

Borough of Fox Chapel

Financial Statements and Required Supplementary and Supplementary Information

**Year Ended December 31, 2021
with Independent Auditor's Report**

MaherDuessel

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BOROUGH OF FOX CHAPEL

YEAR ENDED DECEMBER 31, 2021

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Independent Auditor's Report

**Members of Council
Borough of Fox Chapel**

Report on the Audit of the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

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, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Sewer Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's

ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Borough's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maher Duessel

Pittsburgh, Pennsylvania
June 27, 2022

BOROUGH OF FOX CHAPEL 2021 MANAGEMENT'S DISCUSSION AND ANALYSIS

The Borough of Fox Chapel (Borough) financial report presents a narrative overview and analysis of the Borough's financial performance for the fiscal year ended December 31, 2021. Please read this management's discussion and analysis (MD&A) in conjunction with the accompanying financial statements and notes, which follow to obtain a thorough understanding of the Borough's financial condition on December 31, 2021.

The Borough is located in southwestern Pennsylvania, approximately six miles northeast of the City of Pittsburgh. The Borough was incorporated as a local government in 1934 and is governed under the Borough Code adopted by the Commonwealth of Pennsylvania in 1966. The Borough has operated under the Council-Manager form of government since 1936. Under this system, Borough Council is the legislative and policy-making body. The Mayor has direct responsibility for the Police Department. The Manager is the administrative officer of the Borough. Council acts as a board of directors to establish policy and gives directives to the Manager. Except for the police, the Manager is in charge of all Borough employees. The Borough provides its residents services in many areas, including 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 parkland or open space. Another 10% comprises private school campuses, golf and tennis clubs.

Despite the impact of COVID-19, the Borough maintained a solid financial position while continuing to serve the residents, as outlined in the highlights below:

FINANCIAL HIGHLIGHTS

- In 2021, the Borough's total net position increased by \$4M to \$37M, an increase of 12.2%. The unrestricted portion of the total net position is \$5.1M, an increase of \$319K, and the restricted portion increased by \$2.5M.
- The total fund balance of the Borough increased by \$2M to \$15.4M, an increase of 14.5%.
- The General Fund reported a positive net change in fund balance of approximately \$134K.
- In 2019, the Borough earned an "AA+" rating from Standard & Poor's and issued \$5.4M in General Obligation Bonds to acquire and develop parkland and construct and renovate the Public Works facilities. Parkland was purchased in 2019. Work began in 2019 on the site development of the Public Works facility. After a delay due to COVID-19, construction started in 2021 and is currently underway. In 2021, debt service payments included a principal of \$135,000 and interest of \$184,749.
- The Borough was awarded a \$64,450 grant from DCNR Community Conservation Partnership Program to develop McCahill Park's trails and multi-season courts. Engineers and architects are currently designing the project, and we will be seeking permits from DEP in 2022. The Borough was also awarded a \$531,300 from the Community and Economic Development Block Grant. \$265,650 was received in 2021 and used for revenue replacement in the General Fund; the remaining half will be received in 2022.

- During 2021, the pension plans' combined total net position increased by over \$2.2M due to a net investment gain of \$2.9M and contributions of \$270K offset by expenses of \$848K. The defined benefit General Plan and Police Plan had money-weighted rates of return of 16.29% and 16.11%, respectively. The pension plan fiduciary net position as a percentage of the total pension liability increased to 122.71% for the General Plan and 146.52% for the Police Plan.
- At the end of 2020, a new Capital Fund, the Infrastructure Emergency Infrastructure Fund, was established to accumulate and earmark \$500,000 for unforeseen infrastructure emergencies such as landslides or bridge repairs through annual appropriations. In 2021, \$100,000 was transferred from the General Fund to the Emergency Infrastructure Fund.
- In 2021, Council authorized a one-time transfer of \$500,000 from the General to the Capital Reserve Fund in addition to the \$325,000 already budgeted in anticipation of inflationary costs of vehicles and equipment.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities on pages 1 and 2 are government-wide financial statements that provide information about the Borough activities as a whole. Fund financial statements on pages 3-12 include governmental and fiduciary funds. The governmental funds' statements report the Borough's operations in more detail than the entity-wide statements and explain how services were financed in the short term and what remains for future spending.

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

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

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

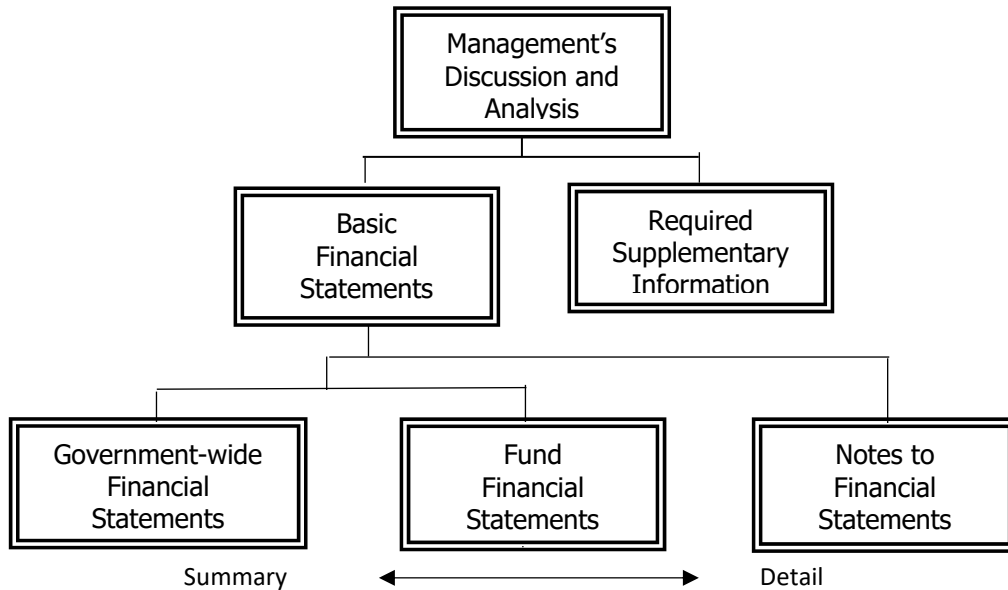


Figure A-2 summarizes the significant features of the Borough's financial statements. The remainder of this overview section of the MD&A explains each of the statements' structure and contents.

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

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

REPORTING THE BOROUGH AS A WHOLE

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

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

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

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

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

REPORTING THE BOROUGH'S FUNDS

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

A condensed summary of the Borough's change in net position comparing December 31, 2021 to the previous fiscal year is as follows:

Summary of Statement of Net Position
December 31, 2021 and December 31, 2020

	Governmental Activities		
	2021	2020	Variance
Current and other assets:	\$ 17,457,544	\$ 16,119,374	\$ 1,338,170
Net pension asset - Police plan	3,523,647	2,775,046	748,601
Net pension asset - General plan	1,676,592	791,354	885,238
Capital assets	23,196,856	21,880,530	1,316,326
Total Assets	45,854,639	41,566,304	4,288,335
Deferred Outflows of Resources:			
Changes in pension assumptions	459,693	82,336	377,357
Net difference between projected and actual earnings on pension investments	-	475,716	(475,716)
Total Deferred Outflows of Resources	459,693	558,052	(98,359)
Current and other liabilities:	1,114,517	1,437,764	(323,247)
Bond Payable - Due within 1 year	140,000	135,000	5,000
Bond Payable - Due in more than 1 year	4,780,000	4,920,000	(140,000)
Bond Premium	267,495	279,654	(12,159)
Total Liabilities	6,302,012	6,772,418	(470,406)
Deferred Inflows of Resources:			
Differences between expected and actual pension experience	636,505	513,618	122,887
Difference between projected and actuals earnings on pension plan investments	2,209,400	1,723,862	485,538
Total Deferred Inflows of Resources	2,845,905	2,237,480	608,425
Net Position:			
Invested in capital assets, net	17,777,189	16,545,876	1,231,313
Restricted for:			
Pensions	5,200,239	3,566,400	1,633,839
Road Construction/Maintenance	4,255	534	3,721
Sewage Infrastructure	4,228,516	3,476,162	752,354
Stormwater management	869,009	629,711	239,298
Capital Purchases/Construction	4,021,271	4,148,950	(127,679)
Revenue replacement	91	-	91
Unrestricted	5,065,845	4,746,825	319,020
Total Net Position	\$ 37,166,415	\$ 33,114,458	\$ 4,051,957

Net Position:

In 2021, the total net position of governmental activities increased by \$4.1M to \$37M, or 12.2%. Capital assets increased by \$1.3M, followed by an increase in combined net pension assets of \$1.6M. An increase of \$1.3M in cash and receivables combined with a reduction of \$323K in current and other liabilities accounts for the remainder of the \$4M increase.

The restricted portion of the Borough's net position subject to external restrictions on how the funds may be used increased by \$2.5M due primarily to the increase of \$752K in restricted funds for sewage infrastructure and the increase of \$1.6M in net pension asset restricted for pensions. The unrestricted net position, which identifies funds available to maintain operations or invest in additional capital assets, increased accordingly.

