type activities:							
Sewer	80,734	73,765				\$ (6,969)	(6,969)
Refuse	26,962	21,062		86,126		80,226	80,226
Total business-type activities	107,696	94,827		86,126		73,257	73,257
Total primary government	\$ 8,541,458	\$ 482,192	\$ 1,004,816	\$ 197,474	(6,930,233)	73,257	(6,856,976)

(continued)

FAIRVIEW TOWNSHIP

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

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				\$ 1,726,561	\$ 1,726,561	
Real estate transfer				427,372	427,372	
Earned income				2,900,543	2,900,543	
Per capita				2,012	2,012	
Emergency services				490,125	490,125	
Public utility				5,600	5,600	
Cable TV franchise fees				304,054	304,054	
Investment earnings				80,962	\$ 2,032	82,994
Gain on sale of assets				179,297	179,297	
Miscellaneous				305,457	62	305,519
Total general revenues				6,421,983	2,094	6,424,077
Transfers in (out)				702,542	(702,542)	-
Developer contributions				343,723		343,723
Change in net position				538,015	(627,191)	(89,176)
Net position:						
Beginning				38,885,938	1,898,293	40,784,231
Ending				\$ 39,423,953	\$ 1,271,102	\$ 40,695,055

See notes to financial statements.

FAIRVIEW TOWNSHIP

BALANCE SHEET – GOVERNMENTAL FUNDS – DECEMBER 31, 2017

	General	Highway aid fund	Capital reserve fund	Other governmental funds	Total governmental funds
ASSETS					
Cash and investments	\$ 2,661,792	\$ 1,055,355	\$ 6,278,066	\$ 738,809	\$ 10,734,022
Taxes receivable	78,805				78,805
Total assets	\$ 2,740,597	\$ 1,055,355	\$ 6,278,066	\$ 738,809	\$ 10,812,827
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 54,098		\$ 106,051	\$ 3,162	\$ 163,311
Escrow deposits	421,981				421,981
Total liabilities	476,079		106,051	3,162	585,292
Deferred inflows of resources, unavailable revenues	41,087				41,087
Fund balances:					
Restricted:					
Street light fund				32,743	32,743
Highway aid fund		\$ 1,055,355			1,055,355
Fire hydrant fund				24,833	24,833
Committed:					
Capital reserve fund			\$ 6,172,015		6,172,015
Fire service fund				45,680	45,680
Fire department				77,181	77,181
EMS fund				46,591	46,591
Employee benefits	1,182,554				1,182,554
LST tax fund				507,465	507,465
Assigned, fire station				1,154	1,154
Unassigned	1,040,877				1,040,877
Total fund balances	2,223,431	1,055,355	6,172,015	735,647	10,186,448
Total liabilities, deferred outflows of resources and fund balances	\$ 2,740,597	\$ 1,055,355	\$ 6,278,066	\$ 738,809	\$ 10,812,827

See notes to financial statements.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2017

Total governmental fund balances	\$ 10,186,448
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.	27,236,983
Net pension asset is not included in the governmental funds.	3,718,854
Net postemployment benefits asset is not included in governmental funds.	941,421
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	1,060,220
Deferred inflows of resources related to pensions	(3,227,391)
Other assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds, tax revenues.	58,103
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(550,685)</u>
Net position of governmental activities	<u><u>\$ 39,423,953</u></u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2017

	General	Highway aid fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
Revenues:						
Taxes	\$ 4,946,802				\$ 620,442	\$ 5,567,244
Licenses, permits and fees	308,503					308,503
Fines and penalties	66,799					66,799
Interest and rents	3,814	\$ 7,220	\$ 67,536	\$ 1,232	1,830	81,632
Intergovernmental revenue	441,084	617,171				1,058,255
Service fees	161,539					161,539
Contributions from private sector	63,509				135,098	198,607
Miscellaneous revenue	313,332				10,935	324,267
Total revenues	6,305,382	624,391	67,536	1,232	768,305	7,766,846
Expenditures:						
General government	668,861		35,840			704,701
Public safety	3,483,507		2,312,110		577,082	6,372,699
Health and welfare	14,426					14,426
Public works:						
Highways, roads and streets	1,461,002	1,060,926	1,007,115	10,536	125,277	3,664,856
Recycling center and leaf collection	156,830					156,830
Culture and recreation	184,166					184,166
Miscellaneous	2,193		3,649			5,842
Total expenditures	5,970,985	1,060,926	3,358,714	10,536	702,359	11,103,520
Excess (deficiency) of revenues over expenditures	334,397	(436,535)	(3,291,178)	(9,304)	65,946	(3,336,674)

(continued)

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2017

	General	Highway aid fund	Capital reserve fund	Capital projects fund	Other governmental funds	Total governmental funds
Other financing sources (uses):						
Proceeds from sale of assets	\$ 42,742		\$ 170,000			\$ 212,742
Interfund transfers:						
Received			1,408,552		\$ 447,000	1,855,552
Expended				\$ (1,208,552)	(447,000)	(1,655,552)
Total other financing sources (uses)	<u>42,742</u>		<u>1,578,552</u>	<u>(1,208,552)</u>	<u>-</u>	<u>412,742</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	377,139	\$ (436,535)	(1,712,626)	(1,217,856)	65,946	(2,923,932)
Fund balances:						
Beginning of year	<u>1,846,292</u>	<u>1,491,890</u>	<u>7,884,641</u>	<u>1,217,856</u>	<u>669,701</u>	<u>13,110,380</u>
End of year	<u>\$ 2,223,431</u>	<u>\$ 1,055,355</u>	<u>\$ 6,172,015</u>	<u>\$ -</u>	<u>\$ 735,647</u>	<u>\$ 10,186,448</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, 2017

