



SOUTH FAYETTE
T O W N S H I P

A Community Growing Together

TOWNSHIP OF SOUTH FAYETTE, PENNSYLVANIA

AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2020



McGill, Power, Bell & Associates, LLP
Certified Public Accountants • Business & Financial Advisors

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Independent Auditor's Report

To the Members of the Board of Commissioners
Township of South Fayette
Morgan, PA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of South Fayette, Pennsylvania as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of South Fayette, Pennsylvania, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan information, other post-employment benefit plan information, and the notes to required supplementary information on pages 4 through 13 and 47 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of South Fayette, Pennsylvania's basic financial statements. The combining and individual nonmajor fund financial statements on pages 54 and 55 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Change in Accounting Principle

During the 2020 year-end, the Township adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

Grove City, Pennsylvania

September 29, 2021

TOWNSHIP OF SOUTH FAYETTE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2020

The discussion and analysis of the Township of South Fayette's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Township's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2020 are as follows:

Government-wide financial statements:

- The assets and deferred outflows of resources of the Township exceeded its total liabilities and deferred inflows of resources at December 31, 2020 by \$20,541,334 (net position). Of this amount, \$2,931,408 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net position increased by \$3,255,101 for the year ended December 31, 2020.

Fund financial statements:

- At the close of the current year, the Township's governmental funds reported combined ending fund balances of \$15,706,234, a decrease of \$173,142 in comparison with the prior year. Of this amount, \$2,609,776 is unassigned and available for spending.
- At the end of the current year, unassigned fund balance for the General Fund was \$2,609,776 or 22.7% of total General Fund budgeted expenditures for 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Position presents information on all of the Township's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The governmental activities of the Township include general government, public safety, public works and streets, culture and recreation, health and sanitation, and other activities.

Fund financial statements – The Township's fund financial statements, which begin on page 16, provide detailed information about the most significant funds – not the Township as a whole. Some funds are required by state law and bond requirements.

Governmental funds – Most of the Township's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

The Township’s total net position was \$20,541,334 and \$17,286,233 at December 31, 2020 and 2019.

**Township of South Fayette’s Net Position
December 31, 2020 and 2019**

	<i>Governmental Activities</i>	
	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 17,263,117	\$ 16,990,307
Capital assets, net	11,617,332	8,883,838
	<u>28,880,449</u>	<u>25,874,145</u>
Deferred outflows of resources	<u>1,011,116</u>	<u>1,354,533</u>
Current and other liabilities	1,668,642	1,228,765
Long-term liabilities	6,045,273	6,926,436
	<u>7,713,915</u>	<u>8,155,201</u>
Deferred outflows of resources	<u>1,636,316</u>	<u>1,787,244</u>
NET POSITION		
Net investment in capital assets	7,551,728	3,591,249
Restricted	10,058,198	11,794,070
Unrestricted	<u>2,931,408</u>	<u>1,900,914</u>
TOTAL NET POSITION	<u>\$ 20,541,334</u>	<u>\$ 17,286,233</u>

A portion of the Township’s net position (36.8%) reflects its investments in capital assets (e.g. land, buildings and improvements, furniture and equipment), less any debt used to acquire those assets that is still outstanding. Most of the unrestricted net position may be used to meet the government’s ongoing obligation to citizens and creditors.

Township of South Fayette's Changes in Net Position
Years ended December 31, 2020 and 2019

	<i>Governmental</i>	
	<i>Activities</i>	
	<u>2020</u>	<u>2019</u>
REVENUES		
Program revenues:		
Charges for services	\$ 1,033,136	\$ 1,176,158
Operating grants and contributions	1,236,133	1,584,335
Capital grants and contributions	1,893,471	-
General revenues:		
Property taxes	7,188,449	6,936,305
Other taxes	5,156,457	5,234,581
Other	152,271	336,688
	<u>16,659,917</u>	<u>15,268,067</u>
 EXPENSES		
General government	1,694,963	1,741,158
Public safety	4,204,393	4,280,580
Public works and streets	5,283,685	3,631,051
Culture and recreation	572,097	1,012,499
Health and sanitation	1,360,185	1,317,226
Insurance	168,344	168,918
Interest on long-term debt	111,003	118,867
Transfer to fiduciary fund	10,146	-
	<u>13,404,816</u>	<u>12,270,299</u>
 CHANGE IN NET POSITION	 3,255,101	 2,997,768
 NET POSITION, BEGINNING OF YEAR	 <u>17,286,233</u>	 <u>14,288,465</u>
 NET POSITION, END OF YEAR	 <u>\$ 20,541,334</u>	 <u>\$ 17,286,233</u>

Governmental activities Governmental activities increased the Township's net position by \$3,255,101.