Infrastructure Assets:

As of December 31, 2021, the Borough's total net position is \$37M. Of this amount, capital assets account for \$23.2M. These capital assets are then reduced to \$17.8M for restriction when related debt is considered. In 2004, Governmental Accounting Standards Board (GASB) Statement No. 34 required that all capital assets, including infrastructure, be valued and reported within government-wide financial statements. The Borough chose to report all infrastructure additions over \$500,000 per system, per year, prospectively, beginning in 2004. Infrastructure additions first met the capitalization threshold and were first reported in 2012.

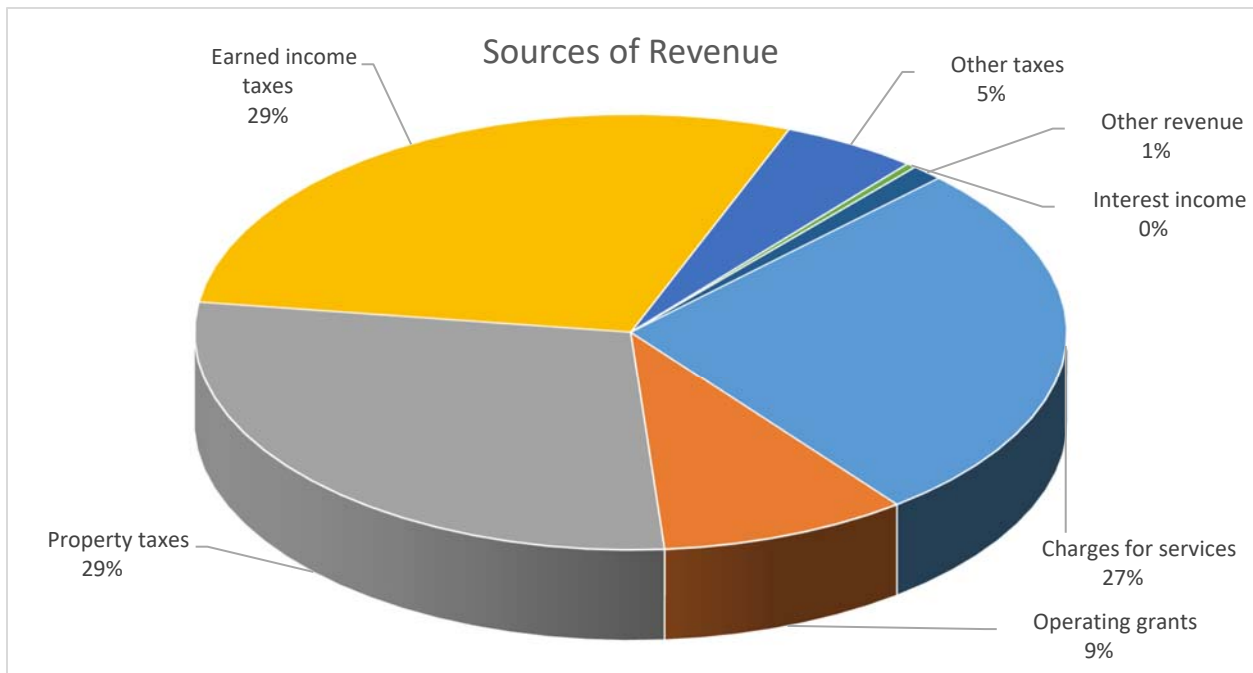
The following chart presents the Borough's change in net position for the fiscal years ended December 31, 2021 and December 31, 2020:

Change in Net Position
Years Ended December 31, 2021 and 2020

Governmental Activities

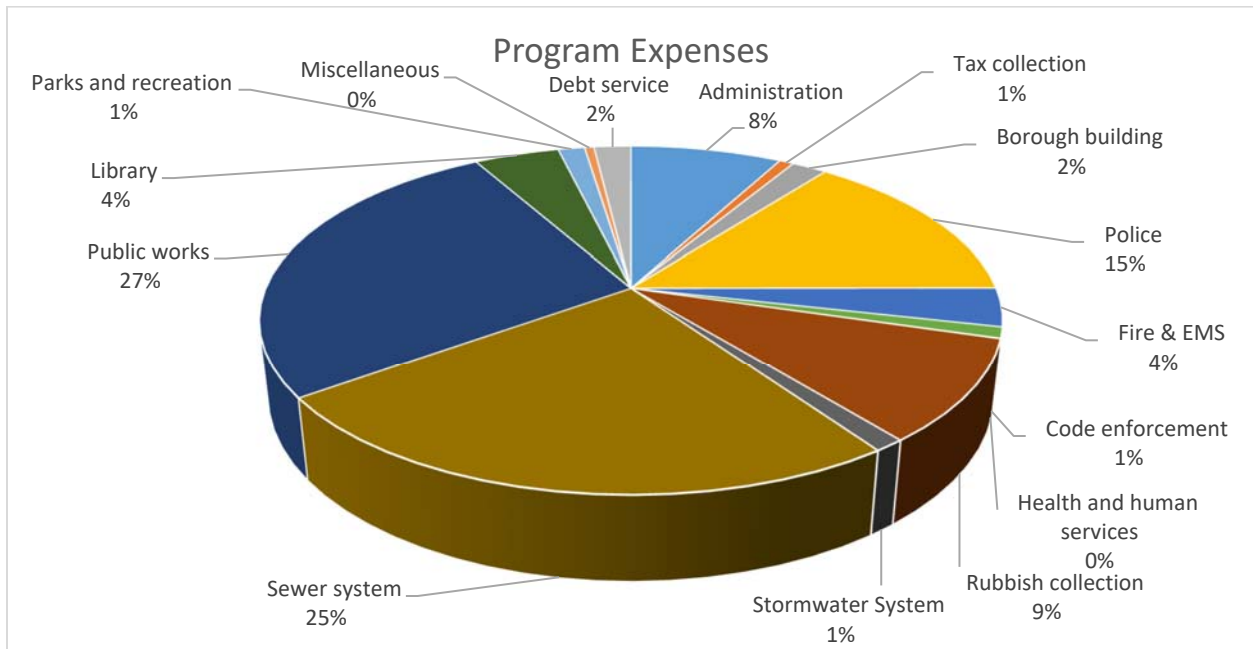
	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 3,488,066	\$ 3,310,676	\$ 177,390
Operating grants	1,186,069	1,091,487	94,582
Capital grants	-	442,500	(442,500)
General Revenues:			
Property taxes	3,667,274	3,531,162	136,112
Earned income taxes	3,701,172	2,647,887	1,053,285
Other taxes	648,341	496,992	151,349
Interest income	46,967	132,925	(85,958)
Miscellaneous	152,355	158,751	(6,396)
Total Revenues	<u>12,890,244</u>	<u>11,812,380</u>	<u>1,077,864</u>
Program Expenses:			
Administration	694,898	795,279	(100,381)
Tax collection	65,530	55,379	10,151
Borough building	161,583	152,469	9,114
Police	1,284,412	1,267,337	17,075
Fire & EMS	315,882	340,675	(24,793)
Code enforcement	89,978	141,492	(51,514)
Health and human services	3,720	1,860	1,860
Rubbish collection	842,439	849,355	(6,916)
Stormwater System	102,480	24,088	78,392
Sewer system	2,187,408	2,218,434	(31,026)
Public works	2,365,647	2,300,114	65,533
Library	390,000	325,000	65,000
Parks and recreation	121,260	138,035	(16,775)
Miscellaneous	43,554	-	43,554
Debt service	169,496	175,083	(5,587)
Total Expenses	<u>8,838,287</u>	<u>8,784,600</u>	<u>53,687</u>
Change in Net Position	4,051,957	3,027,780	1,024,177
Net position-beginning of year	33,114,458	30,086,678	3,027,780
Net position-end of year	<u>\$ 37,166,415</u>	<u>\$ 33,114,458</u>	<u>\$ 4,051,957</u>

Revenue Sources - 2021 Operating Income:



Total 2021 government-wide revenue of \$12.9M was \$1.1M more than 2020, an increase of 9.1%. This increase in government-wide revenue is due primarily to a \$1.1M increase in earned income tax. Gains in charges for services, operating grants, property and other taxes, were almost equally offset by losses in interest, misc. income and capital grants.

Expenses - 2021 Operating Expenditures:



Total expense for all programs in 2021 was \$8.8M, an increase of \$54K, or 0.6%. The expenses reflect the delivery of a wide range of services, with the largest being public works (roads, bridges, sanitary sewers, and stormwater management) at 53%, followed by public safety (police, fire, EMS, and planning/zoning/code enforcement) at 20%, general government (administration, tax collection, and

Borough building and grounds) at 11%, garage-door garbage service at 9%, culture and recreation (parks and library) at 5%, and debt service at 2%. Administrative expense was down \$100K due to two staff members' retirements. Code enforcement expense decreased \$52K due to fewer legal fees offset by less building permit revenue. This was offset by an increase in stormwater system expense of \$78K due to engineering services required for streambank restoration projects. Public Works increased \$66K due to the retirement of the Public Works Director, which required hiring a new director for training purposes resulting in duplication of salaries.

FINANCIAL ANALYSIS OF THE BOROUGH'S FUNDS

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

The Borough has eleven funds and one blended Component Unit. The Borough presents five major governmental funds, the General Fund, the Sewer Fund, the Capital Reserve Fund, the Land Acquisition Fund, and the Interceptor Fund. Additionally, the Borough presents seven other governmental funds, the Highway Aid Fund, the Sanitary Authority Fund, the Fire Truck Fund, the Parks Fund, the K-9 Fund, the Emergency Infrastructure Fund, and the American Rescue Plan Fund.

