

FAIRVIEW TOWNSHIP

YEAR ENDED DECEMBER 31, 2018

FAIRVIEW TOWNSHIP

YEAR ENDED DECEMBER 31, 2018

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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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Notes 11 and 15 to the financial statements, in 2018 the Township adopted new accounting guidance Government Accounting Standards Board (GASB) Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of historical pension and postemployment 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 inquires 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 of Fairview Township. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Brown Schultz Steidman & Fritz

Camp Hill, Pennsylvania
June 24, 2019

FAIRVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2018

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

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

Highlights

Financial highlights:

- ◆ The Township's net position is stated at \$39,485,059 as of December 31, 2018. Net position increased by \$155,815 in 2018.
- ◆ The total cost of all the Township's programs was \$9,222,860.
- ◆ During the year, the Township had expenses of \$9,169,480 from governmental activities, which was \$534,536 more than the \$8,634,944 generated in general revenues and program revenues. These figures do not include developer contributions of \$688,974 and transfers in of \$962,043.
- ◆ As discussed in Notes 11 and 15 to the financial statements, in 2018 the Township adopted new accounting guidance Government Accounting Standards Board (GASB) Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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)

YEAR ENDED DECEMBER 31, 2018

Government-wide financial statements

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

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

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

FAIRVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2018

Government-wide financial analysis

The following table reflects the condensed statement of net position:

Statement of Net Position

	<u>2018</u>	<u>2017</u>
Assets:		
Current assets	\$ 10,288,659	\$ 12,104,365
Noncurrent assets	<u>29,928,177</u>	<u>31,018,985</u>
Total assets	40,216,836	43,123,350
Deferred outflows of resources	<u>3,223,797</u>	<u>1,060,220</u>
Total assets and deferred outflows of resources	<u><u>\$ 43,440,633</u></u>	<u><u>\$ 44,183,570</u></u>
Liabilities:		
Current liabilities	\$ 519,103	\$ 588,712
Noncurrent liabilities	<u>861,839</u>	<u>1,038,223</u>
Total liabilities	1,380,942	1,626,935
Deferred inflows of resources	<u>2,574,632</u>	<u>3,227,391</u>
Total liabilities and deferred inflows of resources	<u><u>3,955,574</u></u>	<u><u>4,854,326</u></u>
Net position:		
Net investment in capital assets	29,105,937	24,336,705
Restricted	1,086,190	5,773,206
Unrestricted	<u>9,292,932</u>	<u>9,219,333</u>
Total net position	<u><u>39,485,059</u></u>	<u><u>39,329,244</u></u>
Total liabilities and net position	<u><u>\$ 43,440,633</u></u>	<u><u>\$ 44,183,570</u></u>

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

FAIRVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2018

Government-wide financial analysis (continued)

Statement of Activities

	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 540,966	\$ 482,192
Operating grants and contributions	1,181,765	1,004,816
Capital grants and contributions	127,679	197,474
General revenues:		
Taxes	6,032,304	5,552,213
Cable TV franchise fees	291,613	304,054
Investment earnings	166,830	82,994
Developer contributions	688,974	343,723
Gain on sale of assets	7,226	179,297
Miscellaneous	341,318	305,519
	<u>9,378,675</u>	<u>8,452,282</u>
Total revenues		
Expenses:		
General government	945,268	883,465
Public safety	4,508,125	4,121,416
Health and welfare	13,721	14,426
Public works:		
Highways, roads and streets	3,285,878	4,329,311
Recycling center and leaf collection	196,538	194,794
Culture and recreation	219,950	256,161
Sewer	37,313	80,734
Refuse	16,067	26,962
	<u>9,222,860</u>	<u>9,907,269</u>
Total expenses		

FAIRVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2018

Government-wide financial analysis (continued)

Statement of Activities (continued)

	<u>2018</u>	<u>2017</u>
Change in net position	\$ 155,815	\$ (1,454,987)
Net position:		
Beginning, as restated	<u>39,329,244</u>	<u>40,784,231</u>
Ending	<u><u>\$ 39,485,059</u></u>	<u><u>\$ 39,329,244</u></u>

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

The Township's combined net position increased to \$39,485,059 from \$39,329,244, as restated, as a result of an increase in developer contributions of approximately \$345,000 compared to 2017. The Township's combined unrestricted net position for governmental activities and business-type activities was \$9,292,932.

The Township's funds

Governmental funds:

At year end, the governmental funds reported a combined fund balance of \$9,395,551.

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's budget. No budget amendments were required. During the year, revenues exceeded budgetary estimates by \$1,038,310. Expenditures were less than budgetary estimates by \$50,308.

FAIRVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2018

Capital asset and debt administration

Capital assets:

The investment in capital assets for governmental activities as of December 31, 2018, amounts to \$72,453,772 net of accumulated depreciation of \$43,347,835, leaving a net book value of \$29,105,937. 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 \$688,974 during 2018. Actual expenditures to purchase or construct capital assets were \$3,461,505, not including developer contributions of \$688,974; and disposals were \$1,097,352. Depreciation charges for the year totaled \$2,281,525. Additional information on the Township's capital assets can be found in Note 10 to the financial statements of this report.

The Township's investment in capital assets increased in comparison to 2017 due to the purchase and construction of capital assets during 2018.

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. During 2018, the General Obligation Bond, Series of 2013 was fully paid back.

Economic factors and next year's budgets and rates

The Township's elected and appointed officials considered many factors when setting the fiscal year 2019 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.

FAIRVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2018

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 2019 in comparison to 2018.

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.

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.

Defined benefit pensions plans

As of December 31, 2018, the Police Pension Plan and the Nonuniformed Pension Plan had net pension assets of \$176,849 and \$557,323, 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 December 31, 2018, the Police OPEB Plan had a net OPEB liability of \$290,098. As of December 31, 2018, the Nonuniformed OPEB Plan had a net OPEB asset of \$88,068.

FAIRVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2018

Contacting the Township's financial management

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

FAIRVIEW TOWNSHIP

STATEMENT OF NET POSITION – DECEMBER 31, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Primary government		Total
	Governmental activities	Business-type activities	
Current assets:			
Cash and investments	\$ 9,871,755	\$ 228,120	\$ 10,099,875
Taxes receivable	102,949		102,949
Other receivables		85,835	85,835
	9,974,704	313,955	10,288,659
Total current assets			
Noncurrent assets:			
Net postemployment benefits asset (other than pensions)	88,068		88,068
Net pension assets	734,172		734,172
Capital assets, net of depreciation and amortization:			
Land	542,800		542,800
Construction in progress	510,333		510,333
Other capital assets	28,052,804		28,052,804
	29,928,177		29,928,177
Total noncurrent assets			
Deferred outflows of resources:			
For pensions	3,175,119		3,175,119
For other postemployment benefits	48,678		48,678
	3,223,797		3,223,797
Total deferred outflows of resources			
Total assets and deferred outflows of resources	\$ 43,126,678	\$ 313,955	\$ 43,440,633

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF NET POSITION – DECEMBER 31, 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Primary government		
	Governmental activities	Business-type activities	Total
Current liabilities:			
Accounts payable and accrued expenses	\$ 74,401	\$ 3,519	\$ 77,920
Escrows payable	441,183		441,183
Total current liabilities	515,584	3,519	519,103
Noncurrent liabilities:			
Compensated absences	571,741		571,741
Net postemployment benefits liability (other than pensions)	290,098		290,098
Total noncurrent liabilities	861,839		861,839
Total liabilities	1,377,423	3,519	1,380,942
Deferred inflows of resources:			
For pensions	2,556,345		2,556,345
For other postemployment benefits	18,287		18,287
Total deferred inflows of resources	2,574,632		2,574,632
Net position:			
Investment in capital assets	29,105,937		29,105,937
Restricted for:			
Postemployment benefit asset	88,068		88,068
Pension asset	734,172		734,172
Highway aid	203,058		203,058
Street light	32,540		32,540
Fire hydrant fund	28,313		28,313
Road turnback fund	39		39
Unrestricted	8,982,496	310,436	9,292,932
Total net position	39,174,623	310,436	39,485,059
Total liabilities and net position	\$ 43,126,678	\$ 313,955	\$ 43,440,633

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

Functions/programs	Expenses	Program revenues			Net (expenses) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Primary government:							
Governmental activities:							
General government	\$ 945,268	\$ 87,186			\$ (858,082)		\$ (858,082)
Public safety	4,508,125	347,177	\$ 334,125	\$ 5,550	(3,821,273)		(3,821,273)
Health and welfare	13,721				(13,721)		(13,721)
Public works:							
Highways, roads and streets	3,285,878		847,640	122,129	(2,316,109)		(2,316,109)
Recycling center and leaf collection	196,538				(196,538)		(196,538)
Culture and recreation	219,950	57,850			(162,100)		(162,100)
Total governmental activities	<u>9,169,480</u>	<u>492,213</u>	<u>1,181,765</u>	<u>127,679</u>	<u>(7,367,823)</u>		<u>(7,367,823)</u>
Business-type activities:							
Sewer	37,313	36,202				\$ (1,111)	(1,111)
Refuse	16,067	12,551				(3,516)	(3,516)
Total business-type activities	<u>53,380</u>	<u>48,753</u>				<u>(4,627)</u>	<u>(4,627)</u>
Total primary government	<u>\$ 9,222,860</u>	<u>\$ 540,966</u>	<u>\$ 1,181,765</u>	<u>\$ 127,679</u>	<u>(7,367,823)</u>	<u>(4,627)</u>	<u>(7,372,450)</u>

(continued)

FAIRVIEW TOWNSHIP

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

Functions/programs	Expenses	Program revenues			Net (expenses) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
General revenues:							
Taxes:							
Real estate					\$ 2,172,040		\$ 2,172,040
Real estate transfer					432,629		432,629
Earned income					2,902,420		2,902,420
Per capita					1,444		1,444
Emergency services					518,098		518,098
Public utility					5,673		5,673
Cable TV franchise fees					291,613		291,613
Investment earnings					160,826	\$ 6,004	166,830
Gain on sale of assets					7,226		7,226
Miscellaneous					341,318		341,318
Total general revenues					6,833,287	6,004	6,839,291
Transfers in (out)					962,043	(962,043)	-
Developer contributions					688,974		688,974
Change in net position					1,116,481	(960,666)	155,815
Net position:							
Beginning, as restated					38,058,142	1,271,102	39,329,244
Ending					\$ 39,174,623	\$ 310,436	\$ 39,485,059

See notes to financial statements.

