

Borough of Fox Chapel

Financial Statements and Required Supplementary and Supplementary Information

**Year Ended December 31, 2020
with Independent Auditor's Report**

MaherDuessel

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BOROUGH OF FOX CHAPEL

YEAR ENDED DECEMBER 31, 2020

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Independent Auditor's Report

Members of Council Borough of Fox Chapel

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Fox Chapel (Borough), Pennsylvania, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Borough'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 entity'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 entity'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, each major fund, and the aggregate remaining fund information of the Borough as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Highway Aid Fund, Sewer Fund, and the Sanitary Authority 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 and pension trust fund information on pages i through xiii and 45 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The information is the responsibility of management and was derived from or relates 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 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.

Maher Duessel

Pittsburgh, Pennsylvania
June 18, 2021

BOROUGH OF FOX CHAPEL 2020 MANAGEMENT'S DISCUSSION AND ANALYSIS

The Borough of Fox Chapel (Borough) financial report presents a narrative overview and analysis of the Borough's financial performance for the fiscal year ended December 31, 2020. Please read this management's discussion and analysis (MD&A) in conjunction with the accompanying financial statements and notes, which follow, to obtain a thorough understanding of the Borough's financial condition on December 31, 2020.

The Borough is located in southwestern Pennsylvania, approximately six miles northeast of the City of Pittsburgh. The Borough was incorporated as a local government in 1934 and is governed under the Borough Code adopted by the Commonwealth of Pennsylvania in 1966. The Borough has operated under the Council-Manager form of government since 1936. Under this system, Borough Council is the legislative and policy-making body. The Mayor has direct responsibility for the Police Department. The Manager is the administrative officer of the Borough. Council acts as a board of directors to establish policy and gives directives to the Manager. With the exception of the police, the Manager is in charge of all Borough employees. The Borough provides services in many areas to its residents including various general government services, public safety, public works, sanitation, and recreation. The Borough is very proud of its natural resource protection. Ten percent of all land in the Borough is park land or open space. Another 10% is made up of private school campuses, golf and tennis clubs.

COVID

When it became clear in March that the COVID-19 pandemic would result in significant economic disruption, the Borough immediately focused on ways to mitigate the potential negative impact on the budget while ensuring safety, service delivery, and fiscal responsibility. Our goal was to remain on stable financial ground as we continued to serve the residents. The Borough's two primary sources of revenue are real estate tax and earned income tax (EIT), which account for 52% of the general operating revenue of the Borough. We anticipated that EIT would fall significantly short of budget, real estate tax would be unaffected, and that interest received on all funds would be substantially reduced. We looked for ways to reduce expenses without compromising services.

As road paving comprises the most significant expense for the Borough, we reduced the scope of the \$1.7M road paving project, resulting in a savings of \$196K. We knew that project bids would likely come in high, as contractors had to include in additional labor costs for employees to quarantine after exposure to COVID. Therefore, we delayed bidding guide rail and construction of the new Public Works facilities. \$110K for salt purchase was postponed until 2021. In addition, the annual appropriation of \$390,000 to the Cooper-Siegel Library was reduced by \$65K because the library received a Payroll Protection Program (PPP) Grant. The Borough also received a Coronavirus Aid, Relief, and Economic Security (CARES) Act Grant for \$125,000.

FINANCIAL HIGHLIGHTS

- In 2020, the Borough's total net position increased by \$3M to \$33M, an increase of 10.1%. The unrestricted portion of the total net position is \$6.4M, an increase of \$513K, and the restricted portion increased by \$5.4M.
- The total fund balance of the Borough increased by \$522K to \$13.5M, an increase of 4.0%.

- The General Fund reported a negative net change in fund balance of approximately \$170K, which is better than expected due to COVID.
- In 2019, the Borough earned an “AA+” rating from Standard & Poor’s and issued \$5.4M in General Obligation Bonds to acquire and develop parkland and construct and renovate the Public Works facilities. Although the property was purchased in 2019, construction/renovation was delayed from 2020 due to COVID in anticipation of lower construction bids in 2021. In 2020, debt service payments included a principal of \$140,000 and interest of \$179,499.
- The Borough was awarded a grant from the PA Department of Conservation and Natural Resources (DCNR) of \$442,500 for 50% of the acquisition cost of 17.126 acres of parkland named Hardie Valley Park that was the missing link in a linear trail network that extends the Borough's length from O'Hara Community Park to Beechwood Farms Nature preserve.
- During 2020, the pension plans' combined total net position increased by over \$1.6M due to a net investment gain of \$1.7M and contributions of \$287,000 offset by expenses of \$432K. The defined benefit General Plan and Police Plan had money-weighted rates of return of 10.96% and 10.82%, respectively. The pension plan fiduciary net position as a percentage of the total pension liability increased to 110.90% for the General Plan and 138.64% for the Police Plan.
- At the end of 2020, a new Capital Fund, the Infrastructure Emergency Infrastructure Fund, was established to accumulate and earmark \$500,000 for unforeseen infrastructure emergencies such as landslides or bridge repairs through annual appropriations. In 2020, \$80,000 was transferred from the General Fund to the Emergency Infrastructure Fund.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities on pages 1 and 2 are government-wide financial statements that provide information about the Borough activities as a whole. Fund financial statements on pages 3-14 include governmental and fiduciary funds. The governmental funds' statements report the Borough's operations in more detail than the entity-wide statements and explain how services were financed in the short term and what remains for future spending.

Fiduciary fund statements provide information about the retirement plans for municipal employees in which the Borough acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support municipal activities.

Following the financial statements are the Notes to Financial Statements that explain certain information in the financial statements and provide more details. The Notes to Financial Statements are followed by a section of Required Supplementary Information that further explains and supports the financial statements' information. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1: REQUIRED COMPONENTS OF THE ANNUAL FINANCIAL REPORT

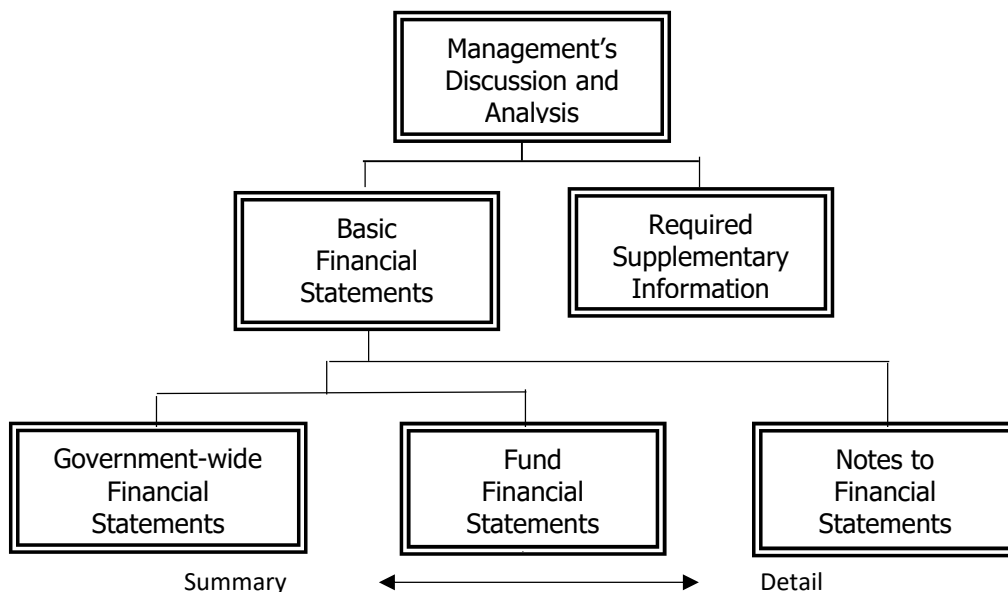


Figure A-2 summarizes the significant features of the Borough's financial statements. The remainder of this overview section of the MD&A explains each of the statements' structure and contents.

**Figure A-2
Major Features of Fox Chapel's Government-wide and Fund Financial Statements**

	<u>Government-wide Statements</u>	<u>Governmental Fund Statements</u>	<u>Fiduciary Funds</u>
Scope	Entire municipal government except fiduciary funds and the Borough's component unit	The activities of the Borough that are not proprietary or fiduciary, such as Police, fire, and recreation	Instances in which the Borough is the trustee or agent for someone else's resources, such as the retirement plan for municipal employees
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Borough's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

REPORTING THE BOROUGH AS A WHOLE

The government-wide statements report information about the Borough as a whole using accrual accounting methods similar to those used by private-sector companies. These statements provide information that will help the reader determine if the Borough is in better or worse financial condition due to the current year's activities. For the Borough's overall health, it is also crucial to consider the infrastructure reinvestment plan. The Statement of Net Position includes all of the Borough's assets, including major infrastructure placed in service after 2004, deferred outflows of resources, liabilities, and deferred inflows of resources, excluding fiduciary funds.

Net Position: The difference between the Borough's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. This is one way to measure the Borough's financial health. Over time, increases or decreases in the Borough's net position indicate whether its financial health is improving or deteriorating.

In the Statement of Activities, all of the current year's revenues and expenses are accounted for regardless of when cash is received or paid. The Statement of Activities focuses on how the Borough's net position changed during the year. Additional non-financial factors such as changes in the Borough's real estate property tax base, earned income tax base, and general economic conditions must be considered to assess the overall position of the Borough. All of the Borough's basic services and how these services are financed are reported.

Basic Services: Police, fire, administration, public works, storm, and sanitary sewers, rubbish collection, code enforcement, culture and recreation, and debt service.

Revenue Sources: real estate tax, earned income tax, sewer and stormwater user fees, contributions and grants, shared revenue from the State, and other taxes and charges for service.

REPORTING THE BOROUGH'S FUNDS

The fund financial statements provide more detailed information about the Borough's individual funds, not the Borough as a whole. Funds are accounting groups that the Borough uses to keep track of specific funding sources and spending for particular purposes. Some funds are required to be established by State law. The Borough establishes other funds to help it control and manage money for specific purposes or show that it meets legal responsibilities for money designated for a specific purpose, e.g., Capital Projects Fund. The Borough has two kinds of funds, Governmental Funds and Fiduciary Funds.

A condensed summary of the Borough's change in net position comparing December 31, 2020 to the previous fiscal year is as follows:

Summary of Statement of Net Position
December 31, 2020 and December 31, 2019

	Governmental Activities		
	2020	2019	Variance
Current and other assets:	\$ 16,119,374	\$ 15,814,104	\$ 305,270
Net pension asset - Police plan	2,775,046	2,442,095	332,951
Net pension asset - General plan	791,354	452,516	338,838
Capital assets	21,880,530	20,328,513	1,552,017
Total Assets	41,566,304	39,037,228	2,529,076
Deferred Outflows of Resources:			
Changes in pension assumptions	82,336	264,733	(182,397)
Net difference between projected and actual earnings on pension investments	475,716	713,574	(237,858)
Total Deferred Outflows of Resources	558,052	978,307	(420,255)
Current and other liabilities:	1,437,764	1,772,760	(334,996)
Bond Payable - Due within 1 year	135,000	140,000	(5,000)
Bond Payable - Due in more than 1 year	4,920,000	5,055,000	(135,000)
Bond Premium	279,654	291,813	(12,159)
Total Liabilities	6,772,418	7,259,573	(487,155)
Deferred Inflows of Resources:			
Differences between expected and actual pension experience	513,618	876,064	(362,446)
Difference between projected and actual earnings on pension plan investments	1,723,862	1,793,220	(69,358)
Total Deferred Inflows of Resources	2,237,480	2,669,284	(431,804)
Net Position:			
Invested in capital assets, net	16,545,876	19,402,402	(2,856,526)
Restricted for:			
Pensions	1,886,972	1,203,634	683,338
Road Construction/Maintenance	534	1,994	(1,460)
Sewage Infrastructure	3,476,162	3,257,597	218,565
Stormwater management	629,711	307,867	321,844
Capital Purchases/Construction	4,148,950	-	4,148,950
Unrestricted	6,426,253	5,913,184	513,069
Total Net Position	\$ 33,114,458	\$ 30,086,678	\$ 3,027,780

Net Position:

In 2020, the total net position of governmental activities increased by \$3M to \$33M, or 10.1%. Capital assets increased by \$1.5M, followed by an increase in combined net pension assets of \$672K. An increase of \$305K in cash and receivables combined with a reduction of \$487K in current and other liabilities accounts for the remainder of the \$3M increase.

