

# **Borough of Fox Chapel**

## **Financial Statements and Required Supplementary and Supplementary Information**

**Year Ended December 31, 2017  
with Independent Auditor's Report**

**MaherDuessel**

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# BOROUGH OF FOX CHAPEL

YEAR ENDED DECEMBER 31, 2017

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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, 2017, 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, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Highway Aid Fund, and the Sewer Fund 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 xvii and 40 through 44 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.

*Maheer Duessel*

Pittsburgh, Pennsylvania  
April 18, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Borough of Fox Chapel (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.

This section of the Fox Chapel financial report presents a narrative overview and analysis of the Borough's financial performance for the fiscal year ended December 31, 2017. Please read this management and discussion in conjunction with the accompanying financial statements and notes which follow in order to obtain a thorough understanding of the Borough's financial condition at December 31, 2017.

### **FINANCIAL HIGHLIGHTS**

- In 2017, the Borough's total net position increased by \$895,480 to \$23.95M, an increase of 3.9%.
- The total fund balance of the Borough increased by \$1.78M, an increase of 34.9%.
- The fund balance of the General Fund on December 31, 2017 was \$2,470,459, of which \$444,300 was assigned for use in the 2018 budget and \$2,026,159 remained unassigned. In 2017, the fund balance in the General Fund increased by \$741,913, or 42.9%.
- Total revenue in all budgeted funds was \$130,063 over budget due to increases in earned income tax in the General Fund. Total expense in all budgeted funds was \$1.4M under budget due to significant General Fund savings in public works and Sewer Fund savings in sewer repairs. Unbudgeted funds include: Sanitary Authority, Library Authority, Fire Truck and K-9 Funds.
- The total assessed valuation of the Borough on December 31, 2017 was \$1,190,507,421, an increase of \$9.5M or 0.80%, from the valuation on December 31, 2016 bringing in an additional \$21,500 in real estate tax revenue. Earned income tax and real estate tax were the primary sources of income in 2017 at 33% and 30%, respectively, followed by charges for services at 25%. In 2017, the Borough real estate tax millage was unchanged at 2.5 mills for general purposes. The maximum general millage permitted by PA Borough Code is 30 mills.
- The earned income tax rate remained at 0.5% with 2017 estimated tax (accrual) increasing by \$585,756 over 2016 estimated tax, an increase of 21.6% due to improved economic conditions.
- In 2017, combined pension plan net position increased by \$1,571,626, or 12.2%, over 2016 due to investment gains. The defined benefit Police Plan has a net pension asset of \$1,659,189 and the defined benefit portion of the General Employees Plan has a net pension liability of \$18,773. The pension plan fiduciary net position as a percentage of the total pension liability for the General Employees and Police Plans was 99.71% and 126.63%, respectively.

- At December 31, 2017, the Borough has no outstanding debt.
- Major capital purchases in 2017 included a sit-on leaf machine and 5 portable radios.
- Due to the deteriorating condition of the Borough's public works facilities, plans have been developed to construct new facilities at a projected cost of \$5M in the present location behind the Borough building. Design possibilities were being hampered by the size of the Borough's available property in this location. During 2016, a home on an adjacent piece of property was listed for sale. The Borough purchased the home for \$713,829, changed the lot lines to add a piece of property to the public works site, and listed the home and remaining property for sale. In 2017, the home and property were sold for \$428,740, and a loss of \$312,417 was recorded (including taxes, utilities, and maintenance for 2017). However, the Borough expects to save at least \$500,000 on the future construction of new public works facilities due to design changes made possible by the additional piece of land that will save construction costs and improve functionality. The purchase will also provide land for 10 additional parking spaces at the library adjacent to the municipal building.
- Borough roads are in average condition with some requiring extensive drainage work in the future. A long-term road rebuilding and paving program was adopted by Council in 2012 that required an increase of \$500,000 or more annually to the road paving/drainage budgets. In 2017, approximately \$740,700 was spent on road paving and drainage. The Borough bids contracted road paving jointly with O'Hara Township to attract larger paving companies and get lower bids due to volume. The public works crew has been saving the Borough \$200,000 per year doing the drainage work in-house rather than paying a contractor.
- 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 \$10.7M. Borough Council concluded that work on the repairs to the sewer pipes should begin in 2014 and progress until completed. Borough Council calculated the sewer rates needed to fund these projects and increased the rates accordingly. The 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 augmentation responsibilities for "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 Borough including those referenced in the June 2013 Report. Therefore, the Borough may need to revise its Feasibility Study Report. In December 2014, Fox Chapel Borough 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 I Consent Order and Agreement (Phase I COA) with the ACHD. Fox Chapel signed the Phase I COA in December 2015. The Phase I COA, following specific provisions outlined therein, requires a "Source Flow Reduction Study" be conducted in the municipal collection/conveyance system in FY 2016/FY2017 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 the Phase 1 Consent Order and Agreement Source Flow Adoption Study and submitted the same to the regulators.



## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of three parts: management's discussion and analysis, the basic financial statements (including notes to the financial statements) and budgetary comparisons of individual fund statements. The basic financial statements present two different views of the Borough through the use of government-wide statements and fund financial statements:

- The first two statements (pages 1-2) are government-wide financial statements that provide long-term and short-term information about the Borough's overall financial status, as well as the financial status of its component units.
- The remaining statements (pages 3-11) are fund financial statements that focus on individual parts of Borough government and report operations in more detail than the government-wide statements.
  - The governmental funds statements describe how general government services such as public safety and recreation were financed.
  - 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.

The financial statements include notes that provide an explanation for certain information in the financial statements and also provide more details for this information. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. All of the Borough's individual funds have been determined to be major funds and will thus be reported individually rather than being combined with other similar fund types.

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

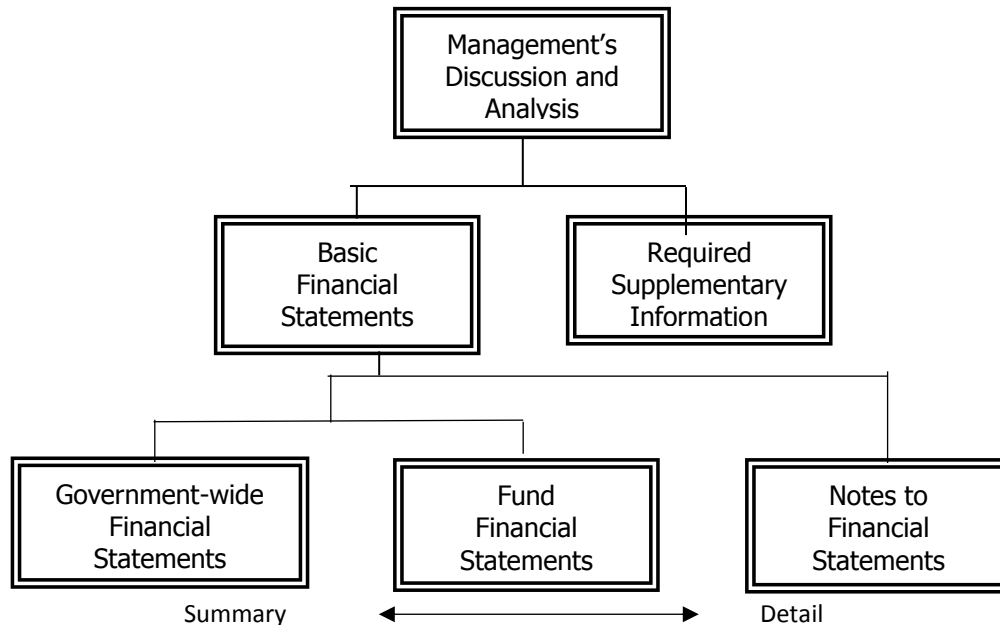


Figure A-2 summarizes the major features of the Borough's financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

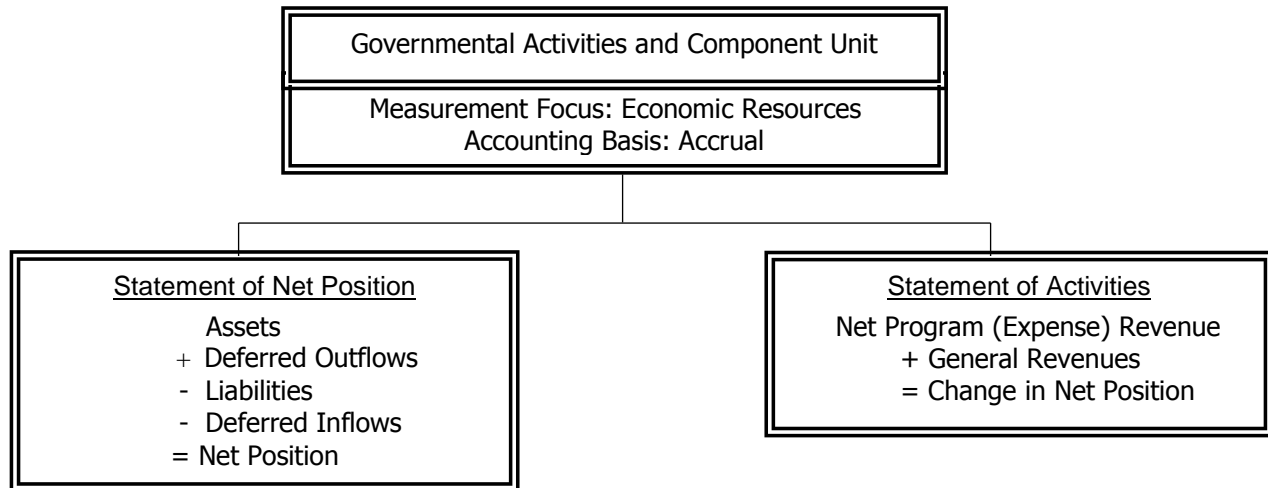
<b>Figure A-2</b> <b>Major Features of Fox Chapel's Government-wide and Fund Financial Statements</b>			
	<b><u>Government-wide Statements</u></b>	<b><u>Governmental Fund Statements</u></b>	<b><u>Fiduciary Funds</u></b>
Scope	Entire municipal government (except fiduciary funds) and the Borough's component 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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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

## Government-wide Statements

The government-wide statements report information about the Borough as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Borough's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Borough's net position and how it has changed. The statement of net position includes all of the Borough's assets and liabilities, except fiduciary funds and major infrastructure placed in service prior to 2004. Net position—the difference between the Borough's assets and liabilities—is one way to measure the Borough's financial health. Over time, increases or decreases in the Borough's net position are an indicator of whether its financial health is improving or deteriorating. 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 property tax base, earned income tax base and general economic conditions must be considered to assess the overall position of the Borough. The primary features of government-wide financial statements are reflected in Figure A-3.