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

Special Revenue Funds: Sewer, Highway Aid, and ARPA.

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

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

As the Borough completed the year 2021, its governmental funds reported a combined fund balance of \$15,444,176, an increase of \$1,961,625 from the combined fund balance at year-end 2020.

General Fund

2021 General Fund total revenue of \$8,523,669 was an increase of \$552,402, or 6.9%, compared to 2020, primarily due to increase revenue from earned income tax and charges for services. Total expense of \$7,946,689 was less than 1% difference compared to 2020 expense.

In 2021, Borough Council chose to reduce fund balance in the General Fund by adopting a deficit budget of \$793,700. Looking at the Borough's performance from 2017 to 2021, the 2021 deficit combined with net revenues over the prior four years yielded an approximate break-even over the five years. In addition, there was a rollover of budgeted expenditure from 2020 to 2021 due to the impact of COVID-19.

The General Fund variance was favorable; actual results show a gain (increase of fund balance) of \$133,580 for a net gain of \$927,280 when actual results are compared to budget despite a \$825,000 contribution to the Capital Reserve Fund.

Revenue exceeded budget by \$907,969, as earned income tax collected was \$560,629 over budget, and other taxes and charges for services exceeded budget by \$221,841 and \$212,814, respectively offset by intergovernmental revenues down by \$48,064.

Expenses were under budget by \$253,611 mainly due to \$90,663 savings in Parks as the work scheduled to be completed at McCahill Park was moved to 2022. Police saved \$51,974 compared to budget mainly due to savings in salaries as two long-term officers retired and two new officers were paid 65% of full salary per the Collective Bargaining Agreement. Code Enforcement saved \$76,586 compared to budget as the Comprehensive Plan was moved to 2022. Fire was \$28,758 less than budget as no firehouse maintenance was needed, and vehicle repairs were less than anticipated.

Sewer Fund

Total 2021 Sewer Fund revenue of \$2,974,665 was an increase of \$351,202, or 13.4%, compared to 2020, primarily due to a GROW Grant received and increased collection of sewer fees. Total expense of \$2,207,316 was \$194,996 less, or 8.1%, than 2020 expense due to saving in equipment purchases and sewer repairs.

2021 revenues exceeded expenses by \$382,610, which was \$483,710 more than budgeted. Revenue exceeded budget by \$376,165 as \$300,630 for ALCOSAN Grow Grant was received, and \$140,980 additional revenue was received from sewer fees though \$40,360 of this gain was passed through to ALCOSAN.

Expenses were \$112,284 under budget, mainly due to savings in legal fees and engineering fees compared to budget.

Land Fund

Council adopted a deficit budget of \$3,505,500 in the Land Fund, as \$3,517,500 in bond money received in 2019 was to be spent on construction of the new public works facilities. Due to delay in the start of construction, revenue compared to expense was \$3.3M less than budget; this has been re-budgeted for 2022. Revenue exceeded budget by \$435,205 as the Land Fund received an unbudgeted loan payback from the Parks Fund. Expenses for construction of the public works facility along with engineering, advertising, and Borough office improvements came in \$2.9 less than budget, mainly due to the timing of construction projects which have continued into 2022.

Capital Funds

Revenue in the Capital Reserve Fund exceeded budget by \$764,747 as Council authorized a one-time transfer of \$500,000 from the General Fund to the Capital Reserve Fund in addition to the \$325,000 already budgeted. Public Works expenses were \$202,670 under budget as a truck scheduled to be purchased was unavailable until 2022. In addition, the library donated land valued at \$328,000; this was recorded in revenue as a private donation and as an expense in capital purchases netting in a zero-dollar transaction.

TRUST AND AGENCY OPERATIONS:

Pension Trust Fund

The Borough administers two defined benefit pension plans for full-time employees – General Employees and Police. On December 31, 2021, there were 10 vested and 3 non-vested participants in the General Employees Plan and 8 vested and 3 non-vested participants in the Police Plan. Employee contribution rates were set at 5% for employees in both plans. In 2014, Borough Council closed the General Employees Defined Benefit Pension Plan to new members and created a defined contribution sub-plan for all new hires. Five of 13 employees in the General Plan are part of the defined contribution plan. Plan participants contribute 5% of wages, and the Borough contributes an equal amount. By Pennsylvania law, all police pension plans must be defined benefit plans, so no similar changes can be made to the Police Plan.

During 2021, all plans' combined total net position increased by \$2,211,939, or 12.2%. Net investment gains of \$2,790,317 and contributions of \$270,078 were offset by benefit payments of \$820,047 and administrative expense of \$28,409. On the Statement of Net Position of the financial statements, the Police Plan shows a net pension asset of \$3,523,647, an increase of \$748,601, and the General Employees Defined Benefit Plan a net pension asset of \$1,676,592, an increase of \$885,238.

State Aid of \$153,513 offset the total Borough contribution of \$147,418; therefore, no Borough funds were expended. In addition, the employees contributed \$122,660. The pension plan fiduciary net position as a percentage of the total pension liability for the defined benefit General Employees and Police Plans was 122.71% and 146.52%, respectively.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets consist primarily of land, buildings and other improvements, machinery, equipment, infrastructure, and vehicles. Capital assets are recorded and depreciated using the straight-line method over the useful lives of the assets. Maintenance and repairs are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized.

The following is a summary of capital assets at December 31, 2021, and 2020:

Summary of Capital Assets

	Balance at December 31, 2021	Balance at December 31, 2020	Variance
Land	\$ 10,618,586	\$ 10,290,586	\$ 328,000
Construction in Progress	2,019,305	1,489,342	529,963
Buildings and improvements	2,194,836	2,194,836	-
Furniture and equipment	413,715	382,310	31,405
Machinery and equipment	1,328,290	1,321,912	6,378
Vehicles	3,290,521	3,290,521	-
Infrastructure	10,231,221	8,897,518	1,333,703
Total capital assets	<u>30,096,474</u>	<u>27,867,025</u>	<u>2,229,449</u>
Less accumulated depreciation for:			
Building and improvements	1,464,343	1,422,244	42,099
Furniture and equipment	329,880	312,719	17,161
Machinery and equipment	758,491	686,617	71,874
Vehicles	1,772,149	1,582,621	189,528
Infrastructure	2,574,755	1,982,294	592,461
Total accumulated depreciation	<u>6,899,618</u>	<u>5,986,495</u>	<u>913,123</u>
Total assets less accumulated depreciation	<u>\$ 23,196,856</u>	<u>\$ 21,880,530</u>	<u>\$ 1,316,326</u>

Long-term Debt

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

General Obligation Bonds, Series of 2019	
Credit Rating "AA+" Stable Outlook from Standard & Poor's	
Bank Qualified	
Last Maturity 7/15/2044	25 years
Average Life years	14.639
Average Coupon	3.668467%
All-in True Interest Cost	3.286002%
Arbitrage Yield	2.286653%

A summary of the Borough's debt activity in 2021 follows:

Beginning balance, January 1, 2021	\$ 5,334,654
Additions	-
Issuance Premium	(12,159)
Repayments	<u>(135,000)</u>
Ending balance, December 31, 2021	<u>\$ 5,187,495</u>

In 2021, the annual debt service payment of \$135,000 for principal and \$184,749 for interest was made from the General Fund. A bond repayment schedule can be found in Notes to the Financial Statements – Note 7.

CONTACTING THE BOROUGH'S FINANCIAL MANAGEMENT

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

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

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

BOROUGH OF FOX CHAPEL

STATEMENT OF NET POSITION

DECEMBER 31, 2021

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 15,913,199
Receivables:	
Taxes	1,128,293
Other	416,052
Net pension asset - Police Plan	3,523,647
Net pension asset - General Plan	1,676,592
Capital assets, not depreciated	12,637,891
Capital assets net of accumulated depreciation	10,558,965
Total Assets	45,854,639
Deferred Outflows of Resources	
Related to pensions	459,693
Liabilities	
Accounts payable	735,827
Unearned revenue	2,962
Escrow deposits	100,601
Accrued Interest	81,583
Noncurrent liabilities:	
Accumulated compensated absences	193,544
Bonds payable - due within one year	140,000
Bonds payable - due in more than one year	4,780,000
Bond premium	267,495
Total Liabilities	6,302,012
Deferred Inflows of Resources	
Related to pensions	2,845,905
Net Position	
Net investment in capital assets	17,777,189
Restricted for:	
Pensions	5,200,239
Road construction/maintenance	4,255
Sewage infrastructure	4,228,516
Stormwater management	869,009
Capital purchases/construction	4,021,271
Revenue replacement	91
Unrestricted	5,065,845
Total Net Position	\$ 37,166,415