The restricted portion of the Borough's net position subject to external restrictions on how the funds may be used increased by \$5.4M due primarily to the \$4,148,950 reclassification of the remaining bond funds from unrestricted in 2019, per audit directive, to restricted for capital purchases/construction in 2020 and the increase of \$672K in net pension asset restricted for pensions. The unrestricted net position, which identifies funds available to maintain operations or invest in additional capital assets, decreased accordingly.

Infrastructure Assets:

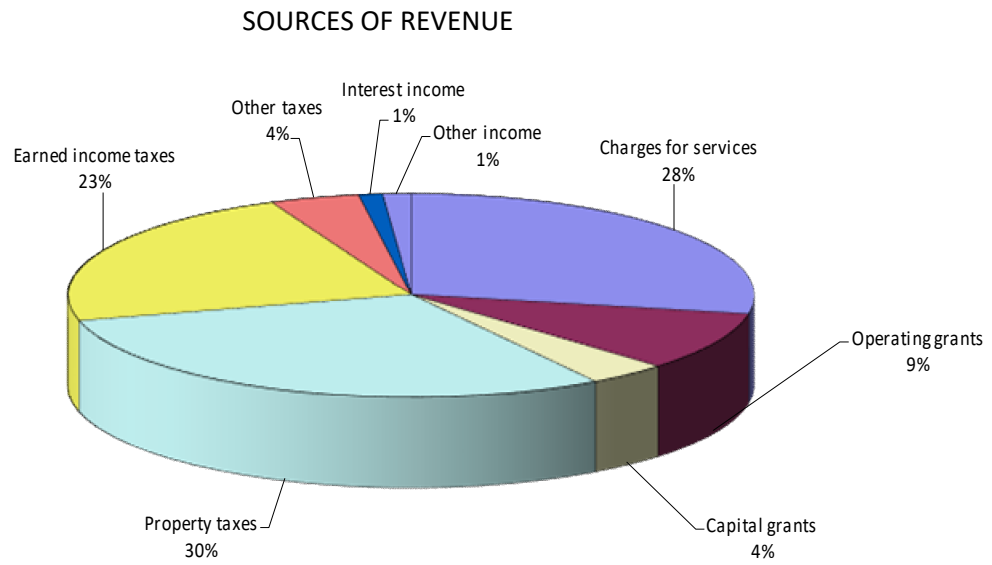
As of December 31, 2020, the Borough's total net position is \$33M. Of this amount, capital assets account for \$21.9M. These capital assets are then reduced to \$20.7M for restriction when related debt is considered. In 2004, Governmental Accounting Standards Board (GASB) Statement No. 34 requires that all capital assets, including infrastructure, be valued and reported within government-wide financial statements. The Borough chose to report all infrastructure additions over \$500,000 per system, per year, prospectively, beginning in 2004. Infrastructure additions first met the capitalization threshold and were first reported in 2012.

The following chart presents the Borough's change in net position for the fiscal years ended December 31, 2020 and December 31, 2019:

Change in Net Position
Years Ended December 31, 2020 and 2019

	Governmental Activities		
	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 3,310,676	\$ 2,987,317	\$ 323,359
Operating grants	1,091,487	830,107	261,380
Capital grants	442,500	1,295,416	(852,916)
General Revenues:			
Property taxes	3,531,162	3,501,132	30,030
Earned income taxes	2,647,887	3,291,346	(643,459)
Other taxes	496,992	444,787	52,205
Interest income	132,925	225,841	(92,916)
Other revenue	158,751	117,681	41,070
Total Revenues	<u>11,812,380</u>	<u>12,693,627</u>	<u>(881,247)</u>
Program Expenses:			
Administration	795,279	819,201	(23,922)
Tax collection	55,379	59,307	(3,928)
Borough building	152,469	160,222	(7,753)
Police	1,267,337	1,500,324	(232,987)
Fire & EMS	340,675	290,725	49,950
Code enforcement	141,492	120,899	20,593
Health and human services	1,860	1,740	120
Rubbish collection	849,355	828,233	21,122
Stormwater System	24,088	32,889	(8,801)
Sewer system	2,218,434	2,042,400	176,034
Public works	2,300,114	2,211,713	88,401
Library	325,000	390,000	(65,000)
Parks and recreation	138,035	43,309	94,726
Debt service	175,083	158,390	16,693
Total Expenses	<u>8,784,600</u>	<u>8,659,352</u>	<u>125,248</u>
Change in Net Position	3,027,780	4,034,275	(1,006,495)
Net position-beginning of year	30,086,678	26,052,403	4,034,275
Net position-end of year	<u>\$ 33,114,458</u>	<u>\$ 30,086,678</u>	<u>\$ 3,027,780</u>

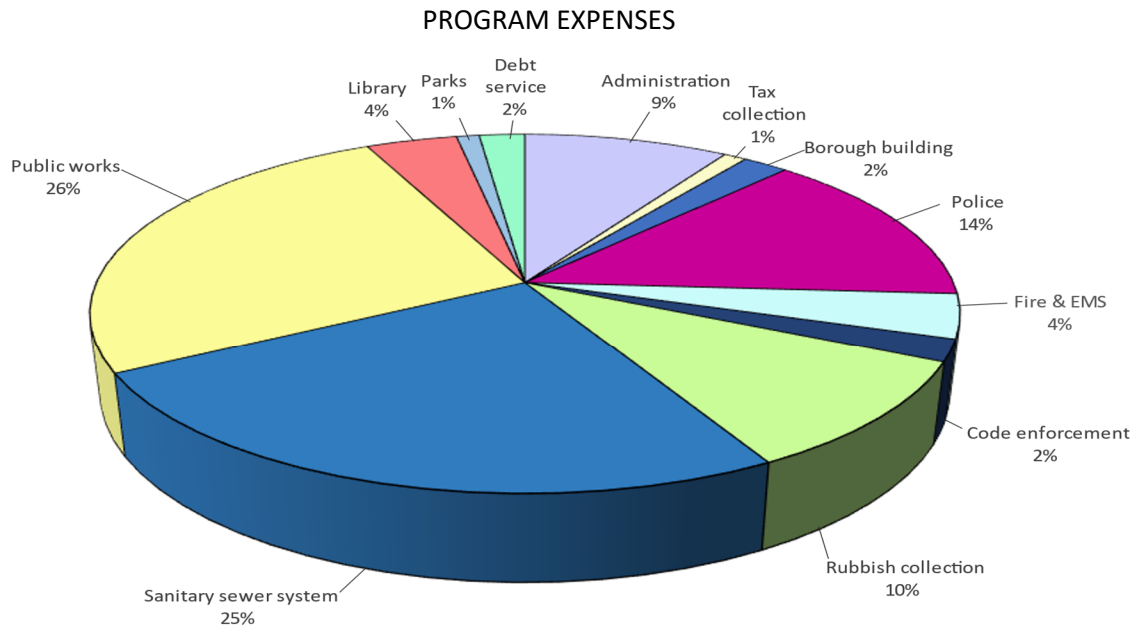
Revenue Sources - 2020 Operating Income:



Total 2020 government-wide revenue of \$11.8M was \$881K less than 2019, a decrease of 7%. This decrease in government-wide revenue is due primarily due to a \$643K decrease in estimated earned income tax and a reduction of \$93K in interest income, both due to COVID. Though individual earned income tax records are confidential, we surmise that job loss is a factor along with reduced bonuses and other compensation and the effect of Federal and State tax filing extensions.

The Borough has been aggressively pursuing grant funds and was awarded \$442,500 from the PA Department of Conservation and Natural Resources to acquire and renovate the Hardie Valley Park property. This acquisition of 17 acres connects parkland to the north and south of the Borough, enabling a linear trail network that extends the Borough's length from O'Hara Community Park to Beechwood Farms Nature preserve. In 2019, the Borough recorded capital grants of \$1.2M for the purchase of this parkland through contributions of \$772K and almost \$600K in donated value of said parkland (appraised value of property in excess of purchase price). By comparison, capital grant revenue was down \$853K in 2020.

Expenses - 2020 Operating Expenditures:



Total expense for all programs in 2020 was \$8.8M, an increase of \$125K, or 1.4%. The expenses reflect the delivery of a wide range of services, with the largest being public works (roads, bridges, sanitary sewers, and stormwater management) at 51%, followed by public safety (police, fire, EMS, and planning/zoning/code enforcement) at 20%, general government (administration, tax collection, and Borough building and grounds) at 12%, garbage-door garbage service at 10%, culture and recreation (parks and library) at 5%, and debt service at 2%. Police expense was down \$233,000 due to reductions in pension expense per the actuarial roll-forwards and no Borough and State funding required (a zero minimum municipal obligation). This was offset by an increase of \$176K in sanitary sewer expense due to an increase of \$68K in contracted sewer lining and \$40,000 in contracted paving to finalize a 2019 sewer project. Fire/EMS expense increased \$50,000 due to budgeted contribution increase of \$7,000 to Foxwall EMS and the remainder spent in general firehouse maintenance. Parks expenditures increased \$95K for the installation of a new playground at McCahill Park, and a consultant to design the new Hardie Valley Park. A grant from the Pittsburgh Foundation completely offset the playground cost.

FINANCIAL ANALYSIS OF THE BOROUGH'S FUNDS

The measurement focus of the Borough's funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information helps assess the Borough's financing requirements. In particular, year-end unassigned fund balance serves as a valuable measure of the Borough's net resources available for spending.

The Borough has ten funds and one Component Unit.

General Fund: The most chief operating account of the Borough that is used for all financial transactions except those required to be accounted for in other funds.

Special Revenue Funds: Sewer and Highway Aid.

Capital Funds: Land, Capital Reserve, Squaw Run Interceptor, Fire Truck, K-9, Parks, and Emergency Infrastructure.

Sanitary Authority (Component Unit): The Sanitary Authority was granted the power to perform stormwater planning, management, and implementation and to level and collect uniform rates for stormwater

As the Borough completed the year 2020, its governmental funds reported a combined fund balance of \$13,482,551, an increase of \$521,820 from the combined fund balance at year-end 2019.

General Fund

In 2020, Borough Council chose to reduce fund balance in the General Fund by adopting a deficit budget of \$1,036,200. Council decided to spend down fund balance instead of raising taxes based on 2019 total revenue exceeding budget by \$293,000, and total expense came in under budget by \$1,500. Fund balance increased \$592,000 when it was budgeted to decrease by \$450,600. In addition, our target rainy-day Fund Balance in the General Fund was increased from \$1M to \$1.5M.

The General Fund variance of negative \$170K was extremely favorable given the impact of COVID as well as 2020 actual results show a loss (reduction of fund balance) of only \$169,915, for a net gain of \$946,285 when actual results are compared to budget, which was extremely favorable given the impact of COVID. Revenue exceeded budget by \$177,067, as delinquent real estate tax collected was \$44,900 over budget. We received an additional \$103,300 in real estate transfer tax and an additional \$82,600 in contracted road paving due to billing utility companies for road paving resulting from their work that damaged the road. In addition, a CARES Act Grant of \$125,000 was received to offset COVID losses. These gains were offset by a reduction of \$207,200 in EIT and a \$21,787 loss of interest earnings compared to budget.

Due to the COVID mitigation plan, final expenses were under budget by \$764,034. In public works, \$110,300 was saved by delaying a major salt purchase until 2021. \$57,200 was saved in wages and overtime as there was a mild winter season. \$58,500 was saved by delaying a guide rail bid until 2021, along with savings of \$56,400 in bridge construction. \$196,200 was saved by reducing the scope of the road reconstruction projects. The Borough also reduced the annual contribution to the library by \$65,000 since the library received Federal PPP funds.

Sewer Fund

In the Sewer Fund, expenses exceeded revenues by \$160,160, which was \$99,060 more than budgeted. In Sewer Fund revenue, a \$248,886 ALCOSAN Grow Grant was budgeted but not received in 2020. This shortfall was offset by a gain of \$269,000 in sewer charges to residents. However, most of the service charge gain was passed through to ALCOSAN, as shown in sewer expenses.

