



**YEAR ENDED DECEMBER 31, 2019**



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

***FAIRVIEW TOWNSHIP***

YEAR ENDED DECEMBER 31, 2019

TABLE OF CONTENTS

	Page
Independent auditor's report	1-2
Required supplementary information - management's discussion and analysis (unaudited)	3-9
Basic financial statements:	
Government-wide financial statements:	
Statement of net position	10-11
Statement of activities	12-13
Fund financial statements and reconciliations:	
Balance sheet - governmental funds	14
Reconciliation of total governmental fund balances to net position of governmental activities	15
Statement of revenues, expenditures and changes in fund balances - governmental funds	16-17
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	18
Statement of net position - proprietary funds	19
Statement of revenues, expenses and changes in net position - proprietary funds	20
Statement of cash flows - proprietary funds	21
Statement of fiduciary net position - pension funds	22
Statement of changes in fiduciary net position - pension funds	23
Statement of fiduciary net position - postemployment funds	24
Statement of changes in fiduciary net position - postemployment funds	25

(continued)

***FAIRVIEW TOWNSHIP***

YEAR ENDED DECEMBER 31, 2019

TABLE OF CONTENTS (CONTINUED)

	Page
Notes to financial statements	26-74
Required supplementary information:	
Historical pension and postemployment Information:	
Schedule of changes in net pension asset and related percentages - nonuniformed pension plan	75
Schedule of changes in net pension asset and related percentages - police pension plan	76
Schedule of investment returns last ten calendar years	77
Schedule of employer contributions and notes to schedule – nonuniformed pension plan	78
Schedule of employer contributions and notes to schedule – police pension plan	79
Schedule of changes in net OPEB asset and related percentages - nonuniformed other postemployment benefits other than pensions	80
Schedule of changes in net OPEB liability and related percentages - police other postemployment benefits other than pensions	81
Schedule of employer contributions in nonuniformed other postemployment benefits other than pensions and notes to schedule	82
Schedule of employer contributions in police other postemployment benefits other than pensions and notes to schedule	83
Schedule of revenues, expenditures and changes in fund balances - budget compared to actual - general fund	84-85
Other supplementary information:	
Schedule of nonmajor governmental funds - combining balance sheets	86
Schedule of nonmajor governmental funds - combining statements of revenues, expenditures and changes in fund balances	87-88

(continued)

***FAIRVIEW TOWNSHIP***

YEAR ENDED DECEMBER 31, 2019

TABLE OF CONTENTS (CONTINUED)

	Page
Other supplementary information:	
Schedule of nonmajor proprietary funds - combining statements of net position	89
Schedule of nonmajor proprietary funds - combining statements of revenues, expenses and changes in net position	90
Schedule of nonmajor proprietary funds - combining statement of cash flows	91



## Independent Auditor's 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, 2019, 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.

### **Auditor's 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 auditor's 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 auditor considers 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of historical pension and postemployment benefits information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 Steindam's Fritz*

Camp Hill, Pennsylvania  
July 17, 2020

## ***FAIRVIEW TOWNSHIP***

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2019

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 \$39,772,427 as of December 31, 2019. Net position increased by \$287,368 in 2019.
- ◆ The total cost of all the Township's programs was \$8,829,641.
- ◆ During the year, the Township had expenses of \$8,812,025 from governmental activities, which was \$273,919 less than the \$9,085,944 generated in general revenues and program revenues. These figures do not include transfers in of \$225,000.

#### **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, 2019

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

The analysis of the Township as a whole begins on page 10. 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, 2019

**Government-wide financial analysis**

The following table reflects the condensed statement of net position:

Statement of Net Position

	<u>2019</u>	<u>2018</u>
<b>Assets:</b>		
Current assets	\$ 11,358,285	\$ 10,288,659
Noncurrent assets	<u>30,747,173</u>	<u>29,928,177</u>
<b>Total assets</b>	<b>42,105,458</b>	<b>40,216,836</b>
Deferred outflows of resources	<u>2,915,407</u>	<u>3,223,797</u>
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 45,020,865</u></b>	<b><u>\$ 43,440,633</u></b>
<b>Liabilities:</b>		
Current liabilities	\$ 411,827	\$ 519,103
Noncurrent liabilities	<u>1,029,159</u>	<u>861,839</u>
<b>Total liabilities</b>	<b>1,440,986</b>	<b>1,380,942</b>
Deferred inflows of resources	<u>3,807,452</u>	<u>2,574,632</u>
<b>Total liabilities and deferred inflows of resources</b>	<b><u>5,248,438</u></b>	<b><u>3,955,574</u></b>
<b>Net position:</b>		
Net investment in capital assets	28,303,545	29,105,937
Restricted	2,781,031	1,086,190
Unrestricted	<u>8,687,851</u>	<u>9,292,932</u>
<b>Total net position</b>	<b><u>39,772,427</u></b>	<b><u>39,485,059</u></b>
<b>Total liabilities and net position</b>	<b><u>\$ 45,020,865</u></b>	<b><u>\$ 43,440,633</u></b>

For more detailed information, see the statement of net position on pages 10 and 11.

**FAIRVIEW TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2019

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

Statement of Activities

	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 483,017	\$ 540,966
Operating grants and contributions	1,037,078	1,181,765
Capital grants and contributions	265,848	127,679
<b>General revenues:</b>		
Taxes	6,648,279	6,032,304
Cable TV franchise fees	291,601	291,613
Investment earnings	224,891	166,830
Developer contributions		688,974
Miscellaneous	166,295	348,544
<b>Total revenues</b>	<b><u>9,117,009</u></b>	<b><u>9,378,675</u></b>
<b>Expenses:</b>		
General government	758,019	945,268
Public safety	4,863,875	4,508,125
Health and welfare	23,673	13,721
Public works:		
Highways, roads and streets	2,739,790	3,285,878
Recycling center and leaf collection	205,770	196,538
Culture and recreation	220,898	219,950
Sewer	14,093	37,313
Refuse	3,523	16,067
<b>Total expenses</b>	<b><u>8,829,641</u></b>	<b><u>9,222,860</u></b>
<b>Change in net position</b>	<b>287,368</b>	<b>155,815</b>
<b>Net position:</b>		
Beginning	<u>39,485,059</u>	<u>39,329,244</u>
<b>Ending</b>	<b><u><u>\$ 39,772,427</u></u></b>	<b><u><u>\$ 39,485,059</u></u></b>

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

## ***FAIRVIEW TOWNSHIP***

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2019

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

The Township's combined net position increased to \$39,772,427 from \$39,485,059, as a result of a decrease in expenditures related to highways, roads and streets of approximately \$546,000 compared to 2018. The Township's combined unrestricted net position for governmental activities and business-type activities was \$8,687,851.

#### **The Township's funds**

##### *Governmental funds:*

At year end, the governmental funds reported a combined fund balance of \$10,787,271.

##### *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 \$1,291,086. Expenditures were more than budgetary estimates by \$32,618.

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

##### *Capital assets:*

The investment in capital assets for governmental activities as of December 31, 2019, amounts to \$73,154,532 net of accumulated depreciation of \$44,850,987, leaving a net book value of \$28,303,545. 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.

Actual expenditures to purchase or construct capital assets were \$1,094,687, and disposals were \$393,927. Depreciation charges for the year totaled \$1,622,452. Additional information on the Township's capital assets can be found in Note 9 to the financial statements of this report.

The Township's investment in capital assets decreased in comparison to 2018 due to current year depreciation offset by the purchase and construction of capital assets during 2019.

## ***FAIRVIEW TOWNSHIP***

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2019

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

The Township's elected and appointed officials considered many factors when setting the fiscal year 2020 budget, tax rates and fees that will be charged for the business-type enterprises. One of those factors is the economy.

In our budget process, the Township attempts to predict the financial condition of the Township at the end of each fiscal year and in future years. Certain statistical tools are then used to develop a realistic picture of the income and expense for the coming year. Every effort is made to budget appropriate amounts for contingencies; however, no one can totally anticipate all unexpected occurrences that may arise after the formalization and adoption of an operational budget. Municipalities such as Fairview Township consistently monitor revenue and expenses to assure that income received by the Township meets the projections of the budget to ensure those services adopted in the budget are delivered. Minor adjustments, if required, are made during the year to reflect the changes in the income and subsequent expenditures.

#### **Local Services Tax (LST)**

The Local Services Tax is charged to all employees working within the Township with annual incomes in excess of \$12,000. The Township expects annual revenues from this tax to remain relatively stable in 2020 in comparison to 2019.

#### **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.

## ***FAIRVIEW TOWNSHIP***

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2019

#### **Defined benefit pensions plans**

As of December 31, 2019, the Police Pension Plan and the Nonuniformed Pension Plan had net pension assets of \$1,166,409 and \$1,270,546, 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, 2019, the Police OPEB Plan had a net OPEB liability of \$437,006. As of December 31, 2019, the Nonuniformed OPEB Plan had a net OPEB asset of \$6,673.