FAIRVIEW TOWNSHIP

BALANCE SHEET – GOVERNMENTAL FUNDS – DECEMBER 31, 2018

	General	Highway aid fund	Capital reserve fund	Other governmental funds	Total governmental funds
ASSETS					
Cash and investments	\$ 3,156,422	\$ 203,058	\$ 5,689,593	\$ 822,682	\$ 9,871,755
Taxes receivable	90,630			4,616	95,246
Total assets	\$ 3,247,052	\$ 203,058	\$ 5,689,593	\$ 827,298	\$ 9,967,001
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 69,424			\$ 4,977	\$ 74,401
Escrow deposits	441,183				441,183
Total liabilities	510,607			4,977	515,584
Deferred inflows of resources, unavailable revenues	52,763			3,103	55,866
Fund balances:					
Restricted:					
Street light fund				32,540	32,540
Highway aid fund		\$ 203,058			203,058
Road turnback fund				39	39
Fire hydrant fund				28,313	28,313
Committed:					
Capital reserve fund			\$ 5,689,593		5,689,593
Fire service fund				22,083	22,083
Fire department				96,959	96,959
EMS fund				64,995	64,995
Employee benefits	1,201,443				1,201,443
LST tax fund				565,009	565,009
Assigned, fire station				9,280	9,280
Unassigned	1,482,239				1,482,239
Total fund balances	2,683,682	203,058	5,689,593	819,218	9,395,551
Total liabilities, deferred outflows of resources and fund balances	\$ 3,247,052	\$ 203,058	\$ 5,689,593	\$ 827,298	\$ 9,967,001

See notes to financial statements.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2018

Total governmental fund balances	\$ 9,395,551
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.	29,105,937
Net pension assets are not included in the governmental funds.	734,172
Net other postemployment benefits asset is not included in governmental funds.	(290,098)
Net other postemployment benefits liability is not included in governmental funds.	88,068
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	3,175,119
Deferred outflows of resourced related to other postemployment benefits	48,678
Deferred inflows of resources related to pensions	(2,556,345)
Deferred inflows of resourced related to other postemployment benefits	(18,287)
Other assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds, tax revenues.	63,569
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(571,741)</u>
Net position of governmental activities	<u>\$ 39,174,623</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2018

	General	Highway aid fund	Capital reserve fund	Other governmental funds	Total governmental funds
Revenues:					
Taxes	\$ 5,368,978			\$ 652,189	\$ 6,021,167
Licenses, permits and fees	297,775				297,775
Fines and penalties	61,788				61,788
Interest and rents	33,365	\$ 20,104	\$ 100,347	7,478	161,294
Intergovernmental revenue	399,868	647,940		199,700	1,247,508
Service fees	270,075				270,075
Contributions from private sector	67,609			141,751	209,360
Miscellaneous revenue	344,652			8,633	353,285
Total revenues	<u>6,844,110</u>	<u>668,044</u>	<u>100,347</u>	<u>1,009,751</u>	<u>8,622,252</u>
Expenditures:					
General government	712,361		32,074		744,435
Public safety	3,422,680		996,044	594,378	5,013,102
Health and welfare	13,721				13,721
Public works:					
Highways, roads and streets	1,878,740	1,520,341	236,478	331,802	3,967,361
Recycling center and leaf collection	162,224				162,224
Culture and recreation	200,873				200,873
Miscellaneous	486		5,589		6,075
Total expenditures	<u>6,391,085</u>	<u>1,520,341</u>	<u>1,270,185</u>	<u>926,180</u>	<u>10,107,791</u>
Excess (deficiency) of revenues over (under) expenditures	<u>453,025</u>	<u>(852,297)</u>	<u>(1,169,838)</u>	<u>83,571</u>	<u>(1,485,539)</u>

(continued)

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2018

	General	Highway aid fund	Capital reserve fund	Other governmental funds	Total governmental funds
Other financing sources (uses):					
Proceeds from sale of assets	\$ 7,226				\$ 7,226
Interfund transfers:					
Received			\$ 687,416	\$ 465,000	1,152,416
Expended				(465,000)	(465,000)
Total other financing sources (uses)	7,226		687,416	-	694,642
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	460,251	\$ (852,297)	(482,422)	83,571	(790,897)
Fund balances:					
Beginning of year	2,223,431	1,055,355	6,172,015	735,647	10,186,448
End of year	\$ 2,683,682	\$ 203,058	\$ 5,689,593	\$ 819,218	\$ 9,395,551

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, 2018

Net change in fund balances, total governmental funds	\$ (790,897)
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)	4,150,479
Deduct, depreciation expense	(2,281,525)
The change in value of the net pension asset is not reported in governmental funds.	(2,984,682)
The change in the deferred outflows and inflows related to pensions is not reported in the governmental funds:	
Difference between expected and actual experience	354,956
Change of assumptions	(87,463)
Difference between projected and actual investment earnings	2,518,451
The change in the deferred outflows and inflows related to OPEB is not reported in the governmental funds:	
Change of assumptions	(18,287)
Difference between projected and actual investment earnings	48,678
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.	5,466
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:	
Other postemployment benefits	222,360
Compensated absences	(21,055)
Change in net position of governmental activities	<u>\$ 1,116,481</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – DECEMBER 31, 2018

	<u>Nonmajor proprietary funds</u>
ASSETS	
Current assets:	
Cash and investments	\$ 228,120
Accounts receivable	<u>85,835</u>
Total assets, all current	<u><u>\$ 313,955</u></u>
LIABILITIES AND NET POSITION	
Current liabilities, accounts payable and accrued expenses	\$ 3,519
Net position, unrestricted	<u>310,436</u>
Total liabilities and net position	<u><u>\$ 313,955</u></u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2018

	<u>Nonmajor proprietary funds</u>
Operating revenues, charges for services	\$ 48,753
Operating expenses, collection, disposal and treatment	<u>53,380</u>
Deficiency of operating revenues under expenses	<u>(4,627)</u>
Nonoperating revenues, earnings on temporary deposits and investments	<u>6,004</u>
Other financing uses:	
Transfers out	(687,416)
Transfer of capital assets to the General Fund	<u>(274,627)</u>
Total other financing uses	<u>(962,043)</u>
Deficiency of revenues under expenses and other financing uses	(960,666)
Net position:	
Beginning of year	<u>1,271,102</u>
End of year	<u>\$ 310,436</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2018

	<u>Nonmajor proprietary funds</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 85,832
Payments to suppliers	<u>(53,281)</u>
Net cash provided by operating activities	32,551
Cash flows used in noncapital financing activities, payment to other funds	(687,416)
Cash flows used in capital and related financing activities, purchase of capital assets	(274,627)
Cash flows provided by investing activities, investment income	<u>6,004</u>
Net decrease in cash and cash equivalents	(923,488)
Cash and cash equivalents:	
Beginning	<u>1,151,608</u>
Ending	<u>\$ 228,120</u>
Supplemental disclosure of noncash transactions, transfer of capital assets to the General Fund	<u>\$ 274,627</u>
Cash flows from operating activities:	
Deficiency of operating revenues under expenses	<u>\$ (4,627)</u>
Adjustments:	
Decrease in assets, accounts receivable	37,079
Increase in liabilities, accounts payable	<u>99</u>
Total adjustments	<u>37,178</u>
Net cash provided by operating activities	<u>\$ 32,551</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION – PENSION FUNDS

DECEMBER 31, 2018

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 41,316	\$ 45,181	\$ 86,497
Investments	<u>8,365,583</u>	<u>9,950,367</u>	<u>18,315,950</u>
Total assets	<u>\$ 8,406,899</u>	<u>\$ 9,995,548</u>	<u>\$ 18,402,447</u>
Net position restricted for pensions	<u>\$ 8,406,899</u>	<u>\$ 9,995,548</u>	<u>\$ 18,402,447</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PENSION FUNDS