Land Fund

Council adopted a deficit budget of \$1,597,700 in the Land Fund, as \$1,657,900 in bond money received in 2019 was to be spent on construction of the new public works facilities. As part of the Borough's COVID mitigation plan, bids were delayed until 2021, resulting in total expenses of \$462,179, for a savings of \$1,195,721. For the year, expense exceeded revenue by only \$422,406 when the budget projected a fund balance reduction of \$1,597,900, for a net gain of \$1,175,494.

Sanitary Authority Fund

The Sanitary Authority assesses an annual stormwater fee of \$150 per equivalent dwelling unit, which is to be used for DEP mandated stormwater mitigation projects. In 2020, the Sanitary Authority Fund revenues exceeded expenses by \$321,844 in the Sanitary Authority Fund because stormwater mitigation work scheduled to be bid and completed in 2020 was delayed until 2021 due to COVID.

Capital Funds

The Borough was awarded \$442,500 in grant funds from DCNR for 50% of the cost to acquire and renovate the Hardie Valley Park property. This acquisition of 17 acres connects parkland to the north and south enabling a linear trail network that extends the Borough's length from O'Hara Community Park to Beechwood Farms Nature Preserve. The Capital Funds Reserve fund receives a yearly transfer from the General Fund of \$300,000 to assist with future capital purchases. The Interceptor Fund received \$365,000 from the Sewer Fund for fees collected for use on a major capital project of increasing the size of the Borough's main sewer line. In 2019 there were significant capital purchases of a fire truck, Police vehicle, and Code Enforcement vehicle. Also of note is the Bond money which remains in capital assets for use as discussed above.

TRUST AND AGENCY OPERATIONS:

Pension Trust Fund

The Borough administers two defined benefit pension plans for full-time employees – General Employees and Police. On December 31, 2020, there were 12 vested and 1 non-vested participant in the General Employees Plan and 8 vested and 1 non-vested participant in the Police Plan. Employee contribution rates were set at 5% for employees in both plans. In 2014, Borough Council closed the General Employees Defined Benefit Pension Plan to new members and created a defined contribution sub-plan for all new hires. Plan participants contribute 5% of wages, and the Borough contributes an equal amount. By Pennsylvania law, all police pension plans must be defined benefit plans, so no similar changes can be made to the Police Plan.

During 2020, all plans' combined total net position increased by \$1,558,965, or 9.4%. Net investment gains of \$1,703,905 and contributions of \$286,887 were offset by benefit payments of \$425,112 and administrative expense of \$6,715. On the Statement of Net Position of the financial statements, the Police Plan shows a net pension asset of \$2,775,046, an increase of \$322,951, and the General Employees Defined Benefit Plan a net pension asset of \$791,354, an increase of \$338,838.

State Aid of \$162,937 offset the total Borough contribution of \$165,466 such that only \$2,529 in Borough funds were expended. In addition, the employees contributed \$121,421. The pension plan fiduciary net position as a percentage of the total pension liability for the defined benefit General Employees and Police Plans was 110.90% and 138.64%, respectively.

The required supplementary information located at the conclusion of the Notes to Financial Statements provides more details on the plans' funding progress.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets consist primarily of land, buildings and other improvements, machinery, equipment, infrastructure, and vehicles. Capital assets are recorded and depreciated using the straight-line method over the useful lives of the assets. Maintenance and repairs are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. The following is a summary of capital assets at December 31, 2020, and 2019:

Summary of Capital Assets

	Balance at December 31, 2020	Balance at December 31, 2019	Variance
Land	\$ 10,290,586	\$ 10,290,586	\$ -
Construction in Progress	1,489,342	1,031,888	457,454
Buildings and improvements	2,194,836	2,194,836	-
Furniture and equipment	382,310	389,209	(6,899)
Machinery and equipment	1,321,912	1,212,512	109,400
Vehicles	3,290,521	3,522,606	(232,085)
Infrastructure	8,897,518	7,336,403	1,561,115
Total capital assets	<u>27,867,025</u>	<u>25,978,040</u>	<u>1,888,985</u>
Less accumulated depreciation for:			
Building and improvements	1,422,244	1,379,831	42,413
Furniture and equipment	312,719	308,296	4,423
Machinery and equipment	686,617	684,918	1,699
Vehicles	1,582,621	1,783,838	(201,217)
Infrastructure	1,982,294	1,492,644	489,650
Total accumulated depreciation	<u>5,986,495</u>	<u>5,649,527</u>	<u>336,968</u>
Total assets less accumulated depreciation	<u>\$ 21,880,530</u>	<u>\$ 20,328,513</u>	<u>\$ 1,552,017</u>

Long-term Debt

In 2019, the Borough issued general obligation bonds for the acquisition and development of land for a public park; construction of a public works garage; renovation of existing facilities; reimbursement of related site improvements, including stormwater management; and paying the costs of issuing the bonds. Before the bond issue, the Borough had no debt. The bond details are as follows:

General Obligation Bonds, Series of 2019
Credit Rating "AA+" Stable Outlook from Standard & Poor's
Bank Qualified
Last Maturity 7/15/2044 25 years
Average Life years 14.639
Average Coupon 3.668467%

All-in True Interest Cost	3.286002%
Arbitrage Yield	2.286653%

Bond Proceeds

Par Amount	\$5,195,000
Premium Amount	<u>303,972</u>
	\$5,498,972
Total Debt Service	\$7,984,799
Maximum Annual Debt Service	\$ 321,600
Average Annual Debt Service	\$ 320,210

In 2020, the annual debt service payment of \$140,000 for principal and \$179,499 for interest was made from the General Fund. A bond repayment schedule can be found in Notes to the Financial Statements – Note 7.

CONTACTING THE BOROUGH’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and vendors with a general overview of the Borough’s finances and to demonstrate the Borough’s accountability for the money it receives and disburses. Financial statements can be found on our website at www.fox-chapel.pa.us in the Finance Department section.

If you have questions about this report or need additional financial information, please contact:

Borough of Fox Chapel Finance Department
401 Fox Chapel Road
Pittsburgh, PA 15238
412-850-5021

BOROUGH OF FOX CHAPEL

STATEMENT OF NET POSITION

DECEMBER 31, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 14,232,766
Receivables:	
Recycling Development and Implementation Grant	6,496
ALCOSAN GROW Grant	309,870
Department of Conservation and Natural Resources	442,500
Taxes	793,516
Other	334,226
Net pension asset - Police Plan	2,775,046
Net pension asset - General Plan	791,354
Capital assets, not depreciated	11,779,928
Capital assets net of accumulated depreciation	10,100,602
Total Assets	41,566,304
Deferred Outflows of Resources	
Related to pensions	558,052
Liabilities	
Accounts payable	928,658
Unearned revenue	16,068
Escrow deposits	178,182
Accrued Interest	84,677
Noncurrent liabilities:	
Accumulated compensated absences	230,179
Bonds payable - due within one year	135,000
Bonds payable - due in more than one year	4,920,000
Bond premium	279,654
Total Liabilities	6,772,418
Deferred Inflows of Resources	
Related to pensions	2,237,480
Net Position	
Net investment in capital assets	16,545,876
Restricted for:	
Pensions	1,886,972
Road construction/maintenance	534
Sewage infrastructure	3,476,162
Stormwater management	629,711
Capital Purchases/construction	4,148,950
Unrestricted	6,426,253
Total Net Position	\$ 33,114,458

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Administration	\$ 795,279	\$ 153,968	\$ 106,921	\$ -	\$ (534,390)
Tax collection	55,379	-	-	-	(55,379)
Borough building	152,469	-	-	-	(152,469)
Police department	1,267,337	5,011	62,650	-	(1,199,676)
Fire department	340,675	-	151,903	-	(188,772)
Code enforcement	141,492	90,370	4,156	-	(46,966)
Health and human services	1,860	-	-	-	(1,860)
Rubbish collection	849,355	-	6,532	-	(842,823)
Stormwater System	24,088	341,055	-	-	316,967
Sewer system	2,218,434	2,617,983	88,749	-	488,298
Public works	2,300,114	102,289	340,748	-	(1,857,077)
Library	325,000	-	-	-	(325,000)
Parks and recreation	138,035	-	329,828	442,500	634,293
Debt service	175,083	-	-	-	(175,083)
Total governmental activities	<u>\$ 8,784,600</u>	<u>\$ 3,310,676</u>	<u>\$ 1,091,487</u>	<u>\$ 442,500</u>	<u>(3,939,937)</u>
General revenues:					
Taxes:					
Real estate					3,531,162
Earned income					2,647,887
Other					496,992
Interest income					132,925
Miscellaneous income					<u>158,751</u>
Total general revenues					<u>6,967,717</u>
Change in Net Position					<u>3,027,780</u>
Net Position:					
Beginning of year					<u>30,086,678</u>
End of year					<u>\$ 33,114,458</u>

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2020

	General Fund	Highway Aid Fund	Sewer Fund	Sanitary Authority	Capital Reserve	Land Acquisition	Interceptor Fund	Fire Truck Fund	Parks Fund	K-9 Fund	Emergency Infrastructure Fund	Total Governmental Funds
Assets												
Cash and cash equivalents	\$ 3,202,672	\$ 25,465	\$ 1,158,268	\$ 629,351	\$ 1,420,998	\$ 4,192,050	\$ 2,556,627	\$ 118,524	\$ 845,486	\$ 3,321	\$ 80,004	\$ 14,232,766
Receivables:												
Taxes	793,516	-	-	-	-	-	-	-	-	-	-	793,516
Other	134,312	-	512,635	3,645	-	-	-	-	-	-	-	650,592
Due from other funds	24,931	-	-	-	-	-	26,947	-	-	-	-	51,878
Total Assets	\$ 4,155,431	\$ 25,465	\$ 1,670,903	\$ 632,996	\$ 1,420,998	\$ 4,192,050	\$ 2,583,574	\$ 118,524	\$ 845,486	\$ 3,321	\$ 80,004	\$ 15,728,752
Liabilities												
Accounts payable	\$ 472,135	\$ -	\$ 441,498	\$ 135	\$ 14,890	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 928,658
Unearned revenue	16,068	-	-	-	-	-	-	-	-	-	-	16,068
Due to other funds	-	24,931	26,947	-	-	-	-	-	-	-	-	51,878
Escrow deposits	178,182	-	-	-	-	-	-	-	-	-	-	178,182
Total Liabilities	666,385	24,931	468,445	135	14,890	-	-	-	-	-	-	1,174,786
Deferred Inflows of Resources												
Unavailable revenue - grants	-	-	309,870	-	-	-	-	-	-	-	-	309,870
Unavailable revenue - stormwater fees	-	-	-	3,150	-	-	-	-	-	-	-	3,150
Unavailable revenue - earned income tax	667,103	-	-	-	-	-	-	-	-	-	-	667,103
Unavailable revenue - real estate taxes	91,292	-	-	-	-	-	-	-	-	-	-	91,292
Total Deferred Inflows of Resources	758,395	-	309,870	3,150	-	-	-	-	-	-	-	1,071,415
Fund Balance												
Restricted:												
Road construction/maintenance	-	534	-	-	-	-	-	-	-	-	-	534
Sewage infrastructure	-	-	892,588	-	-	-	2,583,574	-	-	-	-	3,476,162
Stormwater management	-	-	-	629,711	-	-	-	-	-	-	-	629,711
Capital purchases/construction	-	-	-	-	-	4,148,950	-	-	-	-	-	4,148,950
Assigned:												
Use in 2021 budget	793,700	-	-	-	-	-	-	-	-	-	-	793,700
Capital purchases/construction	-	-	-	-	1,406,108	43,100	-	118,524	845,486	-	80,004	2,493,222
K-9 program	-	-	-	-	-	-	-	-	-	3,321	-	3,321
Unassigned	1,936,951	-	-	-	-	-	-	-	-	-	-	1,936,951
Total Fund Balance	2,730,651	534	892,588	629,711	1,406,108	4,192,050	2,583,574	118,524	845,486	3,321	80,004	13,482,551
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 4,155,431	\$ 25,465	\$ 1,670,903	\$ 632,996	\$ 1,420,998	\$ 4,192,050	\$ 2,583,574	\$ 118,524	\$ 845,486	\$ 3,321	\$ 80,004	\$ 15,728,752

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2020

Total Fund Balance - Governmental Funds \$ 13,482,551

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. 21,880,530

Property taxes, earned income taxes, and stormwater fees will be collected next year but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the fund financial statements.