#### **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, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Primary government		Total
	Governmental activities	Business-type activities	
<b>Current assets:</b>			
Cash and investments	\$ 11,125,664	\$ 49,086	\$ 11,174,750
Taxes receivable	133,736		133,736
Other receivables		49,799	49,799
<b>Total current assets</b>	<b>11,259,400</b>	<b>98,885</b>	<b>11,358,285</b>
<b>Noncurrent assets:</b>			
Net postemployment benefits asset (other than pensions)	6,673		6,673
Net pension assets	2,436,955		2,436,955
Capital assets, net of depreciation and amortization:			
Land	542,800		542,800
Construction in progress	131,134		131,134
Other capital assets	27,629,611		27,629,611
<b>Total noncurrent assets</b>	<b>30,747,173</b>		<b>30,747,173</b>
<b>Deferred outflows of resources:</b>			
For pensions	2,703,851		2,703,851
For other postemployment benefits	211,556		211,556
<b>Total deferred outflows of resources</b>	<b>2,915,407</b>		<b>2,915,407</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 44,921,980</b>	<b>\$ 98,885</b>	<b>\$ 45,020,865</b>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF NET POSITION – DECEMBER 31, 2019

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Primary government		Total
	Governmental activities	Business-type activities	
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 81,796		\$ 81,796
Escrows payable	330,031		330,031
<b>Total current liabilities</b>	<b>411,827</b>		<b>411,827</b>
<b>Noncurrent liabilities:</b>			
Compensated absences	592,153		592,153
Net postemployment benefits liability (other than pensions)	437,006		437,006
<b>Total noncurrent liabilities</b>	<b>1,029,159</b>		<b>1,029,159</b>
<b>Total liabilities</b>	<b>1,440,986</b>		<b>1,440,986</b>
<b>Deferred inflows of resources:</b>			
For pensions	3,789,157		3,789,157
For other postemployment benefits	18,295		18,295
<b>Total deferred inflows of resources</b>	<b>3,807,452</b>		<b>3,807,452</b>
<b>Net position:</b>			
Investment in capital assets	28,303,545		28,303,545
Restricted for:			
Postemployment benefit asset	6,673		6,673
Pension asset	2,436,955		2,436,955
Street light	33,725		33,725
Highway aid	272,060		272,060
Fire hydrant fund	31,618		31,618
Unrestricted	8,588,966	\$ 98,885	8,687,851
<b>Total net position</b>	<b>39,673,542</b>	<b>98,885</b>	<b>39,772,427</b>
<b>Total liabilities and net position</b>	<b>\$ 44,921,980</b>	<b>\$ 98,885</b>	<b>\$ 45,020,865</b>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019

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
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 758,019	\$ 74,893			\$ (683,126)		\$ (683,126)
Public safety	4,863,875	348,872	\$ 373,863	\$ 5,811	(4,135,329)		(4,135,329)
Health and welfare	23,673				(23,673)		(23,673)
Public works:							
Highways, roads and streets	2,739,790		663,215	260,037	(1,816,538)		(1,816,538)
Recycling center and leaf collection	205,770				(205,770)		(205,770)
Culture and recreation	220,898	30,270			(190,628)		(190,628)
<b>Total governmental activities</b>	<b>8,812,025</b>	<b>454,035</b>	<b>1,037,078</b>	<b>265,848</b>	<b>(7,055,064)</b>		<b>(7,055,064)</b>
<b>Business-type activities:</b>							
Sewer	14,093	22,732				\$ 8,639	8,639
Refuse	3,523	6,250				2,727	2,727
<b>Total business-type activities</b>	<b>17,616</b>	<b>28,982</b>				<b>11,366</b>	<b>11,366</b>
<b>Total primary government</b>	<b>\$ 8,829,641</b>	<b>\$ 483,017</b>	<b>\$ 1,037,078</b>	<b>\$ 265,848</b>	<b>(7,055,064)</b>	<b>11,366</b>	<b>(7,043,698)</b>

(continued)

**FAIRVIEW TOWNSHIP**

STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2019

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
<b>General revenues:</b>							
Taxes:							
Real estate					\$ 2,546,268		\$ 2,546,268
Real estate transfer					545,470		545,470
Earned income					3,065,183		3,065,183
Per capita					250		250
Emergency services					485,585		485,585
Public utility					5,523		5,523
Cable TV franchise fees					291,601		291,601
Investment earnings					222,808	\$ 2,083	224,891
Miscellaneous					166,295		166,295
<b>Total general revenues</b>					<b>7,328,983</b>	<b>2,083</b>	<b>7,331,066</b>
Transfers in (out)					225,000	(225,000)	-
<b>Change in net position</b>					<b>498,919</b>	<b>(211,551)</b>	<b>287,368</b>
<b>Net position:</b>							
Beginning					39,174,623	310,436	39,485,059
<b>Ending</b>					<b>\$ 39,673,542</b>	<b>\$ 98,885</b>	<b>\$ 39,772,427</b>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

BALANCE SHEET – GOVERNMENTAL FUNDS – DECEMBER 31, 2019

	General	Capital reserve fund	Other governmental funds	Total governmental funds
ASSETS				
Cash and investments	\$ 2,635,475	\$ 7,350,533	\$ 1,139,656	\$ 11,125,664
Taxes receivable	126,481		4,927	131,408
<b>Total assets</b>	<b>\$ 2,761,956</b>	<b>\$ 7,350,533</b>	<b>\$ 1,144,583</b>	<b>\$ 11,257,072</b>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
<b>Liabilities:</b>				
Accounts payable	\$ 76,206	\$ 1,487	\$ 4,103	\$ 81,796
Escrow deposits	330,031			330,031
<b>Total liabilities</b>	<b>406,237</b>	<b>1,487</b>	<b>4,103</b>	<b>411,827</b>
Deferred inflows of resources, unavailable revenues	54,928		3,046	57,974
<b>Fund balances:</b>				
Restricted:				
Street light fund			33,725	33,725
Highway aid fund			272,060	272,060
Fire hydrant fund			31,618	31,618
Committed:				
Capital reserve fund		7,349,046		7,349,046
Fire service fund			7,161	7,161
Fire department			112,602	112,602
EMS fund			8,974	8,974
Employee benefits	1,097,233			1,097,233
LST tax fund			671,294	671,294
Unassigned	1,203,558			1,203,558
<b>Total fund balances</b>	<b>2,300,791</b>	<b>7,349,046</b>	<b>1,137,434</b>	<b>10,787,271</b>
<b>Total liabilities, deferred outflows of resources and fund balances</b>	<b>\$ 2,761,956</b>	<b>\$ 7,350,533</b>	<b>\$ 1,144,583</b>	<b>\$ 11,257,072</b>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019

<b>Total governmental fund balances</b>	<b>\$ 10,787,271</b>
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.	28,303,545
Net pension assets are not included in the governmental funds.	2,436,955
Net other postemployment benefits asset is not included in governmental funds.	6,673
Net other postemployment benefits liability is not included in governmental funds.	(437,006)
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	2,703,851
Deferred outflows of resourced related to other postemployment benefits	211,556
Deferred inflows of resources related to pensions	(3,789,157)
Deferred inflows of resourced related to other postemployment benefits	(18,295)
Other assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds, tax revenues.	60,302
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(592,153)</u>
<b>Net position of governmental activities</b>	<b><u><u>\$ 39,673,542</u></u></b>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2019

	General	Capital reserve fund	Other governmental funds	Total governmental funds
<b>Revenues:</b>				
Taxes	\$ 6,022,122		\$ 623,901	\$ 6,646,023
Licenses, permits and fees	295,018			295,018
Fines and penalties	76,769			76,769
Interest and rents	52,916	\$ 153,073	17,069	223,058
Intergovernmental revenue	515,834		663,215	1,179,049
Service fees	231,791			231,791
Contributions from private sector	129,400		133,088	262,488
Miscellaneous revenue	257,336		8,176	265,512
<b>Total revenues</b>	<b>7,581,186</b>	<b>153,073</b>	<b>1,445,449</b>	<b>9,179,708</b>
<b>Expenditures:</b>				
General government	698,082	10,522		708,604
Public safety	3,726,263		598,652	4,324,915
Health and welfare	23,673			23,673
Public works:				
Highways, roads and streets	1,928,246	95,682	737,139	2,761,067
Recycling center and leaf collection	177,915			177,915
Culture and recreation	200,357			200,357
Miscellaneous	587			587
<b>Total expenditures</b>	<b>6,755,123</b>	<b>106,204</b>	<b>1,335,791</b>	<b>8,197,118</b>
<b>Excess of revenues over expenditures</b>	<b>826,063</b>	<b>46,869</b>	<b>109,658</b>	<b>982,590</b>

(continued)

**FAIRVIEW TOWNSHIP**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2019

	General	Capital reserve fund	Other governmental funds	Total governmental funds
<b>Other financing sources (uses):</b>				
Proceeds from sale of assets	\$ 35,130	\$ 143,500	\$ 5,500	\$ 184,130
Interfund transfers:				
Received		1,469,084	385,039	1,854,123
Expended	(1,244,084)		(385,039)	(1,629,123)
<b>Total other financing sources (uses)</b>	<b>(1,208,954)</b>	<b>1,612,584</b>	<b>5,500</b>	<b>409,130</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses</b>	<b>(382,891)</b>	<b>1,659,453</b>	<b>115,158</b>	<b>1,391,720</b>
Fund balances:				
Beginning of year	2,683,682	5,689,593	1,022,276	9,395,551
<b>End of year</b>	<b>\$ 2,300,791</b>	<b>\$ 7,349,046</b>	<b>\$ 1,137,434</b>	<b>\$ 10,787,271</b>

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, 2019

<b>Net change in fund balances, total governmental funds</b>	<b>\$ 1,391,720</b>
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	820,060
Deduct, depreciation expense	(1,622,452)
The change in value of the net pension asset is not reported in governmental funds.	1,702,783
The change in the deferred outflows and inflows related to pensions is not reported in the governmental funds:	
Difference between expected and actual experience	156,589
Change of assumptions	405,462
Difference between projected and actual investment earnings	(2,266,131)
The change in the deferred outflows and inflows related to OPEB is not reported in the governmental funds:	
Difference between expected and actual experience	149,309
Change of assumptions	(8)
Difference between projected and actual investment earnings	13,569
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, tax revenues. This amount results in an increase from the revenue previously unavailable.	(3,267)
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	(228,303)
Compensated absences	(20,412)
<b>Change in net position of governmental activities</b>	<b>\$ 498,919</b>

See notes to financial statements.