**Figure A-3  
Government-wide Financial Statements**



The Borough's government-wide financial statements are divided into two categories:

- *Governmental activities*—Most of the Borough's basic services are included here such as the police, fire, public works and code enforcement departments and general administration. Property and earned income taxes, charges for services and State grants finance most of these activities.
- *Component units*—The Borough includes the Fox Chapel Sanitary Authority and the Fox Chapel Library Authority in this report. The Borough created the Sanitary Authority in 1960 for the purpose of financing and constructing a sanitary sewage system throughout the Borough. The sewer system is operated and maintained by the Borough in accordance with the Agreement of Lease dated May 1, 1960, as supplemented and principally serves the residents of the Borough. The Fox Chapel Library Authority (Library 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 Library Authority in 2009 for the purpose of assisting with the financing and construction of a new library. The Library Authority is operated and maintained by the Borough in accordance with the Agreement of Lease dated May 15, 2010. At the end of 2017, the Sanitary Authority became inactive and the Library Authority was officially terminated.

### **Fund Financial Statements**

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 sources of funding and spending for particular purposes. Some funds are required by State law. The Borough has two kinds of funds:

- *Governmental funds* - Most of the Borough's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

- *Fiduciary funds* - The Borough is the trustee, or *fiduciary*, for two single-employer pension plans covering general employees and police employees. These plans cover all full-time employees. The Borough is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Borough's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the Borough's government-wide financial statements because the Borough cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

Summary of Statement of Net Position  
December 31, 2017 and December 31, 2016

	Governmental Activities		
	2017	2016	Variance
Current and other assets	\$ 8,682,394	\$ 7,097,081	\$ 1,585,313
Net pension asset	1,659,189	959,080	700,109
Property held for sale	-	713,829	(713,829)
Capital assets	15,214,711	14,974,991	239,720
<b>Total Assets</b>	<b>25,556,294</b>	<b>23,744,981</b>	<b>1,811,313</b>
Deferred Outflows of Resources:			
Changes in pension assumptions	629,531	363,658	265,873
Net difference between projected and actual earnings on pension investments	360,283	540,424	(180,141)
<b>Total Deferred Outflows of Resources</b>	<b>989,814</b>	<b>904,082</b>	<b>85,732</b>
Current and other liabilities	989,026	728,899	260,127
Net pension liability	18,773	297,144	(278,371)
<b>Total Liabilities</b>	<b>1,007,799</b>	<b>1,026,043</b>	<b>(18,244)</b>
Deferred Inflows of Resources:			
Differences between expected and actual pension experience	713,298	362,721	350,577
Difference between projected and actual earnings on pension plan investments	874,600	205,368	669,232
<b>Total Deferred Inflows of Resources</b>	<b>1,587,898</b>	<b>568,089</b>	<b>1,019,809</b>
Net Position:			
Invested in capital assets, net of related debt	15,214,711	14,974,991	239,720
Restricted	3,170,359	1,277,700	1,892,659
Unrestricted	5,565,341	6,802,240	(1,236,899)
<b>Total Net Position</b>	<b>\$ 23,950,411</b>	<b>\$ 23,054,931</b>	<b>\$ 895,480</b>

### Net position:

In 2017, total net position of governmental activities increased by \$895,480 to \$23.95M, an increase of 3.9%. Investment in capital assets, net of related debt as of December 31, 2017, increased by \$239,720, or 1.6%, with the addition of \$740,735 of infrastructure assets, \$49,945 of machinery and equipment, \$4,522 of furniture and equipment, and other capital purchases that exceeded current year depreciation. The unrestricted net position of \$5,565,341 identifies funds available to maintain operations or invest in additional capital assets.

### Infrastructure assets:

At December 31, 2017, the Borough's total net position is \$23.9M. Of this amount, \$15.2M is accounted for by capital assets. Historically, infrastructure (roads, sewers etc.) has not been reported or depreciated

in governmental financial statements. GASB Statement No. 34 requires that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, at least prospectively, from the time of adoption of GASB Statement No. 34. The Borough has chosen to report all infrastructure additions in excess of \$500,000 per system, per year, prospectively, beginning in 2004, the first such additions being reported in 2012. The following presents the Borough's change in net position for the fiscal years ended December 31, 2017 and December 31, 2016:

Change in Net Position  
Years Ended December 31, 2017 and 2016

	Governmental Activities		
	<u>2017</u>	<u>2016</u>	<u>Variance</u>
<b>Revenues:</b>			
Program Revenues:			
Charges for services	\$ 2,484,033	\$ 2,400,404	\$ 83,629
Operating grants	561,339	550,123	11,216
Capital grants	49,123	-	49,123
General Revenues:			
Property taxes	2,929,145	2,907,687	21,458
Earned income taxes	3,295,691	2,709,935	585,756
Other taxes	397,052	413,999	(16,947)
Interest income	56,652	112,090	(55,438)
Loss on sale of property	(312,417)	-	(312,417)
Other revenue	121,118	104,564	16,554
<b>Total Revenues</b>	<u>9,581,736</u>	<u>9,198,802</u>	<u>382,934</u>
<b>Program Expenses:</b>			
Administration	745,980	722,933	23,047
Tax collection	62,237	53,585	8,652
Borough building	167,990	154,181	13,809
Police	1,557,435	1,629,609	(72,174)
Fire	307,754	293,413	14,341
Code enforcement	176,225	144,384	31,841
Health and human services	1,620	1,560	60
Rubbish collection	783,859	791,097	(7,238)
Sewer system	2,174,314	1,539,398	634,916
Public works	1,772,104	1,687,876	84,228
Library	898,082	845,300	52,782
Parks and recreation	38,656	200,891	(162,235)
Debt service	-	-	-
<b>Total Expenses</b>	<u>8,686,256</u>	<u>8,064,227</u>	<u>622,029</u>
<b>Change in Net Position</b>	895,480	1,134,575	(239,095)
Net position-beginning of year	23,054,931	21,920,356	1,134,575
Net position-end of year	<u>\$ 23,950,411</u>	<u>\$ 23,054,931</u>	<u>\$ 895,480</u>

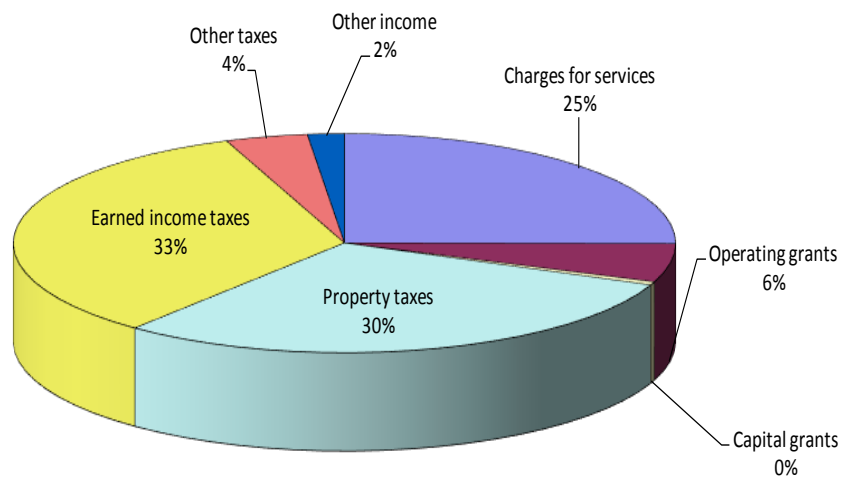
## GOVERNMENTAL ACTIVITIES:

### Revenue Sources

Total 2017 government-wide revenue of \$9.6M was \$382,934 greater than 2016 revenue, an increase of 4.2%. This government-wide revenue includes a one-time capital loss of \$312,417 on the sale of property which will be discussed in detail later in this report. If the capital loss is excluded, 2017 revenue increased \$695,351, or 7.6%. The 2017 revenue is derived primarily from earned income tax at 33% and real estate tax at 30% of the total. Charges for services comprise 25% of revenue followed by operating grants at 6%, other taxes at 4% and other general revenue at 2%. The Statement of Activities shows **accrued** 2017 earned income tax revenues of \$3,295,691, a projected increase of \$585,756 or 21.6% from 2016 **accrued** tax. This **accrued** earned income tax revenue includes taxes collected in 2017 as well as taxes receivable at year-end which is an **estimate** based on prior years' experience. Actual earned income tax collected in 2017 increased by \$361,043, or 12.7%, compared to actual tax collected in 2016.

The following chart graphically depicts the government-wide sources of revenues for the fiscal year ending December 31, 2017:

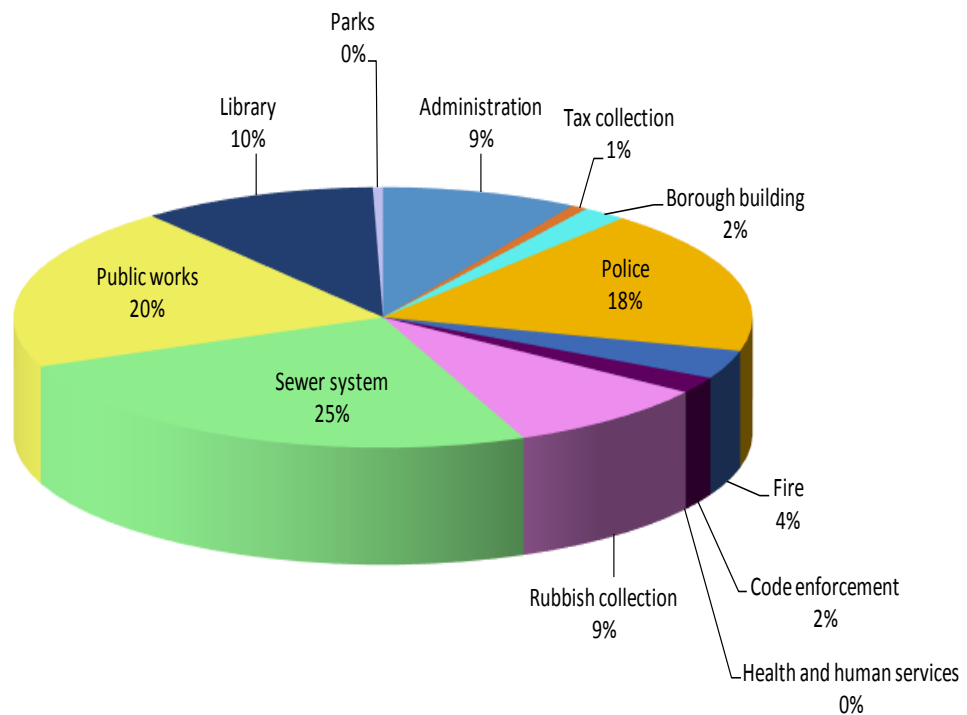
Sources of Revenue



## Program Expenses

Total expense for all programs in 2017 was \$8.7M, up \$622,029, or 7.7%, from 2016. The expenses reflect the delivery of a wide range of services with the largest being public works/sewers at 45% followed by public safety (police, fire/EMS, and code enforcement) at 24%, general government at 12%, rubbish collection at 9%, and library at 10%. Sewer system expense was up \$634,916 due to higher payments to ALCOSAN because of their 11% rate increase, paying for both the 2016 and 2017 sewer lining projects in 2017, and an increased in materials purchased to replace sewer lines in preparation for the road construction program. Public works expense was up \$84,228 and library \$52,782. These increases were offset by decreases of \$162,325 in Parks/Recreation and \$72,714 in Police.