Grants	\$	309,870	
Earned income tax		667,103	
Real estate tax		91,292	
Stormwater fees		<u>3,150</u>	1,071,415

The actuarially accrued net pension asset, and deferred inflows and outflows of resources for pensions are not recorded on the fund financial statements. 1,886,972

Grants receivable that are not available to pay for current period expenditures are not recorded in the funds. 442,500

Noncurrent liabilities, including compensated absences and bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued interest	\$	(84,677)	
Accumulated compensated absences		(230,179)	
Bond due within one year		(135,000)	
Bond payable		(4,920,000)	
Bond premium		<u>(279,654)</u>	<u>(5,649,510)</u>

Total Net Position - Governmental Activities \$ 33,114,458

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2020

	General Fund	Highway Aid Fund	Sewer Fund	Sanitary Authority	Capital Reserve	Land Acquisition	Interceptor Fund	Fire Truck Fund	Parks Fund	K-9 Fund	Emergency Infrastructure Fund	Total Governmental Funds
Revenues:												
Taxes:												
Real estate	\$ 3,564,526	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,564,526
Earned income	2,998,453	-	-	-	-	-	-	-	-	-	-	2,998,453
Other	496,992	-	-	-	-	-	-	-	-	-	-	496,992
Licenses and permits	155,931	-	-	-	-	-	-	-	-	-	-	155,931
Fines and related costs	4,586	-	-	-	-	-	-	-	-	-	-	4,586
Interest, rents, and royalties	60,213	198	5,480	2,327	7,709	35,773	15,884	397	4,932	8	4	132,925
Intergovernmental revenues	377,347	238,326	-	-	-	-	-	-	-	-	-	615,673
Charges for services	191,121	-	34,292	-	-	-	-	-	-	-	-	225,413
Stormwater fees	-	-	-	343,605	-	-	-	-	-	-	-	343,605
Sanitary sewer fees	-	-	2,583,691	-	-	-	-	-	-	-	-	2,583,691
Contributions	-	-	-	-	78,479	4,000	-	81,002	251,349	-	-	414,830
Miscellaneous	122,098	-	-	-	81,905	-	-	-	-	-	-	204,003
Total revenues	7,971,267	238,524	2,623,463	345,932	168,093	39,773	15,884	81,399	256,281	8	4	11,740,628
Expenditures:												
Current:												
Administration	745,233	-	34,760	-	-	367	-	-	-	107	-	780,467
Tax collection	55,379	-	-	-	-	-	-	-	-	-	-	55,379
Borough building	74,841	-	-	-	-	4,357	-	-	-	-	-	79,198
Police department	1,666,302	-	-	-	-	-	-	-	-	2,155	-	1,668,457
Fire & EMS department	174,048	-	-	-	-	-	-	-	-	-	-	174,048
Code enforcement	124,355	-	-	-	-	-	-	-	-	-	-	124,355
Health and human services	1,860	-	-	-	-	-	-	-	-	-	-	1,860
Rubbish collection	849,241	-	-	-	-	-	-	-	-	-	-	849,241
Stormwater system	-	-	-	24,088	-	-	-	-	-	-	-	24,088
Sewer system	-	-	2,218,371	-	-	-	-	-	-	-	-	2,218,371
Public works	1,773,520	-	-	-	-	-	-	-	-	-	-	1,773,520
Library	325,000	-	-	-	-	-	-	-	-	-	-	325,000
Parks and recreation	93,485	-	-	-	-	-	-	-	39,623	-	-	133,108
Employee benefits	166,672	-	-	-	-	-	-	-	-	-	-	166,672
Insurance	105,723	-	-	-	-	-	-	-	-	-	-	105,723
Miscellaneous	4,894	-	-	-	-	-	-	-	-	-	-	4,894
Debt service:												
Principal	140,000	-	-	-	-	-	-	-	-	-	-	140,000
Interest	179,499	-	-	-	-	-	-	-	-	-	-	179,499
Capital outlay	1,521,114	-	149,151	-	287,208	457,455	-	-	-	-	-	2,414,928
Total expenditures	8,001,166	-	2,402,282	24,088	287,208	462,179	-	-	39,623	2,262	-	11,218,808
Excess (Deficiency) of Revenues Over Expenditures	(29,899)	238,524	221,181	321,844	(119,115)	(422,406)	15,884	81,399	216,658	(2,254)	4	521,820

(Continued)

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2020

(Continued)

	General Fund	Highway Aid Fund	Sewer Fund	Sanitary Authority	Capital Reserve	Land Acquisition	Interceptor Fund	Fire Truck Fund	Parks Fund	K-9 Fund	Emergency Infrastructure Fund	Total Governmental Funds
Other Financing Sources (Uses):												
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-
Operating transfers in	239,984	-	-	-	318,500	-	362,841	-	-	-	80,000	1,001,325
Operating transfers out	(380,000)	(239,984)	(381,341)	-	-	-	-	-	-	-	-	(1,001,325)
Total other financing sources (uses)	(140,016)	(239,984)	(381,341)	-	318,500	-	362,841	-	-	-	80,000	-
Net Change in Fund Balance	(169,915)	(1,460)	(160,160)	321,844	199,385	(422,406)	378,725	81,399	216,658	(2,254)	80,004	521,820
Fund Balance:												
Beginning of year	2,900,566	1,994	1,052,748	307,867	1,206,723	4,614,456	2,204,849	37,125	628,828	5,575	-	12,960,731
End of year	<u>\$ 2,730,651</u>	<u>\$ 534</u>	<u>\$ 892,588</u>	<u>\$ 629,711</u>	<u>\$ 1,406,108</u>	<u>\$ 4,192,050</u>	<u>\$ 2,583,574</u>	<u>\$ 118,524</u>	<u>\$ 845,486</u>	<u>\$ 3,321</u>	<u>\$ 80,004</u>	<u>\$ 13,482,551</u>

(Concluded)

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

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

YEAR ENDED DECEMBER 31, 2020

Net Change in Fund Balance - Governmental Funds	\$	521,820
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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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlays	\$	2,414,928	
Less: Depreciation expense		<u>(817,659)</u>	1,597,269

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Unavailable revenues changed by this amount during the year.

Grants	\$	503,484	
Earned income tax		(350,566)	
Real estate tax		(28,470)	
Stormwater fees		<u>(2,550)</u>	121,898

In the statement of activities, accumulated employee benefits (pensions, vacation and sick days) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

Compensated absences	\$	4,291	
Pension expense		<u>683,338</u>	687,629

(Continued)

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

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

YEAR ENDED DECEMBER 31, 2020
(Continued)

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position. (45,252)

The issuance of long-term obligations (e.g., bonds, leases, loans) provides current financial resources to governmental funds, while the repayment of the principal on long-term obligations consumes the current financial resources of governmental funds. Long-term obligations changed by this amount during the year.

Bond payable	\$	140,000	
Bond premium		<u>12,159</u>	152,159

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due. Accrued interest changed by this amount during the year. (7,743)

Change in Net Position of Governmental Activities	<u><u>\$</u></u>	<u><u>3,027,780</u></u>
		(Concluded)

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes:				
Real estate	\$ 3,517,600	\$ 3,517,600	\$ 3,564,526	\$ 46,926
Earned income	3,205,700	3,205,700	2,998,453	(207,247)
Other	404,500	404,500	496,992	92,492
Licenses and permits	158,000	158,000	155,931	(2,069)
Fines and related costs	5,400	5,400	4,586	(814)
Interest, rents, and royalties	82,000	82,000	60,213	(21,787)
Intergovernmental revenues	228,000	228,000	377,347	149,347
Charges for services	83,000	83,000	191,121	108,121
Miscellaneous	110,000	110,000	122,098	12,098
Total revenues	<u>7,794,200</u>	<u>7,794,200</u>	<u>7,971,267</u>	<u>177,067</u>
Expenditures:				
Current:				
Administration	734,300	734,300	745,233	(10,933)
Tax collection	57,700	57,700	55,379	2,321
Borough building	99,800	99,800	74,841	24,959
Police department	1,704,500	1,704,500	1,666,302	38,198
Fire department	132,800	132,800	128,145	4,655
EMS	46,000	46,000	45,903	97
Code enforcement	116,900	116,900	124,355	(7,455)
Health and human services	2,000	2,000	1,860	140
Rubbish collection	857,700	857,700	849,241	8,459
Public works	3,922,700	3,922,700	3,294,634	628,066
Library	390,000	390,000	325,000	65,000
Parks and recreation	109,300	109,300	93,485	15,815
Employee benefits	169,000	169,000	166,672	2,328
Insurance	100,000	100,000	105,723	(5,723)
Miscellaneous	3,000	3,000	4,894	(1,894)
Debt service	319,500	319,500	319,499	1
Total expenditures	<u>8,765,200</u>	<u>8,765,200</u>	<u>8,001,166</u>	<u>764,034</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(971,000)</u>	<u>(971,000)</u>	<u>(29,899)</u>	<u>941,101</u>
Other Financing Sources (Uses):				
Operating transfers in	234,800	234,800	239,984	5,184
Operating transfers out	(380,000)	(380,000)	(380,000)	-
Total other financing sources (uses)	<u>(145,200)</u>	<u>(145,200)</u>	<u>(140,016)</u>	<u>5,184</u>
Net Change in Fund Balance	<u>\$ (1,116,200)</u>	<u>\$ (1,116,200)</u>	<u>\$ (169,915)</u>	<u>\$ 946,285</u>

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

HIGHWAY AID FUND

YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Interest, rents and royalties	\$ 2,500	\$ 2,500	\$ 198	\$ (2,302)
Intergovernmental revenues	234,800	234,800	238,326	3,526
Total revenues	237,300	237,300	238,524	1,224
Expenditures:	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	237,300	237,300	238,524	1,224
Other Financing Sources (Uses):				
Operating transfers out	(234,800)	(234,800)	(239,984)	(5,184)
Net Change in Fund Balance	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ (1,460)</u>	<u>\$ (3,960)</u>

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SEWER FUND

YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Interest, rents, and royalties	\$ 22,000	\$ 22,000	\$ 5,480	\$ (16,520)
Intergovernmental revenue	248,900	248,900	-	(248,900)
Sewer fees	2,349,000	2,349,000	2,617,983	268,983
Total revenues	2,619,900	2,619,900	2,623,463	3,563
Expenditures:				
Administration	60,000	60,000	34,760	25,240
Sewer system	2,240,000	2,240,000	2,367,522	(127,522)
Total expenditures	2,300,000	2,300,000	2,402,282	(102,282)
Excess (Deficiency) of Revenues Over Expenditures	319,900	319,900	221,181	(98,719)
Other Financing Sources (Uses):				
Operating transfers out	(381,000)	(381,000)	(381,341)	(341)
Net Change in Fund Balance	\$ (61,100)	\$ (61,100)	\$ (160,160)	\$ (99,060)

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SANITARY AUTHORITY

YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Interest, rents, and royalties	\$ 2,500	\$ 2,500	\$ 2,327	\$ (173)
Charges for services	339,000	339,000	343,605	4,605
Total revenues	341,500	341,500	345,932	4,432
Expenditures:				
Stormwater	578,200	578,200	24,088	554,112
Total expenditures	578,200	578,200	24,088	554,112
Excess (Deficiency) of Revenues Over Expenditures	(236,700)	(236,700)	321,844	558,544
Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	\$ (236,700)	\$ (236,700)	\$ 321,844	\$ 558,544

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

STATEMENT OF PLAN NET POSITION FIDUCIARY FUNDS - PENSION TRUST FUNDS

DECEMBER 31, 2020

	Police Pension Fund	General Employees DB Pension Fund	General Employees DC Pension Fund	Total Pension Funds
Assets				
Cash and cash equivalents	\$ 838,395	\$ 520,755	\$ -	\$ 1,359,150
Investments:				
Corporate bonds	1,427,173	1,221,891	-	2,649,064
Municipal bonds	1,215,369	973,660	-	2,189,029
Treasury bonds	-	-	-	-
Registered investment companies	-	-	119,953	119,953
Equities	6,441,533	5,304,607	-	11,746,140
Other:				
Accrued income receivable	33,960	28,760	-	62,720
Total Assets	9,956,430	8,049,673	119,953	18,126,056
Liabilities				
Pension benefits payable	-	-	-	-
Net Position Restricted For Pension Benefits	\$ 9,956,430	\$ 8,049,673	\$ 119,953	\$ 18,126,056