***FAIRVIEW TOWNSHIP***

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – DECEMBER 31, 2019

	<u>Nonmajor proprietary funds</u>
ASSETS	
<b>Current assets:</b>	
Cash and investments	\$ 49,086
Accounts receivable	<u>49,799</u>
<b>Total assets, all current</b>	<b><u><u>\$ 98,885</u></u></b>
NET POSITION	
<b>Net position, unrestricted</b>	<b><u><u>\$ 98,885</u></u></b>

See notes to financial statements.

***FAIRVIEW TOWNSHIP***

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2019

	Nonmajor proprietary funds
<b>Operating revenues, charges for services</b>	<b>\$ 28,982</b>
<b>Operating expenses, collection, disposal and treatment</b>	<b><u>17,616</u></b>
Excess of operating revenues over expenses	11,366
<b>Nonoperating revenues, earnings on temporary deposits and investments</b>	<b>2,083</b>
<b>Other financing uses, transfer out</b>	<b><u>(225,000)</u></b>
Deficiency of revenues under expenses and other financing uses	(211,551)
<b>Net position:</b>	
Beginning of year	<u>310,436</u>
<b>End of year</b>	<b><u><u>\$ 98,885</u></u></b>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2019

	<u>Nonmajor proprietary funds</u>
<b>Cash flows from operating activities:</b>	
Receipts from customers and users	\$ 65,018
Payments to suppliers	<u>(21,135)</u>
<b>Net cash provided by operating activities</b>	<b>43,883</b>
<b>Cash flows used in noncapital financing activities, payment to other funds</b>	<b>(225,000)</b>
<b>Cash flows provided by investing activities, investment income</b>	<u>2,083</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(179,034)</b>
Cash and cash equivalents:	
Beginning	<u>228,120</u>
<b>Ending</b>	<b><u>\$ 49,086</u></b>
<b>Cash flows from operating activities:</b>	
Excess of operating revenues over expenses	<u>\$ 11,366</u>
Adjustments:	
Decrease in:	
Assets, accounts receivable	36,036
Liabilities, accounts payable	<u>(3,519)</u>
<b>Total adjustments</b>	<u>32,517</u>
<b>Net cash provided by operating activities</b>	<b><u>\$ 43,883</u></b>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF FIDUCIARY NET POSITION – PENSION FUNDS  
DECEMBER 31, 2019

	<u>Nonuniformed pension fund</u>	<u>Police pension fund</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 37,103	\$ 43,075	\$ 80,178
Investments	<u>9,680,031</u>	<u>11,725,696</u>	<u>21,405,727</u>
<b>Total assets</b>	<b><u>\$ 9,717,134</u></b>	<b><u>\$ 11,768,771</u></b>	<b><u>\$ 21,485,905</u></b>
<b>Net position restricted for pensions</b>	<b><u>\$ 9,717,134</u></b>	<b><u>\$ 11,768,771</u></b>	<b><u>\$ 21,485,905</u></b>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PENSION FUNDS  
YEAR ENDED DECEMBER 31, 2019

	Nonuniformed pension fund	Police pension fund	Total
<b>Additions:</b>			
Contributions:			
State aid and employer	\$ 99,132	\$ 232,380	\$ 331,512
Employee	29,520	62,480	92,000
Total contributions	128,652	294,860	423,512
Net investment income	1,543,129	1,865,720	3,408,849
<b>Total additions</b>	<b>1,671,781</b>	<b>2,160,580</b>	<b>3,832,361</b>
<b>Deductions:</b>			
Benefit payments	355,179	382,830	738,009
Administrative expenses	6,367	4,527	10,894
<b>Total deductions</b>	<b>361,546</b>	<b>387,357</b>	<b>748,903</b>
<b>Net increase</b>	<b>1,310,235</b>	<b>1,773,223</b>	<b>3,083,458</b>
<b>Net position restricted for pensions:</b>			
Beginning of year	8,406,899	9,995,548	18,402,447
<b>End of year</b>	<b>\$ 9,717,134</b>	<b>\$ 11,768,771</b>	<b>\$ 21,485,905</b>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF FIDUCIARY NET POSITION – POSTEMPLOYMENT FUNDS  
YEAR ENDED DECEMBER 31, 2019

	<u>Nonuniformed benefits fund</u>	<u>Police benefits fund</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 448,170	\$ 664,372	\$ 1,112,542
Investments	<u>687,239</u>	<u>472,844</u>	<u>1,160,083</u>
<b>Total assets</b>	<b><u>\$ 1,135,409</u></b>	<b><u>\$ 1,137,216</u></b>	<b><u>\$ 2,272,625</u></b>
<b>Net position restricted for OPEB</b>	<b><u>\$ 1,135,409</u></b>	<b><u>\$ 1,137,216</u></b>	<b><u>\$ 2,272,625</u></b>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – POSTEMPLOYMENT FUNDS  
YEAR ENDED DECEMBER 31, 2019

	Nonuniformed benefits fund	Police benefits fund	Total
<b>Additions:</b>			
Contributions, employer	\$ 45,964	\$ 61,519	\$ 107,483
Net investment income	35,456	31,071	66,527
<b>Total additions</b>	<b>81,420</b>	<b>92,590</b>	<b>174,010</b>
<b>Deductions:</b>			
Benefit payments	45,964	29,472	75,436
Administrative expenses	3,291	3,217	6,508
<b>Total deductions</b>	<b>49,255</b>	<b>32,689</b>	<b>81,944</b>
<b>Net increase</b>	<b>32,165</b>	<b>59,901</b>	<b>92,066</b>
<b>Net position restricted for OPEB:</b>			
Beginning of year	1,103,244	1,077,315	2,180,559
<b>End of year</b>	<b>\$ 1,135,409</b>	<b>\$ 1,137,216</b>	<b>\$ 2,272,625</b>

See notes to financial statements.

## ***FAIRVIEW TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **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.

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.

## ***FAIRVIEW TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

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

*Reporting entity:*

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.

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.

## ***FAIRVIEW TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

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

*Basis of presentation:*

Fund financial statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual fund are at least 10% of the corresponding element total for all funds of that category or type; and
- b. Same element that met 10% criteria in a. is at least 5% of the corresponding element total for all funds combined.

The following paragraphs describe the fund accounting structure of the Township:

Governmental fund types - Governmental funds are those through which most governmental functions of the Township are financed.

Following are descriptions of the Township's governmental fund types:

*General Fund* - The principal fund of the Township which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the Township are financed through revenues of the General Fund.

*Special Revenue Funds* - Funds used to account for and report the proceeds of specific revenue sources (other than capital projects and debt service) that are restricted or committed for specified purposes.

*Capital Projects* - Funds used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

## ***FAIRVIEW TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

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

##### *Basis of presentation:*

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.

*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:

*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.

*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.

*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, 2019, the fund was subsidized from revenues received from the LST Fund.

## ***FAIRVIEW TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

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

##### *Basis of presentation:*

##### Nonmajor funds:

*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, 2019, the fund was subsidized from revenues received from the LST Fund.

*Fire Station Fund* - The Township assigned resources to this fund to pay the operating costs of the fire station within the Township. The fund relied on subsidized revenues received from the LST Fund. This fund was closed as of December 31, 2019.

*Road Turnback Fund* - The Road Turnback Fund was used to account for specific revenues that were restricted to the expenditures for the improvement and maintenance of the Township's roads, bridges, curbs and gutters. Restrictions for use of these funds were placed on them by the Commonwealth of Pennsylvania. This fund was closed as of December 31, 2019.

*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.

*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.

## ***FAIRVIEW TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

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

##### *Basis of presentation:*

Fiduciary fund types, trust funds - Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent. Trust funds of Fairview Township include pension and postemployment benefits trust funds and are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Fiduciary fund types - Fiduciary funds are used to account for assets held by the Township as a trustee or agent for other funds or governmental entities.

*Trust Funds* - Trust funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds.