YEAR ENDED DECEMBER 31, 2018

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
Additions, net of investment losses:			
Contributions:			
State aid and employer	\$ 86,761	\$ 172,259	\$ 259,020
Employee	<u>29,643</u>	<u>55,293</u>	<u>84,936</u>
Total contributions	<u>116,404</u>	<u>227,552</u>	<u>343,956</u>
Investment income (losses):			
Net depreciation in fair value of investments	(738,813)	(869,095)	(1,607,908)
Interest and dividends	<u>48,489</u>	<u>17,238</u>	<u>65,727</u>
Less investment expense	<u>(690,324)</u>	<u>(851,857)</u>	<u>(1,542,181)</u>
Net investment income (losses)	<u>(757,846)</u>	<u>(927,112)</u>	<u>(1,684,958)</u>
Total additions, net of investment losses	(641,442)	(699,560)	(1,341,002)
Deductions, benefit payments	<u>(385,332)</u>	<u>(458,255)</u>	<u>(843,587)</u>
Net decrease	(1,026,774)	(1,157,815)	(2,184,589)
Net position restricted for pensions:			
Beginning of year	<u>9,433,673</u>	<u>11,153,363</u>	<u>20,587,036</u>
End of year	<u><u>\$ 8,406,899</u></u>	<u><u>\$ 9,995,548</u></u>	<u><u>\$ 18,402,447</u></u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION – POSTEMPLOYMENT FUNDS

YEAR ENDED DECEMBER 31, 2018

	<u>Nonuniformed benefits fund</u>	<u>Police benefits fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 428,421	\$ 612,876	\$ 1,041,297
Investments	<u>674,823</u>	<u>464,439</u>	<u>1,139,262</u>
Total assets	<u>\$ 1,103,244</u>	<u>\$ 1,077,315</u>	<u>\$ 2,180,559</u>
Net position restricted for OPEB	<u>\$ 1,103,244</u>	<u>\$ 1,077,315</u>	<u>\$ 2,180,559</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – POSTEMPLOYMENT FUNDS

YEAR ENDED DECEMBER 31, 2018

	<u>Nonuniformed benefits fund</u>	<u>Police benefits fund</u>	<u>Total</u>
Additions:			
Contributions, employer		\$ 63,012	\$ 63,012
Investment income:			
Net appreciation (depreciation) in fair value of investments	\$ (4,247)	337	(3,910)
Interest and dividends	18,701	14,372	33,073
	14,454	14,709	29,163
Less investment expense	<u>(3,143)</u>	<u>(2,839)</u>	<u>(5,982)</u>
Net investment income	<u>11,311</u>	<u>11,870</u>	<u>23,181</u>
Change in net position	11,311	74,882	86,193
Net position restricted for OPEB:			
Beginning of year	<u>1,091,933</u>	<u>1,002,433</u>	<u>2,094,366</u>
End of year	<u>\$ 1,103,244</u>	<u>\$ 1,077,315</u>	<u>\$ 2,180,559</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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

YEAR ENDED DECEMBER 31, 2018

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

Reporting entity:

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

YEAR ENDED DECEMBER 31, 2018

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

Basis of presentation:

Government-wide financial statements - 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

YEAR ENDED DECEMBER 31, 2018

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

Basis of presentation:

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 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

YEAR ENDED DECEMBER 31, 2018

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

Basis of presentation:

Nonmajor funds:

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, 2018, 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, 2018, 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.

Road Turnback Fund - The Road Turnback 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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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

Basis of presentation:

Nonmajor funds:

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.

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.

Nonmajor 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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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

Basis of presentation:

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

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

Basis of accounting:

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

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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

Basis of accounting:

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

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

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

Intergovernmental revenues and investment income are recorded when earned since they are measurable and available. Real estate taxes which are uncollected or delinquent are recorded as receivables, net of the allowance for doubtful accounts. Current levies of taxes which are not available to finance current expenditures are recorded as 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, 2018 consists of the following:

Unavailable revenues, real estate taxes:	
General fund	\$ 52,763
Street light fund	1,076
Fire hydrant fund	<u>2,027</u>
Total unavailable revenues	<u><u>\$ 55,866</u></u>

- b. Prepaid expenses are not recognized as such.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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

Basis of accounting:

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.

Receivables:

Accounts receivable and taxes receivable determined as being uncollectible are accounted for via the direct write-off method. As of December 31, 2018, 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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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

Capital assets:

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

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

Compensated absences:

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

Use of estimates:

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

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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

Fund balance classifications:

Government-wide statements

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

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

Fund financial statements

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

- a. Restricted fund balances – Resources constrained by external parties such as creditors, grantors, contributors or laws or regulations of other governments, or imposed by law through enabling legislation.
- 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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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

Fund balance classifications:

Fund financial statements

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 and other postretirement plans.

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

New GASB statements:

For the year ended December 31, 2018, the Township implemented the following:

GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement addresses reporting by governments that provide OPEBs to its employees and for governments that finance OPEB for employees of other governments.

GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements.

GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves guidance regarding in-substance defeasance of debt for accounting and financial reporting purposes and how those activities should be reported.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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

Pending GASB statements:

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. The provisions of GASB Statement No. 83 are effective for the Township's December 31, 2019 financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions of GASB Statement No. 84 are effective for the Township's December 31, 2019 financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions of GASB Statement No. 87 are effective for the Township's December 31, 2020 financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions of GASB Statement No. 88 are effective for the Township's December 31, 2019 financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement is to enhance the relevance and comparability of information about capital assets and cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The provisions of GASB Statement No. 89 are effective for the Township's December 31, 2020 financial statements.

In June 2018, the GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. This Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of GASB Statement No. 90 are effective for the Township's December 31, 2019 financial statements.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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

Pending GASB statements:

The effect of implementation of these statements has not yet been determined.

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

YEAR ENDED DECEMBER 31, 2018

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, 2018, \$3,383,632 of the Township's bank balance of \$3,730,591 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	\$ 3,383,632
Insured by Federal Deposit Insurance Corporation	346,959
Outstanding checks	(259,948)
Petty cash	<u>450</u>
	3,471,093
Pennsylvania Local Government Investment Trust (PLGIT) AAAM	<u>2,667,507</u>
Total deposits	<u>6,138,600</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

2. Deposits and investments (continued):

Custodial credit risk, deposits and investments:

As of December 31, 2018, the Township had the following investments:

	Ratings	Fair value
Investments:		
Cash and cash equivalents:		
Mellon Bank, temporary investments and deposits	Unrated	\$ 86,497
Level 1:		
Mellon Bank:		
Fixed income funds	Unrated	6,210,419
Equities	Unrated	10,877,619
Charles Schwab, mutual funds	Unrated	1,227,912
PNC Institutional Investments:		
Mutual funds	Unrated	645,486
Fixed income:		
U.S. treasury bills	Unrated	440,897
U.S. treasury notes	AAA	2,131,413
Total investments at Level 1		21,533,746
Level 2:		
PNC Institutional Investments, fixed income	AAA	2,924,038
Total cash, cash equivalents and investments		24,544,281
Total deposits and investments		\$ 30,682,881
Reconciliation with financial statement amounts:		
Governmental funds		\$ 9,871,755
Business-type funds		228,120
Postemployment benefit funds		2,180,559
Pension funds		18,402,447
		\$ 30,682,881

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

2. Deposits and investments (continued):

Custodial credit risk, deposits and investments:

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 \$2,667,507 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, 2018, 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, 2018, 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>\$ 2,667,507</u>	<u>\$ -</u>	Weekly	5 days

¹ External investment pool: This type 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

YEAR ENDED DECEMBER 31, 2018

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 2018 were: 1.5 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, 2018 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

YEAR ENDED DECEMBER 31, 2018

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 trustees 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
YEAR ENDED DECEMBER 31, 2018

4. Defined benefit pension plans (continued):

Plan descriptions:

As of December 31, 2018, participation in the respective plans is as follows:

Nonuniformed Pension Plan:	
Retirees and beneficiaries currently receiving benefits	15
Terminated employees entitled to deferred benefits	14
Active members	<u>18</u>
Total	<u><u>47</u></u>
Police Pension Plan:	
Retirees and beneficiaries currently receiving benefits	12
Terminated employees entitled to deferred benefits	1
Active members	<u>16</u>
Total	<u><u>29</u></u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

4. Defined benefit pension plans (continued):

Plan descriptions:

A summary of employee eligibility requirements and benefits as of December 31, 2018 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

YEAR ENDED DECEMBER 31, 2018

4. Defined benefit pension plans (continued):

Plan descriptions:

	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

YEAR ENDED DECEMBER 31, 2018

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 2018:

Description	Nonuniformed pension plan **	Police pension plan *
Annual covered payroll	\$ 1,052,422	\$ 1,398,195
Employee contribution rate	2.0% of gross wages **	4.0% of gross wages *
Employee contributions paid in 2018	\$ 29,643	\$ 55,293
State aid and employer contributions paid in 2018	\$ 86,761	\$ 172,259
Total contributions made as a percentage of payroll	11.1%	16.3%

* 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.