Township of South Fayette's Governmental Activities
Years ended December 31, 2020 and 2019

	<i>Total Cost of Services</i>		<i>Net Cost of Services</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
General government	\$ 1,694,963	\$ 1,741,158	\$ 953,130	\$ 997,376
Public safety	4,204,393	4,280,580	3,600,964	3,882,281
Public works and streets	5,283,685	3,631,051	2,595,710	2,184,250
Culture and recreation	572,097	1,012,499	460,682	823,973
Health and sanitation	1,360,185	1,317,226	1,342,097	1,304,403
Insurance	168,344	168,918	168,344	168,918
Interest on long-term debt	111,003	118,867	111,003	118,867
TOTAL GOVERNMENTAL ACTIVITIES	\$ 13,394,670	\$ 12,270,299	9,231,930	9,480,068
Less:				
Unrestricted grants, subsidies and contributions not restricted			19,135	2,156
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES			\$ 9,212,795	\$ 9,477,912

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds The purpose of the Township's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At December 31, 2020 the Township's governmental funds reported combined ending fund balances of \$15,706,234, a decrease of \$173,142 in comparison to the prior year. Of this amount, \$2,609,776 is unassigned, which is available for spending at the government's discretion.

The General Fund is the Township's chief operating fund. In 2020, the General Fund's revenues exceeded expenditures by \$3,030,299. After adjustment for other financing sources and uses, such as the proceeds from sales of capital assets of \$5,530, the refund of prior year's receipts of \$226, and transfers to other funds of \$1,660,146 in 2020, the fund balance increased by \$1,375,457.

General Fund Budgetary Highlights Revenues of the General Fund were 5.4% greater than budgeted for the year mainly because tax revenues were greater than anticipated. Expenditures were 6.0% less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At December 31, 2020, the Township had \$17,165,313 invested in a broad range of capital assets, including land, buildings, furniture and equipment, vehicles, infrastructure, and construction in progress. There was a total net increase (including additions, deletions, and depreciation) of \$2,733,494 or 30.8% from last year.

Township of South Fayette's Capital Assets December 31, 2020 and 2019

	<i>Governmental Activities</i>	
	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 6,463,830	\$ 6,158,238
Buildings and improvements	900,013	900,013
Furniture and equipment	1,546,044	1,140,003
Vehicles	3,136,156	3,100,018
Infrastructure	4,635,887	2,234,662
Construction in progress	483,383	558,835
	<u>17,165,313</u>	<u>14,091,769</u>
Less: Accumulated depreciation	<u>(5,547,981)</u>	<u>(5,207,931)</u>
TOTAL, NET	<u>\$ 11,617,332</u>	<u>\$ 8,883,838</u>

Major Capital Asset Additions

This year's major capital asset additions included:

- 2020 contributed roads, \$1,893,471
- Purchase of Hickory Grade Road property, \$305,592
- New Municipal Complex, construction in progress, \$148,530
- LPR camera installation at Rt 50 and Hickory Grade Road, \$12,100
- Apex officer X2 pro training simulator, \$60,000
- 25 police camera system and server, \$35,670
- 2020 F-150 police vehicle, \$44,779
- 2020 F-350 public works vehicle, \$39,416
- 2020 Massey tractor, \$133,500
- Volvo wheel loader, \$153,631
- 2019 Toyota forklift, \$15,800
- State Route 50 adaptive signal project, \$78,537
- 2020 hotbox/reclaimer, \$28,052
- Peterbilt dump truck with plow and spreader, \$157,040
- Route 50 and Alpine Road signal installation, construction in progress, \$102,467
- Playground replacement, construction in progress, \$25,276
- Fairview park phase I improvements, construction in progress, \$77,493

Debt Administration

As of January 1, 2020, the Township had total outstanding debt of \$5,283,708. The loan activity for the current year consisted of payments totaling \$445,000 and amortization of the bond premium in the amount of \$2,756. Outstanding debt as of December 31, 2020 is \$4,835,952.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Township prepares an operating budget for its General Fund. The Township's elected and appointed officials considered many factors when setting the 2021 budget, tax rates and fees that will be charged. The millage rate for 2021 will remain at 4.73 mills.

Economic Factors that occurred in 2020 included:

Building Permits/Construction

- Collected more than \$157,700 in building permit fees in 2020
- Issued a total of 379 building permits for home improvements, new construction, additions and other projects in 2020 (compared to 323 permits in 2019—an increase of 56 permits)
 - Estimated construction value of all permitted projects totaled \$35.4 million
 - 121 were for NEW residential or commercial construction
 - Value of 116 new home starts topped \$26.2 million (new homes mostly single-family in Hastings and Lafayette Meadow plans)
 - Value of new commercial construction topped \$3.1 million
 - 10 additions
 - 28 alterations
 - 9 demolitions
 - 211 accessory structures such as decks (83), swimming pools (30), sheds and fences
 - Homeowners spent more than \$2.1 million to build decks and pools
- \$13 million Gladden Acid Mine Drainage Treatment Plant constructed with grant money by the South Fayette Conservation Group, a nonprofit community organization