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

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

##### *Basis of accounting:*

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

## ***FAIRVIEW TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

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

*Basis of accounting:*

The government-wide statements of net position and statements of activities and proprietary funds' and fiduciary trust funds' financial statements are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these activities are either included on the statement of net position or on the statement of fiduciary net position. They are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

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

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

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

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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

*Basis of accounting:*

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, 2019 consists of the following:

Unavailable revenues, real estate taxes:	
General fund	\$ 54,928
Street light fund	1,198
Fire hydrant fund	<u>1,848</u>
Total unavailable revenues	<u><u>\$ 57,974</u></u>

- b. Prepaid expenses are not recognized as such.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

*Tax revenue:*

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

*Cash, cash equivalents and investments:*

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

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

# FAIRVIEW TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

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

#### *Receivables:*

Accounts receivable and taxes receivable determined as being uncollectible are accounted for via the direct write-off method. As of December 31, 2019, the Township believes all governmental accounts receivable are 100% collectible. Proprietary funds accounts receivable include prior year fees charged for sewer and refuse services and are recorded net of an allowance for uncollectible fees, As of December 31, 2019 the allowance for uncollectible fees was \$9,436 related to sewer fees and \$4,221 related to refuse fees.

#### *Capital assets:*

Capital assets, which include land, land improvements, buildings, machinery and equipment, sewer systems and infrastructure assets (e.g., roads), are reported in the government-wide financial statements. Infrastructure assets include Township-owned roads, traffic signals and storm sewers. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

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

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

#### *Compensated absences:*

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

## ***FAIRVIEW TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

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

##### *Use of estimates:*

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

##### *Fund balance classifications:*

##### Government-wide statements

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

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

##### Fund financial statements

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

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

## ***FAIRVIEW TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

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

##### *Fund balance classifications:*

##### Fund financial statements

- d. Unassigned fund balances – Resources that have not been restricted, committed or assigned for specific purposes. Accounts for funds not reported in other funds.

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

##### *Deferred outflows/inflows of resources:*

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

##### *Pending GASB statements:*

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, 2020 financial statements.

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, 2020 financial statements.

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, 2022 financial statements.

## ***FAIRVIEW TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

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

##### *Pending GASB statements:*

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 the notes to the governmental 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, 2020 financial statements.

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, 2021 financial statements.

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, 2020 financial statements.

GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. The provisions of GASB Statement No. 91 are effective for the Township's December 31, 2022 financial statements.

GASB issued Statement No. 92, *Omnibus 2020*. This Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions of GASB Statement No. 92 are effective for the Township's December 31, 2022 financial statements.

GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate is effective for the Township's December 31, 2022 financial statements. All other requirements of the Statement are effective for the Township's December 31, 2022 financial statements.

## ***FAIRVIEW TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

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

*Pending GASB statements:*

GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This Statement is to improve financial reporting by addressing issues related to public-private and public-public partnerships arrangements (PPPs). The provisions of GASB Statement No. 94 are effective for the Township's December 31, 2023 financial 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, 2019

**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, 2019, \$4,325,671 of the Township's bank balance of \$4,688,273 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	\$ 4,325,671
Insured by Federal Deposit Insurance Corporation	362,602
Outstanding checks	(117,148)
Deposits in transit	9,698
Petty cash	<u>450</u>
	4,581,273
Pennsylvania Local Government Investment Trust (PLGIT) AAAM	<u>2,527,075</u>
Total deposits	<u>7,108,348</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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

*Custodial credit risk, deposits and investments:*

As of December 31, 2019, the Township had the following investments:

	Ratings	Fair value
Investments:		
Cash and cash equivalents:		
Mellon Bank, temporary investments and deposits	Unrated	\$ 80,178
Level 1:		
Mellon Bank:		
Fixed income funds	Unrated	7,124,348
Equities	Unrated	12,834,025
Charles Schwab, mutual funds	Unrated	1,447,354
PNC Institutional Investments:		
Mutual funds	Unrated	3,211,553
Fixed income:		
U.S. treasury bills	Unrated	495,298
U.S. treasury notes	AAA	1,160,083
Total investments at Level 1		26,272,661
Level 2:		
PNC Institutional Investments, fixed income	AAA	1,472,093
Total cash, cash equivalents and investments		27,824,932
Total deposits and investments		\$ 34,933,280
Reconciliation with financial statement amounts:		
Governmental funds		\$ 11,125,664
Business-type funds		49,086
Postemployment benefit funds		2,272,625
Pension funds		21,485,905
		\$ 34,933,280

***FAIRVIEW TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**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 \$2,527,075 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, 2019, 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, 2019, including unfunded commitments and redemption terms as follows:

	Amortized cost	Unfunded commitments	Redemption frequency	Redemption notice period
Cash equivalents measured at amortized cost, external investment pool, PLGIT <sup>1</sup>	<u>\$ 2,527,075</u>	<u>\$ -</u>	Weekly	5 days

<sup>1</sup> 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, 2019

#### **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 2019 were: 1.75 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, 2019 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, 2019

#### **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, 2019

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

*Plan descriptions:*

As of December 31, 2019, participation in the respective plans is as follows:

Nonuniformed Pension Plan:	
Retirees and beneficiaries currently receiving benefits	17 <sup>1</sup>
Terminated employees entitled to deferred benefits	12
Active members	<u>17</u>
Total	<u><u>46</u></u>

<sup>1</sup> Includes two members in the Deferred Retirement Option Program (DROP).

Police Pension Plan:	
Retirees and beneficiaries currently receiving benefits	12
Terminated employees entitled to deferred benefits	2
Active members	<u>18</u>
Total	<u><u>32</u></u>

***FAIRVIEW TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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

*Plan descriptions:*

A summary of employee eligibility requirements and benefits as of December 31, 2019 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, 2019

**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.

*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.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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

*Funding policy:*

Funding of the respective plans was provided as follows for 2019:

Description	Nonuniformed pension plan **	Police pension plan *
Annual covered payroll	\$ 978,547	\$ 1,576,367
Employee contribution rate	2.0% of gross wages **	4.0% of gross wages *
Employee contributions paid in 2019	\$ 29,520	\$ 62,480
State aid and employer contributions paid in 2019	\$ 99,132	\$ 232,380
Total contributions made as a percentage of payroll	13.1%	18.7%

\* 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, 2019, and the total pension liabilities were determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

*Actuarial assumption:*

The total pension liabilities in the January 1, 2019 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%	

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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

*Actuarial assumption:*

Mortality rates were based on the PubS-2010 mortality table for the police pension plan and PubG-2010 mortality table for the nonuniform pension plan. Both tables include rates for disabled retirees and contingent survivors. Incorporated into the tables are rates projected generationally using Scale MP-2018 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%

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, 2019

**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, 2019 <sup>1</sup>	\$ 7,851,909	\$ 8,409,232	\$ (557,323)
Service cost	187,000		187,000
Interest cost	563,878		563,878
Changes for experience	(158,554)		(158,554)
Changes of assumptions	357,534		357,534
Contributions:			
Employer		99,132	(99,132)
Members		29,520	(29,520)
Net investment income		1,543,129	(1,543,129)
Benefit payments, including refund of member contributions	(355,179)	(355,179)	-
Administrative expense		(8,700)	8,700
Net changes	594,679	1,307,902	(713,223)
Balance at December 31, 2019 <sup>1</sup>	\$ 8,446,588	\$ 9,717,134	\$(1,270,546)

<sup>1</sup> Includes DROP account balances of \$0 at 12/31/2018 and \$29,781 at 12/31/2019.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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

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

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

	1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
Plan's net pension asset	<u>\$ (211,107)</u>	<u>\$ (1,270,546)</u>	<u>\$ (2,151,832)</u>

***FAIRVIEW TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**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, 2019	\$ 9,822,172	\$ 9,999,021	\$ (176,849)
Service cost	302,172		302,172
Interest cost	706,135		706,135
Changes for experience	(81,742)		(81,742)
Changes of assumptions	236,455		236,455
Contributions:			
Employer		232,380	(232,380)
Members		62,480	(62,480)
Net investment income		1,865,720	(1,865,720)
Benefit payments, including refund of member contributions	(382,830)	(382,830)	-
Administrative expense		(8,000)	8,000
Net changes	780,190	1,769,750	(989,560)
Balance at December 31, 2019	<u>\$ 10,602,362</u>	<u>\$ 11,768,771</u>	<u>\$ (1,166,409)</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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

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

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

	1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
Plan's net pension (asset) liability	\$ 278,571	\$ (1,166,409)	\$(2,354,236)

*Pension expense – Nonuniformed Pension Plan:*

Service cost	\$ 187,000
Interest on the total pension liability	563,878
Differences between expected and actual experience <sup>1</sup>	(258,133)
Changes of assumptions <sup>1</sup>	124,477
Member contributions	(29,520)
Projected earnings on pension plan investments	(580,413)
Difference between projected and actual earnings on investments <sup>2</sup>	63,569
Pension plan administrative expense	8,700
Total pension expense	\$ 79,558

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

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

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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

*Pension expense – Nonuniformed Pension Plan:*

At December 31, 2019, 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	\$ 2,408	\$ 808,518	\$ (806,110)
Changes of assumptions	444,936		444,936
Difference between projected and actual investment earnings	845,374	1,052,881	(207,507)
Total	\$ 1,292,718	\$ 1,861,399	\$ (568,681)