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Administration	\$ 694,898	\$ 153,130	\$ 295,637	\$ -	\$ (246,131)
Tax collection	65,530	-	-	-	(65,530)
Borough building	161,583	-	-	-	(161,583)
Police department	1,284,412	8,156	71,384	-	(1,204,872)
Fire department	315,882	-	166,572	-	(149,310)
Code enforcement	89,978	113,022	5,234	-	28,278
Health and human services	3,720	-	-	-	(3,720)
Rubbish collection	842,439	-	11,185	-	(831,254)
Stormwater System	102,480	340,665	-	-	238,185
Sewer system	2,187,408	2,672,480	17,167	-	502,239
Public works	2,365,647	200,613	259,540	-	(1,905,494)
Library	390,000	-	-	-	(390,000)
Parks and recreation	121,260	-	359,350	-	238,090
Miscellaneous	43,554	-	-	-	(43,554)
Debt service	169,496	-	-	-	(169,496)
Total governmental activities	<u>\$ 8,838,287</u>	<u>\$ 3,488,066</u>	<u>\$ 1,186,069</u>	<u>\$ -</u>	<u>(4,164,152)</u>
General revenues:					
Taxes:					
Real estate					3,667,274
Earned income					3,701,172
Other					648,341
Interest income					46,967
Miscellaneous income					<u>152,355</u>
Total general revenues					<u>8,216,109</u>
Change in Net Position					<u>4,051,957</u>
Net Position:					
Beginning of year					<u>33,114,458</u>
End of year					<u>\$ 37,166,415</u>

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	General Fund	Sewer Fund	Capital Reserve	Land Acquisition	Interceptor Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 2,957,767	\$ 1,389,612	\$ 2,207,620	\$ 4,253,443	\$ 2,980,999	\$ 2,123,758	\$ 15,913,199
Receivables:							
Taxes	1,128,293	-	-	-	-	-	1,128,293
Other	174,727	237,650	-	-	-	3,675	416,052
Due from other funds	-	27,681	-	-	-	1,000	28,681
Total Assets	\$ 4,260,787	\$ 1,654,943	\$ 2,207,620	\$ 4,253,443	\$ 2,980,999	\$ 2,128,433	\$ 17,486,225
Liabilities							
Accounts payable	\$ 130,105	\$ 370,505	\$ -	\$ 232,172	\$ -	\$ 3,045	\$ 735,827
Unearned revenue	2,962	-	-	-	-	-	2,962
Due to other funds	1,000	-	-	-	27,681	-	28,681
Escrow deposits	100,601	-	-	-	-	-	100,601
Total Liabilities	234,668	370,505	-	232,172	27,681	3,045	868,071
Deferred Inflows of Resources							
Unavailable revenue - grants	-	9,240	-	-	-	-	9,240
Unavailable revenue - stormwater fees	-	-	-	-	-	2,850	2,850
Unavailable revenue - earned income tax	993,446	-	-	-	-	-	993,446
Unavailable revenue - real estate taxes	168,442	-	-	-	-	-	168,442
Total Deferred Inflows of Resources	1,161,888	9,240	-	-	-	2,850	1,173,978
Fund Balance							
Restricted:							
Road construction/maintenance	-	-	-	-	-	4,255	4,255
Sewage infrastructure	-	1,275,198	-	-	2,953,318	-	4,228,516
Stormwater management	-	-	-	-	-	869,009	869,009
Capital purchases/construction	-	-	-	4,021,271	-	-	4,021,271
Revenue replacement	-	-	-	-	-	91	91
Assigned:							
Capital purchases/construction	-	-	2,207,620	-	-	1,249,183	3,456,803
Revenue replacement	-	-	-	-	-	-	-
Unassigned	2,864,231	-	-	-	-	-	2,864,231
Total Fund Balance	2,864,231	1,275,198	2,207,620	4,021,271	2,953,318	2,122,538	15,444,176
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 4,260,787	\$ 1,654,943	\$ 2,207,620	\$ 4,253,443	\$ 2,980,999	\$ 2,128,433	\$ 17,486,225

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

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

DECEMBER 31, 2021

Total Fund Balance - Governmental Funds \$ 15,444,176

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. 23,196,856

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

Grants	\$	9,240	
Earned income tax		993,446	
Real estate tax		168,442	
Stormwater fees		<u>2,850</u>	1,173,978

The actuarially accrued net pension asset, and deferred inflows and outflows of resources for pensions are not recorded on the fund financial statements. 2,814,027

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

Accrued interest	\$	(81,583)	
Accumulated compensated absences		(193,544)	
Bond due within one year		(140,000)	
Bond payable		(4,780,000)	
Bond premium		<u>(267,495)</u>	(5,462,622)

Total Net Position - Governmental Activities \$ 37,166,415

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, 2021

	General Fund	Sewer Fund	Capital Reserve	Land Acquisition	Interceptor Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes:							
Real estate	\$ 3,595,018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,595,018
Earned income	3,374,829	-	-	-	-	-	3,374,829
Other	648,341	-	-	-	-	-	648,341
Licenses and permits	156,951	-	-	-	-	-	156,951
Fines and related costs	7,856	-	-	-	-	-	7,856
Interest, rents, and royalties	33,803	1,555	1,513	4,705	3,005	2,386	46,967
Intergovernmental revenues	245,136	300,630	-	-	-	927,587	1,473,353
Charges for services	310,114	44,720	-	-	-	-	354,834
Stormwater fees	-	-	-	-	-	340,965	340,965
Sanitary sewer fees	-	2,627,760	-	-	-	-	2,627,760
Contributions	-	-	328,000	-	-	127,846	455,846
Miscellaneous	151,621	-	734	-	-	-	152,355
Total revenues	8,523,669	2,974,665	330,247	4,705	3,005	1,398,784	13,235,075
Expenditures:							
Current:							
Administration	699,365	33,156	-	85,453	-	-	817,974
Tax collection	65,530	-	-	-	-	-	65,530
Borough building	84,469	-	-	2,568	-	-	87,037
Police department	1,783,126	-	-	-	-	3,473	1,786,599
Fire & EMS department	147,893	-	-	-	-	-	147,893
Code enforcement	134,014	-	-	-	-	-	134,014
Health and human services	3,720	-	-	-	-	-	3,720
Rubbish collection	842,439	-	-	-	-	-	842,439
Stormwater system	-	-	-	-	-	102,480	102,480
Sewer system	-	2,174,160	-	-	-	-	2,174,160
Public works	1,755,531	-	-	-	-	-	1,755,531
Library	390,000	-	-	-	-	-	390,000
Parks and recreation	88,637	-	-	-	-	23,773	112,410
Employee benefits	148,474	-	-	-	-	-	148,474
Insurance	101,591	-	-	-	-	-	101,591
Miscellaneous	48,448	-	-	-	-	-	48,448
Debt service:							
Principal	135,000	-	-	-	-	-	135,000
Interest	184,749	-	-	-	-	-	184,749
Capital outlay	1,333,703	-	371,735	529,963	-	-	2,235,401
Total expenditures	7,946,689	2,207,316	371,735	617,984	-	129,726	11,273,450
Excess (Deficiency) of Revenues Over Expenditures	576,980	767,349	(41,488)	(613,279)	3,005	1,269,058	1,961,625

(Continued)

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

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

YEAR ENDED DECEMBER 31, 2021
(Continued)

	General Fund	Sewer Fund	Capital Reserve	Land Acquisition	Interceptor Fund	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):							
Operating transfers in	481,600	-	843,000	442,500	366,739	100,000	2,233,839
Operating transfers out	(925,000)	(384,739)	-	-	-	(924,100)	(2,233,839)
Total other financing sources (uses)	(443,400)	(384,739)	843,000	442,500	366,739	(824,100)	-
Net Change in Fund Balance	133,580	382,610	801,512	(170,779)	369,744	444,958	1,961,625
Fund Balance:							
Beginning of year	2,730,651	892,588	1,406,108	4,192,050	2,583,574	1,677,580	13,482,551
End of year	<u>\$ 2,864,231</u>	<u>\$ 1,275,198</u>	<u>\$ 2,207,620</u>	<u>\$ 4,021,271</u>	<u>\$ 2,953,318</u>	<u>\$ 2,122,538</u>	<u>\$ 15,444,176</u>
							(Concluded)

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

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

YEAR ENDED DECEMBER 31, 2021

Net Change in Fund Balance - Governmental Funds \$ 1,961,625

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlays	\$ 2,235,401	
Less: Depreciation expense	<u>(919,075)</u>	1,316,326

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	\$ 326,343	
Real estate tax	77,150	
Stormwater fees	<u>(300)</u>	403,193

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

Compensated absences	\$ 36,635	
Pension expense	<u>927,055</u>	963,690

(Continued)

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

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

YEAR ENDED DECEMBER 31, 2021

(Continued)

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

-

Revenues in the statement of activities that provide current financial resources are reported as revenues in the funds.