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS - PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2020

	Police Pension Fund	General Employees DB Pension Fund	General Employees DC Pension Fund	Total Pension Funds
Additions:				
Contributions:				
Employer (including state aid)	\$ -	\$ 148,212	\$ 17,254	\$ 165,466
Employee	52,562	51,605	17,254	121,421
Total contributions	52,562	199,817	34,508	286,887
Investment income (loss):				
Net appreciation (depreciation) in fair value of investments	756,670	618,215	16,293	1,391,178
Interest and dividends	219,898	182,577	-	402,475
Total investment income	976,568	800,792	16,293	1,793,653
Less investment expense	50,964	38,726	58	89,748
Net investment income (loss)	925,604	762,066	16,235	1,703,905
Total additions	978,166	961,883	50,743	1,990,792
Deductions:				
Benefits	87,275	335,959	1,878	425,112
Administrative expense	3,395	3,320	-	6,715
Total deductions	90,670	339,279	1,878	431,827
Change in Net Position	887,496	622,604	48,865	1,558,965
Net Position Restricted for Pension Benefits:				
Net position - beginning	9,068,934	7,427,069	71,088	16,567,091
Net position - ending	\$ 9,956,430	\$ 8,049,673	\$ 119,953	\$ 18,126,056

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

1. Summary of Significant Accounting Policies

Reporting Entity

The Borough of Fox Chapel (Borough) is located in western Pennsylvania, approximately six miles northeast of the City of Pittsburgh. The Borough was incorporated as a local government in 1934 and is governed under the Borough Code adopted by the Commonwealth of Pennsylvania in 1966. The Borough operates under the council-manager form of government. The Borough provides services in many areas to its residents, including various general government services, public safety, public works, recreation, community development, and sanitation.

Following is a brief description of the component units in accordance with applicable guidance, which is included within the financial reporting entity:

The Fox Chapel Sanitary Authority (Sanitary Authority) is blended into the Borough's financial statements because of the significance of its operational and financial relationship with the Borough. The Borough created the Sanitary Authority in 1960 for the purpose of financing and constructing a sanitary sewerage system throughout the Borough. The Sanitary Authority, which is governed by a five-member Board appointed by the Council, principally serves the residents of the Borough. Although the Sanitary Authority was deactivated at the end of 2017, it was reactivated on December 17, 2018, and granted the additional power to perform stormwater planning, management and implementation, and to levy and collect uniform rates as set forth in the PA Municipality Authorities Act.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Borough. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a particular function or segment. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within a current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pensions, and claims and judgments, are recorded only when payment is due.

Deferred inflows of resources reported on the governmental funds balance sheet arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues arise when resources are received by the Borough before it has legal claim to them, as when intergovernmental funds are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Borough has a legal claim to the resources, the unavailable revenue is removed as a deferred inflow of resources or the unearned revenue is removed as a liability and the revenue is recognized.

The accounts of the Borough are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities,

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

deferred inflows of resources, fund balance, revenues, and expenditures or expenses, as appropriate.

Governmental Funds:

The Borough presents the following major governmental funds:

General Fund

The General Fund is the principal operating fund of the Borough, which is used to account for all financial transactions except those required to be accounted for in other funds.

Highway Aid Fund

The Highway Aid Fund accounts for state aid revenues (liquid fuels tax) received from the Pennsylvania Department of Transportation for building and improving roads and bridges within the Borough.

Sewer Fund

The Sewer Fund was established to account for the operations of the Borough's sanitary sewer facilities. Such operations include collection of sewer user fees and expenditures for the operation and maintenance of the system, as well as, payments to the Allegheny County Sanitary Authority for treatment services provided.

Sanitary Authority Fund

The Sanitary Authority Special Revenue Fund reports the operations of the Sanitary Authority's General Fund, which currently consists of stormwater operations.

Capital Reserve Fund

The Capital Reserve Fund was established to control funds designated for specific capital expenditures and funds appropriated by the Council to provide for additions to and replacements of operating equipment and other capital assets.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Land Acquisition Fund

The Land Acquisition Fund was established for the accumulation of funds for future capital asset acquisition and construction by the Borough.

Interceptor Fund

The Interceptor Fund was established in 2014 to accumulate funds for a future capital improvement to the Squaw Run Interceptor as will be mandated by the Pennsylvania Department of Environmental Protection and the Allegheny County Health Department. A special quarterly sewer fee was adopted in 2014 to fund the project.

Fire Truck Fund

The Fire Truck Fund was established in 2015 to accumulate funds for the future purchase of a new fire truck through an annual appeal to Borough residents and institutions.

Parks Fund

The Parks Fund was established in 2019 to receive donations to repay the loan from the Borough used to purchase a 17-acre property on Old Mill Road that was the missing link in the Borough's trailway system.

K-9 Fund

The K-9 Fund was established in 2016 to accumulate donations for the future replacement of the K-9 or K-9 vehicle.

Emergency Infrastructure Fund

The Emergency Infrastructure Fund was established in 2020 to accumulate funds for future emergency infrastructure repairs.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Fiduciary Funds:

Pension Trust Funds

The Pension Trust Funds are used to account for assets held by the Borough in a trustee capacity for employee retirement. The Borough maintains three pension plans: defined benefit police, defined benefit, and defined contribution for general employees.

Budgets and Budgetary Accounting

An appropriated budget is adopted annually for the following funds on a basis consistent with accounting principles generally accepted in the United States of America: General, Highway Aid, Sewer, Interceptor, Capital Reserve, Land Acquisition, Fire Truck, Emergency Infrastructure, and Sanitary Authority Special Revenue Fund. The K-9 and Parks Funds had no legally adopted budget in 2020.

The Borough adopts its budget in accordance with the requirements of the Borough Code, in particular Article XIII; Act 185; the Local Government Unit Debt Act; and Act 511, the Local Tax Enabling Act. Specific requirements include:

1. The fiscal year shall coincide with the calendar year.
2. The budget for the following year must be adopted by the Council by December 31 of the current year.
3. Preparation of the budget must begin at least thirty (30) days prior to its adoption.
4. The proposed budget must be available for public inspection ten (10) working days prior to its adoption.
5. After January 1, the budget may not be amended, nor may the tax rates be changed except that amendments are permitted up to February 15 in the years following municipal elections.
6. Council may, in its reasonable discretion, modify the budget after its final adoption provided such modifications are within the current year's revenues or such additional monies as required therefore are promptly made available through borrowing as allowed by law. Minor modifications were made to the 2020 budget.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

All annual appropriations lapse at year-end. The level of control (level at which expenditures cannot legally exceed appropriations) over expenditures in budgeted funds is the surplus or deficit of the fund as a whole. Expenditures exceeded appropriations in the Sewer funds. The excess was covered by prior year fund balance.

Investments

Investments are stated at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair Value Measurements

The Borough categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Inventory

Inventory, consisting of mainly road department materials, is recorded as an expenditure when purchased. The inventory balance at December 31, 2020 was not material.

Interfund Receivables, Payables and Transfers

Interfunds receivable are considered to be available, expendable resources, and are reported as assets in the "due from other funds" account. Interfunds payable are considered to be committed expendable resources and are reported as liabilities in the "due to other funds" accounts. Interfund transactions occur for various reasons and are eliminated from the government-wide financial statements.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

The balances at December 31, 2020 are as follows:

	Due To	Due From
General Fund	\$ -	\$ 24,931
Sewer Fund	26,947	-
Interceptor Fund	-	26,947
Highway Aid	24,931	-
	<u>\$ 51,878</u>	<u>\$ 51,878</u>
	Transfer In	Transfer Out
General Fund	\$ 239,984	\$ 380,000
Sewer Fund	-	381,341
Interceptor Fund	362,841	-
Capital Reserve Fund	318,500	-
Highway Aid	-	239,984
Emergency Infrastructure Fund	80,000	-
	<u>\$ 1,001,325</u>	<u>\$ 1,001,325</u>

Compensated Absences

A liability for compensated absences is determined by the payments which would be available to employees if they would leave or retire from the Borough. These amounts are reflected as long-term liabilities in the government-wide statements unless retirements are likely within the upcoming fiscal year. Costs associated with retirements in the immediate succeeding year are reflected as current liabilities. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Net Position

The government-wide financial statements are required to report three components of net position:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

- **Restricted** – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets.
- **Unrestricted** – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. These levels are as follows:

- **Nonspendable** – This category represents funds that are not in spendable form.
- **Restricted** – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. This category includes funds that are legally restricted for stormwater management, road construction/maintenance, capital purchase/construction, and sewage infrastructure.
- **Committed** – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Borough Council. Such commitment is made via a Borough Council resolution and must be made prior to the end of the fiscal year. Removal of this commitment requires a Borough Council resolution. The Borough currently does not have any committed funds.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

- Assigned – This category represents intentions of the Borough Council to use the funds for specific purposes. Such assignment is made by the Borough Manager and Finance Director jointly. This category includes amounts set aside to balance the 2021 budget, capital purchases and construction, and the K-9 program.
- Unassigned – This category represents all other funds not otherwise defined.

The Borough's policy is to use funds in the order of the most restrictive to the least restrictive.

Capital Assets

Capital assets, which include land, buildings and improvements, furniture, machinery, equipment, infrastructure, and vehicles, are recorded at cost. To the extent the Borough's capitalization threshold of \$5,000 for non-infrastructure depreciable assets and \$500,000 per system for depreciable infrastructure assets is met, capital outlays are recorded and depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 40 years
Furniture and fixtures	7 - 10 years
Machinery and equipment	10 - 20 years
Infrastructure	10 - 50 years
Vehicles	2 - 20 years

Maintenance and repairs are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums are deferred and amortized over the life of the bonds.

Deferred Inflows and Outflows of Resources Related to Pensions

In conjunction with pension accounting requirements, the net difference between projected and actual investment earnings, changes in assumptions and the difference between expected and actual experience are recorded as a deferred inflow or outflow of resources related to pensions on the government-wide financial statements. These amounts are

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

determined based on the actuarial valuations performed for the Borough. Note 6 presents additional information about the Pension Plans.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Adoption of Pronouncement

Governmental Accounting Standards Board (GASB) Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*," provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The provisions of this statement have been adopted.

Pending Pronouncements

GASB has issued statements that will become effective in future years, including 87 (Leases), 89 (Accounting for Interest Cost), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 93 (Interbank Offered Rates), 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), and 97 (Deferred Compensation Plans). Management has not yet determined the impact of these statements on the financial statements.

2. Cash, Cash Equivalents, and Investments

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. government obligations, short-term commercial paper issued by a public corporation, banker's acceptances, insured or collateralized time deposits, and certificates of deposit. The statutes also allow the pooling of governmental funds for investment purposes. The deposit and investment policy of the Borough adheres to state statutes. Governmental funds are either maintained in demand deposits and certificates of deposit or invested with the Pennsylvania Local Government Investment Trust (PLGIT). There were no deposit or investment transactions during the year that were in violation of either the state statutes or the Borough's policy.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Deposits

The following is a description of the Borough's deposit risks:

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough's deposit policy limits the instruments which funds can be invested in to those requirements of the law as governed by the Pennsylvania Borough Code and the Pennsylvania Fiscal Code. As of December 31, 2020, \$750,000 of the Borough's \$3,211,922 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balance of \$2,461,922 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$3,102,365 as of December 31, 2020.

Investments

The Borough's cash equivalent investments in PLGIT are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The Borough's position in the external investment pool is the same as the value of the pool shares and is reported 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, regardless of the impact of fluctuating interest rates on the market value of the investment. The net asset value per share for the purpose of calculating the price at which shares are issued and redeemed is determined by the Administrator each banking day. Such determination is made by subtracting the liabilities from the value of the assets and dividing the remainder by the number of shares outstanding. PLGIT activities are invested directly in a portfolio of securities, which are held by a third-party custodian. All investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania. PLGIT annual audit is available on their website. The Borough can withdraw funds from the external investment pools, however, there are certain limitations placed on these withdrawals. For PLGIT-Class accounts, there is a one-day holding period. For PLGIT/Arm accounts, there is a minimum investment period of one day. For PLGIT/Prime accounts, there is a one-day holding period and a penalty for more than two withdrawals in a calendar month.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

As of December 31, 2020, the PLGIT bank balances totaled \$11,136,064, and book balances totaled \$11,130,401, which are considered to be a cash equivalent for presentation on the statement of net position and governmental funds balance sheet.