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

Year ended	Deferred outflows of resources	Deferred inflows of resources	Net total
2020	\$ 413,481	\$ 592,834	\$ (179,353)
2021	403,867	592,834	(188,967)
2022	403,867	451,479	(47,612)
2023	71,503	224,252	(152,749)
	\$ 1,292,718	\$ 1,861,399	\$ (568,681)

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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

*Pension expense – Police Pension Plan:*

Service cost	\$ 302,172
Interest on the total pension liability	706,135
Differences between expected and actual experience <sup>1</sup>	(138,752)
Changes of assumptions <sup>1</sup>	64,050
Member contributions	(62,480)
Projected earnings on pension plan investments	(696,573)
Difference between projected and actual earnings on investments <sup>2</sup>	70,699
Pension plan administrative expense	<u>8,000</u>
Total pension expense	<u><u>\$ 253,251</u></u>

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

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

At December 31, 2019, 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		\$ 644,578	\$ (644,578)
Changes of assumptions	\$ 379,364		379,364
Difference between projected and actual investment earnings	<u>1,031,769</u>	<u>1,283,180</u>	<u>(251,411)</u>
Total	<u><u>\$ 1,411,133</u></u>	<u><u>\$ 1,927,758</u></u>	<u><u>\$ (516,625)</u></u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**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:

Year ended	Deferred outflows of resources	Deferred inflows of resources	Net total
2020	\$ 421,357	\$ 546,513	\$ (125,156)
2021	401,280	546,513	(145,233)
2022	401,280	349,376	51,904
2023	64,050	349,376	(285,326)
2024	64,050	115,547	(51,497)
thereafter	59,116	20,433	38,683
	<u>\$ 1,411,133</u>	<u>\$ 1,927,758</u>	<u>\$ (516,625)</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**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, 2019 and consist of the following:

	Cost	Fair value
Nonuniformed pension:		
Mellon Bank, temporary investments and deposits	\$ 37,103	\$ 37,103
Level 1:		
Mellon Bank:		
Fixed income	2,349,751	2,945,292
Equities	4,767,133	5,287,385
Charles Schwab, mutual funds	1,301,440	1,447,354
	8,455,427	9,717,134
Police pension:		
Mellon Bank, temporary investments and deposits	43,075	43,075
Level 1:		
Mellon Bank:		
Fixed income	3,323,256	4,179,056
Equities	6,801,864	7,546,640
	10,168,195	11,768,771
Investments, pension	\$ 18,623,622	\$ 21,485,905

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

*Investment policy:*

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

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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

*Investment policy:*

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, 2019

**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 2019.

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Market value of assets	13.6%	0.9%	13.7%	16.3%	7.7%	0.9%	6.8%	16.5%	(7.5)%	19.4%

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

	<u>2011</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>	<u>2019</u>
Market value of assets	13.1%	0.9%	13.9%	16.5%	8.0%	1.1%	6.2%	16.9%	(7.7)%	19.6%

## ***FAIRVIEW TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **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, 2019, the liability for vested unused vacation and sick leave is \$592,153. 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.

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, 2019 are \$330,031.

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 2019, the Township made their annual contribution of \$194,501.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**7. Risk management:**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township maintains commercial insurance covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three years.

The Township participates in a self-funded trust with other municipalities to provide medical benefits to employees and retirees. Under the trust plan, the Township pays reasonable and customary healthcare expenses. For the year ended December 31, 2019, the Township paid premiums of \$669,614. Actual claims paid for the year ended December 31, 2019 were \$476,849. The Township also incurred a shared cost of \$5,091 and is anticipating a refund of \$187,674.

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

Reservations of fund balances and net position as of December 31, 2019 are not appropriate 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	\$ 979,045
Pooled sick days, police	118,188
	<u>1,097,233</u>
Postemployment benefits trust funds, healthcare benefits	<u>\$ 2,272,625</u>
Pension trust funds, employee benefits	<u>\$ 21,485,905</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**9. Capital assets:**

	Balance January 1, 2019	Additions	Deletions	Reclassifications	Balance December 31, 2019
Capital assets not being depreciated:					
Land	\$ 542,800				\$ 542,800
Construction in progress	510,333	\$ 95,683		\$ (474,882)	131,134
Capital assets not being depreciated	<u>1,053,133</u>	<u>95,683</u>		<u>(474,882)</u>	<u>673,934</u>
Capital assets being depreciated:					
Vehicles and equipment	8,147,715	153,706	\$(119,300)		8,182,121
Buildings and improvements	8,440,616		(274,627)	274,627	8,440,616
Roads, traffic signals and storm sewers	54,812,308	845,298		200,255	55,857,861
Total capital assets being depreciated	<u>71,400,639</u>	<u>999,004</u>	<u>(393,927)</u>	<u>474,882</u>	<u>72,480,598</u>
Less accumulated depreciation:					
Vehicles and equipment	4,981,107	665,197	(119,300)		5,527,004
Buildings and improvements	1,311,415	181,440			1,492,855
Roads, traffic signals and storm sewers	37,055,313	775,815			37,831,128
Total accumulated depreciation	<u>43,347,835</u>	<u>1,622,452</u>	<u>(119,300)</u>		<u>44,850,987</u>
Capital assets, net	<u>\$ 29,105,937</u>	<u>\$ (527,765)</u>	<u>\$ (274,627)</u>	<u>\$ -</u>	<u>\$ 28,303,545</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 72,255
Public safety	495,234
Public works:	
Highways and streets	990,834
Recycling center and leaf collection	27,121
Recreation	37,008
Total depreciation expense	<u>\$ 1,622,452</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**10. Other postemployment medical benefits:**

The Township 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.

*Plan membership:*

At December 31, 2019, the Nonuniformed and Police OPEB Plan membership consisted of the following (actual number of plan members):

	Nonuniformed OPEB Plan	Police OPEB Plan
Active members	12	18
Vested former participants	-	-
Retired participants	6	2
Total	<u>18</u>	<u>20</u>

*Contributions and benefits:*

The Township's contribution is based on actuarially determined amounts. For the year ended December 31, 2019, the Township contributed \$45,964 and \$61,519 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, 2019

#### **10. 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, 2019, there were no plan member contributions to the Police OPEB Plan.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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

*Net OPEB (asset) liability:*

The net OPEB (asset) liability was measured as of December 31, 2019, and the total OPEB liability was determined by rolling forward the liability from an actuarial valuation as of January 1, 2019. Updated procedures were used to roll forward to the plan's year ended December 31, 2019. No other significant events or changes in assumptions occurred between the valuation date and the year end. The components of the net OPEB (asset) liability of the Township as of December 31, 2019 were as follows:

	Nonuniformed OPEB Plan	Police OPEB Plan	Total
Total OPEB liability	\$ 1,128,736	\$ 1,574,222	\$ 2,702,958
Plan fiduciary net position	1,135,409	1,137,216	2,272,625
Net OPEB (asset) liability	\$ (6,673)	\$ 437,006	\$ 430,333
Plan fiduciary net position as a percentage of the total OPEB liability	100.59%	72.24%	84.08%

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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

*Changes in net OPEB (asset) liability:*

The changes in the nonuniformed net OPEB asset for the Township for the year ended December 31, 2019 were as follows:

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB asset (a) - (b)
Balances at January 1, 2019	\$ 1,015,176	\$ 1,103,244	\$ (88,068)
Service cost	41,834		41,834
Interest <sup>2</sup>	46,032		46,032
Differences between expected and and actual experience <sup>1</sup>	66,157		66,157
Changes of assumptions <sup>1</sup>	5,501		5,501
Contributions, employer		45,964	(45,964)
Net investment income		35,456	(35,456)
Benefit payments <sup>2</sup>	(45,964)	(45,964)	-
Administrative expense		(3,291)	3,291
Net changes	113,560	32,165	81,395
Balance at December 31, 2019	<u>\$ 1,128,736</u>	<u>\$ 1,135,409</u>	<u>\$ (6,673)</u>

Notes to schedule:

Changes in assumptions:

The discount rate assumed increased from 4.46% to 4.48% since the prior valuation. The morality table changed from IRS 2017 Static for all employees to PubG-2010.

Changes in benefit terms:

<sup>1</sup> Each year's gain or loss is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are currently receiving a benefit or may be eligible to receive a benefit in the future.

<sup>2</sup> 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, 2019

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

*Changes in net OPEB (asset) liability:*

The changes in the police net OPEB liability for the Township for the year ended December 31, 2019 were as follows:

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a) - (b)
Balances at January 1, 2019	\$ 1,367,413	\$ 1,077,315	\$ 290,098
Service cost	80,228		80,228
Interest <sup>2</sup>	63,853		63,853
Differences between expected and and actual experience <sup>1</sup>	99,742		99,742
Changes of assumptions <sup>1</sup>	(7,542)		(7,542)
Contributions, employer		61,519	(61,519)
Net investment income		31,071	(31,071)
Benefit payments <sup>2</sup>	(29,472)	(29,472)	-
Administrative expense		(3,217)	3,217
Net changes	206,809	59,901	146,908
Balance at December 31, 2019	\$ 1,574,222	\$ 1,137,216	\$ 437,006

Notes to schedule:

Changes in assumptions:

The discount rate assumed increased from 4.46% to 4.48% since the prior valuation. The mortality table changed from IRS 2017 Static for all employees to PubS-2010.