(743,130)

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

Bond payable	\$	135,000
Bond premium		<u>12,159</u>

147,159

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

3,094

Change in Net Position of Governmental Activities

\$ 4,051,957

(Concluded)

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

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

GENERAL FUND

YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes:				
Real estate	\$ 3,654,000	\$ 3,654,000	\$ 3,595,018	\$ (58,982)
Earned income	2,814,200	2,814,200	3,374,829	560,629
Other	426,500	426,500	648,341	221,841
Licenses and permits	157,000	157,000	156,951	(49)
Fines and related costs	3,500	3,500	7,856	4,356
Interest, rents, and royalties	60,000	60,000	33,803	(26,197)
Intergovernmental revenues	293,200	293,200	245,136	(48,064)
Charges for services	97,300	97,300	310,114	212,814
Miscellaneous	110,000	110,000	151,621	41,621
Total revenues	<u>7,615,700</u>	<u>7,615,700</u>	<u>8,523,669</u>	<u>907,969</u>
Expenditures:				
Current:				
Administration	721,100	721,100	699,365	21,735
Tax collection	60,700	60,700	65,530	(4,830)
Borough building	95,500	95,500	84,469	11,031
Police department	1,835,100	1,835,100	1,783,126	51,974
Fire department	132,700	132,700	103,942	28,758
EMS	46,000	46,000	43,951	2,049
Code enforcement	210,600	210,600	134,014	76,586
Health and human services	2,000	2,000	3,720	(1,720)
Rubbish collection	844,800	844,800	842,439	2,361
Public works	3,098,700	3,098,700	3,089,234	9,466
Library	390,000	390,000	390,000	-
Parks and recreation	179,300	179,300	88,637	90,663
Employee benefits	149,600	149,600	148,474	1,126
Insurance	107,800	107,800	101,591	6,209
Miscellaneous	5,400	5,400	48,448	(43,048)
Debt service	321,000	321,000	319,749	1,251
Total expenditures	<u>8,200,300</u>	<u>8,200,300</u>	<u>7,946,689</u>	<u>253,611</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(584,600)</u>	<u>(584,600)</u>	<u>576,980</u>	<u>1,161,580</u>
Other Financing Sources (Uses):				
Operating transfers in	215,900	215,900	481,600	265,700
Operating transfers out	(425,000)	(425,000)	(925,000)	(500,000)
Total other financing sources (uses)	<u>(209,100)</u>	<u>(209,100)</u>	<u>(443,400)</u>	<u>(234,300)</u>
Net Change in Fund Balance	<u>\$ (793,700)</u>	<u>\$ (793,700)</u>	<u>\$ 133,580</u>	<u>\$ 927,280</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, 2021

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Interest, rents, and royalties	\$ 6,000	\$ 6,000	\$ 1,555	\$ (4,445)
Intergovernmental revenue	61,000	61,000	300,630	239,630
Sewer fees	2,531,500	2,531,500	2,672,480	140,980
Total revenues	2,598,500	2,598,500	2,974,665	376,165
Expenditures:				
Administration	58,000	58,000	33,156	24,844
Sewer system	2,261,600	2,261,600	2,174,160	87,440
Total expenditures	2,319,600	2,319,600	2,207,316	112,284
Excess (Deficiency) of Revenues Over Expenditures	278,900	278,900	767,349	488,449
Other Financing Sources (Uses):				
Operating transfers out	(380,000)	(380,000)	(384,739)	(4,739)
Net Change in Fund Balance	<u>\$ (101,100)</u>	<u>\$ (101,100)</u>	<u>\$ 382,610</u>	<u>\$ 483,710</u>

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS - PENSION TRUST FUNDS

DECEMBER 31, 2021

	Police Pension Fund	General Employees DB Pension Fund	General Employees DC Pension Fund	Total Pension Funds
Assets				
Cash and cash equivalents	\$ 1,037,038	\$ 829,820	\$ -	\$ 1,866,858
Investments:				
Corporate bonds	1,365,627	1,104,388	-	2,470,015
Municipal bonds	1,014,892	832,851	-	1,847,743
Treasury bonds	-	-	-	-
Registered investment companies	-	-	181,973	181,973
Equities	7,646,280	6,259,325	-	13,905,605
Other:				
Employee contributions receivable	-	4,600	-	4,600
Accrued income receivable	33,507	27,694	-	61,201
Total Assets	11,097,344	9,058,678	181,973	20,337,995
Liabilities				
Pension benefits payable	-	-	-	-
Net Position Restricted For Pension Benefits	\$ 11,097,344	\$ 9,058,678	\$ 181,973	\$ 20,337,995

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, 2021

	Police Pension Fund	General Employees DB Pension Fund	General Employees DC Pension Fund	Total Pension Funds
Additions:				
Contributions:				
Employer (including state aid)	\$ -	\$ 127,306	\$ 20,112	\$ 147,418
Employee	56,940	45,608	20,112	122,660
Total contributions	56,940	172,914	40,224	270,078
Investment income (loss):				
Net appreciation (depreciation) in fair value of investments	1,357,423	1,103,778	21,991	2,483,192
Interest and dividends	221,637	183,058	-	404,695
Total investment income	1,579,060	1,286,836	21,991	2,887,887
Less investment expense	45,131	52,244	195	97,570
Net investment income (loss)	1,533,929	1,234,592	21,796	2,790,317
Total additions	1,590,869	1,407,506	62,020	3,060,395
Deductions:				
Benefits	430,154	389,893	-	820,047
Administrative expense	19,801	8,608	-	28,409
Total deductions	449,955	398,501	-	848,456
Change in Net Position	1,140,914	1,009,005	62,020	2,211,939
Net Position Restricted for Pension Benefits:				
Net position - beginning	9,956,430	8,049,673	119,953	18,126,056
Net position - ending	<u>\$ 11,097,344</u>	<u>\$ 9,058,678</u>	<u>\$ 181,973</u>	<u>\$ 20,337,995</u>

See accompanying notes to financial statements.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

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

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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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.

Sewer Fund

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

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

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Additionally, the Borough presents seven other governmental funds, the Highway Aid Fund, the Sanitary Authority Fund, the Fire Truck Fund, the Parks Fund, the K-9 Fund, the Emergency Infrastructure Fund, and the American Rescue Plan Fund.

Fiduciary Funds:

Pension Trust Funds

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

Budgets and Budgetary Accounting

An appropriated budget is adopted annually for the following funds on a basis consistent with accounting principles generally accepted in the United States of America: General, Highway Aid, Sewer, Interceptor, Capital Reserve, Land Acquisition, Fire Truck, Emergency Infrastructure, Parks, and Sanitary Authority Special Revenue Fund. The K-9 and American Rescue Plan Funds had no legally adopted budget in 2021. For the year ended December 31, 2021, cash disbursements exceeded appropriations in the capital reserve fund. These overages were funded by excess revenues, and transfers in from other funds.

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.

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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. Minor modifications were made to the 2021 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.

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.

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The balances at December 31, 2021 are as follows:

	Due To	Due From
General Fund	\$ 1,000	\$ -
Sewer Fund	-	27,681
Interceptor Fund	27,681	-
Other Governmental Funds	-	1,000
	<u>\$ 28,681</u>	<u>\$ 28,681</u>
	Transfer In	Transfer Out
General Fund	\$ 481,600	\$ 925,000
Sewer Fund	-	384,739
Interceptor Fund	366,739	-
Capital Reserve Fund	843,000	-
Land Acquisition Fund	442,500	-
Other Governmental Funds	100,000	924,100
	<u>\$ 2,233,839</u>	<u>\$ 2,233,839</u>

Compensated Absences

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

Net Position

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

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

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

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

Fund Balance

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

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

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- 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 for capital purchases and construction and revenue replacement.
- Unassigned – This category represents all other funds not otherwise defined.

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

Capital Assets

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

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

Donated assets are capitalized at the acquisition value at the date of contribution. Maintenance and repairs are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized.

Long-Term Obligations

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

Deferred Inflows and Outflows of Resources Related to Pensions

In conjunction with pension accounting requirements, the net difference between projected and actual investment earnings, changes in assumptions and the difference between expected and actual experience are recorded as a deferred inflow or outflow of resources

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related to pensions on the government-wide financial statements. These amounts are determined based on the actuarial valuations performed for the Borough. Note 6 presents additional information about the Pension Plans.

Estimates

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

Pending Pronouncements

The Governmental Accounting Standards Board (GASB) has issued statements that will become effective in future years, including Statement Nos. 87 (Leases), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), 97 (Deferred Compensation Plans), and 99 (Omnibus 2022). Management has not yet determined the impact of these statements on the financial statements.

2. Cash, Cash Equivalents, and Investments

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

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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, 2021, \$250,000 of the Borough's \$15,947,202 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balance of \$15,697,202 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 \$15,913,199 as of December 31, 2021.

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.

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As of December 31, 2021, the Borough had the following investments in its Pension Trust Funds:

Cash or Investment Type	Fair Value	Investment Maturities from December 31, 2021			
		Less Than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Corporate bonds	\$ 2,470,015	\$ 70,083	\$ 1,164,864	\$ 978,716	\$ 256,352
Municipal bonds	1,847,743	186,125	816,266	655,300	190,052
Total fixed income investments	4,317,758	\$ 256,208	\$ 1,981,130	\$ 1,634,016	\$ 446,404
Money market funds	1,866,858				
Corporate common stocks:					
Health Care	2,325,031				
Industrials	1,231,710				
Information technology	3,005,309				
Consumer staples	1,263,296				
Financial	1,358,896				
Energy	462,359				
Materials	657,225				
Telecommunication services	1,982,226				
Utilities	294,302				
Consumer discretionary	1,325,251				
Total corporate common stocks	13,905,605				
Registered investment companies	181,973				
Total cash and other investments	15,954,436				
Total cash and investments reported on the statement of fiduciary net position	\$ 20,272,194				

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

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

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Pension Trust Funds formal investment policy limits its fixed income investment choices to a rating of median or better based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2021, 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.