Program Expenses



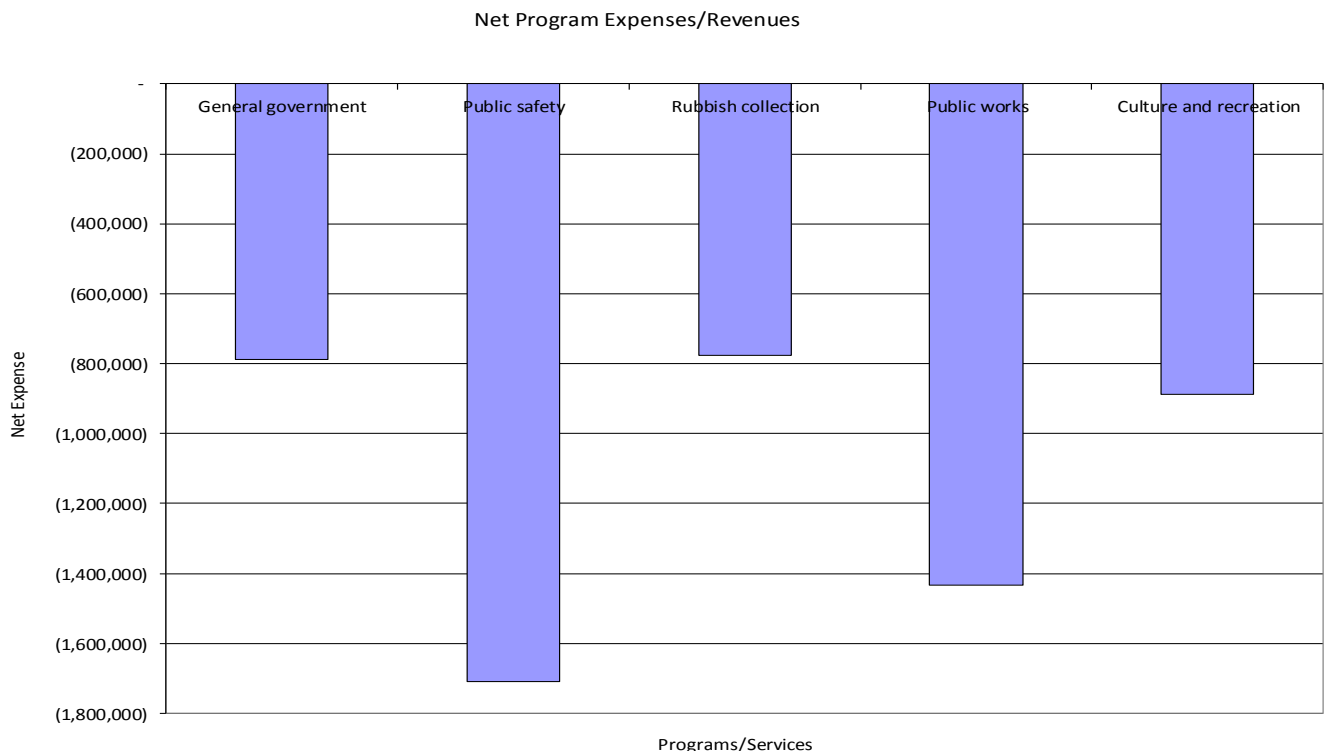
## SALE OF PROPERTY

Due to the deteriorating condition of the Borough's public works facilities, plans have been developed to construct new facilities at a projected cost of \$5M in the present location behind the Borough building. Design possibilities were being hampered by the size of the Borough's available property in this location. During 2016, a home on an adjacent piece of property was listed for sale. The Borough purchased the home for \$713,829, changed the lot lines to add a piece of property to the public works site, and listed the home and remaining property for sale. In 2017, the home and property were sold for \$428,740, and a loss of \$312,417 was recorded (including taxes, utilities, and maintenance for 2017). However, the Borough expects to save at least \$500,000 on the future construction of new public works facilities due to design changes made possible by the additional piece of land that will save construction costs and improve functionality. The purchase will also provide land for 10 additional parking spaces at the library adjacent to the municipal building. On the 2017 Statement of Activities and Change in Net Position comparing 2017 to 2016, the 2017 loss is shown as a reduction to general revenue. The loss has been excluded from the Sources of Revenue pie chart.

## NET PROGRAM EXPENSES/REVENUES:

Public safety, comprised of police, fire/EMS, health and human services, and code enforcement, required the most general revenue for support at \$1.71M. This is followed by public works that includes roads, storm sewers and sanitary sewers, which required \$1.43M in support. The library and parks system required \$0.89M in support, primarily in the form of aid to the library to assist in repayment of the advance from the Library Authority. Rubbish collection (no separate fee is charged for rubbish collection) and general government (administration, tax collection, and building/grounds) both followed at \$0.78M.

Net program expenses/revenues indicate the amount of support required from taxes and other general revenues for the year. The following chart graphically depicts the net program expenses/revenues by function/program for the fiscal year ended December 31, 2017:





## **FINANCIAL ANALYSIS OF THE BOROUGH'S FUNDS**

As the Borough completed the year 2017, its governmental funds reported a combined fund balance of \$6.9M, an increase of \$1,787,847, or 34.9%, from the combined fund balance at year-end 2016. The General Fund gained \$741,913, or 42.9%, due to increases in earned income taxes and savings in road salt, road materials, and contracted road paving. The Library Authority Fund gained \$532,526 due to a final payment with principal reduction of \$554,200 on the advance from the Land Fund. The Capital Reserve Fund gained \$427,820 because the amount transferred from the General Fund for depreciation exceeded the equipment purchases for the year. The Squaw Run Interceptor Project Fund gained \$370,207 in the form of sewer fees. The Sewer Fund lost \$278,963 because the 2016 sewer lining project was completed and paid for in 2017, artificially lowering 2016 expense and increasing 2017 expense. The Land Fund lost \$101,214 because \$518,082 in budgeted aid was given to the Community Library Association so that CLA could make its \$554,137 final loan and rental payment to the Library Authority and the Library Authority could make its final \$576,124 payment to the Borough Land Fund.

The December 31, 2017 balances of \$1,406,574 in the Interceptor Fund and \$702,266 in the Sewer Fund Funds are restricted by law for sewer infrastructure, and \$19,187 in the Highway Aid Fund is restricted by law for road maintenance. In the General Fund, \$444,300 has been assigned for use in the 2018 budget while \$2,026,159 is unassigned and available to fund current and future projects of the Borough. In the Capital Reserve Fund, the balance of \$1,205,150 is assigned for capital purchases or improvements as is the \$202,518 in the Fire Truck Fund. Likewise, the balance of \$875,211 in the Land Fund is assigned for capital purposes and will be used to begin work on the replacement of the public works facilities. The \$23,934 balance in the K-9 Fund has been assigned for use in the K-9 program.

In 2010, the Borough created the Fox Chapel Library Authority to borrow the remaining funds needed to commence construction of a new library facility adjacent to the Borough building. Cash and future pledge payments were committed to the project by the Community Center and Library Association which had been engaged in a multi-year fundraising campaign. When the construction bid was awarded, it was determined that the Fox Chapel Library Authority would be able to borrow sufficient funds from the Fox Chapel Borough Land Fund to complete the construction such that a commercial bank loan would not be needed. In April 2011, the new library opened to the public. In total, the Borough loaned \$2,574,200 to the Library Authority to complete construction which depleted the reserves in the Borough's Land Fund. The Borough received yearly lease payments from the Library Authority and was fully repaid in 2017. In 2010, the non-profit Community Library Association was created to run the new facility and make annual lease rental payments to the Fox Chapel Library Authority such that the Library Authority could make annual debt payments to the Borough of Fox Chapel. The Borough assisted the Community Library Association with their annual lease payments to the Fox Chapel Library Authority a total of \$1,447,782 of a pledged maximum \$1,450,000 such that \$1.57M was permanently returned to the Land Fund and available for future use. In 2017, Borough assistance to the Community Library Association amounted to \$518,082.

In 2017, total revenue in all budgeted funds was \$130,063 over budget due to significant increases in earned income tax offset by increased aid to the Community Library Association so they could make their final payment on their loan to the Library Authority. Total expense in all budgeted funds was \$1.4M under budget due to significant General Fund savings in public works and a major sewer project that could not be started due to difficulties in obtaining the required easements. Unbudgeted funds include the Fire Truck and K-9 Funds.

### **General Fund Budgetary Highlights**

Total 2017 revenue of \$7,238,197 was an increase of \$487,290, or 7.2%, from 2016 due to increases of \$347,725 in earned income tax collected, \$35,460 in real estate tax collected, \$21,141 in charges for

services and \$35,961 in miscellaneous revenue including insurance dividends. Other taxes, primarily real estate transfer tax, fell short of budget by \$31,948 due to a slowing of the real estate market in Fox Chapel. Total 2017 expenses of \$6,264,326 were \$59,228 less than 2016, a decrease of 0.9%. Expenses were under budget by \$605,574, or 8.8%, due primarily to savings in public works. General Fund revenues exceeded expenses by \$973,871 in a year in which the budget projected a deficit of \$62,000, resulting in a net gain of \$1,035,871. A portion of these funds was assigned to be used in 2018. The fund balance on December 31, 2017 was \$2,470,459, of which \$444,300 was assigned for use in the 2018 budget and \$2,026,159 was unassigned.

In 2017, the Borough spent \$740,700 on road rebuilding and drainage yet General Fund expenditures were \$605,574, or 8.8%, under budget for several reasons. Public Works expense was \$611,457 under budget of which \$310,000 was the result of savings in contracted road paving due to a very favorable bid and the contractor's unavailability to accept additional work. The Borough also saved \$73,000 on the purchase of road salt due to a mild winter and other communities purchasing some of the Borough's required share of the salt contract. Additionally, \$100,000 was budgeted for a bridge repair and \$50,000 for guiderail. Both of these projects will be done in 2018 instead so these unused funds (fund balance) have been assigned for use in the 2018 budget.