Net pension assets:

The net pension assets were measured as of December 31, 2018, 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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

4. Defined benefit pension plans (continued):

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

YEAR ENDED DECEMBER 31, 2018

4. Defined benefit pension plans (continued):

Actuarial assumption:

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

YEAR ENDED DECEMBER 31, 2018

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 pension asset (a) - (b)
Balances at January 1, 2018	<u>\$ 7,525,370</u>	<u>\$ 9,436,032</u>	<u>\$ (1,910,662)</u>
Service cost	186,569		186,569
Interest cost	525,302		525,302
Contributions:			
Employer		86,761	(86,761)
Members		29,643	(29,643)
Net investment loss		(742,372)	742,372
Benefit payments, including refund of member contributions	(385,332)	(385,332)	-
Administrative expense		(15,500)	15,500
Net changes	<u>326,539</u>	<u>(1,026,800)</u>	<u>1,353,339</u>
Balance at December 31, 2018	<u><u>\$ 7,851,909</u></u>	<u><u>\$ 8,409,232</u></u>	<u><u>\$ (557,323)</u></u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

4. Defined benefit pension plans (continued):

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

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

	1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
Plan's net pension liability (asset)	\$ 405,771	\$ (557,323)	\$ (1,360,694)

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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 pension asset (a) - (b)
Balances at January 1, 2018	\$ 9,348,358	\$ 11,156,550	\$ (1,808,192)
Service cost	279,533		279,533
Interest cost	652,536		652,536
Contributions:			
Employer		172,259	(172,259)
Members		55,293	(55,293)
Net investment loss		(913,726)	913,726
Benefit payments, including refund of member contributions	(458,255)	(458,255)	-
Administrative expense		(13,100)	13,100
Net changes	473,814	(1,157,529)	1,631,343
Balance at December 31, 2018	<u>\$ 9,822,172</u>	<u>\$ 9,999,021</u>	<u>\$ (176,849)</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

4. Defined benefit pension plans (continued):

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

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

	1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
Plan's net pension liability (asset)	\$ 1,121,064	\$ (176,849)	\$ (1,246,348)

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

4. Defined benefit pension plans (continued):

Pension expense – Nonuniformed Pension Plan:

Service cost	\$ 186,569
Interest on the total pension liability	525,302
Differences between expected and actual experience	(226,422)
Changes of assumptions	52,970
Member contributions	(29,643)
Projected earnings on pension plan investments	(650,567)
Difference between projected and actual earnings on investments	256,112
Pension plan administrative expense	<u>15,500</u>
Total pension expense	<u>\$ 129,821</u>

At December 31, 2018, 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>Net total</u>
Difference between expected and actual experience	\$ 3,210	\$ 908,900	\$ (905,690)
Changes of assumptions	211,879		211,879
Difference between projected and actual investment earnings	<u>1,242,842</u>	<u>424,063</u>	<u>818,779</u>
Total	<u>\$ 1,457,931</u>	<u>\$ 1,332,963</u>	<u>\$ 124,968</u>

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

4. Defined benefit pension plans (continued):

Pension expense – Nonuniformed Pension Plan:

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>Net total</u>
2019	\$ 451,239	\$ 368,580	\$ 82,659
2020	341,972	368,580	(26,608)
2021	332,360	368,580	(36,220)
2022	<u>332,360</u>	<u>227,223</u>	<u>105,137</u>
	<u>\$ 1,457,931</u>	<u>\$ 1,332,963</u>	<u>\$ 124,968</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

4. Defined benefit pension plans (continued):

Pension expense – Police Pension Plan:

Service cost	\$ 279,533
Interest on the total pension liability	652,536
Differences between expected and actual experience	(128,534)
Changes of assumptions	34,493
Member contributions	(55,293)
Projected earnings on pension plan investments	(772,425)
Difference between projected and actual earnings on investments	304,526
Pension plan administrative expense	<u>13,100</u>
Total pension expense	<u>\$ 327,936</u>

At December 31, 2018, 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	Net total
Difference between expected and actual experience		\$ 701,587	\$ (701,587)
Changes of assumptions	\$ 206,960		206,960
Difference between projected and actual investment earnings	<u>1,510,228</u>	<u>521,795</u>	<u>988,433</u>
Total	<u>\$ 1,717,188</u>	<u>\$ 1,223,382</u>	<u>\$ 493,806</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

4. Defined benefit pension plans (continued):

Pension expense – Police Pension Plan:

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>Net total</u>
2019	\$ 512,952	\$ 302,466	\$ 210,486
2020	391,804	302,466	89,338
2021	371,723	302,466	69,257
2022	371,723	105,329	266,394
2023	34,493	105,329	(70,836)
thereafter	34,493	105,326	(70,833)
	<u>\$ 1,717,188</u>	<u>\$ 1,223,382</u>	<u>\$ 493,806</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

4. Defined benefit pension plans (continued):

Investments:

Investments are purchased by the trustee as part of the Pension Trust Funds. The investments are stated at fair value as of December 31, 2018 and consist of the following:

	Cost	Fair value
Nonuniformed pension:		
Mellon Bank, temporary investments and deposits	\$ 41,316	\$ 41,316
Level 1:		
Mellon Bank:		
Fixed income	2,246,686	2,610,515
Equities	4,036,920	4,527,156
Charles Schwab, mutual funds	1,325,667	1,227,912
	7,650,589	8,406,899
Police pension:		
Mellon Bank, temporary investments and deposits	45,181	45,181
Level 1:		
Mellon Bank:		
Fixed income	3,072,146	3,599,904
Equities	5,655,335	6,350,463
	8,772,662	9,995,548
Investments, pension	<u>\$ 16,423,251</u>	<u>\$ 18,402,447</u>

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

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

4. Defined benefit pension plans (continued):

Investment policy:

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

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

Objective:

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

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

YEAR ENDED DECEMBER 31, 2018

4. Defined benefit pension plans (continued):

Investment policy:

Asset mix/investment management:

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 2018.

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	\$ 976,332	\$ 1,310,734
Net unrealized losses	<u>(1,715,145)</u>	<u>(2,179,829)</u>
Net depreciation in fair value of investments	<u><u>\$ (738,813)</u></u>	<u><u>\$ (869,095)</u></u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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 eight 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>	<u>2018</u>
Market value of assets	0.9%	13.7%	16.3%	7.7%	0.9%	6.8%	16.5%	(7.5)%

The following is a summary of the Police Pension Plan's net dollar-weighted rates of investment return for the past eight 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>	<u>2018</u>
Market value of assets	0.9%	13.9%	16.5%	8.0%	1.1%	6.2%	16.9%	(7.7)%

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, 2018, the liability for vested unused vacation and sick leave is \$571,741. These amounts include payroll related tax liabilities.

6. Commitments and contingencies:

The Township's police force is covered by a collective bargaining agreement. During 2018, the Township and the police officers agreed to a new collective bargaining agreement covering January 1, 2019 through December 31, 2022.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

6. Commitments and contingencies (continued):

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, 2018 are \$441,183.

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.

During 2017, the Township entered into an intergovernmental cooperation agreement for the implementation of the York County regional Chesapeake Bay pollutant reduction plan. This cooperative was formed to comply with the Pennsylvania Department of Environmental Protection MS4 permit regarding stormwater discharges. Participants share in the cost to implement Best Management Practices that are designated to control stormwater and improve water quality. The term of the agreement began on September 16, 2017 and will end on December 31, 2023. Contributions are due annually based on a cost sharing formula. During 2018, the Township made their annual contribution of \$194,501.

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. During 2018, the General Obligation Bond, Series of 2013 was fully paid back.

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

8. Risk management (continued):

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, 2018, the Township paid premiums of \$610,286. Actual claims paid for the year ended December 31, 2018 were \$643,353 less reimbursements of \$175,883, or net claims of \$467,470. The Township also incurred a shared cost of \$5,102 and is anticipating a refund of \$137,714.

9. Reservations of fund balances and net position:

Reservations of fund balances and net position as of December 31, 2018 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	\$ 1,088,346
Pooled sick days, police	<u>113,097</u>
	<u>\$ 1,201,443</u>
Postemployment benefits trust funds, healthcare benefits	<u>\$ 2,180,559</u>
Pension trust funds, employee benefits	<u>\$ 18,402,447</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

10. Capital assets:

	Balance January 1, 2018	Additions	Deletions	Reclassifications	Balance December 31, 2018
Capital assets not being depreciated:					
Land	\$ 542,800				\$ 542,800
Construction in progress	2,357,478	\$ 1,380,199		\$ (3,227,344)	510,333
Capital assets not being depreciated	<u>2,900,278</u>	<u>1,380,199</u>		<u>(3,227,344)</u>	<u>1,053,133</u>
Capital assets being depreciated:					
Vehicles and equipment	8,635,660	342,396	\$ 830,341		8,147,715
Buildings and improvements	5,362,643	68,530	217,901	3,227,344	8,440,616
Roads, traffic signals and storm sewers	52,502,064	2,359,354	49,110		54,812,308
Total capital assets being depreciated	<u>66,500,367</u>	<u>2,770,280</u>	<u>1,097,352</u>	<u>3,227,344</u>	<u>71,400,639</u>
Less accumulated depreciation:					
Vehicles and equipment	4,951,853	859,595	830,341		4,981,107
Buildings and improvements	1,353,660	175,656	217,901		1,311,415
Roads, traffic signals and storm sewers	35,858,149	1,246,274	49,110		37,055,313
Total accumulated depreciation	<u>42,163,662</u>	<u>2,281,525</u>	<u>1,097,352</u>		<u>43,347,835</u>
Capital assets, net	<u>\$ 27,236,983</u>	<u>\$ 1,868,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,105,937</u>

During 2018, the Refuse Fund acquired and transferred \$274,627 of construction in progress to the General Fund.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

10. Capital assets (continued):

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 207,248
Public safety	548,220
Public works:	
Highways and streets	1,453,585
Recycling center and leaf collection	34,314
Recreation	<u>38,158</u>
Total depreciation expense	<u>\$ 2,281,525</u>

11. Other postemployment medical benefits:

The Borough applies GASB standards for the measurement, recognition and reporting of expenditures for postemployment benefits (OPEB) other than pensions and the related liabilities 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.