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As of December 31, 2021, the Borough had the following credit quality distribution for fixed income investments with credit exposure:

Rating (1)	Percentage of Total Fixed Income Investments with Credit Exposure
AAA	2.9%
AA1	6.2%
AA2	6.0%
AA3	4.6%
A1	0.6%
A2	2.7%
A3	2.7%
BAA1	18.8%
BAA2	24.4%
BAA3	8.7%
Not rated	22.4%
Subtotal	100.0%

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the Pension Trust Funds will not be able to recover the value of their deposits or investments or collateral securities that are in the possession of an outside entity. The Pension Trust Funds do not have a formal deposit or investment policy for custodial credit risk. The Borough's investments in money market funds cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. As of December 31, 2021, the Borough's entire pension cash, cash equivalents, and investment balance of \$20,272,194 (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.

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

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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 2021 is as follows:

	January 1, 2021	Additions	Disposals	December 31, 2021
Capital assets, not being depreciated:				
Land	\$ 10,290,586	\$ 328,000	\$ -	\$ 10,618,586
Construction in progress	1,489,342	529,963	-	2,019,305
Total capital assets, not being depreciated	11,779,928	857,963	-	12,637,891
Capital assets, being depreciated:				
Buildings and improvements	2,194,836	-	-	2,194,836
Furniture and equipment	382,310	31,405	-	413,715
Machinery and equipment	1,321,912	12,330	(5,952)	1,328,290
Vehicles	3,290,521	-	-	3,290,521
Infrastructure	8,897,518	1,333,703	-	10,231,221
Total capital assets, being depreciated	16,087,097	1,377,438	(5,952)	17,458,583
Less accumulated depreciation for:				
Buildings and improvements	1,422,244	42,099	-	1,464,343
Furniture and equipment	312,719	17,161	-	329,880
Machinery and equipment	686,617	77,826	(5,952)	758,491
Vehicles	1,582,621	189,528	-	1,772,149
Infrastructure	1,982,294	592,461	-	2,574,755
Total accumulated depreciation	5,986,495	919,075	(5,952)	6,899,618
Total capital assets, being depreciated, net	10,100,602	458,363	-	10,558,965
Total capital assets, net	\$ 21,880,530	\$ 1,316,326	\$ -	\$ 23,196,856

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

Administration	\$ 8,011
Borough building	46,666
Police department	32,462
Fire department	73,351
Code enforcement	6,324
Public works	732,172
Sewer system	11,239
Parks and recreation	<u>8,850</u>
Total depreciation expense	<u>\$ 919,075</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 2021, Borough real estate taxes were levied at the rate of 2.95 mills for general purposes. The millage is applied to assessed market valuation as determined periodically by Allegheny County. Total assessed valuation, which approximates 100% of market value of assessed properties within the Borough, was \$1,221,018,741 for 2021.

5. Compensated Absences

The following is a summary of the change in compensated absences of the Borough for the year ended December 31, 2021:

	Amount Payable as of January 1, 2021	Change in Payable	Amount Payable as of December 31, 2021
Compensated absences	<u>\$ 230,179</u>	<u>\$ (36,635)</u>	<u>\$ 193,544</u>

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The liability for compensated absences is liquidated from the governmental funds where the corresponding payroll costs for the respective employees are allocated.

6. Pension Plans

Summary of Significant Accounting Policies

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

Plan Descriptions

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

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At December 31, 2021, Plan membership consisted of the following:

	General Employees DB	General Employees DC	Police
Inactive plan members or beneficiaries currently receiving benefits	12	-	5
Inactive plan members entitled to but not yet receiving benefits	-	-	2
Active plan members	10	7	11
Total plan members	22	7	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

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eligible to retire but before the retirement benefits commence, the beneficiary shall be eligible to receive a lump sum distribution of an amount equal to the accumulated contributions of the participant as of the date of death of the participant.

Benefits Provided - General Employees Defined Contribution Plan

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

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 \$181,973 at December 31, 2021.

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.

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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.

On December 18, 2017, the Borough adopted Resolution 618 which amended the Police Pension Plan to add a Deferred Retirement Option Plan (DROP) for all full-time police officers of the Borough. The DROP provides an optional form of benefit to members of the Police Pension Plan who have met the age and service eligibility requirements for normal retirement. Any eligible member may elect to participate in the DROP by retiring for pension purposes and specifying a future termination date not more than three years from the effective date of the DROP election. The monthly pension benefit is calculated at the date of election and credited to a separate ledger account for the period of DROP participation along with interest at the rate earned by the money market account within the Plan compounded and credited monthly. The rate of interest shall not be less than 0% nor more than 4.5% per year until participation ends. A member may change the DROP termination date to an earlier date without penalty. As of December 31, 2021, the Plan held no DROP balances.

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

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for the Police Plan were 5% in 2021. Contributions for the General Employees Plan were also 5% for 2021 for both the DB and DC plans.

During 2021, the required MMOs for the Police Plan and General Employees Defined Benefit Plan were \$0 and \$127,306, respectively. The Borough contributed the funds necessary to meet the required MMOs. During 2021, the Borough contributed \$20,112 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.

Net Pension Liability (Asset)

The components of the net pension liability (asset) of the Plans at December 31, 2021 were as follows:

	General Employees	Police
Total pension liability	\$ 7,382,086	\$ 7,573,696
Plan fiduciary net position	(9,058,678)	(11,097,343)
Net pension liability (asset)	<u>\$ (1,676,592)</u>	<u>\$ (3,523,647)</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	<u>122.71%</u>	<u>146.52%</u>

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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, 2021 were as follows:

General Employees DB Plan

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2020	\$ 7,258,319	\$ 8,049,673	\$ (791,354)
Changes for the year:			
Service cost	133,547	-	133,547
Interest	462,635	-	462,635
Differences between expected and actual	(308,396)	-	(308,396)
Changes of assumptions	225,874	-	225,874
Contributions - employer	-	127,306	(127,306)
Contributions - employee	-	45,608	(45,608)
Net investment income	-	1,286,836	(1,286,836)
Benefit payments, including refunds	(389,893)	(389,893)	-
Administrative expense	-	(60,852)	60,852
Net changes	123,767	1,009,005	(885,238)
Balances at December 31, 2021	\$ 7,382,086	\$ 9,058,678	\$ (1,676,592)

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Police Pension Plan

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2020	\$ 7,181,383	\$ 9,956,429	\$ (2,775,046)
Changes for the year:			
Service cost	164,933	-	164,933
Interest	475,578	-	475,578
Differences between expected and actual	(219,279)	-	(219,279)
Changes of assumptions	401,235	-	401,235
Contributions - employer	-	-	-
Contributions - employee	-	56,940	(56,940)
Net investment income	-	1,579,061	(1,579,061)
Benefit payments, including refunds	(430,154)	(430,154)	-
Administrative expense	-	(64,932)	64,932
Other changes	-	-	-
Net changes	392,313	1,140,915	(748,602)
Balances at December 31, 2021	\$ 7,573,696	\$ 11,097,344	\$ (3,523,648)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation performed on January 1, 2021, and rolled forward to December 31, 2021, using the following actuarial assumptions, applied to all periods in the measurement:

	General Employees DB	Police
Actuarial assumptions:		
Investment rate of return	6.5%	6.5%
Projected salary increases	4.0%	4.5%
Underlying inflation rate	2.50%	2.50%

Mortality assumptions for the General Employees Plan are based on the 2010 Public Retirement Plan – General Employees mortality tables (PubG-2010). Mortality assumptions for the Police Plan are based on the 2010 Public Retirement Plan – Public Safety Employees mortality tables (PubS-2010). Mortality improvement for both Plans is derived from the Long-Range Demographic Assumptions for the 2020 Social Security Administration's Trustee Report.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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, 2021:

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, 2021, the annual money-weighted rate of return on the General Employees and Police Pension Plan investments, net of investment expense, was 16.11% and 16.29%, respectively.

Concentrations – There were no individual investments that constituted more than 5% of plan net position as of December 31, 2021.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Discount Rate – The discount rate used to measure the total pension liability for both Plans was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Borough's contributions will be made based on the yearly MMO calculation. Based on those assumptions, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
General Employees Plan	\$ (978,404)	\$ (1,676,592)	\$ (2,282,503)
Police Plan	\$ (2,601,687)	\$ (3,523,647)	\$ (4,295,713)

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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

For the year ended December 31, 2021, the Borough recognized pension expense of \$(799,750). At December 31, 2021, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	General Employees	Police
Deferred Outflow of Resources:		
Changes in assumption	\$ 161,339	\$ 298,354
Total deferred outflows of resources	<u>\$ 161,339</u>	<u>\$ 298,354</u>
Deferred Inflows of Resources:		
Differences between expected and actual experience	\$ 259,854	\$ 376,651
Net difference between projected and actual earnings on pension plan investments	<u>999,331</u>	<u>1,210,069</u>
Total deferred inflows of resources	<u>\$ 1,259,185</u>	<u>\$ 1,586,720</u>

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

Year Ending December 31:	
2022	\$ (713,920)
2023	(887,700)
2024	(440,637)
2025	<u>(343,955)</u>
Total	<u>\$ (2,386,212)</u>

7. Long-Term Debt

In 2019, the Borough issued General Obligation Bonds, Series 2019 to acquire land for a public park and its development, construct a Public Works garage, renovate existing facilities, reimburse related site improvements including stormwater management, and pay

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

the cost of issuing the bonds. The bonds are secured by a pledge of full faith, credit, and taxing power of Borough. In the event of failure to pay principal and interest when due that exceeds thirty days, any bond holder may bring suit for the amount due. The bonds will be liquidated with the General Fund.