## **OTHER MAJOR FUNDS**

### **Sewer Fund**

The Sewer Fund was established to account for the operations of the Borough's sanitary sewer facilities. Such operations include the 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 (ALCOSAN) for treatment services provided. Billing service for sanitary sewage is contracted to Fox Chapel Authority which also provides and bills for water. In 2014, sewer consumption rates were doubled to pay for repairs mandated by the ALCOSAN Consent Order. In addition, a \$45 per account/per quarter/per equivalent dwelling unit fee was implemented to raise funds in advance for a major upsizing of the sewer interceptor currently mandated by the ALCOSAN Consent Order (which is subject to change). The Borough component of the sewer rate charge did not change in 2017. However, the ALCOSAN component increased 11%. In 2017, the fund balance decreased \$278,963, but because the budget was a \$750,200 deficit budget, the net gain was \$471,237 when actual revenue and expense is compared to budget.

Total Sewer Fund revenue exceeded 2016 revenue by \$73,200 due to the ALCOSAN rate increase (offset by a 5% decrease in consumption) and a large, EDU-based tap-in fee for a new science building at Shady Side Academy. Total Sewer Fund expense was \$611,500 greater than 2016 expense. This is because the 2016 sewer lining project (\$254,400) was not completed and paid for until early 2017. The 2017 sewer lining project was completed and paid for later in 2017 at a cost of \$253,700. The Borough also spent \$73,000 more on materials in 2017 than 2016 because more sewer was replaced in preparation for the road rebuilding program. Sewer Fund expense did fall short of budget by \$536,291 because a major sewer project could not be started due to difficulty in obtaining the required easements from residents.

The fund balance of the Sewer Fund was \$702,266 on December 31, 2017, all of which was restricted for sewer infrastructure.

### **Capital Reserve Fund**

The Capital Reserve Fund is used to accumulate funds for future replacement of capital assets including vehicles, machinery, and equipment. This fund may also be used to accumulate funds for the construction or renovation of buildings. In December 2017, \$450,000 was transferred from the General Fund and \$18,500 from the Sewer Fund to offset a portion of the current depreciation of the above-mentioned

items as budgeted. The 2017 capital purchases included a sit-on leaf machine (\$48,840), five portable radios (\$4,522), and a ballistic vest (\$1,105). The fund balance of the Capital Reserve Fund as of December 31, 2017 was \$1,205,150, all of which was assigned for capital purchases and improvements.

### **Land Fund**

The Land Fund was established for the accumulation of funds for future park and land acquisitions by the Borough. At times, the Land Fund has also been used to loan money to the Fox Chapel Sanitary Authority for the retirement of outstanding bonds for the construction of sewers. In 2010 and 2011, a total of \$2,574,200 was loaned to the Fox Chapel Library Authority to complete the construction of a new library adjacent to the municipal building. These funds were repaid in annual installments with final payment made in 2017.

Due to the deteriorating condition of the Borough's public works facilities, plans have been developed to construct new facilities at a projected cost of \$5M in the present location behind the Borough building. Design possibilities were being hampered by the size of the Borough's available property in this location. During 2016, a home on an adjacent piece of property was listed for sale. The Borough purchased the home for \$713,829, changed the lot lines to add a piece of property to the public works site, and listed the home and remaining property for sale. In 2017, the home and property were sold for \$428,740, and a loss of \$312,417 was recorded (including taxes, utilities, and maintenance for 2017). However, the Borough expects to save at least \$500,000 on the future construction of new public works facilities due to design changes made possible by the additional piece of land that will save construction costs and improve functionality. The purchase will also provide land for 10 additional parking spaces at the library adjacent to the municipal building.

The fund balance of the Land Fund as of December 31, 2017 was \$875,211, all of which is available to begin construction of new public works facilities.

### **Highway Aid Fund**

The Highway Aid Fund is used to account for the receipt of State aid revenues from Liquid Fuels Tax with disbursements restricted for use in building and maintaining roads and bridges in the Borough. Twenty percent of each year's allotment may be accumulated for the purchase of equipment. In 2017, the Borough received \$226,905 in State aid and later transferred \$218,042 to the General Fund to offset the cost of road salt and storm drainage. The fund balance of the Highway Aid Fund on December 31, 2017 was \$19,187, all of which was restricted to road maintenance and other permitted uses of PA Liquid Fuels funds.

### **Fire Truck Fund**

In 2015, 2016 and 2017, the Borough solicited funds directly from residents to build a fund to finance future fire truck purchases, the next of which is scheduled for 2019. This fund drive raised \$73,791 in 2017. The balance of the Fire Truck Fund on December 31, 2017 was \$202,518.

### **Sanitary Authority Fund**

The Fox Chapel Sanitary Authority has been inactive for several years now due to lack of projects. The \$58 in the Sanitary Authority bank account was transferred to the Sewer Fund in 2017 to eliminate future financial reporting until such time as the Authority is activated for a particular purpose.

## **Library Authority Fund**

The Fox Chapel Library Authority was created in December 2009 to borrow funds to construct a new library adjacent to the municipal building. Revenue of \$1,878,193 in 2010 consisted mainly of the transfer of funds raised by the Community Center and Library Association capital campaign that were designated for the construction of a new library. Additional funding included an advance of \$2,574,200 from the Fox Chapel Borough Land Fund. The library opened in April, 2011. The Library Authority began making annual loan payments to the Borough in 2012 and paid in full in 2017. Funds were obtained by the Library Authority through annual lease rental payments from the Community Library Association over the same period. The final loan payment was made in 2017 at which time the Library Authority was deactivated. It was formally terminated by action of Borough Council on February 19, 2018.

## **K-9 Fund**

In 2016, the Borough established a K-9 Fund to raise funds for the operations of our K-9 program and future replacement of the K-9 vehicle. It is funded solely by donations from residents and civic groups. As of December 31, 2017, the fund contained \$23,934.

## **TRUST AND AGENCY OPERATIONS**

### **Pension Trust Fund**

The Borough of Fox Chapel administers two defined benefit pension plans – General Employees and Police. These plans cover all full-time employees. In 2008, Council amended the General Employees Plan by reducing vesting from 12 years to 3 years of full-time service. On December 31, 2017, there were 12 vested and 2 non-vested participants in the General Employees Plan and 9 vested and 2 non-vested participants in the Police Plan. Employee contribution rates were set at 5% for employees in both plans. During 2017, combined total net position increased by \$1.57M, or 12.2%, due to investment gains. On the Statement of Net Position, the Police Plan shows a net pension asset of \$1,659,189 and the General Employees Plan a net pension liability of \$18,773. In 2009, the Borough adopted asset smoothing instead of market value as the asset valuation method. It is believed that this methodology will “smooth” the market’s highs and lows in the long-term valuation of the plans.

During 2017, the General Employees Plan had a required municipal contribution of \$168,878 to the defined benefit plan and \$6,058 to the defined contribution plan. The Police Plan had a required municipal contribution of \$39,632. State aid accounted for \$165,177 of the Borough’s total required contribution of \$214,568 for a required net pension outlay of \$49,391 from Borough funds. In addition, the employees contributed \$115,327. The pension plan fiduciary net position as a percentage of the total pension liability for the defined benefit General Employees and Police Plans was 99.71% and 126.63%, respectively, which represented an increase from 2016 due to investment gains.

In 2014, Borough Council closed the General Employees Defined Benefit Pension Plan to new members and created a defined contribution 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. 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

Capital assets consist primarily of land, buildings and improvements, machinery, equipment, infrastructure and vehicles. The following is a summary of capital assets at December 31, 2017 and 2016:

#### Summary of Capital Assets

	Balance at December 31, 2017	Balance at December 31, 2016	Variance
Land	\$ 8,825,586	\$ 8,825,586	\$ -
Construction in Progress	122,313	114,907	7,406
Infrastructure	4,336,127	3,595,392	740,735
Buildings and improvements	2,194,836	2,194,836	-
Furniture and equipment	407,955	403,433	4,522
Machinery and equipment	1,256,908	1,260,448	(3,540)
Vehicles	2,831,344	2,831,344	-
Total capital assets	19,975,069	19,225,946	749,123
Less accumulated depreciation for:			
Infrastructure	822,978	558,594	264,384
Building and improvements	1,295,005	1,251,257	43,748
Furniture and equipment	348,929	333,877	15,052
Machinery and equipment	655,330	637,660	17,670
Vehicles	1,638,116	1,469,567	168,549
Total accumulated depreciation	4,760,358	4,250,955	509,403
Total assets less accumulated depreciation	\$ 15,214,711	\$ 14,974,991	\$ 239,720

More detailed information about the Borough's capital assets can be found in Note 3 of the Notes to the Financial Statements.

### Long-term Debt

The Borough began and ended the year 2017 with no debt.

### 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. 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, 2017

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 7,410,714
Receivables:	
Taxes	1,004,245
Other	267,435
Net pension asset - Police Plan	1,659,189
Capital assets, not depreciated	8,947,899
Capital assets net of accumulated depreciation	6,266,812
<b>Total Assets</b>	<b>25,556,294</b>
<b>Deferred Outflows of Resources</b>	
Related to pensions	989,814
<b>Liabilities</b>	
Accounts payable	558,800
Escrow deposits	246,639
Noncurrent liabilities:	
Net pension liability - General Employees Plan	18,773
Accumulated compensated absences	183,587
<b>Total Liabilities</b>	<b>1,007,799</b>
<b>Deferred Inflows of Resources</b>	
Related to pensions	1,587,898
<b>Net Position</b>	
Net investment in capital assets	15,214,711
Restricted for:	
Pensions	1,042,332
Road construction/maintenance	19,187
Sewage infrastructure	2,108,840
Unrestricted	5,565,341
<b>Total Net Position</b>	<b>\$ 23,950,411</b>

See accompanying notes to financial statements.