Plan descriptions:

In addition to the pension benefits described in Note 4, the Township has two single-employer, defined benefit other postemployment benefit (OPEB) plans covering its full-time nonuniformed employees and police officers through its group health insurance plan. The plans do not have separately issued financial reports. The plans are administered by PNC Institutional Investments. The plans' benefit provisions and all other requirements are established through negotiations between the Township and the Union representing the nonuniformed employees and police officers. Collective bargaining agreements, which require Board approval, are the authority under which benefit provisions are established or may be amended. The negotiated benefit provisions are detailed in the following paragraphs.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

11. Other postemployment medical benefits (continued):

Plan membership:

At December 31, 2018, the Nonuniformed and Police OPEB Plan membership consisted of the following (actual number of plan members):

	<u>Nonuniformed OPEB Plan</u>	<u>Police OPEB Plan</u>
Active members	13	15
Vested former participants	1	-
Retired participants	<u>4</u>	<u>1</u>
Total	<u><u>18</u></u>	<u><u>16</u></u>

Contributions and benefits:

The Township's contribution is based on actuarially determined amounts. For the year ended December 31, 2018, the Township contributed \$0 and \$63,012 to the Nonuniformed and Police OPEB Plan, respectively.

Collective bargaining agreements, which require Board approval for establishment or amendments, are the authority which obligates the Township and others to contribute to the plans.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

11. Other postemployment medical benefits (continued):

Contributions and benefits:

Nonuniformed OPEB Plan

Nonuniformed employees hired prior to August 29, 2011 and their spouses, are eligible for postemployment medical benefits including, medical, prescription drug and dental insurance, upon retirement after attainment of age 65 and completion of 12 years of service or after attainment of age 60 and completion of 25 years of service, if earlier. Benefits shall extend for eight 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.

Police OPEB Plan

Police officers and their spouses, are eligible for postemployment medical benefits including, medical, prescription drug and dental insurance, upon retirement after attainment of age 50 and completion of 25 years of service or due to a service related disability. Benefits will be paid for a period of eight 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.

Effective January 1, 2012, all police officers hired in 2012 or later will be required to contribute 40% of medical insurance premiums during retirement. For the year ended December 31, 2018, there were no plan member contributions to the Police OPEB Plan.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

11. Other postemployment medical benefits (continued):

Net OPEB liability (asset):

The net OPEB liability (asset) was measured as of December 31, 2018, and the total OPEB liability was determined by rolling forward the liability from an actuarial valuation as of January 1, 2017. Updated procedures were used to roll forward to the plan's year ended December 31, 2018. No other significant events or changes in assumptions occurred between the valuation date and the year end. The components of the net OPEB liability (asset) of the Township as of December 31, 2018 were as follows:

	Nonuniformed OPEB Plan	Police OPEB Plan	Total
Total OPEB liability	\$ 1,015,176	\$ 1,367,413	\$ 2,382,589
Plan fiduciary net position	1,103,244	1,077,315	2,180,559
Net OPEB liability (asset)	\$ (88,068)	\$ 290,098	\$ 202,030
Plan fiduciary net position as a percentage of the total OPEB liability	108.68%	78.78%	91.52%

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

11. Other postemployment medical benefits (continued):

Changes in net OPEB liability (asset):

The changes in the nonuniformed net OPEB asset for the Township for the year ended December 31, 2018 were as follows:

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB asset (a) - (b)
Balances at January 1, 2018	\$ 986,001	\$ 1,049,149	\$ (63,148)
Service cost	40,268		40,268
Interest cost *	44,594		44,594
Changes in assumptions	(6,964)		(6,964)
Contributions, employer		91,549	(91,549)
Net investment income		14,412	(14,412)
Benefit payments, including refund of member contributions *	(48,723)	(48,723)	-
Administrative expense		(3,143)	3,143
Net changes	29,175	54,095	(24,920)
Balance at December 31, 2018	<u>\$ 1,015,176</u>	<u>\$ 1,103,244</u>	<u>\$ (88,068)</u>

* These figures are based on estimated benefit payments. These amounts may be adjusted for actual benefit payments made during the year.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

11. Other postemployment medical benefits (continued):

Changes in net OPEB liability (asset):

The changes in the police net OPEB liability for the Township for the year ended December 31, 2018 were as follows:

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a) - (b)
Balances at January 1, 2018	\$ 1,282,744	\$ 795,206	\$ 487,538
Service cost	77,662		77,662
Interest cost *	59,718		59,718
Changes in assumptions	(13,152)		(13,152)
Contributions, employer		309,859	(309,859)
Net investment income		14,648	(14,648)
Benefit payments, including refund of member contributions *	(39,559)	(39,559)	-
Administrative expense		(2,839)	2,839
Net changes	84,669	282,109	(197,440)
Balance at December 31, 2018	<u>\$ 1,367,413</u>	<u>\$ 1,077,315</u>	<u>\$ 290,098</u>

* These figures are based on estimated benefit payments. These amounts may be adjusted for actual benefit payments made during the year.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

11. Other postemployment medical benefits (continued):

Actuarial assumption:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Actuarial value of assets	Market value of assets
Rates:	
Inflation rate	3.00%
Long-term expected rate of return	1.00% - 3.00%
Salary increase	5.00%
Discount rate	4.46%
Health care costs trend rate	6% in 2017 and 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Retirement	Police officers are assumed to elect the DROP benefit for 24 months upon the later of attainment of age 50 and completion of 25 years of service. Nonuniformed employees are assumed to retire upon the attainment of age 65, or earlier, elect the DROP benefit for 24 months upon the later of attainment of age 60 and completion of 25 years of service.
Mortality	IRS 2017 Small Plan Combined Static Mortality Table. 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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

11. Other postemployment medical benefits (continued):

Actuarial assumption:

Insurance premiums:

Age adjustments (Medical/Rx)

Age	Males	Females
<25	\$ 2,967	\$ 6,679
25-29	3,570	8,908
30-34	4,038	9,035
35-39	4,894	9,384
40-44	5,981	10,106
45-49	7,678	11,089
50-54	10,169	12,533
55-59	12,386	13,114
60-64	16,163	15,065
65+	5,098	5,098

Dental

Coverage	Premium
Single	\$ 313
Family	984

The long-term expected rate of return on OPEB 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:

Asset class	Target allocation	Long-term expected real rate of return
Fixed income	100%	1.0% - 3.0%

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

11. Other postemployment medical benefits (continued):

Actuarial assumption:

Discount rate:

The discount rate used to measure the total OPEB liability was 4.46%, based upon the expected rate of return, net of expected investment expenses. The OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The employer's funding policy is to fund actuarially determined employer contribution each year.

Sensitivity of the net OPEB liability (asset) to changes in the discount rate:

The following presents the net OPEB liability (asset) of the plan, calculated using the discount rate of 4.46%, as well as what the plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1.00% point lower or 1.00% point higher than the current rate:

	1% Decrease (3.46%)	Current discount rate (4.46%)	1% Increase (5.46%)
Nonuniformed net OPEB (asset)	\$ (22,652)	\$ (88,068)	\$ (150,067)
Police net OPEB liability	402,730	290,098	185,951

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

11. Other postemployment medical benefits (continued):

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rates:

The following presents the net OPEB liability (asset) of the Township, as well as what the Township's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.0% decreasing to 2.8%) or one percentage point higher (7.0% decreasing to 4.8%) than the current healthcare cost trend rates:

	Health cost trend rates		
	1% Decrease 5.0% decreasing to 2.8%	Current healthcare cost trend 6.0% decreasing to 3.8%	1% Increase 7.0% decreasing to 4.8%
Nonuniformed net OPEB liability (asset)	\$ (197,803)	\$ (88,068)	\$ 39,570
Police net OPEB liability	119,504	290,098	489,222

OPEB expense:

The OPEB expense for the Township for the year ended December 31, 2018 was as follows:

	Nonuniformed OPEB Plan	Police OPEB Plan	Total
Service cost	\$ 40,268	\$ 77,662	\$ 117,930
Interest on the total OPEB liability	44,594	59,718	104,312
Difference between projected and actual investment earnings	6,738	5,431	12,169
Changes of assumptions	(633)	(1,196)	(1,829)
Projected earnings on OPEB plan investments	(48,105)	(41,802)	(89,907)
OPEB plan administrative expense	3,143	2,839	5,982
Total pension expense	\$ 46,005	\$ 102,652	\$ 148,657

FAIRVIEW TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

11. Other postemployment medical benefits (continued):

Deferred outflows and inflows of resources:

At December 31, 2018, deferred outflows and inflows of resources related to the OPEB plans are from the following source:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Net total</u>
Nonuniformed:			
Changes of assumptions		\$ 6,331	\$ (6,331)
Difference between projected and actual investment earnings	<u>\$ 26,955</u>		<u>26,955</u>
Total nonuniformed	<u>\$ 26,955</u>	<u>\$ 6,331</u>	<u>\$ 20,624</u>
Police:			
Changes of assumptions		\$ 11,956	\$ (11,956)
Difference between projected and actual investment earnings	<u>\$ 21,723</u>		<u>21,723</u>
Total police	<u>\$ 21,723</u>	<u>\$ 11,956</u>	<u>\$ 9,767</u>
Total:			
Changes of assumptions		\$ 18,287	\$ (18,287)
Difference between projected and actual investment earnings	<u>\$ 48,678</u>		<u>48,678</u>
Total	<u>\$ 48,678</u>	<u>\$ 18,287</u>	<u>\$ 30,391</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

11. Other postemployment medical benefits (continued):

Deferred outflows and inflows of resources:

Amounts reported as deferred outflows of resources related to the OPEB plan are included in the OPEB expenses as follows for the year ended December 31:

<u>Year ended December 31,</u>	<u>Nonuniformed Plan</u>	<u>Police Plan</u>	<u>Net total</u>
2019	\$ 6,105	\$ 4,235	\$ 10,340
2020	6,105	4,235	10,340
2021	6,105	4,235	10,340
2022	6,108	4,234	10,342
2023	(633)	(1,196)	(1,829)
thereafter	<u>(3,166)</u>	<u>(5,976)</u>	<u>(9,142)</u>
	<u>\$ 20,624</u>	<u>\$ 9,767</u>	<u>\$ 30,391</u>

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

11. Other postemployment medical benefits (continued):

Investments:

Investments are purchased by the trustee as part of the OPEB Trust Funds. The investments are stated at fair value as of December 31, 2018 and consist of the following:

	<u>Cost</u>	<u>Fair value</u>
Nonuniformed plan:		
PNC Bank, temporary investments and deposits	\$ 330,583	\$ 330,583
Level 1, PNC Bank, fixed income	<u>777,840</u>	<u>772,661</u>
Total nonuniformed plan	<u>1,108,423</u>	<u>1,103,244</u>
Police plan:		
PNC Bank, temporary investments and deposits	269,817	269,817
Level 1, PNC Bank, fixed income	<u>811,427</u>	<u>807,498</u>
Total police plan	<u>1,081,244</u>	<u>1,077,315</u>
Investments, OPEB	<u><u>\$ 2,189,667</u></u>	<u><u>\$ 2,180,559</u></u>

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

YEAR ENDED DECEMBER 31, 2018

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, 2018, the Township made the following transfers:

	<u>Transfers to other funds</u>	<u>Transfers from other funds</u>
Capital reserve fund		\$ 687,416
Fire station fund		25,000
Sewer fund	\$ 450,000	
EMS fund		215,000
LST fund	465,000	
Fire service fund		225,000
Refuse fund	<u>237,416</u>	
	<u>\$ 1,152,416</u>	<u>\$ 1,152,416</u>

There were no interfund receivables and payables as of December 31, 2018.

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.

FAIRVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

15. Change in accounting principles:

Effective January 1, 2018, the Township adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The new standard revises and establishes new financial reporting requirements for other postemployment benefits provided for employees. The following is the adjustment to net position for the Township:

	<u>Governmental activities</u>
Beginning net position, as previously reported, December 31, 2017	\$ 39,423,953
Prior period adjustment, implementation of GASB No. 75	<u>(1,365,811)</u>
Net position, as restated, January 1, 2018	<u><u>\$ 38,058,142</u></u>

16. Subsequent events:

The Township has evaluated events through June 24, 2019, the date which the financial statements were available to be issued.

FAIRVIEW TOWNSHIP

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

DECEMBER 31, 2018

(See independent auditors' report on required supplemental information)

	2018	2017	2016	2015	2014
Total pension liability:					
Service cost	\$ 186,569	\$ 177,685	\$ 223,230	\$ 212,600	\$ 218,781
Interest	525,302	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	(385,332)	(327,074)	(406,585)	(308,415)	(279,181)
Net change in total pension liability	326,539	(692,510)	367,596	434,263	433,892
Total pension liability:					
Beginning of year	7,525,370	8,217,880	7,850,284	7,416,021	6,982,129
End of year (a)	\$ 7,851,909	\$ 7,525,370	\$ 8,217,880	\$ 7,850,284	\$ 7,416,021
Plan fiduciary net position:					
Contributions:					
Employer	\$ 86,761	\$ 70,359	\$ 173,104	\$ 347,807	\$ 343,824
Member	29,643	29,569	24,599	35,205	35,971
Net investment income (loss)	(742,372)	1,285,276	510,350	16,381	524,961
Benefit payments, including refunds of member contributions	(385,332)	(327,074)	(406,585)	(308,415)	(279,181)
Administrative expense	(15,500)		(10,900)	(10,000)	(7,600)
Net change in plan fiduciary net position	(1,026,800)	1,058,130	290,568	80,978	617,975
Total fiduciary net position:					
Beginning of year	9,436,032	8,377,902	8,087,334	8,006,356	7,388,381
End of year (b)	\$ 8,409,232	\$ 9,436,032	\$ 8,377,902	\$ 8,087,334	\$ 8,006,356
Net pension asset, end of year (a) - (b)	\$ (557,323)	\$ (1,910,662)	\$ (160,022)	\$ (237,050)	\$ (590,335)
Plan fiduciary net position as a percentage of the total pension liability	107.1%	125.4%	101.9%	103.0%	108.0%
Covered employee payroll	\$ 1,052,422	\$ 1,056,790	\$ 985,845	\$ 1,192,260	\$ 1,568,816
Net pension asset as a percentage of covered employee payroll	(53.0)%	(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 CHANGES IN NET PENSION ASSET AND RELATED PERCENTAGES –
 POLICE PENSION PLAN (unaudited)**

DECEMBER 31, 2018

(See independent auditors' report on required supplemental information)

	2018	2017	2016	2015	2014
Total pension liability:					
Service cost	\$ 279,533	\$ 266,222	\$ 243,037	\$ 231,464	\$ 212,994
Interest	652,536	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	(458,255)	(324,059)	(317,630)	(306,084)	(316,283)
Net change in total pension liability	473,814	762	547,203	348,687	459,972
Total pension liability:					
Beginning of year	9,348,358	9,347,596	8,800,393	8,451,706	7,991,734
End of year (a)	<u>\$ 9,822,172</u>	<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	\$ 172,259	\$ 167,863	\$ 143,083	\$ 272,974	\$ 279,909
Member	55,293	51,046	49,899	45,456	44,613
Net investment income (loss)	(913,726)	1,546,075	546,077	42,160	643,063
Benefit payments, including refunds of member contributions	(458,255)	(324,059)	(317,630)	(306,084)	(316,283)
Administrative expense	(13,100)		(6,600)	(7,000)	(7,979)
Other changes				1,727	
Net change in plan fiduciary net position	(1,157,529)	1,440,925	414,829	49,233	643,323
Total fiduciary net position:					
Beginning of year	11,156,550	9,715,625	9,300,796	9,251,563	8,608,240
End of year (b)	<u>\$ 9,999,021</u>	<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>\$ (176,849)</u>	<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	101.8%	119.3%	103.9%	105.7%	109.5%
Covered employee payroll	\$ 1,398,195	\$ 1,221,965	\$ 1,158,670	\$ 1,134,341	\$ 1,134,166
Net pension asset as a percentage of covered employee payroll	(12.6)%	(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 INVESTMENT RETURNS
LAST NINE CALENDAR YEARS (unaudited)

DECEMBER 31, 2018

(See independent auditors' report on required supplemental information)

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>	<u>2018</u>
Nonuniformed Pension Plan	13.6%	0.9%	13.7%	16.3%	7.7%	0.9%	6.8%	16.5%	(7.5)%
Police Pension Plan	13.1%	0.9%	13.9%	16.5%	8.0%	1.1%	6.2%	16.9%	(7.7)%

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 (unaudited)

DECEMBER 31, 2018

(See independent auditors' report on required supplemental information)

Year	Nonuniformed Pension Plan				
	Actuarially determined contribution	Contributions from employer	Contribution deficiency/ (excess)	Covered employee payroll	Contributions as a % of payroll
2009	\$ 281,259	\$ 281,260	\$ (1)		
2010	281,425	459,673	(178,248)		
2011	365,628	521,186	(155,558)		
2012	361,546	361,546	-		
2013	379,594	1,080,482	(700,888)		
2014	343,824	343,824	-	\$ 1,568,816	21.92%
2015	347,807	347,807	-	1,192,260	29.17%
2016	173,104	173,104	-	985,845	17.56%
2017	70,359	70,359	-	1,056,790	6.66%
2018	86,761	86,761	-	1,052,422	8.24%