Issue: General Obligation Bonds of 2019
Date: August 8, 2019
Proceeds: \$5,195,000
Bond premium: \$303,972
Bond term: 25 years
Interest rate: 1.34% - 2.58%
Maximum annual debt service: \$321,600
Average annual debt service: \$320,210

Long-term debt activity for the year ended December 31, 2021 was as follows:

	Amounts Payable as of January 1, 2021			Amounts Payable as of December 31, 2021			Due Within One Year
		Increases	Decreases				
G.O. Bond	\$ 5,055,000	\$ -	\$ (135,000)	\$ 4,920,000	\$ 140,000		

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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

Fiscal Year	Principal	Interest	Total
2022	\$ 140,000	\$ 178,000	\$ 318,000
2023	150,000	171,000	321,000
2024	155,000	163,500	318,500
2025	165,000	155,750	320,750
2026	170,000	150,800	320,800
2027-2031	925,000	674,500	1,599,500
2032-2036	1,065,000	527,800	1,592,800
2037-2041	1,265,000	332,600	1,597,600
2042-2044	885,000	71,600	956,600
	<u>\$ 4,920,000</u>	<u>\$ 2,425,550</u>	<u>\$ 7,345,550</u>

8. Contingent Liabilities

From time to time, the Borough participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Borough is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant agreements and noncompliance with which could result in the disallowance of program expenditures. Occasionally there are claims and lawsuits are pending against the Borough; however there are none at this time. The ultimate outcome of any claims and lawsuits cannot presently be determined and, accordingly, no provision for amounts arising from settlements has been made in these financial statements. In the opinion of management and legal counsel, the effect on the financial statements of potential losses or gains on any claim and/or lawsuit should not be material.

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; environmental and cyber liability; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year; Cyber insurance has been reduced from \$3 million to \$1 million in 2022 because of a volatile market.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

In June 2013, Borough Council adopted the Administrative Consent Order (ACO) Feasibility Study Report (Report) which was then submitted to the Allegheny County Health Department (ACHD), PA DEP, and the Allegheny County Sanitary Authority (ALCOSAN). The report concluded a need for 2.6 miles of repairs of sewer pipe in the upper reaches of the sanitary sewer system and 2.5 miles of sewer main upsizing. The cost of these repairs totals \$10.7 million. The report determined that construction of the sewer main should commence in late 2024. Borough Council concluded that work on the repairs to the sewer pipes should begin in 2014 and progress until completed. Borough Council has calculated the sewer rates needed to fund these projects and increased the rates accordingly. ACHD has verified that the Feasibility Study Report meets the criteria required.

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

In October 2021, the Borough adopted resolution 658 adopting Phase II Consent Order with corrections and reservations, which it will document in the permitted time. The Borough and its engineers feel that the Borough will be able to meet the requirements of the consent order and remain under the gold line standard by continuing its current maintenance programs and dye test procedures.

BOROUGH OF FOX CHAPEL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

9. Cooper-Siegel Community Library

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

As part of an agreement dated April 15, 2010, the Borough agreed to contribute to CLA the sum of not less than \$350,000 per year for the operation of the library. In the year 2018, the minimum amount increased to \$390,000. The Borough's commitment may be reduced in the event contributions by other municipalities result in the Borough's appointees to the Board of CLA having less than a majority vote on the Board of CLA. The Borough contributed \$390,000 to CLA during 2021.

10. Purchase Commitments

In December 2021, the Borough entered into agreements to purchase a Hydraulic Truck Lift in the amount of \$39,735, a dump truck body in the amount of \$64,620, and two police department vehicles in the amount of \$92,734. Subsequent to year-end, the purchase agreements were settled on May 1, 2022.

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:								
Service cost	\$ 133,547	\$ 133,707	\$ 127,949	\$ 135,290	\$ 147,234	\$ 144,762	\$ 138,528	\$ 120,711
Interest	462,635	486,018	466,708	457,378	439,568	413,239	396,681	392,362
Differences between expected and actual experience	(308,396)	-	(138,502)	-	(175,699)	-	(47,630)	-
Changes of assumptions	225,874	-	-	-	301,572	-	259,303	-
Benefit payments, including refunds of member contributions	(389,893)	(335,959)	(313,532)	(313,532)	(327,107)	(293,887)	(315,537)	(298,768)
Net Changes in Total Pension Liability	123,767	283,766	142,623	279,136	385,568	264,114	431,345	214,305
Total Pension Liability - Beginning	7,258,319	6,974,553	6,831,930	6,552,794	6,167,226	5,903,112	5,471,767	5,257,462
Total Pension Liability - Ending (a)	\$ 7,382,086	\$ 7,258,319	\$ 6,974,553	\$ 6,831,930	\$ 6,552,794	\$ 6,167,226	\$ 5,903,112	\$ 5,471,767
Plan Fiduciary Net Position:								
Contributions - employer	\$ 127,306	\$ 148,212	\$ 184,217	\$ 178,298	\$ 168,878	\$ 167,392	\$ 198,297	\$ 154,546
Contributions - member	45,608	51,605	54,767	54,803	52,444	54,893	55,140	54,816
Net investment income	1,286,836	800,792	1,223,333	(90,353)	811,249	488,228	(55,569)	405,315
Benefit payments, including refunds of member contributions	(389,893)	(335,959)	(313,532)	(313,532)	(327,107)	(293,887)	(315,537)	(298,768)
Administrative expense	(60,852)	(42,046)	(44,866)	(40,087)	(41,525)	(35,874)	(6,522)	(2,652)
Net Change in Plan Fiduciary Net Position	1,009,005	622,604	1,103,919	(210,871)	663,939	380,752	(124,191)	313,257
Plan Fiduciary Net Position - Beginning	8,049,673	7,427,069	6,323,150	6,534,021	5,870,082	5,489,330	5,613,521	5,300,264
Plan Fiduciary Net Position - Ending (b)	\$ 9,058,678	\$ 8,049,673	\$ 7,427,069	\$ 6,323,150	\$ 6,534,021	\$ 5,870,082	\$ 5,489,330	\$ 5,613,521
Net Pension Liability (Asset) - Ending (a-b)	\$ (1,676,592)	\$ (791,354)	\$ (452,516)	\$ 508,780	\$ 18,773	\$ 297,144	\$ 413,782	\$ (141,754)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	122.71%	110.90%	106.49%	92.55%	99.71%	95.18%	92.99%	102.59%
Covered Payroll	\$ 912,165	\$ 958,750	\$ 1,096,049	\$ 1,159,521	\$ 1,023,960	\$ 1,077,766	\$ 1,096,317	\$ 1,060,144
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-183.80%	-82.54%	-41.29%	43.88%	1.83%	27.57%	37.74%	-13.37%

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

BOROUGH OF FOX CHAPEL

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN

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

POLICE PLAN

YEARS ENDED DECEMBER 31

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:								
Service cost	\$ 164,933	\$ 169,106	\$ 161,053	\$ 154,474	\$ 147,118	\$ 134,755	\$ 143,036	\$ 145,430
Interest	475,578	472,713	436,940	443,250	411,974	400,442	376,262	390,672
Differences between expected and actual experience	(219,279)	-	(590,532)	-	(378,701)	-	(496,451)	-
Changes of assumptions	401,235	-	-	-	146,700	-	286,185	-
Benefit payments, including refunds of member contributions	(430,154)	(87,275)	(102,482)	(105,285)	(133,544)	(167,505)	(163,733)	(150,753)
Net Changes in Total Pension Liability	392,313	554,544	(95,021)	492,439	193,547	367,692	145,299	385,349
Total Pension Liability - Beginning	7,181,383	6,626,839	6,721,860	6,229,421	6,035,874	5,668,182	5,522,883	5,137,534
Total Pension Liability - Ending (a)	\$ 7,573,696	\$ 7,181,383	\$ 6,626,839	\$ 6,721,860	\$ 6,229,421	\$ 6,035,874	\$ 5,668,182	\$ 5,522,883
Plan Fiduciary Net Position:								
Contributions - employer	\$ -	\$ -	\$ -	\$ 4,161	\$ 39,632	\$ 35,992	\$ 56,643	\$ 50,760
Contributions - member	56,940	52,562	53,470	57,892	56,826	55,385	53,762	51,767
Net investment income	1,579,060	976,567	1,475,229	(98,843)	979,577	598,625	(67,563)	479,168
Benefit payments, including refunds of member contributions	(430,154)	(87,275)	(102,482)	(105,285)	(133,544)	(167,505)	(163,733)	(150,753)
Administrative expense	(64,932)	(54,359)	(53,237)	(50,581)	(48,835)	(41,966)	(6,495)	(2,478)
Net Change in Plan Fiduciary Net Position	1,140,914	887,495	1,372,980	(192,656)	893,656	480,531	(127,386)	428,464
Plan Fiduciary Net Position - Beginning	9,956,429	9,068,934	7,695,954	7,888,610	6,994,954	6,514,423	6,641,809	6,213,345
Plan Fiduciary Net Position - Ending (b)	\$ 11,097,343	\$ 9,956,429	\$ 9,068,934	\$ 7,695,954	\$ 7,888,610	\$ 6,994,954	\$ 6,514,423	\$ 6,641,809
Net Pension Liability (Asset) - Ending (a-b)	\$ (3,523,647)	\$ (2,775,046)	\$ (2,442,095)	\$ (974,094)	\$ (1,659,189)	\$ (959,080)	\$ (846,241)	\$ (1,118,926)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	146.52%	138.64%	136.85%	114.49%	126.63%	115.89%	114.93%	120.26%
Covered Payroll	\$ 1,138,800	\$ 1,051,224	\$ 1,093,127	\$ 1,136,519	\$ 1,107,694	\$ 1,075,239	\$ 1,052,638	\$ 1,019,032
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-309.42%	-263.98%	-223.40%	-85.71%	-149.79%	-89.20%	-80.39%	-109.80%