# BOROUGH OF FOX CHAPEL

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Administration	\$ 745,980	\$ 157,324	\$ 32,204	\$ -	\$ (556,452)
Tax collection	62,237	-	-	-	(62,237)
Borough building	167,990	-	-	-	(167,990)
Police department	1,557,435	8,419	114,067	-	(1,434,949)
Fire department	307,754	-	137,455	-	(170,299)
Code enforcement	176,225	68,689	4,015	-	(103,521)
Health and human services	1,620	750	-	-	(870)
Rubbish collection	783,859	-	8,420	-	(775,439)
Sewer system	2,174,314	2,228,545	8,645	-	62,876
Public works	1,772,104	20,306	256,533	-	(1,495,265)
Library	898,082	-	-	-	(898,082)
Parks and recreation	38,656	-	-	49,123	10,467
<b>Total governmental activities</b>	<b>\$ 8,686,256</b>	<b>\$ 2,484,033</b>	<b>\$ 561,339</b>	<b>\$ 49,123</b>	<b>(5,591,761)</b>
<b>General revenues:</b>					
Taxes:					
Real estate					2,929,145
Earned income					3,295,691
Other					397,052
Interest income					56,652
Loss on sale of property					(312,417)
Miscellaneous income					121,118
<b>Total general revenues</b>					<b>6,487,241</b>
<b>Change in Net Position</b>					<b>895,480</b>
<b>Net Position:</b>					
Beginning of year					23,054,931
End of year					<b>\$ 23,950,411</b>

See accompanying notes to financial statements.

# BOROUGH OF FOX CHAPEL

## BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2017

	General Fund	Highway Aid Fund	Sewer Fund	Sanitary Authority	Capital Reserve	Land Acquisition	Interceptor Fund	Fire Truck Fund	K-9 Fund	Library Authority	Total Governmental Funds
<b>Assets</b>											
Cash and cash equivalents	\$ 2,881,647	\$ 19,187	\$ 827,085	\$ -	\$ 1,205,150	\$ 874,893	\$ 1,376,300	\$ 202,518	\$ 23,934	\$ -	\$ 7,410,714
Receivables:											
Taxes	1,004,245	-	-	-	-	-	-	-	-	-	1,004,245
Other	83,980	-	183,137	-	-	318	-	-	-	-	267,435
Due from other funds	-	-	86	-	-	-	30,274	-	-	-	30,360
<b>Total Assets</b>	<b>\$ 3,969,872</b>	<b>\$ 19,187</b>	<b>\$ 1,010,308</b>	<b>\$ -</b>	<b>\$ 1,205,150</b>	<b>\$ 875,211</b>	<b>\$ 1,406,574</b>	<b>\$ 202,518</b>	<b>\$ 23,934</b>	<b>\$ -</b>	<b>\$ 8,712,754</b>
<b>Liabilities</b>											
Accounts payable	\$ 281,032	\$ -	\$ 277,768	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 558,800
Due to other funds	86	-	30,274	-	-	-	-	-	-	-	30,360
Escrow liability	246,639	-	-	-	-	-	-	-	-	-	246,639
<b>Total Liabilities</b>	<b>527,757</b>	<b>-</b>	<b>308,042</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>835,799</b>
<b>Deferred Inflows of Resources</b>											
Unavailable revenue - earned income taxes	883,186	-	-	-	-	-	-	-	-	-	883,186
Unavailable revenue - real estate taxes	88,470	-	-	-	-	-	-	-	-	-	88,470
<b>Total Deferred Inflows of Resources</b>	<b>971,656</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>971,656</b>
<b>Fund Balance (Deficit)</b>											
Restricted:											
Road construction/maintenance	-	19,187	-	-	-	-	-	-	-	-	19,187
Sewage infrastructure	-	-	702,266	-	-	-	1,406,574	-	-	-	2,108,840
Assigned:											
Use in 2018 budget	444,300	-	-	-	-	-	-	-	-	-	444,300
Capital purchases/construction	-	-	-	-	1,205,150	875,211	-	202,518	-	-	2,282,879
K-9 program	-	-	-	-	-	-	-	-	23,934	-	23,934
Unassigned	2,026,159	-	-	-	-	-	-	-	-	-	2,026,159
<b>Total Fund Balance (Deficit)</b>	<b>2,470,459</b>	<b>19,187</b>	<b>702,266</b>	<b>-</b>	<b>1,205,150</b>	<b>875,211</b>	<b>1,406,574</b>	<b>202,518</b>	<b>23,934</b>	<b>-</b>	<b>6,905,299</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)</b>	<b>\$ 3,969,872</b>	<b>\$ 19,187</b>	<b>\$ 1,010,308</b>	<b>\$ -</b>	<b>\$ 1,205,150</b>	<b>\$ 875,211</b>	<b>\$ 1,406,574</b>	<b>\$ 202,518</b>	<b>\$ 23,934</b>	<b>\$ -</b>	<b>\$ 8,712,754</b>

See accompanying notes to financial statements.



# BOROUGH OF FOX CHAPEL

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

YEAR ENDED DECEMBER 31, 2017

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 6,905,299</b>
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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.	15,214,711
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Property taxes and earned income taxes receivable 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.

Earned income tax	\$ 883,186	
Real estate tax	<u>88,470</u>	971,656

The actuarially accrued net pension asset, net pension liability, and deferred inflows and outflows of resources for pensions are not recorded on the fund financial statements.	1,042,332
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund. Long-term liabilities at year-end consist of:

Accumulated compensated absences	<u>(183,587)</u>
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<b>Total Net Position - Governmental Activities</b>	<b><u>\$ 23,950,411</u></b>
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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, 2017

	General Fund	Highway Aid Fund	Sewer Fund	Sanitary Authority	Capital Reserve	Land Acquisition	Interceptor Fund	Fire Truck Fund	K-9 Fund	Library Authority	Total Governmental Funds
<b>Revenues:</b>											
Taxes:											
Real estate	\$ 2,937,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,937,560
Earned income	3,197,725	-	-	-	-	-	-	-	-	-	3,197,725
Other	397,052	-	-	-	-	-	-	-	-	-	397,052
Licenses and permits	162,842	-	-	-	-	-	-	-	-	-	162,842
Fines and related costs	7,904	-	-	-	-	-	-	-	-	-	7,904
Interest, rents, and royalties	42,621	78	4,920	1	1,637	22,862	5,428	753	26	554,450	632,776
Intergovernmental revenues	296,791	226,905	-	-	-	-	-	-	-	-	523,696
Charges for services	84,741	-	-	-	-	-	-	-	-	-	84,741
Sewer fees	-	-	2,228,546	-	-	-	-	-	-	-	2,228,546
Contributions	-	-	-	-	-	-	-	73,791	12,975	-	86,766
Miscellaneous	110,961	-	-	-	12,150	-	-	-	-	-	123,111
Total revenues	7,238,197	226,983	2,233,466	1	13,787	22,862	5,428	74,544	13,001	554,450	10,382,719
<b>Expenditures:</b>											
Current:											
Administration	634,317	-	28,941	-	-	-	-	-	-	-	663,258
Tax collection	62,237	-	-	-	-	-	-	-	-	-	62,237
Borough building	96,187	-	-	-	-	-	-	-	-	-	96,187
Police department	1,567,065	-	-	-	-	-	-	-	870	-	1,567,935
Fire & EMS department	140,849	-	-	-	-	-	-	-	-	-	140,849
Code enforcement	155,643	-	-	-	-	-	-	-	-	-	155,643
Health and human services	1,620	-	-	-	-	-	-	-	-	-	1,620
Rubbish collection	782,173	-	-	-	-	-	-	-	-	-	782,173
Sewer system	-	-	2,100,268	-	-	-	-	-	-	-	2,100,268
Public works	1,352,208	-	-	-	-	-	-	-	-	-	1,352,208
Library	380,000	-	-	-	-	518,082	-	-	-	-	898,082
Parks and recreation	36,629	-	-	-	-	-	-	-	-	-	36,629
Employee benefits	214,307	-	-	-	-	-	-	-	-	-	214,307
Insurance	98,966	-	-	-	-	-	-	-	-	-	98,966
Miscellaneous (refunds and judgments)	1,390	-	-	-	-	-	-	-	-	-	1,390
Debt service:											
Interest	-	-	-	-	-	-	-	-	-	21,924	21,924
Capital outlay	740,735	-	-	-	54,467	34,734	-	-	-	-	829,936
Total expenditures	6,264,326	-	2,129,209	-	54,467	552,816	-	-	870	21,924	9,023,612
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>973,871</b>	<b>226,983</b>	<b>104,257</b>	<b>1</b>	<b>(40,680)</b>	<b>(529,954)</b>	<b>5,428</b>	<b>74,544</b>	<b>12,131</b>	<b>532,526</b>	<b>1,359,107</b>
<b>Other Financing Sources (Uses):</b>											
Proceeds from sale of property	-	-	-	-	-	428,740	-	-	-	-	428,740
Operating transfers in	218,042	-	59	-	468,500	-	364,779	-	-	-	1,051,380
Operating transfers out	(450,000)	(218,042)	(383,279)	(59)	-	-	-	-	-	-	(1,051,380)
Total other financing sources (uses)	(231,958)	(218,042)	(383,220)	(59)	468,500	428,740	364,779	-	-	-	428,740
<b>Net Change in Fund Balance</b>	<b>741,913</b>	<b>8,941</b>	<b>(278,963)</b>	<b>(58)</b>	<b>427,820</b>	<b>(101,214)</b>	<b>370,207</b>	<b>74,544</b>	<b>12,131</b>	<b>532,526</b>	<b>1,787,847</b>
<b>Fund Balance (Deficit):</b>											
Beginning of year	1,728,546	10,246	981,229	58	777,330	976,425	1,036,367	127,974	11,803	(532,526)	5,117,452
End of year	\$ 2,470,459	\$ 19,187	\$ 702,266	\$ -	\$ 1,205,150	\$ 875,211	\$ 1,406,574	\$ 202,518	\$ 23,934	\$ -	\$ 6,905,299

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, 2017

**Net Change in Fund Balance - Governmental Funds** \$ 1,787,847

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	\$ 802,608	
Less: Depreciation expense	<u>(560,895)</u>	241,713

Property held for sale sold in the current year (713,829)

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net position. (1,993)

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.

Earned Income Tax	97,966	
Real Estate Tax	<u>(7,025)</u>	90,941

Repayment of the principal of the lease provides current financial resources to the governmental funds. (554,200)

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.