The following is a description of the Borough's investment risks:

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Borough has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2020, investments in PLGIT have received a AAA rating from Standard & Poor's.

Interest Rate Risk – The Borough has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments have an average maturity of less than one year.

Pension Trust Fund

The Pension Trust Funds' investments are held separately from those of other Borough funds. Assets in the pension trust funds are stated at fair value. Any premiums or discounts are recognized as a gain or loss upon disposition. The Borough maintains investment policies that summarize the investment philosophy of the Borough and establishes investment guidelines and performance objectives for both the Police and General Employees' Pension Plans.

The Pension Trust Funds are invested in various types of financial instruments. This diversification of the investment portfolio serves to assist in mitigating the various types of risks associated with different types of financial instruments. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments could occur in the near-term and that such a change could materially affect the amount reported on the combined statement of net position.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

As of December 31, 2020, the Borough had the following investments in its Pension Trust Funds:

Cash or Investment Type	Fair Value	Investment Maturities from December 31, 2020			
		Less Than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Corporate bonds	\$ 2,649,064	\$ 281,194	\$ 1,288,097	\$ 936,040	\$ 143,733
Municipal bonds	2,189,029	55,556	733,713	1,207,717	192,043
Total fixed income investments	4,838,093	\$ 336,750	\$ 2,021,810	\$ 2,143,757	\$ 335,776
Money market funds	1,359,150				
Corporate common stocks:					
Health Care	1,921,697				
Industrials	947,472				
Information technology	2,014,878				
Consumer staples	1,673,572				
Financial	1,272,949				
Energy	332,733				
Materials	550,908				
Telecommunication services	1,759,401				
Utilities	254,106				
Consumer discretionary	1,018,424				
Total corporate common stocks	11,746,140				
Registered investment companies	119,953				
Total cash and other investments	13,225,243				
Total cash and investments reported on the statement of plan net position	\$ 18,063,336				

The Borough's pension trust funds categorize its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The Borough's investments are all valued using quoted market prices (Level 1).

The following is a description of the Pension Trust Funds' investment risks:

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Pension Trust Funds formal investment policy limits its fixed income investment choices to a rating of median or better based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2020, 100% of the Pension Trust Funds' investments in money market funds received an AAAM rating from Standard & Poor's as of the latest rating available.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

As of December 31, 2020, the Borough had the following credit quality distribution for fixed income investments with credit exposure:

Rating (1)	Percentage of Total Fixed Income Investments with Credit Exposure
AAA	3.4%
AA1	8.8%
AA2	6.6%
AA3	4.1%
A1	1.8%
A2	2.5%
A3	2.4%
BAA1	20.2%
BAA2	21.6%
BAA3	6.9%
BA1	1.1%
Not rated	20.6%
Subtotal	100.0%

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the Pension Trust Funds will not be able to recover the value of their deposits or investments or collateral securities that are in the possession of an outside entity. The Pension Trust Funds do not have a formal deposit or investment policy for custodial credit risk. The Borough's investments in money market funds cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. As of December 31, 2020, the Borough's entire pension cash, cash equivalents, and investment balance of \$18,063,336 (bank and book balance) was exposed to custodial credit risk. All of the Borough's Pension Trust Fund investments were uninsured and held by the counterparty. The counterparty is a member of the Securities Investor Protection Corporation (SIPC), which provides insurance coverage up to \$500,000 of the net equity balance, including up to \$250,000 in cash, in the event the counterparty fails, owing the Borough cash and securities that are missing from their accounts. This coverage does not extend to losses incurred due to fraud, misrepresentation, or investment decisions.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the value of investments. The formal pension investment policies establish limits and requirements for diversification that serve to mitigate some of the investment risk involved.

3. Capital Assets

A summary of capital asset transactions during 2020 is as follows:

	January 1, 2020	Additions	Disposals	December 31, 2020
Capital assets, not being depreciated:				
Land	\$ 10,290,586	\$ -	\$ -	\$ 10,290,586
Construction in progress	1,031,888	457,454	-	1,489,342
Total capital assets, not being depreciated	11,322,474	457,454	-	11,779,928
Capital assets, being depreciated:				
Buildings and improvements	2,194,836	-	-	2,194,836
Furniture and equipment	389,209	7,926	14,825	382,310
Machinery and equipment	1,212,512	251,913	142,513	1,321,912
Vehicles	3,522,606	166,520	398,605	3,290,521
Infrastructure	7,336,403	1,561,115	-	8,897,518
Total capital assets, being depreciated	14,655,566	1,987,474	555,943	16,087,097
Less accumulated depreciation for:				
Buildings and improvements	1,379,831	42,413	-	1,422,244
Furniture and equipment	308,296	17,968	13,545	312,719
Machinery and equipment	684,918	72,632	70,933	686,617
Vehicles	1,783,838	194,996	396,213	1,582,621
Infrastructure	1,492,644	489,650	-	1,982,294
Total accumulated depreciation	5,649,527	817,659	480,691	5,986,495
Total capital assets, being depreciated, net	9,006,039	1,169,815	75,252	10,100,602
Total capital assets, net	\$ 20,328,513	\$ 1,627,269	\$ 75,252	\$ 21,880,530

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Depreciation expense for capital assets was allocated to the various functions as follows:

Administration	\$ 9,510
Borough building	46,025
Police department	45,998
Fire department	72,488
Code enforcement	6,324
Rubbish collection	114
Public works	622,003
Sewer system	10,270
Parks and recreation	4,927
Total depreciation expense	<u>\$ 817,659</u>

4. Real Estate Taxes

Real estate taxes attach as an enforceable lien on property as of January 1 and are levied on June 1. These taxes are billed and collected by an elected tax collector, who deputizes a professional tax collection company. Taxes paid through July 31 are reduced by a 2% discount. Amounts paid after September 30 are assessed a 10% penalty.

The Borough is permitted by the Borough Code of Pennsylvania to levy real estate taxes, not exceeding 30 mills for general Borough purposes. For 2020, Borough real estate taxes were levied at the rate of 2.95 mills for general purposes. The millage is applied to assessed market valuation as determined periodically by Allegheny County. Total assessed valuation, which approximates 100% of market value of assessed properties within the Borough, was \$1,213,503,141 for 2020.

5. Compensated Absences

The following is a summary of the change in compensated absences of the Borough for the year ended December 31, 2020:

	Amount Payable as of January 1, 2020	Change in Payable	Amount Payable as of December 31, 2020
Compensated absences	<u>\$ 234,470</u>	<u>\$ (4,291)</u>	<u>\$ 230,179</u>

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

6. Pension Plans

Summary of Significant Accounting Policies

Financial information of the defined benefit General Employee and Police pension plans (Plans) and the defined contribution General Employee plan are presented on the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. Employer contributions to the Plans are recognized when due as required by applicable law. Investments of the Plans are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price.

Plan Descriptions

The Plans are single-employer, defined benefit plans established under the provisions of Act 205 of 1984 of the Commonwealth of Pennsylvania (Act). The Plans cover all full-time employees. The Plans are governed by Borough Council, which has delegated the authority to manage certain Plan assets to the Borough Manager. Plan provisions and contribution requirements are established and may be amended by Borough Council. The activity of the Plans is reported as the Pension Trust Funds in the accompanying financial statements. Separate plan financial statements are not available. In 2014, Council added a defined contribution (DC) sub-plan to the General Employees Plan and closed the defined benefit (DB) sub-plan to new participants. All full-time, non-uniform new hires will be directed into the defined contribution plan.

At December 31, 2020, Plan membership consisted of the following:

	General Employees DB	General Employees DC	Police
Inactive plan members or beneficiaries currently receiving benefits	13	-	5
Inactive plan members entitled to but not yet receiving benefits	-	-	2
Active plan members	10	5	9
Total plan members	23	5	16

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Benefits Provided – General Employees Defined Benefit Plan

Participants in the General Employees Defined Benefit Plan are 100% vested after three years of service. The General Employees Defined Benefit Plan provides the following benefits:

Retirement Benefit – A participant is entitled to begin receiving retirement benefits after attaining age 65 and completing 10 years of service. The monthly retirement benefit is 50% of the participant's final average monthly compensation earned during the last 36 months of employment. Each participant who was hired prior to January 1, 1992 and who shall retire after completion of at least 40 years of service may be eligible to receive a monthly service increment equal to 1.25% of the participant's final average monthly compensation for each completed year of service in excess of 40 years.

Disability Benefit – If a participant becomes totally and permanently disabled and has completed five years of service, the participant is entitled to receive a monthly disability benefit. The scheduled benefit is 50% of the participant's salary at the time the disability was incurred.

Death Benefit – If a participant's death occurs before retirement eligibility, the participant's beneficiary receives a refund of contributions made by the participant, plus interest. If a participant shall die as a direct result and in the service of employment, a survivor benefit shall be paid to the surviving spouse in an amount equal to 50% of the participant's salary as of the date of death. If a participant shall die after completing at least three years of service, a survivor benefit shall be paid to the surviving spouse in an amount equal to the survivor portion of the participant's accrued benefit, reduced for early commencement, converted to a joint and fifty percent annuity. This survivor benefit shall be paid monthly until the death of the spouse shall occur. If a participant shall die after the participant is eligible to retire but before the retirement benefits commence, the beneficiary shall be eligible to receive a lump sum distribution of an amount equal to the accumulated contributions of the participant as of the date of death of the participant.

Benefits Provided - General Employees Defined Contribution Plan

All participants in the General Employees Defined Contribution Plan shall at all times be fully vested in his/her participant contribution account and rollover amounts. The participant shall be fully vested in the employer contribution account after three years of service. The General Employees Defined Contribution Plan provides the following benefits:

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Retirement Benefit – A participant is entitled to begin receiving retirement benefits after attaining age 65. The scheduled benefit shall be equal to 100% of his/her account as of the appropriate valuation date coincident with or following the participant's attainment of age 65. The benefit will be paid as a single-sum distribution.

Death Benefit – Upon the beneficiary's election, benefits payable by reason of the death of the participant shall be paid within one year of the date of the participant's death in a single sum.

The General Employees Defined Contribution Plan had assets of \$119,953 at December 31, 2020.

Benefits Provided – Police Plan

Participants in the Police Plan are 100% vested after 12 years of service. The Police Plan provides the following benefits:

Retirement Benefit – A participant is entitled to begin receiving retirement benefits after completing 25 years of service and attaining age 55. The scheduled monthly retirement benefit is 50% of the participant's final average monthly compensation earned during the last 36 months of employment.

Disability Benefit – If a participant becomes totally and permanently disabled in the line of duty and which qualifies for Social Security disability, the participant is entitled to receive a monthly disability benefit. The scheduled benefit is 50% of the participant's salary at the time the disability was incurred, offset by Social Security disability benefits for the same injury.

Death Benefit – If a participant's death occurs before retirement eligibility, the participant's beneficiary receives a refund of contributions made by the participant, plus interest, reduced by the amount of any disability benefits the participant may have received. If a participant shall die after commencement of benefit payments or after becoming eligible to receive benefit payments, a survivor benefit shall be paid to the surviving spouse or dependent children of the participant equal to 50% of the benefit the participant was receiving or was eligible to receive as of the date of death. The survivor benefit shall be paid to the surviving spouse until the date of death of the surviving spouse. Upon the death of the surviving spouse, the survival benefit shall be paid monthly in equal shares to the surviving dependent children of the deceased participant until attainment of age 18 or if attending college, until attaining the age of 23.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

On December 18, 2017, the Borough adopted Resolution 618 which amended the Police Pension Plan to add a Deferred Retirement Option Plan (DROP) for all full-time police officers of the Borough. The DROP provides an optional form of benefit to members of the Police Pension Plan who have met the age and service eligibility requirements for normal retirement. Any eligible member may elect to participate in the DROP by retiring for pension purposes and specifying a future termination date not more than three years from the effective date of the DROP election. The monthly pension benefit is calculated at the date of election and credited to a separate ledger account for the period of DROP participation along with interest at the rate earned by the money market account within the Plan compounded and credited monthly. The rate of interest shall not be less than 0% nor more than 4.5% per year until participation ends. A member may change the DROP termination date to an earlier date without penalty.