Net change in fund balances, total governmental funds	\$ (2,923,932)
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 (including transfers from business-type activities)	5,617,986
Deduct, depreciation expense	(2,280,815)
The change in value of the net pension asset is not reported in governmental funds.	3,190,803
The change in the deferred outflows and inflows related to pensions is not reported in the governmental funds:	
Difference between expected and actual experience	(1,851,025)
Change of assumptions	506,301
Difference between projected and actual investment earnings	(1,521,254)
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.	(20,631)
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	(137,218)
Compensated absences	(42,200)
Change in net position of governmental activities	<u>\$ 538,015</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – DECEMBER 31, 2017

	Sewer fund	Refuse fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 568,369	\$ 583,239	\$ 1,151,608
Accounts receivable	84,921	37,993	122,914
Total assets, all current	\$ 653,290	\$ 621,232	\$ 1,274,522
LIABILITIES AND NET POSITION			
Current liabilities, accounts payable and accrued expenses	\$ 2,736	\$ 684	\$ 3,420
Net position, unrestricted	650,554	620,548	1,271,102
Total liabilities and net position	\$ 653,290	\$ 621,232	\$ 1,274,522

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
 PROPRIETARY FUNDS – DECEMBER 31, 2017

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 73,765	\$ 21,062	\$ 94,827
Miscellaneous		62	62
Total operating revenues	<u>73,765</u>	<u>21,124</u>	<u>94,889</u>
Operating expenses, collection, disposal and treatment	<u>80,734</u>	<u>26,962</u>	<u>107,696</u>
Deficiency of operating revenues over expenses	<u>(6,969)</u>	<u>(5,838)</u>	<u>(12,807)</u>
Nonoperating revenues:			
Grant revenue		86,126	86,126
Earnings on temporary deposits and investments	<u>1,331</u>	<u>701</u>	<u>2,032</u>
Total nonoperating revenues	<u>1,331</u>	<u>86,827</u>	<u>88,158</u>
Other financing sources (uses):			
Transfers in (out)	(454,847)	254,847	(200,000)
Transfer of capital assets to the general fund		<u>(502,542)</u>	<u>(502,542)</u>
Total other financing uses	<u>(454,847)</u>	<u>(247,695)</u>	<u>(702,542)</u>
Deficiency of revenues and other financing sources over expenses and other financing uses	(460,485)	(166,706)	(627,191)
Net position:			
Beginning of year	<u>1,111,039</u>	<u>787,254</u>	<u>1,898,293</u>
End of year	<u>\$ 650,554</u>	<u>\$ 620,548</u>	<u>\$ 1,271,102</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

DECEMBER 31, 2017

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 239,234	\$ 49,083	\$ 288,317
Payments to suppliers	(82,690)	(38,137)	(120,827)
Other operating revenue		62	62
	<u>156,544</u>	<u>11,008</u>	<u>167,552</u>
Cash flows from noncapital financing activities:			
Grant revenues		86,126	86,126
Payment to/from other funds	(454,847)	254,847	(200,000)
	<u>(454,847)</u>	<u>340,973</u>	<u>(113,874)</u>
Cash flows used in capital and related financing activities, purchase of capital assets		(81,440)	(81,440)
Cash flows provided by investing activities, investment income	1,331	701	2,032
Net increase (decrease) in cash and cash equivalents	(296,972)	271,242	(25,730)
Cash and cash equivalents:			
Beginning	865,341	311,997	1,177,338
Ending	<u>\$ 568,369</u>	<u>\$ 583,239</u>	<u>\$ 1,151,608</u>
Supplemental disclosure of noncash transactions:			
Transfer of capital assets to the general fund		<u>\$ 502,542</u>	<u>\$ 502,542</u>
Cash flows from operating activities:			
Deficiency of operating revenues over expenses	\$ (6,969)	\$ (5,838)	\$ (12,807)
Adjustments:			
Decrease in assets, accounts receivable	165,469	28,021	193,490
Decrease in liabilities, accounts payable	(1,956)	(11,175)	(13,131)
Total adjustments	<u>163,513</u>	<u>16,846</u>	<u>180,359</u>
Net cash provided by operating activities	<u>\$ 156,544</u>	<u>\$ 11,008</u>	<u>\$ 167,552</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION – PENSION FUNDS

DECEMBER 31, 2017

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 42,612	\$ 46,208	\$ 88,820
Investments	<u>9,391,061</u>	<u>11,107,155</u>	<u>20,498,216</u>
Total assets	<u>\$ 9,433,673</u>	<u>\$ 11,153,363</u>	<u>\$ 20,587,036</u>
Net position restricted for pensions	<u>\$ 9,433,673</u>	<u>\$ 11,153,363</u>	<u>\$ 20,587,036</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PENSION FUNDS

YEAR ENDED DECEMBER 31, 2017

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
Additions:			
Contributions:			
State aid and employer	\$ 70,808	\$ 169,327	\$ 240,135
Employee	<u>29,569</u>	<u>51,046</u>	<u>80,615</u>
Total contributions	<u>100,377</u>	<u>220,373</u>	<u>320,750</u>
Investment income:			
Net appreciation in fair value of investments	1,305,662	1,611,020	2,916,682
Interest and dividends	<u>46,421</u>	<u>15,591</u>	<u>62,012</u>
	1,352,083	1,626,611	2,978,694
Less investment expense	<u>(66,806)</u>	<u>(80,537)</u>	<u>(147,343)</u>
Net investment income	<u>1,285,277</u>	<u>1,546,074</u>	<u>2,831,351</u>
Total additions, net of investment expense	1,385,654	1,766,447	3,152,101
Deductions, benefit payments	<u>(325,183)</u>	<u>(324,059)</u>	<u>(649,242)</u>
Net increase	1,060,471	1,442,388	2,502,859
Net position restricted for pensions:			
Beginning of year	<u>8,373,202</u>	<u>9,710,975</u>	<u>18,084,177</u>
End of year	<u>\$ 9,433,673</u>	<u>\$ 11,153,363</u>	<u>\$ 20,587,036</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION – POSTEMPLOYMENT FUNDS