45,001

**Change in Net Position of Governmental Activities** \$ 895,480

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, 2017

	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>				
Taxes:				
Real estate	\$ 2,902,100	\$ 2,902,100	\$ 2,937,560	\$ 35,460
Earned income	2,850,000	2,850,000	3,197,725	347,725
Other	429,000	429,000	397,052	(31,948)
Licenses and permits	158,000	158,000	162,842	4,842
Fines and related costs	6,000	6,000	7,904	1,904
Interest, rents, and royalties	35,000	35,000	42,621	7,621
Intergovernmental revenues	289,200	289,200	296,791	7,591
Charges for services	63,600	63,600	84,741	21,141
Miscellaneous	75,000	75,000	110,961	35,961
Total revenues	<u>6,807,900</u>	<u>6,807,900</u>	<u>7,238,197</u>	<u>430,297</u>
<b>Expenditures:</b>				
Current:				
Administration	605,600	605,600	634,317	(28,717)
Tax collection	59,500	59,500	62,237	(2,737)
Borough building	94,100	94,100	96,187	(2,087)
Police department	1,568,300	1,568,300	1,567,065	1,235
Fire & EMS department	127,700	127,700	140,849	(13,149)
Code enforcement	167,800	167,800	155,643	12,157
Health and human services	1,900	1,900	1,620	280
Rubbish collection	787,400	787,400	782,173	5,227
Public works	2,704,400	2,704,400	2,092,943	611,457
Library	380,000	380,000	380,000	-
Parks and recreation	45,700	45,700	36,629	9,071
Employee benefits	219,500	219,500	214,307	5,193
Insurance	100,000	100,000	98,966	1,034
Miscellaneous	8,000	8,000	1,390	6,610
Total expenditures	<u>6,869,900</u>	<u>6,869,900</u>	<u>6,264,326</u>	<u>605,574</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(62,000)</u>	<u>(62,000)</u>	<u>973,871</u>	<u>1,035,871</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	220,000	220,000	218,042	(1,958)
Operating transfers out	(450,000)	(450,000)	(450,000)	-
Total other financing sources (uses)	<u>(230,000)</u>	<u>(230,000)</u>	<u>(231,958)</u>	<u>(1,958)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (292,000)</u>	<u>\$ (292,000)</u>	<u>\$ 741,913</u>	<u>\$ 1,033,913</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, 2017

	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>				
Interest, rents and royalties	\$ 100	\$ 100	\$ 78	\$ (22)
Intergovernmental revenues	<u>224,700</u>	<u>224,700</u>	<u>226,905</u>	<u>2,205</u>
Total revenues	224,800	224,800	226,983	2,183
<b>Expenditures:</b>				
Public works	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	224,800	224,800	226,983	2,183
<b>Other Financing Sources (Uses):</b>				
Operating transfers out	<u>(220,000)</u>	<u>(220,000)</u>	<u>(218,042)</u>	<u>1,958</u>
<b>Net Change in Fund Balance</b>	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$ 8,941</u>	<u>\$ 4,141</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, 2017

	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>				
Interest, rents, and royalties	\$ 1,700	\$ 1,700	\$ 4,920	\$ 3,220
Sewer fees	2,297,100	2,297,100	2,228,546	(68,554)
Total revenues	2,298,800	2,298,800	2,233,466	(65,334)
<b>Expenditures:</b>				
Administration	32,500	32,500	28,941	3,559
Sewer system	2,633,000	2,633,000	2,100,268	532,732
Total expenditures	2,665,500	2,665,500	2,129,209	536,291
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(366,700)	(366,700)	104,257	470,957
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	-	-	59	59
Operating transfers out	(383,500)	(383,500)	(383,279)	221
Total other financing sources (uses)	(383,500)	(383,500)	(383,220)	280
<b>Net Change in Fund Balance</b>	<u>\$ (750,200)</u>	<u>\$ (750,200)</u>	<u>\$ (278,963)</u>	<u>\$ 471,237</u>

See accompanying notes to financial statements.

# BOROUGH OF FOX CHAPEL

## STATEMENT OF PLAN NET POSITION FIDUCIARY FUNDS - PENSION TRUST FUNDS

DECEMBER 31, 2017

	Police Pension Fund	General Employees DB Pension Fund	General Employees DC Pension Fund	Total Pension Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 245,059	\$ 139,254	\$ -	\$ 384,313
Investments:				
Corporate bonds	953,234	798,593	-	1,751,827
Municipal bonds	1,441,628	1,237,234	-	2,678,862
Registered investment companies	-	-	20,465	20,465
Equities	5,215,996	4,331,497	-	9,547,493
Other:				
Accrued income receivable	32,693	27,443	-	60,136
<b>Total Assets</b>	<u>7,888,610</u>	<u>6,534,021</u>	<u>20,465</u>	<u>14,443,096</u>
<b>Liabilities</b>				
Pension benefits payable	-	-	-	-
<b>Net Position Restricted For Pension Benefits</b>	<u>\$ 7,888,610</u>	<u>\$ 6,534,021</u>	<u>\$ 20,465</u>	<u>\$ 14,443,096</u>

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, 2017

	Police Pension Fund	General Employees DB Pension Fund	General Employees DC Pension Fund	Total Pension Funds
<b>Additions:</b>				
Contributions:				
Employer (including state aid)	\$ 39,632	\$ 168,878	\$ 6,058	\$ 214,568
Employee	56,825	52,444	6,058	115,327
Total contributions	96,457	221,322	12,116	329,895
Investment income (loss):				
Net appreciation (depreciation) in fair value of investments	774,837	641,093	1,915	1,417,845
Interest and dividends	204,741	170,156	-	374,897
Total investment income	979,578	811,249	1,915	1,792,742
Less investment expense	41,449	34,827	-	76,276
Net investment income (loss)	938,129	776,422	1,915	1,716,466
Total additions	1,034,586	997,744	14,031	2,046,361
<b>Deductions:</b>				
Benefits	133,544	327,107	-	460,651
Administrative expense	7,386	6,698	-	14,084
Total deductions	140,930	333,805	-	474,735
<b>Change in Net Position</b>	893,656	663,939	14,031	1,571,626
Net position - beginning	6,994,954	5,870,082	6,434	12,871,470
Net position - ending	\$ 7,888,610	\$ 6,534,021	\$ 20,465	\$ 14,443,096

See accompanying notes to financial statements.



# **BOROUGH OF FOX CHAPEL**

## **NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2017

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### **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 system is operated and maintained by the Borough in accordance with the Agreement of Lease dated May 1, 1960, as supplemented. The Borough makes lease payments in accordance with the lease sufficient to pay all debt service on outstanding debt. The Sanitary Authority, which is governed by a five-member Board appointed by the Council, principally serves the residents of the Borough. In 2017, the Borough transferred the \$59 balance in the Sanitary Authority bank account to the Sewer Fund and inactivated the Sanitary Authority until such time as the Borough may need to borrow funds for sewer infrastructure improvements.

The Fox Chapel Library Authority (Library 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 Library Authority in 2009 for the purpose of assisting with the financing and constructing of a new library. The Library Authority is operated and maintained by the Borough in accordance with the Agreement of Lease dated May 15, 2010. The Library Authority, which is governed by a five-member Board appointed by the Council, principally serves the residents of the Borough. The Library Authority ceased all activity in 2017 and was officially terminated by the Borough on February 19, 2018.

# **BOROUGH OF FOX CHAPEL**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2017**

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### 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 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. For this purpose, the Borough considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, under accrual accounting. However, debt

# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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service expenditures, as well as expenditures related to compensated absences 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, 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

# **BOROUGH OF FOX CHAPEL**

## **NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2017

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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.

### **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.

### **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 2018 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.

### **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.

# **BOROUGH OF FOX CHAPEL**

## **NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2017

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### Library Authority Fund

The Library Authority Fund reports the operations of the Library Authority's General Fund. Such operations include receipt of lease payments.

### **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, and Land Acquisition. Budgetary control for various funds of the Library Authority is maintained through the lease agreement with the Borough. The Sanitary Authority Special Revenue Fund, Fire Truck Capital Project Fund, K-9 Fund, and Library Authority Special Revenue Fund have no legally adopted budget.

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.

# **BOROUGH OF FOX CHAPEL**

## **NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2017

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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. No modifications were made to the 2017 budget.

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.

### 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, 2017 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, 2017

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The balances at December 31, 2017 are as follows:

	Due To	Due From
General Fund	\$ -	\$ 86
Sewer Fund	86	30,274
Interceptor Fund	30,274	-
	<u>\$ 30,360</u>	<u>\$ 30,360</u>

	Transfer In	Transfer Out
General Fund	\$ 218,042	\$ 450,000
Highway Aid Fund	-	218,042
Sewer Fund	59	383,279
Sanitary Authority	-	59
Capital Reserve Fund	468,500	-
Interceptor Fund	364,779	-
	<u>\$ 1,051,380</u>	<u>\$ 1,051,380</u>

Additionally, interest income of \$21,924 from the final payment of the interfund advance has been eliminated from the government-wide financial statements.

### 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:

# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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- 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 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 road construction/maintenance 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



# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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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.

- 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 2018 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 \$500 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, half-year 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.

### 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.

# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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### Adoption of Pronouncements

The following Governmental Accounting Standards Board (GASB) statements were adopted for the year ended December 31, 2017: Statement Nos. 74 (OPEB Plans), 80 (Component Units), 81 (Split-Interest Agreements), 82 (Pensions; except requirements of paragraph 7). These statements had no significant impact on the Borough's financial statements for the year ended December 31, 2017.

### Pending Pronouncements

GASB has issued several statements that will become effective in future years including Statement Nos. 75 (OPEBs), 83 (Asset Retirement Obligations), 84 (Fiduciary Activities), 85 (Omnibus), 86 (Certain Debt Extinguishment issues), 87 (Leases) and 88 (Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements). Management has not yet determined the impact of these statements on the Borough's 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.

### 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, 2017, \$500,000 of the Borough's \$5,032,793 bank balance was insured by

# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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the Federal Deposit Insurance Corporation (FDIC). The remaining bank balance of \$4,532,793 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 \$4,595,796 as of December 31, 2017.

### 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. The Borough can withdraw funds from the external investment pool without limitation or fees upon adequate notice.

As of December 31, 2017, the PLGIT bank and book balances totaled \$2,814,918, 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, 2017, 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

# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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.