Changes in benefit terms:

<sup>1</sup> Each year's gain or loss is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are currently receiving a benefit or may be eligible to receive a benefit in the future.

<sup>2</sup> 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, 2019

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

*Actuarial assumption:*

Actuarial valuation date	January 1, 2019
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	4.48%
Health care costs trend rate	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	PubS-2010 for Police and PubG-2010 for Non-Uniform, including rates for disabled retirees and contingent survivors. Incorporated into the tables are rates project generationally using Scale MP-2018 to reflect morality improvement.

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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

*Actuarial assumption:*

Insurance premiums:

Age adjustments (Medical/Rx)

Age	Males	Females
<25	\$ 3,264	\$ 7,349
25-29	3,927	9,801
30-34	4,442	9,941
35-39	5,385	10,325
40-44	6,581	11,119
45-49	8,448	12,201
50-54	11,189	13,789
55-59	13,627	14,429
60-64	17,783	16,575
65+	5,941	5,941

Dental

Coverage	Premium
Single	\$ 322
Family	1,014

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, 2019

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

*Actuarial assumption:*

Discount rate:

The discount rate used to measure the total OPEB liability was 4.48%, 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 (asset) liability to changes in the discount rate:*

The following presents the net OPEB (asset) liability of the plan, calculated using the discount rate of 4.48%, as well as what the plan's net OPEB (asset) liability 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 (3.48%)	Current discount rate (4.48%)	1% Increase (5.48%)
Nonuniformed net OPEB (asset) liability	\$ 62,360	\$ (6,673)	\$ (72,219)
Police net OPEB liability	564,491	437,006	319,214

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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

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

The following presents the net OPEB (asset) liability of the Township, as well as what the Township's net OPEB (asset) liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.5% decreasing to 2.8%) or one percentage point higher (6.5% decreasing to 4.8%) than the current healthcare cost trend rates:

	Health cost trend rates		
	1% Decrease 4.5% decreasing to 2.8%	Current healthcare cost trend 5.5% decreasing to 3.8%	1% Increase 6.5% decreasing to 4.8%
Nonuniformed net OPEB (asset) liability	\$ (112,825)	\$ (6,673)	\$ 115,491
Police net OPEB liability	259,103	437,006	642,930

*OPEB expense:*

The OPEB expense for the Township for the year ended December 31, 2019 was as follows:

	Nonuniformed OPEB Plan	Police OPEB Plan	Total
Service cost	\$ 41,834	\$ 80,228	\$ 122,062
Interest on the total OPEB liability	46,032	63,853	109,885
Expected investment earnings	(49,572)	(49,128)	(98,700)
Amortization of deferred outflows	16,177	19,017	35,194
Amortization of deferred inflows	(83)	(1,950)	(2,033)
OPEB plan administrative expense	3,291	3,217	6,508
Total pension expense	\$ 57,679	\$ 115,237	\$ 172,916

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

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

*Deferred outflows and inflows of resources:*

At December 31, 2019, 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		\$ 747	\$ (747)
Difference between expected and actual experience	\$ 59,541		59,541
Difference between projected and actual investment earnings	<u>31,510</u>		<u>31,510</u>
Total nonuniformed	<u>\$ 91,051</u>	<u>\$ 747</u>	<u>\$ 90,304</u>
Police:			
Changes of assumptions		\$ 17,548	\$ (17,548)
Difference between expected and actual experience	\$ 89,768		89,768
Difference between projected and actual investment earnings	<u>30,737</u>		<u>30,737</u>
Total police	<u>\$ 120,505</u>	<u>\$ 17,548</u>	<u>\$ 102,957</u>
Total:			
Changes of assumptions		\$ 18,295	\$ (18,295)
Difference between expected and actual experience	\$ 149,309		149,309
Difference between projected and actual investment earnings	<u>62,247</u>		<u>62,247</u>
Total	<u>\$ 211,556</u>	<u>\$ 18,295</u>	<u>\$ 193,261</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**10. 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:

Year ended December 31,	Nonuniformed Plan	Police Plan	Net total
2020	\$ 16,094	\$ 17,067	\$ 33,161
2021	16,094	17,067	33,161
2022	16,097	17,066	33,163
2023	9,357	11,633	20,990
2024	6,533	8,024	14,557
thereafter	26,129	32,100	58,229
	<u>\$ 90,304</u>	<u>\$ 102,957</u>	<u>\$ 193,261</u>

*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, 2019 and consist of the following:

	Cost	Fair value
Nonuniformed plan:		
PNC Bank, temporary investments and deposits	\$ 448,170	\$ 448,170
Level 1, PNC Bank, fixed income	680,002	687,239
Total nonuniformed plan	<u>1,128,172</u>	<u>1,135,409</u>
Police plan:		
PNC Bank, temporary investments and deposits	664,372	664,372
Level 1, PNC Bank, fixed income	468,368	472,844
Total police plan	<u>1,132,740</u>	<u>1,137,216</u>
Investments, OPEB	<u>\$ 2,260,912</u>	<u>\$ 2,272,625</u>

**FAIRVIEW TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**11. 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 plan permits deferral of a portion of the employees' salaries until future years. The deferred compensation is not available for withdrawal until termination, retirement, death or disability.

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.

**12. 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, 2019, the Township made the following transfers:

	<u>Transfers to other funds</u>	<u>Transfers from other funds</u>
General fund	\$ 1,244,084	
Capital reserve fund		\$ 1,469,084
Highway aid fund		39
Fire station fund		14,388
LST fund	385,000	
Fire service fund		210,612
EMS fund		160,000
Road turnback fund	39	
Sewer fund	150,000	
Refuse fund	75,000	
	<u>\$ 1,854,123</u>	<u>\$ 1,854,123</u>

There were no interfund receivables and payables as of December 31, 2019.

## ***FAIRVIEW TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **13. 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 incurred 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.

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

In December 2019, a novel strain of coronavirus ("COVID-19") was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has caused business disruption to the Township beginning in January 2020, because large gatherings, including events, conferences and trade shows have either been cancelled, postponed, put on hold, or in some cases, have been converted to virtual meetings. While the Township expects this matter to negatively impact its results, the extent of the impact of the COVID-19 on the Township's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of the COVID-19 on overall demand for the Township's services, all of which are highly uncertain and cannot be predicted.

The Township has evaluated events through July 17, 2020, 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, 2019

(See independent auditor's report on required supplemental information)

	2019	2018	2017	2016	2015	2014
Total pension liability:						
Service cost	\$ 187,000	\$ 186,569	\$ 177,685	\$ 223,230	\$ 212,600	\$ 218,781
Interest	563,878	525,302	502,411	550,951	523,658	494,292
Changes for experience	(158,554)				6,420	
Differences between experience			(1,363,350)			
Changes of assumptions	357,534		317,818			
Benefit payments, including refunds of member contributions	(355,179)	(385,332)	(327,074)	(406,585)	(308,415)	(279,181)
Net change in total pension liability	594,679	326,539	(692,510)	367,596	434,263	433,892
Total pension liability:						
Beginning of year	7,851,909	7,525,370	8,217,880	7,850,284	7,416,021	6,982,129
End of year (a)	<u>\$ 8,446,588</u>	<u>\$ 7,851,909</u>	<u>\$ 7,525,370</u>	<u>\$ 8,217,880</u>	<u>\$ 7,850,284</u>	<u>\$ 7,416,021</u>
Plan fiduciary net position:						
Contributions:						
Employer	\$ 99,132	\$ 86,761	\$ 70,359	\$ 173,104	\$ 347,807	\$ 343,824
Member	29,520	29,643	29,569	24,599	35,205	35,971
Net investment income (loss)	1,543,129	(742,372)	1,285,276	510,350	16,381	524,961
Benefit payments, including refunds of member contributions	(355,179)	(385,332)	(327,074)	(406,585)	(308,415)	(279,181)
Administrative expense	(8,700)	(15,500)		(10,900)	(10,000)	(7,600)
Net change in plan fiduciary net position	1,307,902	(1,026,800)	1,058,130	290,568	80,978	617,975
Total fiduciary net position:						
Beginning of year	8,409,232	9,436,032	8,377,902	8,087,334	8,006,356	7,388,381
End of year (b)	<u>\$ 9,717,134</u>	<u>\$ 8,409,232</u>	<u>\$ 9,436,032</u>	<u>\$ 8,377,902</u>	<u>\$ 8,087,334</u>	<u>\$ 8,006,356</u>
Net pension asset, end of year (a) - (b)	<u>\$ (1,270,546)</u>	<u>\$ (557,323)</u>	<u>\$ (1,910,662)</u>	<u>\$ (160,022)</u>	<u>\$ (237,050)</u>	<u>\$ (590,335)</u>
Plan fiduciary net position as a percentage of the total pension liability	115.0%	107.1%	125.4%	101.9%	103.0%	108.0%
Covered employee payroll	\$ 978,547	\$ 1,052,422	\$ 1,056,790	\$ 985,845	\$ 1,192,260	\$ 1,568,816
Net pension asset as a percentage of covered employee payroll	(129.8)%	(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, 2019  
 (See independent auditor’s report on required supplemental information)