YEAR ENDED DECEMBER 31, 2017

	<u>Nonuniformed benefits fund</u>	<u>Police benefits fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 42,784	\$ 207,227	\$ 250,011
Investments	<u>1,049,149</u>	<u>795,206</u>	<u>1,844,355</u>
Total assets	<u>\$ 1,091,933</u>	<u>\$ 1,002,433</u>	<u>\$ 2,094,366</u>
Net position restricted for OPEB	<u>\$ 1,091,933</u>	<u>\$ 1,002,433</u>	<u>\$ 2,094,366</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – POSTEMPLOYMENT FUNDS

YEAR ENDED DECEMBER 31, 2017

	<u>Nonuniformed benefits fund</u>	<u>Police benefits fund</u>	<u>Total</u>
Additions:			
Investment income:			
Net depreciation in fair value of investments	\$ (7,083)	\$ (3,483)	\$ (10,566)
Interest and dividends	<u>17,927</u>	<u>12,050</u>	<u>29,977</u>
	10,844	8,567	19,411
Less investment expense	<u>(3,119)</u>	<u>(2,483)</u>	<u>(5,602)</u>
Change in net position	7,725	6,084	13,809
Net position restricted for OPEB:			
Beginning of year	<u>1,084,208</u>	<u>996,349</u>	<u>2,080,557</u>
End of year	<u><u>\$ 1,091,933</u></u>	<u><u>\$ 1,002,433</u></u>	<u><u>\$ 2,094,366</u></u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and 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, recycling center and leaf collection, 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, 2017

1. Nature of operations and 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, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Basis of presentation (continued):

Government-wide financial statements (continued) - The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from services or privileges provided by a given function or segment and 2) grants that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported as general revenues.

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Basis of presentation (continued):

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.

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

Major funds:

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

Highway Aid Fund - The Highway Aid Fund is used to account for specific revenues that are restricted to the expenditures for the improvement and maintenance of the Township's roads, bridges, curbs and gutters. Restrictions for use of these funds are placed on them by the Commonwealth of Pennsylvania.

Capital Projects Fund - The Capital Projects Fund has been committed by the Board of Supervisors for the payment of future capital projects. The fund was closed at the end of December 31, 2017.

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Basis of presentation (continued):

Nonmajor funds (continued):

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.

Fire Hydrant Fund - This fund is used to account for the collections of a tax imposed on residents served by fire hydrants and the expenditure for fire hydrant water service. These revenues are restricted for the payment of hydrant costs.

Fire Service Fund – The 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, 2017, 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, 2017, 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, 2017

1. Nature of operations and 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, 2017

1. Nature of operations and 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, 2017

1. Nature of operations and 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, 2017 consist of \$41,087 of real estate taxes in the general fund.

- b. Prepaid expenses are not recognized as such.

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, short-term, highly liquid investments with an original maturity of three months or less, when purchased, maintained at a local financial institution and short-term investments held by Pennsylvania Local Government Investment Trust (PLGIT) with original maturities of three months or less. Investments are principally stated at quoted market values or principal stated values which approximate fair value.

Cash deposits and cash equivalents are reported at carrying amounts which reasonably approximate fair value.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Receivables:

Accounts receivable and taxes receivable determined as being uncollectible are accounted for via the direct write-off method. As of December 31, 2017, the Township believes all accounts receivable are 100% collectible.

Capital assets:

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

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Compensated absences:

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

Use of estimates:

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

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."

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Fund balance classifications (continued):

Fund financial statements

The Township follows GASB standards which provide clearly defined fund balance categories to make the nature and extent of the constraints placed on the Township's fund balances more transparent. The following classifications describe the relative strength of the spending constraints.

- a. Restricted fund balances – Resources constrained by external parties such as creditors, grantors, contributors or laws or regulations of other governments, or imposed by law through enabling legislation.
- b. Committed fund balances – Resources constrained by the Township's intent to use them for specific purposes such as capital improvement projects. There have been formal actions taken by the Township's Board of Supervisors to commit these funds for specific purposes.
- c. Assigned fund balances – Resources the Township intends to use for specific purposes. Intent can be expressed by the Township's Board of Supervisors or by an official or body to which the Township Board of Supervisors delegates the authority.
- d. Unassigned fund balances – Resources that have not been restricted, committed or assigned for specific purposes. Accounts for funds not reported in other funds.

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

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

1. Nature of operations and summary of significant accounting policies (continued):

Deferred outflows/inflows of resources (continued):

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 27, 2018, the date which the financial statements were available to be issued.

Recently issued accounting standards:

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. Management will be evaluating the impact this statement will have on its financial statements and related notes.

GASB Statement No. 87, *Leases*, will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than 12 months. Disclosures will also be required by lessees to meet the objective of enabling users of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The effective date is for report periods beginning after December 15, 2019. Management has not yet determined the impact of this update on the Township's financial statements.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

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, 2017

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, 2017, \$6,174,103 of the Township's bank balance of \$6,751,295 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	\$ 6,174,103
Insured by Federal Deposit Insurance Corporation	577,192
Outstanding checks	(673,958)
Petty cash	<u>450</u>
	6,077,787
Pennsylvania Local Government Investment Trust (PLGIT) AAAM	<u>1,063,188</u>
Total deposits	<u>7,140,975</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

2. Deposits and investments (continued):

Custodial credit risk, deposits and investments (continued):

As of December 31, 2017, the Township had the following investments:

	Ratings	Fair value
Investments:		
Cash and cash equivalents:		
Mellon Bank, temporary investments and deposits	Unrated	\$ 88,820
Level 1:		
Mellon Bank:		
Fixed income funds	Unrated	7,335,817
Equities	Unrated	11,844,773
Charles Schwab, mutual funds	Unrated	1,317,626
PNC Institutional Investments:		
Mutual funds	Unrated	227,504
Fixed income:		
U.S. Treasury bills	Unrated	148,739
U.S. Treasury notes	AAA	3,540,766
Total investments at Level 1		24,415,225
Level 2:		
PNC Institutional Investments, fixed income	AAA	2,922,012
Total cash, cash equivalents and investments		27,426,057
Total deposits and investments		\$ 34,567,032
Reconciliation with financial statement amounts:		
Governmental funds		\$ 10,734,022
Business-type funds		1,151,608
Postemployment benefit funds		2,094,366
Pension funds		20,587,036
		\$ 34,567,032

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

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.