As of December 31, 2017, the Borough had the following investments in its Pension Trust Funds:

Cash or Investment Type	Fair Value	Investment Maturities from December 31, 2017			
		Less Than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Corporate bonds	\$ 1,751,827	\$ 141,540	\$ 740,265	\$ 742,274	\$ 127,748
Municipal bonds	2,678,862	277,921	1,106,575	1,117,053	177,313
Total fixed income investments	4,430,689	\$ 419,461	\$ 1,846,840	\$ 1,859,327	\$ 305,061
Money market funds	384,313				
Corporate common stocks	9,547,493				
Registered investment companies	20,465				
Total cash and other investments	9,952,271				
Total cash and investments reported on the statement of plan net position	\$ 14,382,960				

# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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 pension trust funds have the following recurring fair value measurements at December 31, 2017:

<u>Investments by Fair Value Level</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income:				
Corporate bonds, municipal bonds, and mutual funds	\$ 4,430,689	\$ 4,430,689	\$ -	\$ -
Equities:				
Health Care	1,781,794	1,781,794	-	-
Industrials	1,433,985	1,433,985	-	-
Information technology	1,225,008	1,225,008	-	-
Consumer staples	1,154,308	1,154,308	-	-
Financial	1,103,210	1,103,210	-	-
Energy	470,009	470,009	-	-
Materials	691,675	691,675	-	-
Telecommunication services	301,263	301,263	-	-
Consumer discretionary	1,386,241	1,386,241	-	-
Total equities	9,547,493	9,547,493	-	-
Registered investment companies	20,465	20,465	-	-
Total Investments	13,998,647	13,998,647	-	-
Cash and cash equivalents:				
Money market funds	384,313			
Total Cash, Cash Equivalents, and Investments in Combined Statement of Net Position	\$ 14,382,960			

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, 2017, 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, 2017

As of December 31, 2017, the Borough had the following credit quality distribution for fixed income investments with credit exposure:

<b>Rating (1)</b>	<b>Percentage of Total Fixed Income Investments with Credit Exposure</b>
AAA	7.0%
AA1	14.0%
AA2	12.0%
AA3	6.0%
A1	4.0%
A2	3.0%
A3	8.0%
BAA1	9.0%
BAA2	13.0%
BAA3	10.0%
Not rated	14.0%
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 mutual 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, 2017, the Borough's entire pension cash, cash equivalents, and investment balance of \$14,382,960 (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, 2017

*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 2017 is as follows:

	January 1, 2017	Additions	Disposals	December 31, 2017
Capital assets, not being depreciated:				
Land	\$ 8,825,586	\$ -	\$ -	\$ 8,825,586
Construction in progress	114,907	7,406	-	122,313
Total capital assets, not being depreciated	8,940,493	7,406	-	8,947,899
Capital assets, being depreciated:				
Buildings and improvements	2,194,836	-	-	2,194,836
Furniture and equipment	403,433	4,522	-	407,955
Machinery and equipment	1,260,448	49,945	53,485	1,256,908
Vehicles	2,831,344	-	-	2,831,344
Infrastructure	3,595,392	740,735	-	4,336,127
Total capital assets, being depreciated	10,285,453	795,202	53,485	11,027,170
Less accumulated depreciation for:				
Buildings and improvements	1,251,257	43,748	-	1,295,005
Furniture and equipment	333,877	15,052	-	348,929
Machinery and equipment	637,660	69,162	51,492	655,330
Vehicles	1,469,567	168,549	-	1,638,116
Infrastructure	558,594	264,384	-	822,978
Total accumulated depreciation	4,250,955	560,895	51,492	4,760,358
Total capital assets, being depreciated, net	6,034,498	234,307	1,993	6,266,812
Total capital assets, net	\$ 14,974,991	\$ 241,713	\$ 1,993	\$ 15,214,711

# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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

Administration	\$ 7,328
Borough building	44,153
Police department	31,628
Fire department	72,849
Code enforcement	50
Rubbish collection	1,686
Public works	394,881
Sewer system	6,293
Parks and recreation	2,027
Total depreciation expense	<u>\$ 560,895</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 2017, Borough real estate taxes were levied at the rate of 2.50 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 \$1,190,507,421 for 2017.

#### 5. Compensated Absences

The following is a summary of the change in compensated absences of the Borough for the year ended December 31, 2017:

	Amount Payable as of January 1, 2017	Change in Payable	Amount Payable as of December 31, 2017
Compensated absences	<u>\$ 184,185</u>	<u>\$ (598)</u>	<u>\$ 183,587</u>

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# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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### 6. Interfund Advance

During 2010, the Library Authority borrowed money from the Borough's Land Acquisition Fund, which was used to construct a new library adjacent to the Borough Building. Additional funds were provided by CLA. Such funds were raised during a public capital campaign. The total advance to complete the construction was \$2,574,200. In addition, interest on the advance will be paid at the rate of 3.5%. Repayment of the advance began on February 1, 2012. The final payment was made in 2017, including principle of \$554,200 and interest of \$21,924.

### 7. 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.

# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

At December 31, 2017, Plan membership consisted of the following:

	General Employees DB	General Employees DC	Police
Inactive plan members or beneficiaries currently receiving benefits	12	-	7
Inactive plan members entitled to but not yet receiving benefits	-	-	-
Active plan members	12	2	11
Total plan members	24	2	18

### 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

# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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eligible to retire but before the retirement benefits commence, a survivor benefit shall be paid to the beneficiary as if the participant had retired and was receiving a normal retirement benefit. Such benefit shall be paid monthly until the earlier of the payment of 120 monthly payments have been paid or the death of the beneficiary shall occur.

### 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:

*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 \$20,465 at December 31, 2017.

### 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.

# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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*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.

### 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 2017. Contributions for the General Employees Plan were also 5% for 2017 for both the DB and DC plans.

During 2017, the required MMOs for the Police Plan and General Employees Defined Benefit Plan were \$39,632 and \$168,878, respectively. During 2017, the Borough contributed \$6,058 to the General Employees Defined Contribution Plan.

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

# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

### Net Pension Liability (Asset)

The components of the net pension liability (asset) of the Plans at December 31, 2017 were as follows:

	General Employees	Police
Total pension liability	\$ 6,552,794	\$ 6,229,421
Plan fiduciary net position	(6,534,021)	(7,888,610)
Net pension liability (asset)	<u>\$ 18,773</u>	<u>\$ (1,659,189)</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	<u>99.71%</u>	<u>126.63%</u>

### 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, 2017 were as follows:

#### General Employees DB Plan

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2016	\$ 6,167,226	\$ 5,870,082	\$ 297,144
Changes for the year:			
Service cost	147,234	-	147,234
Interest	439,568	-	439,568
Differences between expected and actual	(175,699)	-	(175,699)
Changes of assumptions	301,572	-	301,572
Contributions - employer	-	168,878	(168,878)
Contributions - employee	-	52,444	(52,444)
Net investment income	-	811,249	(811,249)
Benefit payments, including refunds	(327,107)	(327,107)	-
Administrative expense	-	(41,525)	41,525
Other changes	-	-	-
Net changes	<u>385,568</u>	<u>663,939</u>	<u>(278,371)</u>
Balances at December 31, 2017	<u>\$ 6,552,794</u>	<u>\$ 6,534,021</u>	<u>\$ 18,773</u>

# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

### Police Pension Plan

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2016	\$ 6,035,874	\$ 6,994,954	\$ (959,080)
Changes for the year:			
Service cost	147,118	-	147,118
Interest	411,974	-	411,974
Differences between expected and actual	(378,701)	-	(378,701)
Changes of assumptions	146,700	-	146,700
Contributions - employer	-	39,632	(39,632)
Contributions - employee	-	56,826	(56,826)
Net investment income	-	979,577	(979,577)
Benefit payments, including refunds	(133,544)	(133,544)	-
Administrative expense	-	(48,835)	48,835
Other changes	-	-	-
Net changes	193,547	893,656	(700,109)
Balances at December 31, 2017	\$ 6,229,421	\$ 7,888,610	\$ (1,659,189)

# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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Actuarial Assumptions – The total pension liability was determined by an actuarial valuation performed on January 1, 2017, and rolled forward to December 31, 2017, using the following actuarial assumptions, applied to all periods in the measurement:

	<u>General Employees DB</u>	<u>Police</u>
Actuarial assumptions:		
Investment rate of return	7.0%	7.0%
Projected salary increases	4.5%	5.0%
Underlying inflation rate	3.0%	3.0%

Actuarial assumptions for both plans are based on an actuarial experience study for the period January 1, 2015 to December 31, 2016, with a roll-forward to December 31, 2017.

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.

*Changes in Actuarial Assumptions* – Based upon an actuarial valuation performed as of January 1, 2017 for the Police Plan, the mortality table was changed from the RP-2000 Combined Healthy mortality table with Blue Collar adjustment and rates projected using 75% of scale AA to the RP-2014 mortality table with 50% of the Blue-Collar adjustment and projected mortality improvement based on the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report. Also, the disability assumption was updated from 60% of the rates of disablement from Advanced Pension Tables to rates based on the Social Security Administration's 2010 projection of disability incidence. These changes increased the Actuarial Accrued Liability by \$146,700.

Based upon an actuarial valuation performed as of January 1, 2017 for the General Employees Plan, the mortality table was changed from the RP-2000 Combined Healthy mortality table with rates projected using 75% of scale AA to the RP-2014 mortality table with projected mortality improvement based on the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report. Also, the disability assumption was updated from 60% of the rates of disablement from Advanced Pension Tables to rates based on the Social Security Administration's 2010 projection of disability incidence. These changes increased the Unfunded Actuarial Accrued Liability by \$301,572.

# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

*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, 2017:

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, 2017, the annual money-weighted rate of return on the General Employees and Police Pension Plan investments, net of investment expense, was 14.07% and 14.11%, respectively.

*Concentrations* – There were no individual investments that constituted more than 5% of plan net position as of December 31, 2017.



# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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*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 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	\$ 671,689	\$ 18,773	\$ (546,927)
Police Plan	\$ (905,964)	\$ (1,659,189)	\$ (2,291,821)

# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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

For the year ended December 31, 2017, the Borough recognized pension expense of \$164,107. At December 31, 2017, 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>		
Differences between expected and actual experience	\$ -	\$ -
Changes in assumption	369,679	259,852
Net difference between projected and actual earnings on pension plan investments	<u>164,159</u>	<u>196,124</u>
Total deferred outflows of resources	<u>\$ 533,838</u>	<u>\$ 455,976</u>
	<u>General Employees</u>	<u>Police</u>
<u>Deferred Inflows of Resources:</u>		
Differences between expected and actual experience	\$ 163,658	\$ 549,640
Changes in assumption	-	-
Net difference between projected and actual earnings on pension plan investments	<u>391,665</u>	<u>482,935</u>
Total deferred inflows of resources	<u>\$ 555,323</u>	<u>\$ 1,032,575</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>	
2018	\$ (72,768)
2019	(72,767)
2020	(252,911)
2021	<u>(199,638)</u>
Total	<u>\$ (598,084)</u>

# BOROUGH OF FOX CHAPEL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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### 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 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; 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 2018. Borough Council concluded that work on the repairs to the sewer 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. The 2004 Administrative Consent Order expired on March 30, 2015.

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,

# **BOROUGH OF FOX CHAPEL**

## **NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2017

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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.

### **9. Cooper-Siegel Community Library**

During 2010, the Borough loaned \$1,250,000 from the Land Fund to the Library Authority to assist with the costs of construction. In 2011, the Borough loaned an additional \$1,324,200 for a total loan of \$2,574,200.