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, 2018: January 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 January 1, 2015

FAIRVIEW TOWNSHIP

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

DECEMBER 31, 2018

(See independent auditors' report on required supplemental information)

Year	Police Pension Plan				
	Actuarially determined contribution	Contributions from employer	Contribution deficiency/ (excess)	Covered employee payroll	Contributions as a % of payroll
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%
2018	172,259	172,259	-	1,398,195	12.32%

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, 2018: January 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 January 1, 2015

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
**SCHEDULE OF CHANGES IN NET OPEB ASSET AND RELATED PERCENTAGES –
 NONUNIFORMED OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (unaudited)**

DECEMBER 31, 2018

(See independent auditors' report on required supplemental information)

	2018
Total OPEB liability:	
Service cost	\$ 40,268
Interest*	44,594
Changes of assumptions	(6,964)
Benefit payments, including refunds of member contributions*	(48,723)
Net change in total OPEB liability	29,175
Total OPEB liability:	
Beginning of year	986,001
End of year (a)	\$ 1,015,176
Plan fiduciary net position:	
Contributions, employer	\$ 91,549
Net investment income	14,412
Benefit payments, including refunds of member contributions*	(48,723)
Administrative expense	(3,143)
Net change in plan fiduciary net position	54,095
Total fiduciary net position:	
Beginning of year	1,049,149
End of year (b)	\$ 1,103,244
Net OPEB asset, end of year (a) - (b)	\$ (88,068)
Plan fiduciary net position as a percentage of the total OPEB liability	108.7%
Covered employee payroll	\$ 805,078
Net OPEB asset as a percentage of covered employee payroll	(10.9)%

This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Township is presenting information for those years only for which information is available.

Notes to schedule:

Changes in assumptions: The discount rate assumed increased from 4.46% to 4.50% since the prior valuation, as a result of medical premium increases that occurred since the prior valuation.

Changes in benefit terms: *These figures are based on estimated benefit payments. These amounts may be adjusted for actual benefit payments made during the year.

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED PERCENTAGES – POLICE
 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (unaudited)**

DECEMBER 31, 2018

(See independent auditors' report on required supplemental information)

	2018
Total OPEB liability:	
Service cost	\$ 77,662
Interest*	59,718
Changes of assumptions	(13,152)
Benefit payments, including refunds of member contributions*	(39,559)
Net change in total OPEB liability	84,669
Total OPEB liability:	
Beginning of year	1,282,744
End of year (a)	\$ 1,367,413
Plan fiduciary net position:	
Contributions, employer	\$ 309,859
Net investment income	14,648
Benefit payments, including refunds of member contributions*	(39,559)
Administrative expense	(2,839)
Net change in plan fiduciary net position	282,109
Total fiduciary net position:	
Beginning of year	795,206
End of year (b)	\$ 1,077,315
Net OPEB liability, end of year (a) - (b)	\$ 290,098
Plan fiduciary net position as a percentage of the total OPEB liability	78.8%
Covered employee payroll	\$ 1,239,262
Net OPEB liability as a percentage of covered employee payroll	23.4%

This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Township is presenting information for those years only for which information is available.

Notes to schedule:

Changes in assumptions: The discount rate assumed increased from 4.46% to 4.50% since the prior valuation, as a result of medical premium increases that occurred since the prior valuation.

Changes in benefit terms: *These figures are based on estimated benefit payments. These amounts may be adjusted for actual benefit payments made during the year.

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
 SCHEDULE OF EMPLOYER CONTRIBUTIONS IN NONUNIFORMED
 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS AND NOTES
 TO SCHEDULE (unaudited)

DECEMBER 31, 2018

(See independent auditors' report on required supplemental information)

Nonuniformed OPEB Plan					
Year	Actuarially determined contribution	Contributions from employer	Contribution deficiency/ (excess)	Covered employee payroll	Contributions as a % of payroll
2009	\$ 70,246		\$ 70,246	\$ 1,326,930	0.00%
2010	70,246	\$ 1,059,430	(989,184)	1,326,930	79.84%
2011	37,530	81,000	(43,470)	1,508,445	5.37%
2012	37,530		37,530	1,508,445	0.00%
2013	37,530		37,530	1,508,445	0.00%
2014	33,579	44,646	(11,067)	1,502,448	2.97%
2015	33,579		33,579	1,502,448	0.00%
2016	33,579		33,579	1,502,448	0.00%
2017	31,395		31,395	805,078	0.00%
2018	31,395		31,395	805,078	0.00%

Notes to schedule:

Methods and assumptions used to determine contribution rates:

Actuarial valuation date: January 1, 2017

Actuarial cost method: Entry age normal

Asset valuation method: Market value of assets as determined by the trustee

Inflation: 3.00%

Salary increases: 5.00%

Discount rate: 4.46%

Retirement contributions: Increase as same rate as the healthcare cost trend rate

Healthcare cost trend rate: 6.0% in 2017 and 5.5% in 2018 through 2023 and gradually decreasing from 5.4% in 2024 to 3.9% in 2075

Premium rates: Combined experience of active and retired lives

Retirement: Age 65 or, if earlier, age 60 with completion of 25 years.

FAIRVIEW TOWNSHIP

(REQUIRED SUPPLEMENTARY INFORMATION)
 SCHEDULE OF EMPLOYER CONTRIBUTIONS IN POLICE OTHER
 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS AND NOTES
 TO SCHEDULE (unaudited)

DECEMBER 31, 2018

(See independent auditors' report on required supplemental information)

Year	Police OPEB Plan				
	Actuarially determined contribution	Contributions from employer	Contribution deficiency/ (excess)	Covered employee payroll	Contributions as a % of payroll
2009	\$ 77,901		\$ 77,901	\$ 1,154,881	0.00%
2010	77,901	\$ 667,580	(589,679)	1,154,881	57.81%
2011	65,337	72,592	(7,255)	1,236,631	5.87%
2012	65,337	24,534	40,803	1,236,631	1.98%
2013	65,337	48,407	16,930	1,236,631	3.91%
2014	63,012	249	62,763	1,043,932	0.02%
2015	63,012		63,012	1,043,932	0.00%
2016	63,012	63,012	-	1,043,932	6.04%
2017	88,142		88,142	1,236,631	0.00%
2018	88,142	63,012	25,130	1,239,262	5.08%

Notes to schedule:

Methods and assumptions used to determine contribution rates:

Actuarial valuation date: January 1, 2017

Actuarial cost method: Entry age normal

Asset valuation method: Market value of assets as determined by the trustee

Inflation: 3.00%

Salary increases: 5.00%

Discount rate: 4.46%

Retirement contributions: Increase as same rate as the healthcare cost trend rate

Healthcare cost trend rate: 6.0% in 2017, and 5.5% in 2018 through 2023 and gradually decreasing from 5.4% in 2024 to 3.9% in 2075

Premium rates: Combined experience of active and retired lives

Retirement: 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 (unaudited)

GENERAL FUND

YEAR ENDED DECEMBER 31, 2018

(See independent auditors' report on required supplemental information)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Taxes	\$ 4,903,000	\$ 4,903,000	\$ 5,368,978	\$ 465,978
Licenses, permits and fees	293,200	293,200	297,775	4,575
Fines and penalties	65,000	65,000	61,788	(3,212)
Interest and rents			33,365	33,365
Intergovernmental	378,400	378,400	399,868	21,468
Service fees	121,200	121,200	270,075	148,875
Contributions from private sector			67,609	67,609
Miscellaneous	45,000	45,000	344,652	299,652
Total revenues	<u>5,805,800</u>	<u>5,805,800</u>	<u>6,844,110</u>	<u>1,038,310</u>
Expenditures:				
General government	749,897	749,897	712,361	(37,536)
Public safety	3,494,245	3,494,245	3,422,680	(71,565)
Health and welfare	20,500	20,500	13,721	(6,779)
Public works:				
Highways, roads and streets	1,822,956	1,822,956	1,878,740	55,784
Recycling center and leaf collection	161,365	161,365	162,224	859
Culture and recreation	189,430	189,430	200,873	11,443
Miscellaneous	3,000	3,000	486	(2,514)
Total expenditures	<u>6,441,393</u>	<u>6,441,393</u>	<u>6,391,085</u>	<u>(50,308)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(635,593)</u>	<u>(635,593)</u>	<u>453,025</u>	<u>1,088,618</u>
Other financing sources:				
Proceeds from sale of assets	25,000	25,000	7,226	(17,774)
Interfund transfers received	614,000	614,000		(614,000)
Total other financing sources	<u>639,000</u>	<u>639,000</u>	<u>7,226</u>	<u>(631,774)</u>

(continued)

FAIRVIEW TOWNSHIP

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

GENERAL FUND

YEAR ENDED DECEMBER 31, 2018

(See independent auditors' report on required supplemental information)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>\$ 3,407</u>	<u>\$ 3,407</u>	\$ 460,251	<u>\$ 456,844</u>
Fund balance:				
Beginning of year			<u>2,223,431</u>	
End of year			<u>\$ 2,683,682</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 2018 for the following funds and functions:

General Fund:	
Public works:	
Highways, roads and streets	\$ 55,784
Recycling center and leaf collection	859
Culture and recreation	11,443
Highway aid fund, public works, highways, roads and streets	31,341

FAIRVIEW TOWNSHIP

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

HIGHWAY AID FUND

YEAR ENDED DECEMBER 31, 2018

(See independent auditors' report on required supplemental information)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance over (under)</u>
Revenues:				
Interest and rents			\$ 20,104	\$ 20,104
Intergovernmental	<u>\$ 636,071</u>	<u>\$ 636,071</u>	<u>647,940</u>	<u>11,869</u>
Total revenues	636,071	636,071	668,044	31,973
Expenditures, public works	<u>1,489,000</u>	<u>1,489,000</u>	<u>1,520,341</u>	<u>31,341</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (852,929)</u>	<u>\$ (852,929)</u>	<u>(852,297)</u>	<u>\$ 632</u>
Fund balance:				
Beginning of year			<u>1,055,355</u>	
End of year			<u>\$ 203,058</u>	

FAIRVIEW TOWNSHIP

SCHEDULE OF NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEETS

DECEMBER 31, 2018

(See independent auditors' report on supplemental information)

	Fire station fund	LST fund	Street light fund	Fire service fund	Fire hydrant fund	EMS fund	Road turnback fund	Fairview Township Fire Department	Total
ASSETS									
Cash and investments	\$ 11,533	\$ 565,009	\$ 33,728	\$ 22,782	\$ 27,637	\$ 64,995	\$ 39	\$ 96,959	\$ 822,682
Taxes receivable			1,913		2,703				4,616
Total assets	<u>\$ 11,533</u>	<u>\$ 565,009</u>	<u>\$ 35,641</u>	<u>\$ 22,782</u>	<u>\$ 30,340</u>	<u>\$ 64,995</u>	<u>\$ 39</u>	<u>\$ 96,959</u>	<u>\$ 827,298</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities, accounts payable	<u>\$ 2,253</u>		<u>\$ 2,025</u>	<u>\$ 699</u>					<u>\$ 4,977</u>
Deferred inflows of resources, unavailable revenues			<u>1,076</u>		<u>\$ 2,027</u>				<u>3,103</u>
Fund balances	<u>9,280</u>	<u>\$ 565,009</u>	<u>32,540</u>	<u>22,083</u>	<u>28,313</u>	<u>\$ 64,995</u>	<u>\$ 39</u>	<u>\$ 96,959</u>	<u>819,218</u>
Total liabilities and fund balances	<u>\$ 11,533</u>	<u>\$ 565,009</u>	<u>\$ 35,641</u>	<u>\$ 22,782</u>	<u>\$ 30,340</u>	<u>\$ 64,995</u>	<u>\$ 39</u>	<u>\$ 96,959</u>	<u>\$ 827,298</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2018

(See independent auditors' report on supplemental information)

	Fire station fund	LST fund	Street light fund	Fire service fund	Fire hydrant fund	EMS fund	Road turnback fund	Fairview Township Fire Department	Total
Revenues:									
Taxes		\$ 518,099	\$ 75,185		\$ 58,905				\$ 652,189
Interest and rents	\$ 595	4,445	405	\$ 436	328	\$ 497	\$ 595	\$ 177	7,478
Intergovernmental revenue							199,700		199,700
Contributions from private sector	60,000			2,202				79,549	141,751
Miscellaneous revenue				3,533		18		5,082	8,633
Total revenues	60,595	522,544	75,590	6,171	59,233	515	200,295	84,808	1,009,751
Expenditures:									
Public safety	77,469			254,768		197,111		65,030	594,378
Public works, highway, roads and streets			75,793		55,753		200,256		331,802
Total expenditures	77,469		75,793	254,768	55,753	197,111	200,256	65,030	926,180
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	(16,874)	522,544	(203)	(248,597)	3,480	(196,596)	39	19,778	83,571

(continued)

FAIRVIEW TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2018
(See independent auditors' report on supplemental information)

	Fire station fund	LST fund	Street light fund	Fire service fund	Fire hydrant fund	EMS fund	Road turnback fund	Fairview Township Fire Department	Total
Other financing sources (uses), interfund transfers:									
Received	\$ 25,000			\$ 225,000		\$ 215,000			\$ 465,000
Expended		\$ (465,000)							(465,000)
Total other financing sources (uses)	<u>25,000</u>	<u>(465,000)</u>		<u>225,000</u>		<u>215,000</u>			<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	8,126	57,544	\$ (203)	(23,597)	\$ 3,480	18,404	\$ 39	\$ 19,778	83,571
Fund balance:									
Beginning 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>
End of year	<u>\$ 9,280</u>	<u>\$ 565,009</u>	<u>\$ 32,540</u>	<u>\$ 22,083</u>	<u>\$ 28,313</u>	<u>\$ 64,995</u>	<u>\$ 39</u>	<u>\$ 96,959</u>	<u>\$ 819,218</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

SCHEDULE OF NONMAJOR PROPRIETARY FUNDS – COMBINING
STATEMENTS OF NET POSITION

DECEMBER 31, 2018

(See independent auditors' report on supplemental information)

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 145,780	\$ 82,340	\$ 228,120
Accounts receivable	<u>58,982</u>	<u>26,853</u>	<u>85,835</u>
Total assets, all current	<u>\$ 204,762</u>	<u>\$ 109,193</u>	<u>\$ 313,955</u>
LIABILITIES AND NET POSITION			
Current liabilities, accounts payable and accrued expenses	\$ 2,833	\$ 686	\$ 3,519
Net position, unrestricted	<u>201,929</u>	<u>108,507</u>	<u>310,436</u>
Total liabilities and net position	<u>\$ 204,762</u>	<u>\$ 109,193</u>	<u>\$ 313,955</u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

**SCHEDULE OF NONMAJOR PROPRIETARY FUNDS - COMBINING STATEMENT
OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

YEAR ENDED DECEMBER 31, 2018

(See independent auditors' report on supplemental information)

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Operating revenues, charges for services	\$ 36,202	\$ 12,551	\$ 48,753
Operating expenses, collection, disposal and treatment	<u>37,313</u>	<u>16,067</u>	<u>53,380</u>
Deficiency of operating revenues under expenses	<u>(1,111)</u>	<u>(3,516)</u>	<u>(4,627)</u>
Nonoperating revenues, earnings on temporary deposits and investments	<u>2,486</u>	<u>3,518</u>	<u>6,004</u>
Other financing uses:			
Transfers out	(450,000)	(237,416)	(687,416)
Transfer of capital assets to the General Fund	<u>(450,000)</u>	<u>(274,627)</u>	<u>(724,627)</u>
Total other financing uses	<u>(450,000)</u>	<u>(512,043)</u>	<u>(962,043)</u>
Deficiency of revenues and under expenses and other financing uses	(448,625)	(512,041)	(960,666)
Net position:			
Beginning of year	<u>650,554</u>	<u>620,548</u>	<u>1,271,102</u>
End of year	<u><u>\$ 201,929</u></u>	<u><u>\$ 108,507</u></u>	<u><u>\$ 310,436</u></u>

See notes to financial statements.

FAIRVIEW TOWNSHIP

SCHEDULE OF NONMAJOR PROPRIETARY FUNDS - COMBINING
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

(See independent auditors' report on supplemental information)

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 62,141	\$ 23,691	\$ 85,832
Payments to suppliers	<u>(37,216)</u>	<u>(16,065)</u>	<u>(53,281)</u>
Net cash provided by operating activities	24,925	7,626	32,551
Cash flows used in noncapital financing activities, payment to other funds	(450,000)	(237,416)	(687,416)
Cash flows used in capital and related financing activities, purchase of capital assets		(274,627)	(274,627)
Cash flows provided by investing activities, investment income	<u>2,486</u>	<u>3,518</u>	<u>6,004</u>
Net decrease in cash and cash equivalents	(422,589)	(500,899)	(923,488)
Cash and cash equivalents:			
Beginning	<u>568,369</u>	<u>583,239</u>	<u>1,151,608</u>
Ending	<u>\$ 145,780</u>	<u>\$ 82,340</u>	<u>\$ 228,120</u>
Supplemental disclosure of noncash transactions, transfer of capital assets to the General Fund		<u>\$ 274,627</u>	<u>\$ 274,627</u>
Cash flows from operating activities:			
Deficiency of operating revenues under expenses	<u>\$ (1,111)</u>	<u>\$ (3,516)</u>	<u>\$ (4,627)</u>
Adjustments:			
Decrease in assets, accounts receivable	25,939	11,140	37,079
Increase in liabilities, accounts payable	<u>97</u>	<u>2</u>	<u>99</u>
Total adjustments	<u>26,036</u>	<u>11,142</u>	<u>37,178</u>
Net cash provided by operating activities	<u>\$ 24,925</u>	<u>\$ 7,626</u>	<u>\$ 32,551</u>

See notes to financial statements.