External investment pool:

The Township uses an external investment pool to ensure safety and maximize efficiency, liquidity and yield for Township funds. The external investment pool is valued at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. The fair value of the securities, held by the external investment pool, are evaluated on at least a weekly basis using prices supplied from an independent pricing service. These values are compared to the amortized cost of the securities.

The Township has funds totaling \$1,063,188 invested in PLGIT. PLGIT separately issues audited financial statements that are available to the public via their website. The Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pools. At December 31, 2017, PLGIT carries an AAAM rating and has an average maturity of less than one year.

The Township has the following recurring amortized cost measurement as of December 31, 2017, including unfunded commitments and redemption terms as follows:

	<u>Amortized cost</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Cash equivalents measured at amortized cost, external investment pool, PLGIT ¹	<u>\$ 1,063,188</u>	<u>\$ -</u>	Weekly	5 days

¹ External investment pool: This types includes pooled investments in bank repurchase agreements, certificates of deposit, U.S. treasuries and U.S. government obligations. The fair value of the investments in this type have been determined using amortized cost, which approximates fair value. Distributions from the fund will be received as the underlying investments of the funds are liquidated, which is expected to occur weekly.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

2. Deposits and investments (continued):

Interest rate risk:

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

Credit risk:

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

3. 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 2017 were: 1.175 mills - real estate for general purposes and .09 mills - fire hydrant.

Street light assessments:

The Township's street light assessment is levied each February 15 and is based on the road frontage footage of nonexempt property served by street lights. The assessment rates for the year ended December 31, 2017 were 13.0 cents/foot for unimproved and 47.0 cents/foot for improved road frontage.

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

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

4. Defined benefit pension plans:

Plan descriptions:

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

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

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

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

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

4. Defined benefit pension plans (continued):

Plan descriptions (continued):

As of December 31, 2017, participation in the respective plans is as follows:

Nonuniformed Pension Plan:	
Retirees and beneficiaries currently receiving benefits	14
Terminated employees entitled to deferred benefits	13
Active members	<u>19</u>
Total	<u>46</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, 2017

4. Defined benefit pension plans (continued):

Plan descriptions (continued):

A summary of employee eligibility requirements and benefits as of December 31, 2017 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, 2017

4. Defined benefit pension plans (continued):

Plan descriptions (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, 2017

4. 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 2017:

Description	Nonuniformed pension plan **	Police pension plan *
Annual covered payroll	\$ 1,056,790	\$ 1,221,965
Employee contribution rate	2.0% of gross wages **	4.0% of gross wages *
Employee contributions paid in 2017	\$ 29,569	\$ 51,046
State aid and employer contributions paid in 2017	\$ 70,808	\$ 169,327
Total contributions made as a percentage of payroll	9.5%	18.0%

* 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, 2017

4. Defined benefit pension plans (continued):

Net pension assets:

The net pension assets were measured as of December 31, 2017, and the total pension liabilities were determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. 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, 2017 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 IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

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, 2017

4. 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, 2017

4. 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, 2017	\$ 8,217,880	\$ 8,377,902	\$ (160,022)
Service cost	177,685		177,685
Interest cost	502,411		502,411
Changes for experience	(1,363,350)		(1,363,350)
Changes of assumptions	317,818		317,818
Contributions:			
Employer		70,359	(70,359)
Members		29,569	(29,569)
Net investment income		1,285,276	(1,285,276)
Benefit payments, including refund of member contributions	(327,074)	(327,074)	-
Net changes	(692,510)	1,058,130	(1,750,640)
Balance at December 31, 2017	<u>\$ 7,525,370</u>	<u>\$ 9,436,032</u>	<u>\$ (1,910,662)</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

4. Defined benefit pension plans (continued):

Sensitivity of the Nonuniformed net pension asset to changes in the discount rate:

The following presents the net pension asset of the plan, calculated using the discount rate of 7.00%, as well as what the plan's net pension 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 asset	\$ (978,684)	\$ (1,910,662)	\$ (2,688,281)

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

4. 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, 2017	\$ 9,347,596	\$ 9,715,625	\$ (368,029)
Service cost	266,222		266,222
Interest cost	625,284		625,284
Changes for experience	(842,631)		(842,631)
Changes of assumptions	275,946		275,946
Contributions:			
Employer		167,863	(167,863)
Members		51,046	(51,046)
Net investment income		1,546,075	(1,546,075)
Benefit payments, including refund of member contributions	(324,059)	(324,059)	-
Net changes	762	1,440,925	(1,440,163)
Balance at December 31, 2017	<u>\$ 9,348,358</u>	<u>\$ 11,156,550</u>	<u>\$ (1,808,192)</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

4. Defined benefit pension plans (continued):

Sensitivity of the Police net pension asset to changes in the discount rate:

The following presents the net pension asset of the plan, calculated using the discount rate of 7.00%, as well as what the plan's net pension 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 asset	\$ (573,052)	\$ (1,808,192)	\$ (2,832,383)

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

4. Defined benefit pension plans (continued):

Pension expense – Nonuniformed Pension Plan:

Service cost		\$ 177,685
Interest on the total pension liability		502,411
Differences between expected and actual experience		(226,422)
Changes of assumptions		52,970
Member contributions		(29,569)
Projected earnings on pension plan investments		(578,503)
Difference between projected and actual earnings on investments		<u>(22,476)</u>
Total pension expense		<u>\$ (123,904)</u>