During 2020, two eligible plan members participated in the DROP program and, under the terms of the Resolution, were considered retired for pension purposes. The monthly pension benefit was calculated and is being created to a separate ledger account, with interest. Included in the cash and cash equivalents on the statement of net position - Pension Trust Funds is \$223,750 in DROP accounts.

Contributions and Funding Policy

The Plans are funded by the Borough on an annual basis pursuant to the provisions of the Act. The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. Employees are not required to contribute under the Act; such contributions are subject to collective bargaining. The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirement established by the MMO, which exceeds the Commonwealth of Pennsylvania allocation, must be funded by the Borough and could include employee contributions.

Under the terms of the Plans, all participating employees are required to contribute up to 5% of total wages reported by the Borough, unless waived by the Borough. Contributions for the Police Plan were 5% in 2020. Contributions for the General Employees Plan were also 5% for 2020 for both the DB and DC plans.

During 2020, the required MMOs for the Police Plan and General Employees Defined Benefit Plan were \$0 and \$148,212, respectively. The Borough contributed the funds necessary to meet the required MMOs. During 2020, the Borough contributed \$17,254 to the General Employees Defined Contribution Plan.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Administrative costs, including investment, custodial, trustee, and actuarial services are charged to the appropriate plan and funded from investment earnings.

Net Pension Liability (Asset)

The components of the net pension liability (asset) of the Plans at December 31, 2020 were as follows:

	General Employees	Police
Total pension liability	\$ 7,258,319	\$ 7,181,383
Plan fiduciary net position	(8,049,673)	(9,956,429)
Net pension liability (asset)	<u>\$ (791,354)</u>	<u>\$ (2,775,046)</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	<u>110.90%</u>	<u>138.64%</u>

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Changes in the Net Pension Liability (Asset)

The changes in the net pension liability (asset) of the Borough's Plans for the year ended December 31, 2020 were as follows:

General Employees DB Plan

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2019	\$ 6,974,553	\$ 7,427,069	\$ (452,516)
Changes for the year:			
Service cost	133,707	-	133,707
Interest	486,018	-	486,018
Differences between expected and actual	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	148,212	(148,212)
Contributions - employee	-	51,605	(51,605)
Net investment income	-	800,792	(800,792)
Benefit payments, including refunds	(335,959)	(335,959)	-
Administrative expense	-	(42,046)	42,046
Other changes	-	-	-
Net changes	283,766	622,604	(338,838)
Balances at December 31, 2020	\$ 7,258,319	\$ 8,049,673	\$ (791,354)

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Police Pension Plan

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2019	\$ 6,626,839	\$ 9,068,934	\$ (2,442,095)
Changes for the year:			
Service cost	169,106	-	169,106
Interest	472,713	-	472,713
Differences between expected and actual	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	-	-
Contributions - employee	-	52,562	(52,562)
Net investment income	-	976,567	(976,567)
Benefit payments, including refunds	(87,275)	(87,275)	-
Administrative expense	-	(54,359)	54,359
Other changes	-	-	-
Net changes	554,544	887,495	(332,951)
Balances at December 31, 2020	<u>\$ 7,181,383</u>	<u>\$ 9,956,429</u>	<u>\$ (2,775,046)</u>

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation performed on January 1, 2019, and rolled forward to December 31, 2020, using the following actuarial assumptions, applied to all periods in the measurement:

	General Employees DB	Police
Actuarial assumptions:		
Investment rate of return	7.0%	7.0%
Projected salary increases	4.5%	5.0%
Underlying inflation rate	2.75%	2.75%

Mortality assumptions for the General Employees Plan are based on the RP-2014 Mortality Table, with rates set forward 5 years for disabled lives. Mortality assumptions for the Police Plan are based on the RP-2014 Mortality Table with 50% of Blue Collar Adjustment, with rates set forward 5 years for disabled members. Mortality improvement for both Plans is derived from the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Investment Policy – The Plans’ policies in regard to the allocation of invested assets is established and may be amended by Borough Council by a majority vote of its members. It is the policy of Borough Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plans’ investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Long-Term Expected Rate of Return – The long-term expected rate of return on 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Plans’ target asset allocation as of December 31, 2020:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	General Employees	Police	General Employees	Police
Domestic equity	65.0%	65.0%	5-7%	5-7%
Fixed income	30.0%	30.0%	2-4%	2-4%
Cash and equivalents	5.0%	5.0%	0-1%	0-1%
	<u>100.0%</u>	<u>100.0%</u>		

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2020, the annual money-weighted rate of return on the General Employees and Police Pension Plan investments, net of investment expense, was 10.96% and 10.82%, respectively.

Concentrations – There were no individual investments that constituted more than 5% of plan net position as of December 31, 2020.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Discount Rate – The discount rate used to measure the total pension liability for both Plans was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Borough's contributions will be made based on the yearly MMO calculation. Based on those assumptions, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the net pension liability (asset) of the Plans calculated using the discount rates described above, as well as what the Plans' net pension liabilities (assets) would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
General Employees Plan	\$ (123,232)	\$ (791,354)	\$ (1,372,104)
Police Plan	\$ (1,951,318)	\$ (2,775,046)	\$ (3,467,059)

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Pension Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2020, the Borough recognized pension expense of \$(535,126). At December 31, 2020, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>General Employees</u>	<u>Police</u>
<u>Deferred Outflow of Resources:</u>		
Changes in assumption	\$ 55,392	\$ 26,944
Net difference between projected and actual earnings on pension plan investments	216,608	259,108
Total deferred outflows of resources	<u>\$ 272,000</u>	<u>\$ 286,052</u>
	<u>General Employees</u>	<u>Police</u>
<u>Deferred Inflows of Resources:</u>		
Differences between expected and actual experience	\$ 104,819	\$ 408,799
Net difference between projected and actual earnings on pension plan investments	785,329	938,533
Total deferred inflows of resources	<u>\$ 890,148</u>	<u>\$ 1,347,332</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31:</u>	
2021	\$ (592,680)
2022	(393,043)
2023	(566,823)
2024	(126,882)
Total	<u>\$ (1,679,428)</u>

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

7. Long-Term Debt

In 2019, the Borough issued General Obligation Bonds, Series 2019 to acquire land for a public park and its development, construct a Public Works garage, renovate existing facilities, reimburse related site improvements including stormwater management, and pay the cost of issuing the bonds. The bonds are secured by a pledge of full faith, credit, and taxing power of Borough. In the event of failure to pay principal and interest when due that exceeds thirty days, any bond holder may bring suit for the amount due.

Issue: General Obligation Bonds of 2019

Date: August 8, 2019

Proceeds: \$5,195,000

Bond premium: \$303,972

Bond term: 25 years

Interest rate: 1.34% - 2.58%

Maximum annual debt service: \$321,600

Average annual debt service: \$320,210

Long-term debt activity for the year ended December 31, 2020 was as follows:

	Amounts Payable as of January 1, 2020			Increases		Decreases		Amounts Payable as of December 31, 2020		Due Within One Year
G.O. Bond	\$	5,195,000	\$	-	\$	(140,000)	\$	5,055,000	\$	135,000

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Annual debt service requirements to maturity for the General Obligation Bonds of 2019 are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 135,000	\$ 184,750	\$ 319,750
2022	140,000	178,000	318,000
2023	150,000	171,000	321,000
2024	155,000	163,500	318,500
2025	165,000	155,750	320,750
2026-2030	900,000	701,500	1,601,500
2031-2035	1,035,000	558,850	1,593,850
2036-2040	1,215,000	378,950	1,593,950
2041-2044	1,160,000	118,000	1,278,000
	<u>\$ 5,055,000</u>	<u>\$ 2,610,300</u>	<u>\$ 7,665,300</u>

8. Contingent Liabilities

Various claims and lawsuits are pending against the Borough. The ultimate outcome of these claims and lawsuits cannot presently be determined and, accordingly, no provision for amounts arising from settlements has been made in these financial statements. In the opinion of management and legal counsel, the effect on the financial statements of potential losses or gains on any claim and/or lawsuit should not be material.

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; environmental and cyber liability; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

In June 2013, Borough Council adopted the Administrative Consent Order (ACO) Feasibility Study Report (Report) which was then submitted to the Allegheny County Health Department (ACHD), PA DEP, and the Allegheny County Sanitary Authority (ALCOSAN). The report concluded a need for 2.6 miles of repairs of sewer pipe in the upper reaches of the sanitary sewer system and 2.5 miles of sewer main upsizing. The cost of these repairs totals \$10.7 million. The report determined that construction of the sewer main should commence in late 2024. Borough Council concluded that work on the repairs to the sewer

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

pipes should begin in 2014 and progress until completed. Borough Council has calculated the sewer rates needed to fund these projects and increased the rates accordingly. ACHD has verified that the Feasibility Study Report meets the criteria required.

A part of the ALCOSAN Consent Decree negotiations relates to “Regionalization” in which ALCOSAN proposes to assume ownership, operation, maintenance and potential future wet weather capacity, augmentation responsibilities “multi-municipal conveyance sewers greater than 10” in diameter”. The current “Regionalization” scope of work includes a significant amount of trunk sewers in Fox Chapel including those referenced in the June 2013 report. Therefore, the Borough may need to revise its Feasibility Study Report. In December 2014, Fox Chapel asked the ACHD for an extension to the ACO. In response to several requests from municipalities for an ACO extension, ACHD/PADEP concluded that the ACO has lapsed and required the municipalities to sign a Phase 1 Consent Order and Agreement (Phase 1 COA) with the ACHD. Fox Chapel signed the Phase 1 COA in December 2015. The Phase 1 COA, following specific provisions outlined therein, requires a “Source Flow Reduction Study” be conducted in the municipal collection/conveyance system in fiscal years 2016/2017 with submittal to the ACHD by December 2017. On November 30, 2016, the Borough submitted a progress report describing actions taken toward achieving compliance with the Phase 1 COA. The ACHD, by letter dated January 13, 2017, determined that the progress report met the minimum requirements of the COA. In November 2017, Borough Council adopted Resolution No. 617 approving Phase 1 Consent Order and Agreement Source Flow Adoption Study and the Borough submitted the same to the regulators.

DEP has issued a series of approvals of the Borough’s corrective action plan since 2018. The most recent extension expires June 2021. The Borough follows the mandates of the COA, and we expect to be able meet the requirements of the next COA.

9. Cooper-Siegel Community Library

In 2010, the Library Authority entered into a lease rental agreement with Community Library Association (CLA) for site rental payments. CLA will pay the Borough, \$30,000 per year for the term of the lease. The payments commence on February 1, 2012 and continue for 99 years. The parties reserve the right to renegotiate financial terms every 10 years. As a result of the termination of the Library Authority, the Borough assumed the lease during 2018.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

As part of an agreement dated April 15, 2010, the Borough agreed to contribute to CLA the sum of not less than \$350,000 per year for the operation of the library. In the year 2018, the minimum amount increased to \$390,000. The Borough's commitment may be reduced in the event contributions by other municipalities result in the Borough's appointees to the Board of CLA having less than a majority vote on the Board of CLA. During 2020 the Borough's contribution was reduced as the CLA received a Payroll Protection Program Loan to assist with operations. The Borough contributed \$325,000 to CLA during 2020.

10. Risks and Uncertainties

The coronavirus pandemic remains a rapidly evolving situation. The extent of the impact of the coronavirus on the Borough and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Borough operates, the related impact on the federal budget, and the state of Pennsylvania's budget, all of which are highly uncertain.