Also in 2010, the Library Authority entered into a lease rental agreement with CLA for use of the library. Annual payments to the Library Authority were scheduled through 2017. CLA has the option to purchase the library after the final payment for \$1. This purchase option has not yet occurred. The Borough pledged to assist CLA with the payments to the Library Authority up to \$1,450,000. As of December 31, 2017, cumulative assistance payments have been made in the amount of \$1,447,478. The Library Authority was formally terminated by the Borough on February 19, 2018 and all assets and obligations assumed by the Borough.

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 2017, the minimum amount increased to \$380,000. 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.

Per the lease agreements dated April 15, 2010 between CLA, the Library Authority, and the Borough, CLA will pay the Library Authority, who will pay the Borough, \$30,000 per year in site rental payments 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 has assumed the lease during 2018.

**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, 2017, 2016, 2015, AND 2014

	2017	2016	2015	2014
<b>Total Pension Liability:</b>				
Service cost	\$ 147,234	\$ 144,762	\$ 138,528	\$ 120,711
Interest	439,568	413,239	396,681	392,362
Differences between expected and actual experience	(175,699)	-	(47,630)	-
Changes of assumptions	301,572	-	259,303	-
Benefit payments, including refunds of member contributions	(327,107)	(293,887)	(315,537)	(298,768)
<b>Net Changes in Total Pension Liability</b>	<b>385,568</b>	<b>264,114</b>	<b>431,345</b>	<b>214,305</b>
<b>Total Pension Liability - Beginning</b>	<b>6,167,226</b>	<b>5,903,112</b>	<b>5,471,767</b>	<b>5,257,462</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 6,552,794</b>	<b>\$ 6,167,226</b>	<b>\$ 5,903,112</b>	<b>\$ 5,471,767</b>
<b>Plan Fiduciary Net Position:</b>				
Contributions - employer	\$ 168,878	\$ 167,392	\$ 198,297	\$ 154,546
Contributions - member	52,444	54,893	55,140	54,816
Net investment income	811,249	488,228	(55,569)	405,315
Benefit payments, including refunds of member contributions	(327,107)	(293,887)	(315,537)	(298,768)
Administrative expense	(41,525)	(35,874)	(6,522)	(2,652)
Other	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>663,939</b>	<b>380,752</b>	<b>(124,191)</b>	<b>313,257</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>5,870,082</b>	<b>5,489,330</b>	<b>5,613,521</b>	<b>5,300,264</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 6,534,021</b>	<b>\$ 5,870,082</b>	<b>\$ 5,489,330</b>	<b>\$ 5,613,521</b>
<b>Net Pension Liability (Asset) - Ending (a-b)</b>	<b>\$ 18,773</b>	<b>\$ 297,144</b>	<b>\$ 413,782</b>	<b>\$ (141,754)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>99.71%</b>	<b>95.18%</b>	<b>92.99%</b>	<b>102.59%</b>
<b>Covered Employee Payroll</b>	<b>\$ 1,023,960</b>	<b>\$ 1,077,766</b>	<b>\$ 1,096,317</b>	<b>\$ 1,060,144</b>
<b>Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>	<b>1.83%</b>	<b>27.57%</b>	<b>37.74%</b>	<b>-13.37%</b>

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, 2017, 2016, 2015, AND 2014

	2017	2016	2015	2014
<b>Total Pension Liability:</b>				
Service cost	\$ 147,118	\$ 134,755	\$ 143,036	\$ 145,430
Interest	411,974	400,442	376,262	390,672
Differences between expected and actual experience	(378,701)	-	(496,451)	-
Changes of assumptions	146,700	-	286,185	-
Benefit payments, including refunds of member contributions	(133,544)	(167,505)	(163,733)	(150,753)
<b>Net Changes in Total Pension Liability</b>	<b>193,547</b>	<b>367,692</b>	<b>145,299</b>	<b>385,349</b>
<b>Total Pension Liability - Beginning</b>	<b>6,035,874</b>	<b>5,668,182</b>	<b>5,522,883</b>	<b>5,137,534</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 6,229,421</b>	<b>\$ 6,035,874</b>	<b>\$ 5,668,182</b>	<b>\$ 5,522,883</b>
<b>Plan Fiduciary Net Position:</b>				
Contributions - employer	\$ 39,632	\$ 35,992	\$ 56,643	\$ 50,760
Contributions - member	56,826	55,385	53,762	51,767
Net investment income	979,577	598,625	(67,563)	479,168
Benefit payments, including refunds of member contributions	(133,544)	(167,505)	(163,733)	(150,753)
Administrative expense	(48,835)	(41,966)	(6,495)	(2,478)
Other	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>893,656</b>	<b>480,531</b>	<b>(127,386)</b>	<b>428,464</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>6,994,954</b>	<b>6,514,423</b>	<b>6,641,809</b>	<b>6,213,345</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 7,888,610</b>	<b>\$ 6,994,954</b>	<b>\$ 6,514,423</b>	<b>\$ 6,641,809</b>
<b>Net Pension Liability (Asset) - Ending (a-b)</b>	<b>\$ (1,659,189)</b>	<b>\$ (959,080)</b>	<b>\$ (846,241)</b>	<b>\$ (1,118,926)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>126.63%</b>	<b>115.89%</b>	<b>114.93%</b>	<b>120.26%</b>
<b>Covered Employee Payroll</b>	<b>\$ 1,107,694</b>	<b>\$ 1,075,239</b>	<b>\$ 1,052,638</b>	<b>\$ 1,019,032</b>
<b>Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>	<b>-149.79%</b>	<b>-89.20%</b>	<b>-80.39%</b>	<b>-109.80%</b>

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:

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Schedule of Borough's Contributions</b>										
Actuarially determined contribution	\$ 168,878	\$ 167,392	\$ 158,297	\$ 154,546	\$ 142,096	\$ 140,641	\$ 112,908	\$ 107,744	\$ 28,444	\$ 21,839
Contributions in relation to the actuarially determined contribution	168,878	167,392	198,297	154,546	142,096	140,641	179,643	107,744	28,444	21,839
Contribution deficiency (excess)	\$ -	\$ -	\$ (40,000)	\$ -	\$ -	\$ -	\$ (66,735)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,023,960	\$ 1,077,766	\$ 1,096,317	\$ 1,060,144	\$ 1,016,534	\$ 1,006,620	\$ 1,034,125	\$ 991,006	\$ 971,438	\$ 943,826
Contributions as a percentage of covered employee payroll	16.49%	15.53%	18.09%	14.58%	13.98%	13.97%	17.37%	10.87%	2.93%	2.31%
<b>Investment Returns</b>										
Annual money-weighted rate of return, net of investment expense	14.07%	9.03%	-0.42%	8.38%	n/a	n/a	n/a	n/a	n/a	n/a

#### POLICE PLAN:

<b>Schedule of Borough's Contributions</b>										
Actuarially determined contribution	\$ 39,632	\$ 35,992	\$ 56,643	\$ 50,760	\$ 42,196	\$ 42,815	\$ 44,214	\$ 40,342	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	39,632	35,992	56,643	50,760	42,196	42,815	44,214	40,342	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,107,694	\$ 1,075,239	\$ 1,052,638	\$ 1,019,032	\$ 1,120,451	\$ 1,062,076	\$ 999,493	\$ 968,911	\$ 932,544	\$ 889,004
Contributions as a percentage of covered employee payroll	3.58%	3.35%	5.38%	4.98%	3.77%	4.03%	4.42%	4.16%	0.00%	0.00%
<b>Investment Returns</b>										
Annual money-weighted rate of return, net of investment expense	14.11%	9.25%	-0.45%	8.37%	n/a	n/a	n/a	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, 2017

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:

	<u>General Employees</u>	<u>Police</u>
Actuarial valuation date	01/01/2015	01/01/2015
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	3.00%	3.00%

### Benefit Changes

#### General Employees Plan

No benefit changes were recognized for the January 1, 2015 actuarial valuation.

#### Police Plan

No benefit changes were recognized for the January 1, 2015 actuarial valuation.

# **BOROUGH OF FOX CHAPEL**

## **NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN**

YEAR ENDED DECEMBER 31, 2017

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### Change in Actuarial Assumptions

#### General Employees Plan

As of the January 1, 2015 valuation, the assumed investment rate of return was reduced from 7.5% to 7.0% to reflect Borough Council's expectation of future investment rate of return. This assumption change increased the total pension liability by \$259,303.

#### Police Plan

As of the January 1, 2015 valuation, the assumed investment rate of return was reduced from 7.5% to 7.0% to reflect Borough Council's expectation of future investment rate of return. This assumption change increased the total pension liability by \$286,185.

## **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, 2017

	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>				
Interest, rents, and royalties	\$ 1,000	\$ 1,000	\$ 1,637	\$ 637
Miscellaneous	31,000	31,000	12,150	(18,850)
Total revenues	32,000	32,000	13,787	(18,213)
<b>Expenditures:</b>				
Capital outlay:				
Police department	21,000	21,000	1,105	19,895
Public works	80,000	80,000	53,362	26,638
Total expenditures	101,000	101,000	54,467	46,533
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(69,000)	(69,000)	(40,680)	28,320
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	468,500	468,500	468,500	-
<b>Net Change in Fund Balance</b>	\$ 399,500	\$ 399,500	\$ 427,820	\$ 28,320

# BOROUGH OF FOX CHAPEL

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

### LAND ACQUISITION FUND

YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>				
Interest, rents, and royalties	\$ 22,900	\$ 22,900	\$ 22,862	\$ (38)
Sale of Fixed Assets - 407 Fox Chapel Road	650,000	650,000	428,740	(221,260)
Total revenues	672,900	672,900	451,602	(221,298)
<b>Expenditures:</b>				
Capital outlay	273,300	273,300	34,734	238,566
Library	520,300	520,300	518,082	2,218
Total expenditures	793,600	793,600	552,816	240,784
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(120,700)</u>	<u>(120,700)</u>	<u>(101,214)</u>	<u>19,486</u>
<b>Net Change in Fund Balance</b>	<u>\$ (120,700)</u>	<u>\$ (120,700)</u>	<u>\$ (101,214)</u>	<u>\$ 19,486</u>

# BOROUGH OF FOX CHAPEL

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

### INTERCEPTOR FUND

YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>				
Interest, rents, and royalties	\$ 3,000	\$ 3,000	\$ 5,428	\$ 2,428
<b>Expenditures</b>	-	-	-	-
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	3,000	3,000	5,428	2,428
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	365,500	365,500	364,779	(721)
<b>Net Change in Fund Balance</b>	<u>\$ 368,500</u>	<u>\$ 368,500</u>	<u>\$ 370,207</u>	<u>\$ 1,707</u>