	2019	2018	2017	2016	2015	2014
Total pension liability:						
Service cost	\$ 302,172	\$ 279,533	\$ 266,222	\$ 243,037	\$ 231,464	\$ 212,994
Interest	706,135	652,536	625,284	621,796	585,739	563,261
Changes for experience	(81,742)				(162,432)	
Differences between experience			(842,631)			
Changes of assumptions	236,455		275,946			
Benefit payments, including refunds of member contributions	(382,830)	(458,255)	(324,059)	(317,630)	(306,084)	(316,283)
Net change in total pension liability	780,190	473,814	762	547,203	348,687	459,972
Total pension liability:						
Beginning of year	9,822,172	9,348,358	9,347,596	8,800,393	8,451,706	7,991,734
End of year (a)	<u>\$ 10,602,362</u>	<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	\$ 232,380	\$ 172,259	\$ 167,863	\$ 143,083	\$ 272,974	\$ 279,909
Member	62,480	55,293	51,046	49,899	45,456	44,613
Net investment income (loss)	1,865,720	(913,726)	1,546,075	546,077	42,160	643,063
Benefit payments, including refunds of member contributions	(382,830)	(458,255)	(324,059)	(317,630)	(306,084)	(316,283)
Administrative expense	(8,000)	(13,100)		(6,600)	(7,000)	(7,979)
Other changes					1,727	
Net change in plan fiduciary net position	1,769,750	(1,157,529)	1,440,925	414,829	49,233	643,323
Total fiduciary net position:						
Beginning of year	9,999,021	11,156,550	9,715,625	9,300,796	9,251,563	8,608,240
End of year (b)	<u>\$ 11,768,771</u>	<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>\$ (1,166,409)</u>	<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	111.0%	101.8%	119.3%	103.9%	105.7%	109.5%
Covered employee payroll	\$ 1,576,367	\$ 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	(74.0)%	(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 TEN CALENDAR YEARS (unaudited)

DECEMBER 31, 2019

(See independent auditor's 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>	<u>2019</u>
Nonuniformed Pension Plan	13.6%	0.9%	13.7%	16.3%	7.7%	0.9%	6.8%	16.5%	(7.5)%	19.4%
Police Pension Plan	13.1%	0.9%	13.9%	16.5%	8.0%	1.1%	6.2%	16.9%	(7.7)%	19.6%

**FAIRVIEW TOWNSHIP**

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

DECEMBER 31, 2019

(See independent auditor’s 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
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%
2019	99,132	99,132	-	978,547	10.13%

*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, 2019: January 1, 2017

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: It is assumed that all members hired on or before August 29, 2011 retire upon attainment of age 65 or enter the DROP upon attainment of age 60 and completion of 25 years of service, if earlier. It is assumed that all members hired after August 29, 2011 retire upon attainment of age 65 or upon attainment of age 60 and completion of 25 years or service, if earlier. It is also assumed that, for members who enter the DROP, participation in the DROP continues for 24 months.

Mortality: 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.

Changes in benefit terms: None since January 1, 2017

**FAIRVIEW TOWNSHIP**

(REQUIRED SUPPLEMENTARY INFORMATION)  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS AND NOTES TO SCHEDULE –  
 POLICE PENSION PLAN (unaudited)  
 DECEMBER 31, 2019  
 (See independent auditor’s 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
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%
2019	232,380	232,380	-	1,576,367	14.74%

*Notes to schedule:*

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

Methods and assumptions used to determine contribution rates:

Actuarial valuation date, 2019: January 1, 2017

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: It is assumed that all members enter the DROP upon meeting the eligibility requirements for normal retirement. It is also assumed that participation in the DROP continues for 24 months.

Mortality: 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.

Changes in benefit terms: None since January 1, 2017

**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, 2019

(See independent auditor's report on required supplemental information)

	<u>2019</u>	<u>2018</u>
Total OPEB liability:		
Service cost	\$ 41,834	\$ 40,268
Interest	46,032	44,594
Difference between expected and actual experience	66,157	
Changes of assumptions	5,501	(6,964)
Benefit payments, including refunds of member contributions	<u>(45,964)</u>	<u>(48,723)</u>
Net change in total OPEB liability	113,560	29,175
Total OPEB liability:		
Beginning of year	<u>1,015,176</u>	<u>986,001</u>
End of year (a)	<u>\$ 1,128,736</u>	<u>\$ 1,015,176</u>
Plan fiduciary net position:		
Contributions, employer	\$ 45,964	\$ 91,549
Net investment income	35,456	14,412
Benefit payments, including refunds of member contributions	(45,964)	(48,723)
Administrative expense	<u>(3,291)</u>	<u>(3,143)</u>
Net change in plan fiduciary net position	32,165	54,095
Total fiduciary net position:		
Beginning of year	<u>1,103,244</u>	<u>1,049,149</u>
End of year (b)	<u>\$ 1,135,409</u>	<u>\$ 1,103,244</u>
Net OPEB asset, end of year (a) - (b)	<u>\$ (6,673)</u>	<u>\$ (88,068)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	100.6%	108.7%
Covered employee payroll	\$ 785,382	\$ 805,078
Net OPEB asset as a percentage of covered employee payroll	(0.8)%	(10.9)%

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

**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, 2019

(See independent auditor’s report on required supplemental information)

	2019	2018
Total OPEB liability:		
Service cost	\$ 80,228	\$ 77,662
Interest	63,853	59,718
Difference between expected and actual experience	99,742	
Changes of assumptions	(7,542)	(13,152)
Benefit payments, including refunds of member contributions	(29,472)	(39,559)
Net change in total OPEB liability	206,809	84,669
Total OPEB liability:		
Beginning of year	1,367,413	1,282,744
End of year (a)	\$ 1,574,222	\$ 1,367,413
Plan fiduciary net position:		
Contributions, employer	\$ 61,519	\$ 309,859
Net investment income	31,071	14,648
Benefit payments, including refunds of member contributions	(29,472)	(39,559)
Administrative expense	(3,217)	(2,839)
Net change in plan fiduciary net position	59,901	282,109
Total fiduciary net position:		
Beginning of year	1,077,315	795,206
End of year (b)	\$ 1,137,216	\$ 1,077,315
Net OPEB liability, end of year (a) - (b)	\$ 437,006	\$ 290,098
Plan fiduciary net position as a percentage of the total OPEB liability	72.2%	78.8%
Covered employee payroll	\$ 1,398,195	\$ 1,239,262
Net OPEB liability as a percentage of covered employee payroll	31.3%	23.4%

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

**FAIRVIEW TOWNSHIP**

(REQUIRED SUPPLEMENTARY INFORMATION)  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS IN NONUNIFORMED  
 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS AND NOTES  
 TO SCHEDULE (unaudited)  
 DECEMBER 31, 2019

(See independent auditor's report on required supplemental information)

Year	Nonuniformed OPEB Plan				
	Actuarially determined contribution	Contributions from employer	Contribution deficiency/ (excess)	Covered employee payroll	Contributions as a % of payroll
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	91,549	(60,154)	805,078	11.37%
2019	31,395	45,964	(14,569)	785,382	5.85%

*Notes to schedule:*

Methods and assumptions used to determine contribution rates:

Actuarial valuation date: January 1, 2019

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: 4.48%

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

Healthcare cost trend rate: 5.5% in 2019 through 2021 and gradually decreasing from 5.4% in 2022 to 3.8% 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, 2019

(See independent auditor's 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
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	309,859	(221,717)	1,239,262	25.00%
2019	88,142	61,519	26,623	1,398,195	4.40%

*Notes to schedule:*

Methods and assumptions used to determine contribution rates:

Actuarial valuation date: January 1, 2019

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: 4.48%

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

Healthcare cost trend rate: 5.5% in 2019 through 2021 and gradually decreasing from 5.4% in 2022 to 3.8% 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, 2019

(See independent auditor's report on required supplemental information)

	Original budget	Final budget	Actual	Variance over (under)
<b>Revenues:</b>				
Taxes	\$ 5,328,000	\$ 5,328,000	\$ 6,022,122	\$ 694,122
Licenses, permits and fees	294,000	294,000	295,018	1,018
Fines and penalties	62,000	62,000	76,769	14,769
Interest and rents	5,000	5,000	52,916	47,916
Intergovernmental	373,400	373,400	515,834	142,434
Service fees	172,700	172,700	231,791	59,091
Contributions from private sector			129,400	129,400
Miscellaneous	55,000	55,000	257,336	202,336
<b>Total revenues</b>	<b>6,290,100</b>	<b>6,290,100</b>	<b>7,581,186</b>	<b>1,291,086</b>
<b>Expenditures:</b>				
General government	774,721	774,721	698,082	(76,639)
Public safety	3,697,426	3,697,426	3,726,263	28,837
Health and welfare	21,200	21,200	23,673	2,473
Public works:				
Highways, roads and streets	1,859,657	1,859,657	1,928,246	68,589
Recycling center and leaf collection	154,283	154,283	177,915	23,632
Culture and recreation	212,218	212,218	200,357	(11,861)
Miscellaneous	3,000	3,000	587	(2,413)
<b>Total expenditures</b>	<b>6,722,505</b>	<b>6,722,505</b>	<b>6,755,123</b>	<b>32,618</b>
Excess (deficiency) of revenues over (under) expenditures	(432,405)	(432,405)	826,063	1,258,468
<b>Other financing sources (uses):</b>				
Proceeds from sale of assets	10,000	10,000	35,130	25,130
Interfund transfers received	423,000	423,000		(423,000)
Interfund transfers expended			(1,244,084)	(1,244,084)
<b>Total other financing sources (uses)</b>	<b>433,000</b>	<b>433,000</b>	<b>(1,208,954)</b>	<b>(1,641,954)</b>