At December 31, 2017, 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	\$ 4,011	\$ 1,136,125	\$ (1,132,114)
Changes of assumptions	264,848		264,848
Difference between projected and actual investment earnings	<u>247,373</u>	<u>565,418</u>	<u>(318,045)</u>
Total	<u>\$ 516,232</u>	<u>\$ 1,701,543</u>	<u>\$ (1,185,311)</u>

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

<u>Year ended</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Total</u>
2018	\$ 172,651	\$ 368,580	\$ (195,929)
2019	172,651	368,580	(195,929)
2020	63,386	368,580	(305,194)
2021	53,772	368,580	(314,808)
2022	<u>53,772</u>	<u>227,223</u>	<u>(173,451)</u>
	<u>\$ 516,232</u>	<u>\$ 1,701,543</u>	<u>\$ (1,185,311)</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

4. Defined benefit pension plans (continued):

Pension expense – Police Pension Plan:

Service cost	\$ 266,222
Interest on the total pension liability	625,284
Differences between expected and actual experience	(128,534)
Changes of assumptions	34,493
Member contributions	(51,046)
Projected earnings on pension plan investments	(676,414)
Difference between projected and actual earnings on investments	<u>(32,704)</u>
Total pension expense	<u>\$ 37,301</u>

At December 31, 2017, the Township reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources	Total
Difference between expected and actual experience		\$ 830,119	\$ (830,119)
Changes of assumptions	\$ 241,453		241,453
Difference between projected and actual investment earnings	<u>302,535</u>	<u>695,729</u>	<u>(393,194)</u>
Total	<u>\$ 543,988</u>	<u>\$ 1,525,848</u>	<u>\$ (981,860)</u>

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

Year ended	Deferred outflows of resources	Deferred inflows of resources	Total
2018	\$ 175,722	\$ 302,466	\$ (126,744)
2019	175,722	302,466	(126,744)
2020	54,570	302,466	(247,896)
2021	34,493	302,466	(267,973)
2022	34,493	105,329	(70,836)
thereafter	<u>68,988</u>	<u>210,655</u>	<u>(141,667)</u>
	<u>\$ 543,988</u>	<u>\$ 1,525,848</u>	<u>\$ (981,860)</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

4. 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, 2017 and consist of the following:

	Cost	Fair value
Nonuniformed pension:		
Mellon Bank, temporary investments and deposits	\$ 42,612	\$ 42,612
Level 1:		
Mellon Bank:		
Fixed income	2,600,678	3,091,700
Equities	3,052,134	4,981,735
Charles Schwab, mutual funds	1,203,555	1,317,626
	6,898,979	9,433,673
Police pension:		
Mellon Bank, temporary investments and deposits	46,208	46,208
Level 1:		
Mellon Bank:		
Fixed income	3,521,043	4,244,117
Equities	4,183,395	6,863,038
	7,750,646	11,153,363
Investments, pension	\$ 14,649,625	\$ 20,587,036

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, 2017

4. 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, 2017

4. 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 2017.

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	\$ 135,360	\$ 137,244
Net unrealized gains	<u>1,170,302</u>	<u>1,473,776</u>
Net appreciation in fair value of investments	<u><u>\$ 1,305,662</u></u>	<u><u>\$ 1,611,020</u></u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

4. 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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Market value of assets	0.9%	13.7%	16.3%	7.7%	0.9%	6.8%	16.5%

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Market value of assets	0.9%	13.9%	16.5%	8.0%	1.1%	6.2%	16.9%

5. 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 and to accumulate unused vacation leave to a maximum of 5 days. Upon retirement, the accumulated unused sick leave is paid out at 50% in accordance with Township policy.

As of December 31, 2017, the liability for vested unused vacation and sick leave is \$550,685. These amounts include payroll related tax liabilities.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

6. 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, 2017 are \$421,981.

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 month to month lease in 2017 for office space for the Township's police department. During 2017, the monthly required lease payment was \$7,506. Either party may terminate the lease with written notice.

During 2017, the Township entered into an agreement with a commercial contracting firm for general construction on the new Township police station for \$2,170,910. The general construction portion of the project is expected to be completed in 2018. There was \$566,790 remaining on the agreement at December 31, 2017.

During 2017, the Township entered into an agreement with a commercial contracting firm for electrical work on the new Township police station for \$333,689. The electrical project is expected to be completed in 2018. There was \$75,861 remaining on the agreement at December 31, 2017.

During 2017, the Township entered into an agreement with a mechanical firm for HVAC and plumbing work on the new Township police station for \$178,490. The HVAC and plumbing project is expected to be completed in 2018. There was \$23,249 remaining on the agreement at December 31, 2017.

During 2017, the Township entered into an agreement with a commercial contracting firm for plumbing and fire suppression work on the new Township police station for \$167,350. The HVAC and plumbing project is expected to be completed in 2018. There was \$35,925 remaining on the agreement at December 31, 2017.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

7. Defeased bonds:

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, 2017, the balance of the General Obligation Bond, Series of 2013 was \$9,970,000, and the balance of the escrow fund for the General Obligation Bond, Series of 2013 was \$10,189,478.