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN DISCLOSURES**

BOROUGH OF FOX CHAPEL

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN

SCHEDULE OF CHANGES IN THE BOROUGH'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

GENERAL EMPLOYEES PLAN

YEARS ENDED DECEMBER 31

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:							
Service cost	\$ 133,707	\$ 127,949	\$ 135,290	\$ 147,234	\$ 144,762	\$ 138,528	\$ 120,711
Interest	486,018	466,708	457,378	439,568	413,239	396,681	392,362
Differences between expected and actual experience	-	(138,502)	-	(175,699)	-	(47,630)	-
Changes of assumptions	-	-	-	301,572	-	259,303	-
Benefit payments, including refunds of member contributions	(335,959)	(313,532)	(313,532)	(327,107)	(293,887)	(315,537)	(298,768)
Net Changes in Total Pension Liability	283,766	142,623	279,136	385,568	264,114	431,345	214,305
Total Pension Liability - Beginning	6,974,553	6,831,930	6,552,794	6,167,226	5,903,112	5,471,767	5,257,462
Total Pension Liability - Ending (a)	\$ 7,258,319	\$ 6,974,553	\$ 6,831,930	\$ 6,552,794	\$ 6,167,226	\$ 5,903,112	\$ 5,471,767
Plan Fiduciary Net Position:							
Contributions - employer	\$ 148,212	\$ 184,217	\$ 178,298	\$ 168,878	\$ 167,392	\$ 198,297	\$ 154,546
Contributions - member	51,605	54,767	54,803	52,444	54,893	55,140	54,816
Net investment income	800,792	1,223,333	(90,353)	811,249	488,228	(55,569)	405,315
Benefit payments, including refunds of member contributions	(335,959)	(313,532)	(313,532)	(327,107)	(293,887)	(315,537)	(298,768)
Administrative expense	(42,046)	(44,866)	(40,087)	(41,525)	(35,874)	(6,522)	(2,652)
Net Change in Plan Fiduciary Net Position	622,604	1,103,919	(210,871)	663,939	380,752	(124,191)	313,257
Plan Fiduciary Net Position - Beginning	7,427,069	6,323,150	6,534,021	5,870,082	5,489,330	5,613,521	5,300,264
Plan Fiduciary Net Position - Ending (b)	\$ 8,049,673	\$ 7,427,069	\$ 6,323,150	\$ 6,534,021	\$ 5,870,082	\$ 5,489,330	\$ 5,613,521
Net Pension Liability (Asset) - Ending (a-b)	\$ (791,354)	\$ (452,516)	\$ 508,780	\$ 18,773	\$ 297,144	\$ 413,782	\$ (141,754)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	110.90%	106.49%	92.55%	99.71%	95.18%	92.99%	102.59%
Covered Payroll	\$ 958,750	\$ 1,096,049	\$ 1,159,521	\$ 1,023,960	\$ 1,077,766	\$ 1,096,317	\$ 1,060,144
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-82.54%	-41.29%	43.88%	1.83%	27.57%	37.74%	-13.37%

See accompanying notes to schedules of
required supplementary information - pension plan.

BOROUGH OF FOX CHAPEL

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN

SCHEDULE OF CHANGES IN THE BOROUGH'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

POLICE PLAN

YEARS ENDED DECEMBER 31

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:							
Service cost	\$ 169,106	\$ 161,053	\$ 154,474	\$ 147,118	\$ 134,755	\$ 143,036	\$ 145,430
Interest	472,713	436,940	443,250	411,974	400,442	376,262	390,672
Differences between expected and actual experience	-	(590,532)	-	(378,701)	-	(496,451)	-
Changes of assumptions	-	-	-	146,700	-	286,185	-
Benefit payments, including refunds of member contributions	(87,275)	(102,482)	(105,285)	(133,544)	(167,505)	(163,733)	(150,753)
Net Changes in Total Pension Liability	554,544	(95,021)	492,439	193,547	367,692	145,299	385,349
Total Pension Liability - Beginning	6,626,839	6,721,860	6,229,421	6,035,874	5,668,182	5,522,883	5,137,534
Total Pension Liability - Ending (a)	\$ 7,181,383	\$ 6,626,839	\$ 6,721,860	\$ 6,229,421	\$ 6,035,874	\$ 5,668,182	\$ 5,522,883
Plan Fiduciary Net Position:							
Contributions - employer	\$ -	\$ -	\$ 4,161	\$ 39,632	\$ 35,992	\$ 56,643	\$ 50,760
Contributions - member	52,562	53,470	57,892	56,826	55,385	53,762	51,767
Net investment income	976,567	1,475,229	(98,843)	979,577	598,625	(67,563)	479,168
Benefit payments, including refunds of member contributions	(87,275)	(102,482)	(105,285)	(133,544)	(167,505)	(163,733)	(150,753)
Administrative expense	(54,359)	(53,237)	(50,581)	(48,835)	(41,966)	(6,495)	(2,478)
Net Change in Plan Fiduciary Net Position	887,495	1,372,980	(192,656)	893,656	480,531	(127,386)	428,464
Plan Fiduciary Net Position - Beginning	9,068,934	7,695,954	7,888,610	6,994,954	6,514,423	6,641,809	6,213,345
Plan Fiduciary Net Position - Ending (b)	\$ 9,956,429	\$ 9,068,934	\$ 7,695,954	\$ 7,888,610	\$ 6,994,954	\$ 6,514,423	\$ 6,641,809
Net Pension Liability (Asset) - Ending (a-b)	\$ (2,775,046)	\$ (2,442,095)	\$ (974,094)	\$ (1,659,189)	\$ (959,080)	\$ (846,241)	\$ (1,118,926)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	138.64%	136.85%	114.49%	126.63%	115.89%	114.93%	120.26%
Covered Payroll	\$ 1,051,224	\$ 1,093,127	\$ 1,136,519	\$ 1,107,694	\$ 1,075,239	\$ 1,052,638	\$ 1,019,032
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-263.98%	-223.40%	-85.71%	-149.79%	-89.20%	-80.39%	-109.80%

See accompanying notes to schedules of
required supplementary information - pension plan.

BOROUGH OF FOX CHAPEL

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN

SCHEDULES OF BOROUGH'S CONTRIBUTIONS AND INVESTMENT RETURNS

LAST TEN YEARS

GENERAL EMPLOYEES PLAN:

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Schedule of Borough's Contributions										
Actuarially determined contribution	\$ 148,212	\$ 184,217	\$ 178,298	\$ 168,878	\$ 167,392	\$ 158,297	\$ 154,546	\$ 142,096	\$ 140,641	\$ 112,908
Contributions in relation to the actuarially determined contribution	148,212	184,217	178,298	168,878	167,392	198,297	154,546	142,096	140,641	179,643
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (40,000)	\$ -	\$ -	\$ -	\$ (66,735)
Covered payroll	\$ 958,750	\$ 1,096,049	\$ 1,159,521	\$ 1,023,960	\$ 1,077,766	\$ 1,096,317	\$ 1,060,144	\$ 1,016,534	\$ 1,006,620	\$ 1,034,125
Contributions as a percentage of covered payroll	15.46%	16.81%	15.38%	16.49%	15.53%	18.09%	14.58%	13.98%	13.97%	17.37%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	10.96%	19.64%	-1.40%	14.07%	9.03%	-0.42%	8.38%	n/a	n/a	n/a

POLICE PLAN:

Schedule of Borough's Contributions										
Actuarially determined contribution	\$ -	\$ -	\$ 4,161	\$ 39,632	\$ 35,992	\$ 56,643	\$ 50,760	\$ 42,196	\$ 42,815	\$ 44,214
Contributions in relation to the actuarially determined contribution	-	-	4,161	39,632	35,992	56,643	50,760	42,196	42,815	44,214
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,051,224	\$ 1,093,127	\$ 1,136,519	\$ 1,107,694	\$ 1,075,239	\$ 1,052,638	\$ 1,019,032	\$ 1,120,451	\$ 1,062,076	\$ 999,493
Contributions as a percentage of covered payroll	0.00%	0.00%	0.37%	3.58%	3.35%	5.38%	4.98%	3.77%	4.03%	4.42%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	10.82%	19.29%	-1.26%	14.11%	9.25%	-0.45%	8.37%	n/a	n/a	n/a

n/a - Information not available prior to implementation of the GASB

See accompanying notes to schedules of
required supplementary information - pension plan.

BOROUGH OF FOX CHAPEL

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN

YEAR ENDED DECEMBER 31, 2020

The information presented in the “Required Supplementary Information – Pension Plan” was determined as part of the actuarial valuations at the dates indicated. Methods and assumptions used to determine contribution rates are as follows:

	General Employees	Police
Actuarial valuation date	1/1/2019	1/1/2019
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Open
Asset valuation method	4 year Smoothing	4 year Smoothing
Amortization period	12 years	N/A
Actuarial assumptions:		
Investment rate of return	7.00%	7.00%
Projected salary increases	4.50%	5.00%
Underlying inflation rate	2.75%	2.75%

Benefit Changes

General Employees Plan

No benefit changes were recognized for the January 1, 2019 actuarial valuation.

Police Plan

No benefit changes were recognized for the January 1, 2019 actuarial valuation.

BOROUGH OF FOX CHAPEL

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN

YEAR ENDED DECEMBER 31, 2020

Change in Actuarial Assumptions

General Employees Plan

No actuarial assumption changes were recognized for the January 1, 2019 valuation.

Police Plan

No actuarial assumption changes were recognized for the January 1, 2019 valuation.

SUPPLEMENTARY INFORMATION

BOROUGH OF FOX CHAPEL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CAPITAL RESERVE FUND

YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Interest, rents, and royalties	\$ 24,000	\$ 24,000	\$ 7,709	\$ (16,291)
Contributions	-	-	78,479	78,479
Miscellaneous	57,000	57,000	81,905	24,905
Total revenues	81,000	81,000	168,093	87,093
Expenditures:				
Capital outlay:				
Administration	8,000	8,000	7,926	74
Borough building	25,000	25,000	-	25,000
Police department	59,800	59,800	65,396	(5,596)
Fire department	22,200	22,200	22,156	44
Public works	139,900	139,900	113,252	26,648
Parks and recreation	-	-	78,478	(78,478)
Total expenditures	254,900	254,900	287,208	(32,308)
Excess (Deficiency) of Revenues Over Expenditures	(173,900)	(173,900)	(119,115)	54,785
Other Financing Sources (Uses):				
Operating transfers in	318,500	318,500	318,500	-
Total other financing sources (uses)	318,500	318,500	318,500	-
Net Change in Fund Balance	\$ 144,600	\$ 144,600	\$ 199,385	\$ 54,785

BOROUGH OF FOX CHAPEL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LAND ACQUISITION FUND

YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Interest, rents, and royalties	\$ 60,000	\$ 60,000	\$ 35,773	\$ (24,227)
Contributions	-	-	4,000	4,000
Total revenues	60,000	60,000	39,773	(20,227)
Expenditures:				
Administration	-	-	367	(367)
Borough building	125,000	125,000	4,357	120,643
Capital Outlay	1,532,900	1,532,900	457,455	1,075,445
Total expenditures	1,657,900	1,657,900	462,179	1,195,721
Excess (Deficiency) of Revenues Over Expenditures	(1,597,900)	(1,597,900)	(422,406)	1,175,494
Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	<u>\$ (1,597,900)</u>	<u>\$ (1,597,900)</u>	<u>\$ (422,406)</u>	<u>\$ 1,175,494</u>

BOROUGH OF FOX CHAPEL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

INTERCEPTOR FUND

YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Interest, rents, and royalties	\$ 46,000	\$ 46,000	\$ 15,884	\$ (30,116)
Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	46,000	46,000	15,884	(30,116)
Other Financing Sources (Uses):				
Operating transfers in	362,500	362,500	362,841	341
Net Change in Fund Balance	<u>\$ 408,500</u>	<u>\$ 408,500</u>	<u>\$ 378,725</u>	<u>\$ (29,775)</u>

BOROUGH OF FOX CHAPEL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FIRE TRUCK FUND

YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Interest, rents, and royalties	\$ 1,000	\$ 1,000	\$ 397	\$ (603)
Donations from private sources	70,000	70,000	81,002	11,002
Total revenues	71,000	71,000	81,399	10,399
Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	71,000	71,000	81,399	10,399
Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	<u>\$ 71,000</u>	<u>\$ 71,000</u>	<u>\$ 81,399</u>	<u>\$ 10,399</u>

BOROUGH OF FOX CHAPEL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

EMERGENCY INFRASTRUCTURE FUND

YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Interest, rents, and royalties	\$ -	\$ -	\$ 4	\$ 4
Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	4	4
Other Financing Sources (Uses):				
Operating transfers in	80,000	80,000	80,000	-
Net Change in Fund Balance	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 80,004</u>	<u>\$ 4</u>