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

BOROUGH OF FOX CHAPEL

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN

SCHEDULES OF BOROUGH'S CONTRIBUTIONS AND INVESTMENT RETURNS

YEARS ENDED DECEMBER 31,

GENERAL EMPLOYEES PLAN:

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Schedule of Borough's Contributions										
Actuarially determined contribution	\$ 127,306	\$ 148,212	\$ 184,217	\$ 178,298	\$ 168,878	\$ 167,392	\$ 158,297	\$ 154,546	\$ 142,096	\$ 140,641
Contributions in relation to the actuarially determined contribution	127,306	148,212	184,217	178,298	168,878	167,392	198,297	154,546	142,096	140,641
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (40,000)	\$ -	\$ -	\$ -
Covered payroll	\$ 912,165	\$ 958,750	\$ 1,096,049	\$ 1,159,521	\$ 1,023,960	\$ 1,077,766	\$ 1,096,317	\$ 1,060,144	\$ 1,016,534	\$ 1,006,620
Contributions as a percentage of covered payroll	13.96%	15.46%	16.81%	15.38%	16.49%	15.53%	18.09%	14.58%	13.98%	13.97%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	16.11%	10.96%	19.64%	-1.40%	14.07%	9.03%	-0.42%	8.38%	n/a	n/a

POLICE PLAN:

Schedule of Borough's Contributions										
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ 4,161	\$ 39,632	\$ 35,992	\$ 56,643	\$ 50,760	\$ 42,196	\$ 42,815
Contributions in relation to the actuarially determined contribution	-	-	-	4,161	39,632	35,992	56,643	50,760	42,196	42,815
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,138,800	\$ 1,051,224	\$ 1,093,127	\$ 1,136,519	\$ 1,107,694	\$ 1,075,239	\$ 1,052,638	\$ 1,019,032	\$ 1,120,451	\$ 1,062,076
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.37%	3.58%	3.35%	5.38%	4.98%	3.77%	4.03%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	16.29%	10.82%	19.29%	-1.26%	14.11%	9.25%	-0.45%	8.37%	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, 2021

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

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

Benefit Changes

General Employees Plan

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

Police Plan

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

BOROUGH OF FOX CHAPEL

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN

YEAR ENDED DECEMBER 31, 2021

Change in Actuarial Assumptions

General Employees Plan

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

Police Plan

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

SUPPLEMENTARY INFORMATION

BOROUGH OF FOX CHAPEL

COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	Highway Aid Fund	Sanitary Authority	Fire Truck Fund	Parks Fund	K-9 Fund	Emergency Infrastructure Fund	American Rescue Plan Fund	Other Governmental Funds
Assets								
Cash and cash equivalents	\$ 4,255	\$ 871,229	\$ 214,058	\$ 854,032	\$ -	\$ 180,093	\$ 91	\$ 2,123,758
Receivables:								
Other	-	3,675	-	-	-	-	-	3,675
Due from other funds	-	-	1,000	-	-	-	-	1,000
Total Assets	<u>\$ 4,255</u>	<u>\$ 874,904</u>	<u>\$ 215,058</u>	<u>\$ 854,032</u>	<u>\$ -</u>	<u>\$ 180,093</u>	<u>\$ 91</u>	<u>\$ 2,128,433</u>
Liabilities								
Accounts payable	\$ -	\$ 3,045	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,045
Total Liabilities	<u>-</u>	<u>3,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,045</u>
Deferred Inflows of Resources								
Unavailable revenue - stormwater fees	-	2,850	-	-	-	-	-	2,850
Total Deferred Inflows of Resources	<u>-</u>	<u>2,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,850</u>
Fund Balance								
Restricted:								
Road construction/maintenance	4,255	-	-	-	-	-	-	4,255
Stormwater management	-	869,009	-	-	-	-	-	869,009
Revenue replacement	-	-	-	-	-	-	91	91
Assigned:								
Capital purchases/construction	-	-	215,058	854,032	-	180,093	-	1,249,183
Total Fund Balance	<u>4,255</u>	<u>869,009</u>	<u>215,058</u>	<u>854,032</u>	<u>-</u>	<u>180,093</u>	<u>91</u>	<u>2,122,538</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 4,255</u>	<u>\$ 874,904</u>	<u>\$ 215,058</u>	<u>\$ 854,032</u>	<u>\$ -</u>	<u>\$ 180,093</u>	<u>\$ 91</u>	<u>\$ 2,128,433</u>

BOROUGH OF FOX CHAPEL

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

YEAR ENDED DECEMBER 31, 2021

	Highway Aid Fund	Sanitary Authority	Fire Truck Fund	Parks Fund	K-9 Fund	Emergency Infrastructure Fund	American Rescue Plan Fund	Other Governmental Funds
Revenues:								
Interest, rents, and royalties	\$ 184	\$ 813	\$ 188	\$ 969	\$ 2	\$ 89	\$ 141	\$ 2,386
Intergovernmental revenues	219,437	-	-	442,500	-	-	265,650	927,587
Stormwater fees	-	340,965	-	-	-	-	-	340,965
Contributions	-	-	96,346	31,350	150	-	-	127,846
Total revenues	219,621	341,778	96,534	474,819	152	89	265,791	1,398,784
Expenditures:								
Current:								
Police department	-	-	-	-	3,473	-	-	3,473
Stormwater system	-	102,480	-	-	-	-	-	102,480
Parks and recreation	-	-	-	23,773	-	-	-	23,773
Total expenditures	-	102,480	-	23,773	3,473	-	-	129,726
Excess (Deficiency) of Revenues Over Expenditures	219,621	239,298	96,534	451,046	(3,321)	89	265,791	1,269,058
Other Financing Sources (Uses):								
Operating transfers in	-	-	-	-	-	100,000	-	100,000
Operating transfers out	(215,900)	-	-	(442,500)	-	-	(265,700)	(924,100)
Total other financing sources (uses)	(215,900)	-	-	(442,500)	-	100,000	(265,700)	(824,100)
Net Change in Fund Balance	3,721	239,298	96,534	8,546	(3,321)	100,089	91	444,958
Fund Balance:								
Beginning of year	534	629,711	118,524	845,486	3,321	80,004	-	1,677,580
End of year	\$ 4,255	\$ 869,009	\$ 215,058	\$ 854,032	\$ -	\$ 180,093	\$ 91	\$ 2,122,538

BOROUGH OF FOX CHAPEL

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

CAPITAL RESERVE FUND

YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Interest, rents, and royalties	\$ 8,000	\$ 8,000	\$ 1,513	\$ (6,487)
Contributions	-	-	328,000	328,000
Miscellaneous	29,000	57,000	734	(56,266)
Total revenues	37,000	65,000	330,247	265,247
Expenditures:				
Capital outlay:				
Administration	7,500	7,500	25,646	(18,146)
Borough building	11,700	11,700	-	11,700
Fire department	-	-	5,759	(5,759)
Public works	215,000	215,000	12,330	202,670
Parks and recreation	-	-	328,000	(328,000)
Total expenditures	234,200	234,200	371,735	(137,535)
Excess (Deficiency) of Revenues Over Expenditures	(197,200)	(169,200)	(41,488)	127,712
Other Financing Sources (Uses):				
Operating transfers in	343,500	343,500	843,000	499,500
Total other financing sources (uses)	343,500	343,500	843,000	499,500
Net Change in Fund Balance	\$ 146,300	\$ 174,300	\$ 801,512	\$ 627,212

BOROUGH OF FOX CHAPEL

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

LAND ACQUISITION FUND

YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Interest, rents, and royalties	\$ 12,000	\$ 12,000	\$ 4,705	\$ (7,295)
Total revenues	12,000	12,000	4,705	(7,295)
Expenditures:				
Administration	2,200	2,200	85,453	(83,253)
Borough building	300,000	300,000	2,568	297,432
Capital outlay	3,215,300	3,215,300	529,963	2,685,337
Total expenditures	3,517,500	3,517,500	617,984	2,899,516
Excess (Deficiency) of Revenues Over Expenditures	(3,505,500)	(3,505,500)	(613,279)	2,892,221
Other Financing Sources (Uses)				
Operating transfers in	-	-	442,500	442,500
Net Change in Fund Balance	\$ (3,505,500)	\$ (3,505,500)	\$ (170,779)	\$ 3,334,721

BOROUGH OF FOX CHAPEL

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

INTERCEPTOR FUND

YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Interest, rents, and royalties	\$ 20,000	\$ 20,000	\$ 3,005	\$ (16,995)
Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	20,000	20,000	3,005	(16,995)
Other Financing Sources (Uses):				
Operating transfers in	362,500	362,500	366,739	4,239
Net Change in Fund Balance	<u>\$ 382,500</u>	<u>\$ 382,500</u>	<u>\$ 369,744</u>	<u>\$ (12,756)</u>