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, 2017, the Township paid premiums of \$578,032. Actual claims paid for the year ended December 31, 2017 were \$322,366. The Township also incurred a shared cost of \$18,480 and is anticipating a refund of \$237,186

9. Reservations of fund balances and net position:

Reservations of fund balances and net position as of December 31, 2017 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	<u>\$ 1,182,554</u>
Postemployment benefits trust funds, healthcare benefits	<u>\$ 2,094,366</u>
Pension trust funds, employee benefits	<u>\$ 20,587,036</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

10. Capital assets:

	Balance January 1, 2017	Additions	Deletions	Transfers from business-type activities	Balance December 31, 2017
Capital assets not being depreciated:					
Land	\$ 542,800				\$ 542,800
Construction in progress		\$ 2,357,478			2,357,478
Capital assets not being depreciated	<u>542,800</u>	<u>2,357,478</u>			<u>2,900,278</u>
Capital assets being depreciated:					
Vehicles and equipment	7,730,905	1,184,498	\$ 638,348	\$ 358,605	8,635,660
Buildings and improvements	4,935,921			426,722	5,362,643
Refuse improvements and equipment ¹	703,887	81,440		(785,327)	-
Roads, traffic signals and storm sewers	50,895,151	1,606,913			52,502,064
Total capital assets being depreciated	<u>64,265,864</u>	<u>2,872,851</u>	<u>638,348</u>	<u>-</u>	<u>66,500,367</u>
Less accumulated depreciation:					
Vehicles and equipment	4,786,199	561,098	604,903	209,459	4,951,853
Buildings and improvements	1,171,647	108,687		73,326	1,353,660
Refuse improvements and equipment	282,785			(282,785)	-
Roads, traffic signals and storm sewers	34,247,119	1,611,030			35,858,149
Total accumulated depreciation	<u>40,487,750</u>	<u>2,280,815</u>	<u>604,903</u>	<u>-</u>	<u>42,163,662</u>
Capital assets, net	<u>\$ 24,320,914</u>	<u>\$ 2,949,514</u>	<u>\$ 33,445</u>	<u>\$ -</u>	<u>\$ 27,236,983</u>

¹ Denotes assets related to business activities.

During 2017, the Refuse Fund transferred all of its capital assets to the General Fund.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

10. Capital assets (continued):

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 77,537
Public safety	324,108
Public works:	
Highways and streets	1,796,457
Recycling center and leaf collection	37,964
Recreation	<u>44,749</u>
 Total depreciation expense	 <u>\$ 2,280,815</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, 2017

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, 2011, the benefit 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, 2017, there were fifteen active police officers and one retired member. There were also thirteen active nonuniformed employees, one former vested member and four retired members.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

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	Total
Annual required contribution	\$ 31,395	\$ 88,142	\$ 119,537
Interest on net OPEB obligation	(34,872)	(13,667)	(48,539)
Adjustment to annual required contribution	47,575	18,645	66,220
Annual OPEB cost	44,098	93,120	137,218
Net OPEB asset:			
Beginning of year	(774,939)	(303,700)	(1,078,639)
End of year	\$ (730,841)	\$ (210,580)	\$ (941,421)

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

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>
2017	\$ 44,098	- %	\$ (730,841)
2016	47,053	-	(774,939)
2015	47,837	-	(821,992)
<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>
2017	\$ 93,120	- %	\$ (210,580)
2016	68,073	92.57	(303,700)
2015	69,207	-	(308,761)

The funded status of the plan as of the latest actuarial valuation dated January 1, 2017 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	\$ 996,349	\$ 1,184,579	\$ 188,230	84.1 %	\$ 1,239,262	15.2 %
Nonuniformed	1,084,207	948,666	(135,541)	114.3	805,078	(16.8)

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

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, 2017 and consist of the following:

	Cost	Fair value
Level 1:		
Nonuniformed plan:		
PNC Institutional Investments:		
Mutual funds	\$ 118,831	\$ 118,831
Fixed income	928,138	930,318
Total Nonuniformed plan	1,046,969	1,049,149
Level 1:		
Police plan:		
PNC Institutional Investments:		
Mutual funds	176,598	176,598
Fixed income	616,745	618,608
Total Police plan	793,343	795,206
Investments, OPEB	\$ 1,840,312	\$ 1,844,355

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, 2017

11. Other postemployment medical benefits (continued):

In the Township's January 2017 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 6.0% in 2017, and 5.5% in 2018 through 2023. The rate decreases gradually from 5.4% in 2024 to 3.9% in 2075. 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, 2017.

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, 2017

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, 2017, the Township made the following transfers:

	<u>Transfers to other funds</u>	<u>Transfers from other funds</u>
Capital reserve fund		\$ 1,408,552
Capital projects fund	\$ 1,208,552	
Refuse fund		254,847
Sewer fund	200,000	
EMS fund		215,000
LST fund	447,000	
Fire service fund		232,000
Sewer capital fund	<u>254,847</u>	
	<u>\$ 2,110,399</u>	<u>\$ 2,110,399</u>

There were no interfund receivables and payables as of December 31, 2017.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

14. Traffic impact fee:

The Township passed an ordinance requiring that a transportation impact fee be imposed upon residential and non-residential, including commercial and industrial, development in order to assist in the financing of specified major transportation capacity improvements in a transportation service area. The ordinance was established to ensure that the transportation system is available and adequate to support new growth and development. The fees collected will be expended for costs insured for improvements attributable to new development and designated in the Transportation Capital Improvement Plan for improvements within the transportation service areas in which the new development is located. The transportation impact fees for transportation capital improvements shall be based upon the total costs of the road improvements included in the adopted Transportation Capital Improvements Plan within the transportation service areas. The amount of per-peak-hour-trip fee for Transportation Service Area 1 (TSA #1) shall be \$1,583.; Transportation Service Area #2 (TSA #2) shall be \$1,964; and Transportation Service Area #3 (TSA #3) shall be \$0. The traffic impact fee will begin to be assessed in 2018.