(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, 2019

(See independent auditor’s report on required supplemental information)

	Original budget	Final budget	Actual	Variance over (under)
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses</b>	<b>\$ 595</b>	<b>\$ 595</b>	<b>\$ (382,891)</b>	<b>\$ (383,486)</b>
Fund balance:				
Beginning of year			2,683,682	
<b>End of year</b>			<b>\$ 2,300,791</b>	

**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 2019 for the following funds and functions:

**General Fund:**

Public safety	\$ 28,837
Health and welfare	2,473
Public works:	
Highways, roads and streets	68,589
Recycling center and leaf collection	23,632
Interfund transfers expended	(1,244,084)

**FAIRVIEW TOWNSHIP**

SCHEDULE OF NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEETS

DECEMBER 31, 2019

(See independent auditor’s report on supplemental information)

	Highway aid fund	LST fund	Street light fund	Fire service fund	Fire hydrant fund	EMS fund	Fairview Township Fire Department	Total
ASSETS								
Cash and investments	\$ 272,060	\$ 671,294	\$ 32,881	\$ 10,113	\$ 30,581	\$ 10,125	\$ 112,602	\$ 1,139,656
Taxes receivable			2,042		2,885			4,927
<b>Total assets</b>	<b>\$ 272,060</b>	<b>\$ 671,294</b>	<b>\$ 34,923</b>	<b>\$ 10,113</b>	<b>\$ 33,466</b>	<b>\$ 10,125</b>	<b>\$ 112,602</b>	<b>\$ 1,144,583</b>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities, accounts payable				\$ 2,952		\$ 1,151		\$ 4,103
Deferred inflows of resources, unavailable revenues			\$ 1,198		\$ 1,848			3,046
Fund balances	\$ 272,060	\$ 671,294	33,725	7,161	31,618	\$ 8,974	\$ 112,602	1,137,434
<b>Total deferred inflows of resources and fund balances</b>	<b>\$ 272,060</b>	<b>\$ 671,294</b>	<b>\$ 34,923</b>	<b>\$ 10,113</b>	<b>\$ 33,466</b>	<b>\$ 10,125</b>	<b>\$ 112,602</b>	<b>\$ 1,144,583</b>

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, 2019  
(See independent auditor’s report on supplemental information)

	Highway aid fund	Fire station fund	LST fund	Street light fund	Fire service fund	Fire hydrant fund	EMS fund	Road turnback fund	Fairview Township Fire Department	Total
<b>Revenues:</b>										
Taxes			\$ 485,585	\$ 77,406		\$ 60,910				\$ 623,901
Interest and rents	\$ 8,077	\$ 366	5,700	539	\$ 698	445	\$ 635	\$ 609		17,069
Intergovernmental revenue	663,215									663,215
Contributions from private sector		54,000			3,477			75,611		133,088
Miscellaneous revenue		2			3,284		21	4,869		8,176
<b>Total revenues</b>	<b>671,292</b>	<b>54,368</b>	<b>491,285</b>	<b>77,945</b>	<b>7,459</b>	<b>61,355</b>	<b>656</b>	<b>81,089</b>		<b>1,445,449</b>
<b>Expenditures:</b>										
Public safety		78,036			238,493		216,677	65,446		598,652
Public works, highway, roads and streets	602,329			76,760		58,050				737,139
<b>Total expenditures</b>	<b>602,329</b>	<b>78,036</b>		<b>76,760</b>	<b>238,493</b>	<b>58,050</b>	<b>216,677</b>	<b>65,446</b>		<b>1,335,791</b>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<b>68,963</b>	<b>(23,668)</b>	<b>491,285</b>	<b>1,185</b>	<b>(231,034)</b>	<b>3,305</b>	<b>(216,021)</b>	<b>15,643</b>		<b>109,658</b>

(continued)

**FAIRVIEW TOWNSHIP**

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

YEAR ENDED DECEMBER 31, 2019

(See independent auditor’s report on supplemental information)

	Highway aid fund	Fire station fund	LST fund	Street light fund	Fire service fund	Fire hydrant fund	EMS fund	Road turnback fund	Fairview Township Fire Department	Total
<b>Other financing sources (uses):</b>										
Proceeds from sale of assets					\$ 5,500					\$ 5,500
Interfund transfers:										
Received	\$ 39	\$ 14,388			210,612		\$ 160,000			385,039
Expended			\$ (385,000)					\$ (39)		(385,039)
<b>Total other financing sources (uses)</b>	<b>39</b>	<b>14,388</b>	<b>(385,000)</b>		<b>216,112</b>		<b>160,000</b>	<b>(39)</b>		<b>5,500</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>69,002</b>	<b>(9,280)</b>	<b>106,285</b>	<b>\$ 1,185</b>	<b>(14,922)</b>	<b>\$ 3,305</b>	<b>(56,021)</b>	<b>(39)</b>	<b>\$ 15,643</b>	<b>115,158</b>
Fund balance:										
Beginning of year	203,058	9,280	565,009	32,540	22,083	28,313	64,995	39	96,959	1,022,276
<b>End of year</b>	<b>\$ 272,060</b>	<b>\$ -</b>	<b>\$ 671,294</b>	<b>\$ 33,725</b>	<b>\$ 7,161</b>	<b>\$ 31,618</b>	<b>\$ 8,974</b>	<b>\$ -</b>	<b>\$ 112,602</b>	<b>\$ 1,137,434</b>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

SCHEDULE OF NONMAJOR PROPRIETARY FUNDS – COMBINING  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2019  
(See independent auditor’s report on supplemental information)

	<u>Sewer fund</u>	<u>Refuse fund</u>	<u>Total</u>
ASSETS			
<b>Current assets:</b>			
Cash and investments	\$ 29,076	\$ 20,010	\$ 49,086
Accounts receivable	<u>32,820</u>	<u>16,979</u>	<u>49,799</u>
<b>Total assets, all current</b>	<b><u>\$ 61,896</u></b>	<b><u>\$ 36,989</u></b>	<b><u>\$ 98,885</u></b>
NET POSITION			
<b>Net position, unrestricted</b>	<b><u>\$ 61,896</u></b>	<b><u>\$ 36,989</u></b>	<b><u>\$ 98,885</u></b>

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, 2019

(See independent auditor's report on supplemental information)

	Sewer fund	Refuse fund	Total
<b>Operating revenues, charges for services</b>	<b>\$ 22,732</b>	<b>\$ 6,250</b>	<b>\$ 28,982</b>
<b>Operating expenses, collection, disposal and treatment</b>	<b>14,093</b>	<b>3,523</b>	<b>17,616</b>
Excess of operating revenues over expenses	8,639	2,727	11,366
<b>Nonoperating revenues, earnings on temporary deposits and investments</b>	<b>1,328</b>	<b>755</b>	<b>2,083</b>
<b>Other financing uses, transfer out</b>	<b>(150,000)</b>	<b>(75,000)</b>	<b>(225,000)</b>
Deficiency of revenues under expenses and other financing uses	(140,033)	(71,518)	(211,551)
<b>Net position:</b>			
Beginning of year	201,929	108,507	310,436
<b>End of year</b>	<b>\$ 61,896</b>	<b>\$ 36,989</b>	<b>\$ 98,885</b>

See notes to financial statements.

**FAIRVIEW TOWNSHIP**

SCHEDULE OF NONMAJOR PROPRIETARY FUNDS - COMBINING  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2019

(See independent auditor's report on supplemental information)

	Sewer fund	Refuse fund	Total
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 48,894	\$ 16,124	\$ 65,018
Payments to suppliers	(16,926)	(4,209)	(21,135)
<b>Net cash provided by operating activities</b>	<b>31,968</b>	<b>11,915</b>	<b>43,883</b>
<b>Cash flows used in noncapital financing activities, payment to other funds</b>	<b>(150,000)</b>	<b>(75,000)</b>	<b>(225,000)</b>
<b>Cash flows provided by investing activities, investment income</b>	<b>1,328</b>	<b>755</b>	<b>2,083</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(116,704)</b>	<b>(62,330)</b>	<b>(179,034)</b>
Cash and cash equivalents:			
Beginning	145,780	82,340	228,120
<b>Ending</b>	<b>\$ 29,076</b>	<b>\$ 20,010</b>	<b>\$ 49,086</b>
<b>Cash flows from operating activities:</b>			
Excess of operating revenues over expenses	\$ 8,639	\$ 2,727	\$ 11,366
Adjustments:			
Decrease in assets, accounts receivable	26,162	9,874	36,036
Decrease in liabilities, accounts payable	(2,833)	(686)	(3,519)
Total adjustments	23,329	9,188	32,517
<b>Net cash provided by operating activities</b>	<b>\$ 31,968</b>	<b>\$ 11,915</b>	<b>\$ 43,883</b>

See notes to financial statements.