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
**SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED PERCENTAGES –
 POLICE PENSION PLAN
 DECEMBER 31, 2017
 (unaudited)**

	2017	2016	2015	2014
Total pension liability:				
Service cost	\$ 266,222	\$ 243,037	\$ 231,464	\$ 212,994
Interest	625,284	621,796	585,739	563,261
Changes for experience			(162,432)	
Differences between experience	(842,631)			
Changes of assumptions	275,946			
Benefit payments, including refunds of member contributions	(324,059)	(317,630)	(306,084)	(316,283)
Net change in total pension liability	762	547,203	348,687	459,972
Total pension liability:				
Beginning of year	9,347,596	8,800,393	8,451,706	7,991,734
End of year (a)	<u>\$ 9,348,358</u>	<u>\$ 9,347,596</u>	<u>\$ 8,800,393</u>	<u>\$ 8,451,706</u>
Plan fiduciary net position:				
Contributions:				
Employer	\$ 167,863	\$ 143,083	\$ 272,974	\$ 279,909
Member	51,046	49,899	45,456	44,613
Net investment income	1,546,075	546,077	42,160	643,063
Benefit payments, including refunds of member contributions	(324,059)	(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	1,440,925	414,829	49,233	643,323
Total fiduciary net position:				
Beginning of year	9,715,625	9,300,796	9,251,563	8,608,240
End of year (b)	<u>\$ 11,156,550</u>	<u>\$ 9,715,625</u>	<u>\$ 9,300,796</u>	<u>\$ 9,251,563</u>
Net pension asset, end of year (a) - (b)	<u>\$ (1,808,192)</u>	<u>\$ (368,029)</u>	<u>\$ (500,403)</u>	<u>\$ (799,857)</u>
Plan fiduciary net position as a percentage of the total pension liability	119.3%	103.9%	105.7%	109.5%
Covered employee payroll	\$ 1,221,965	\$ 1,158,670	\$ 1,134,341	\$ 1,134,166
Net pension asset as a percentage of covered employee payroll	(148.0)%	(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, 2017
(unaudited)**

	2017	2016	2015	2014
Total pension liability:				
Service cost	\$ 177,685	\$ 223,230	\$ 212,600	\$ 218,781
Interest	502,411	550,951	523,658	494,292
Changes for experience			6,420	
Differences between experience	(1,363,350)			
Changes of assumptions	317,818			
Benefit payments, including refunds of member contributions	(327,074)	(406,585)	(308,415)	(279,181)
Net change in total pension liability	(692,510)	367,596	434,263	433,892
Total pension liability:				
Beginning of year	8,217,880	7,850,284	7,416,021	6,982,129
End of year (a)	\$ 7,525,370	\$ 8,217,880	\$ 7,850,284	\$ 7,416,021
Plan fiduciary net position:				
Contributions:				
Employer	\$ 70,359	\$ 173,104	\$ 347,807	\$ 343,824
Member	29,569	24,599	35,205	35,971
Net investment income	1,285,276	510,350	16,381	524,961
Benefit payments, including refunds of member contributions	(327,074)	(406,585)	(308,415)	(279,181)
Administrative expense	(10,900)	(10,900)	(10,000)	(7,600)
Net change in plan fiduciary net position	1,058,130	290,568	80,978	617,975
Total fiduciary net position:				
Beginning of year	8,377,902	8,087,334	8,006,356	7,388,381
End of year (b)	\$ 9,436,032	\$ 8,377,902	\$ 8,087,334	\$ 8,006,356
Net pension asset, end of year (a) - (b)	\$ (1,910,662)	\$ (160,022)	\$ (237,050)	\$ (590,335)
Plan fiduciary net position as a percentage of the total pension liability	125.4%	101.9%	103.0%	108.0%
Covered employee payroll	\$ 1,056,790	\$ 985,845	\$ 1,192,260	\$ 1,568,816
Net pension asset as a percentage of covered employee payroll	(180.8)%	(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, 2017
(unaudited)

Annual dollar-weighted rate of return 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>	<u>2017</u>
Nonuniformed Pension Plan	13.6%	0.9%	13.7%	16.3%	7.7%	0.9%	6.8%	16.5%
Police Pension Plan	13.1%	0.9%	13.9%	16.5%	8.0%	1.1%	6.2%	16.9%

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, 2017
 (unaudited)

Nonuniformed Pension Plan					
Year	Actuarially determined contribution	Contributions from employer	Contribution deficiency/ (excess)	Covered employee payroll	Contributions as a % of payroll
2008	\$ 269,449	\$ 269,449	\$ -		
2009	281,425	459,673	(178,248)		
2010	365,628	521,186	(155,558)		
2011	361,546	361,546	-		
2012	379,594	1,080,482	(700,888)		
2013	343,824	343,824	-	\$ 1,568,816	21.92%
2014	347,807	347,807	-	1,192,260	29.17%
2015	347,807	347,807	-	1,192,260	29.17%
2016	173,104	173,104	-	985,845	17.56%
2017	70,359	70,359	-	1,056,790	6.66%

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 contribution rates:

- Actuarial valuation date, 2017: 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, 2017
 (unaudited)

Year	Police Pension Plan				
	Actuarially determined contribution	Contributions from employer	Contribution deficiency/ (excess)	Covered employee payroll	Contributions as a % of payroll
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%
2017	167,863	167,863	-	1,221,965	13.74%

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 contribution rates:

- Actuarial valuation date, 2017: 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, 2017
(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	1/1/2011	\$ 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
	1/1/2017	996,349	1,184,579	188,230	84.1	1,236,631	15.2
Nonuniformed	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)
	1/1/2017	1,084,207	948,666	(135,541)	114.3	805,078	(16.8)

	Nonuniformed	Police
Actuarial valuation date	January 1, 2017	January 1, 2017
Actuarial assumptions, actuarial cost method	Entry age normal	Entry age normal
Healthcare cost trend rate	6.0% in 2017, and 5.5% in 2018 through 2023, gradually decreasing from 5.4% in 2024 to 3.9% in 2075	6.0% in 2017, and 5.5% in 2018 through 2023, gradually decreasing from 5.4% in 2024 to 3.9% in 2075
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, 2017
 (unaudited)

	Original budget	Final budget	Actual	Variance over (under)
Revenues:				
Taxes	\$ 4,415,000	\$ 4,415,000	\$ 4,946,802	\$ 531,802
Licenses, permits and fees	289,000	289,000	308,503	19,503
Fines and penalties	70,000	70,000	66,799	(3,201)
Interest and rents			3,814	3,814
Intergovernmental	373,400	373,400	441,084	67,684
Service fees	93,600	93,600	161,539	67,939
Contributions from private sector			63,509	63,509
Miscellaneous	35,000	35,000	313,332	278,332
Total revenues	5,276,000	5,276,000	6,305,382	1,029,382
Expenditures:				
General government	709,163	709,163	668,861	(40,302)
Public safety	3,454,729	3,454,729	3,483,507	28,778
Health and welfare	20,000	20,000	14,426	(5,574)
Public works:				
Highways, roads and streets	1,630,990	1,630,990	1,461,002	(169,988)
Recycling center and leaf collection	147,165	147,165	156,830	9,665
Culture and recreation	166,997	166,997	184,166	17,169
Miscellaneous	3,000	3,000	2,193	(807)
Total expenditures	6,132,044	6,132,044	5,970,985	(161,059)
Excess (deficiency) of revenues over expenditures	(856,044)	(856,044)	334,397	1,190,441
Other financing sources:				
Proceeds from sale of assets	30,000	30,000	42,742	12,742
Interfund transfers received	827,000	827,000		(827,000)
Total other financing sources	857,000	857,000	42,742	(814,258)

(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, 2017
 (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>\$ 956</u>	<u>\$ 956</u>	\$ 377,139	<u>\$ 376,183</u>
Fund balance:				
Beginning of year			<u>1,846,292</u>	
End of year			<u>\$ 2,223,431</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 2017 for the following general fund functions:

Public safety	\$ 28,778
Public works, recycling center and leaf collection	9,665
Culture and recreation	17,169

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

HIGHWAY AID FUND

YEAR ENDED DECEMBER 31, 2017
 (unaudited)

	Original budget	Final budget	Actual	Variance over (under)
Revenues:				
Interest and rents			\$ 7,220	\$ 7,220
Intergovernmental	\$ 600,000	\$ 600,000	617,171	17,171
Total revenues	600,000	600,000	624,391	24,391
Expenditures, public works	1,202,000	1,202,000	1,060,926	(141,074)
Excess (deficiency) of revenues over expenditures	<u>\$ (602,000)</u>	<u>\$ (602,000)</u>	(436,535)	<u>\$ 165,465</u>
Fund balance:				
Beginning of year			<u>1,491,890</u>	
End of year			<u>\$ 1,055,355</u>	

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2017

	Fire station fund	LST fund	Street light fund	Fire service fund	Fire hydrant fund	EMS fund	Fairview Township Fire Department	Total
Revenues:								
Taxes	\$ 688	\$ 490,125	\$ 72,627	\$ 166	\$ 57,690	\$ 135	\$ 121	\$ 620,442
Interest and rents	60,000	584	83	3,136	53		71,962	1,830
Contributions from private sector				5,618		25	5,292	135,098
Miscellaneous revenue								10,935
Total revenues	60,688	490,709	72,710	8,920	57,743	160	77,375	768,305
Expenditures:								
Public safety	76,428			238,710		197,759	64,185	577,082
Public works, highway, roads and streets			76,782		48,495			125,277
Total expenditures	76,428		76,782	238,710	48,495	197,759	64,185	702,359
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(15,740)	490,709	(4,072)	(229,790)	9,248	(197,599)	13,190	65,946

(continued)

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2017

	Fire station fund	LST fund	Street light fund	Fire service fund	Fire hydrant fund	EMS fund	Fairview Township Fire Department	Total
Other financing sources (uses),								
Interfund transfers:								
Received		\$ (447,000)		\$ 232,000		\$ 215,000		\$ 447,000
Expended		(447,000)		232,000		215,000		-
Total other financing sources (uses)		(447,000)		232,000		215,000		-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (15,740)	43,709	\$ (4,072)	2,210	\$ 9,248	17,401	\$ 13,190	65,946
Fund balance:								
Beginning of year	16,894	463,756	36,815	43,470	15,585	29,190	63,991	669,701
End of year	<u>\$ 1,154</u>	<u>\$ 507,465</u>	<u>\$ 32,743</u>	<u>\$ 45,680</u>	<u>\$ 24,833</u>	<u>\$ 46,591</u>	<u>\$ 77,181</u>	<u>\$ 735,647</u>

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2017

	Sewer capital fund	Sewer fund	Total
Operating revenues, charges for services		\$ 73,765	\$ 73,765
Operating expenses, collection, disposal and treatment		80,734	80,734
Deficiency of operating revenues over expenses		(6,969)	(6,969)
Nonoperating revenues, earnings on temporary deposits and investments	\$ 259	1,072	1,331
Other financing uses, transfers out	(254,847)	(200,000)	(454,847)
Deficiency of revenues and other financing sources over expenses and other uses	(254,588)	(205,897)	(460,485)
Net position:			
Beginning of year	254,588	856,451	1,111,039
End of year	\$ -	\$ 650,554	\$ 650,554

FAIRVIEW TOWNSHIP

COMBINING STATEMENT OF CASH FLOWS – SEWER FUNDS

YEAR ENDED DECEMBER 31, 2017

	Sewer capital fund	Sewer fund	Total
Cash flows from operating activities:			
Receipts from customers and users		\$ 239,234	\$ 239,234
Payments to suppliers		(82,690)	(82,690)
Net cash provided by operating activities		156,544	156,544
Cash flows used in noncapital financing activities, payments to/from other funds	\$ (254,847)	(200,000)	(454,847)
Cash flows provided by investing activities, investment income	259	1,072	1,331
Net decrease in cash and cash equivalents	(254,588)	(42,384)	(296,972)
Cash and cash equivalents:			
Beginning	254,588	610,753	865,341
Ending	\$ -	\$ 568,369	\$ 568,369
Cash flows from operating activities:			
Deficiency of operating revenues over expenses		\$ (6,969)	\$ (6,969)
Adjustments:			
Decrease in assets, accounts receivable		165,469	165,469
Decrease in liabilities, accounts payable		(1,956)	(1,956)
Total adjustments		163,513	163,513
Net cash provided by operating activities	\$ -	\$ 156,544	\$ 156,544