Business

- Businesses published 30 ads in South Fayette Connect, the Township's official magazine
- More than 25 new businesses opened, including:
 - Chartiers Bend Retirement Resort, Hastings
 - ExtraSpace Storage, 111 Hickory Grade Road
 - Pizza Hut, 3127 Washington Pike in The Shoppes at Bursca
 - Junior Achievement of Western Pennsylvania's JA BizTown, Abele Business Park
 - Girl Friday Cooking Co., Millers Run Road
 - The Steeping Leaf Tea Bistro, Millers Run Road
 - Lucha Street Tacos, Washington Pike
 - La Casa Del Tacos, at Bee'z Bistro
 - Over The Bar Bicycle Café, Mayview Road, Hastings
- Examples of businesses staying and/or expanding:
 - 15 new business tenants, and 3 lease expansions, at Abele and Bursca business parks

- Four family-run businesses recognized by South West Communities Chamber of Commerce for operating 50-plus years in South Fayette:
 - Melrose Cemetery
 - Colussy Chevrolet
 - John Kosky Contracting
 - Portman's Farm
- Ridgeview Physical Therapy celebrated first-year anniversary in Abele Business Park
- Bee'z Bistro renovates and adds takeout window
- Development plans gained approval from Board of Commissioners:
 - 100,000-square-foot BJ's Wholesale Club at Newbury
 - Overall plan for Burns Scalo Real Estate to build The Piazza at site of former Star City Cinemas at I-79

Grants & Donations

- Total of more than \$635,000 in grants, sponsorships and fundraising
 - \$317,452 grant for a splash pad in Fairview Park from the Pennsylvania Department of Conservation and Natural Resources
 - \$25,000 grant for body-worn cameras for police from the federal Bureau of Justice
 - \$22,000 in local business/sponsor donations
 - \$2,000 raised by the Township for nonprofit South Fayette Community Fund, including \$1,070 for Fairview Park playground improvements
 - \$150,000 for police salary expenses from the Coronavirus Aid, Relief, and Economic Security (CARES) Act
 - \$2,810 through police department's No-Shave November campaign to support cancer prevention and awareness
 - \$16,000 Comcast grant for cable TV broadcasting equipment
 - \$100,000 Morgan Park grant

Transportation

- Southern Beltway work continued – 4 miles of highway to be located within the Township (projected road opening is Oct. 2021)
- Planned \$2 million road paving program for 2020 with 75 roads being paved.
- Public Works repaired 83 storm inlets, sealed 7 miles of roadway, improved water drainage along Panhandle Trail, installed 129 street signs, responded to 1,713 PA One Calls, and repeatedly mowed 94 acres of parkland and 141 miles of grass along roads
- Utility work started in preparation for PennDOT intersection improvement project at Mayview and Boyce roads
- Township applied for funding to install two traffic signals at the intersections of Presto-Sygan Road with Newbury Highland, and Presto-Sygan Road with Millers Run Road
- Ordered traffic signal equipment for intersection of Route 50 and Alpine Road (for 2021 installation)

Awards & Achievements

- Banner Community 2020 (third consecutive year)
- Pennsylvania Recreation and Park Society
 - Excellence in Recreation and Parks Award: Thanks for Giving business appreciation/ sponsor event
- Public Relation Society of America, Pittsburgh Chapter
 - Renaissance Award: Reputation Management (Community Relations), South Fayette Community Day
- National Association of Government Communicators Blue Pencil & Gold Screen Awards
 - First place, Writer's Portfolio, Stormwater Education
 - Second Place, Magazine, South Fayette Connect
- International MarCom Awards
 - Gold: Magazine, South Fayette Connect
 - Honorable Mention: Special Edition COVID-19 Newsletter

COVID-19

- Miscellaneous closures at buildings and parks
- Increase cleaning in buildings, vehicles and parks
- Developed staff policies, including for remote work
- Held public meetings online via Zoom
- Canceled large community events
- Adapted recreation programs and events to at-home and outdoor formats
- Created special webpage and published COVID-19 newsletter to provide resources, links, information
- Maintained essential services and continued moving forward with projects
- Extended real estate tax deadlines
- Provided information and promotion of local restaurants and other businesses
- SouthBridge EMS equipped special ambulance for COVID-19 patients
- Added COVID-19 safety and social distancing signs throughout parks

Miscellaneous

- Approved \$13.9 million operating budget for 2021 without property tax increase
- Purchased 10 acres of land for construction of new municipal building for \$300,000 in 300 block of Hickory Grade Road
- Engaged architect to design new municipal building for Township offices and police station on Hickory Grade Road
- Recycled more than 18 tons of glass during two free glass recycling collections (thanks to business sponsors)
- Issued Requests for Proposals for banking, engineering and comprehensive planning
- Purchased virtual reality training simulator for police and updated police policies
- Added \$35,000 pickup truck to police vehicle fleet

The comparison of the revenue and expenditure categories is as follows:

BUDGETED REVENUES		
	<i>2021</i>	<i>2020</i>
PROGRAM REVENUES		
Charges for services	4.1%	4.0%
Operating grants and contributions	7.4%	3.2%
GENERAL REVENUES		
Property taxes	52.9%	53.3%
Other taxes	32.6%	36.3%
Other	3.0%	3.2%
BUDGETED EXPENDITURES		
	<i>2021</i>	<i>2020</i>
General government	14.7%	15.0%
Public safety	40.4%	39.7%
Public works and streets	22.7%	21.4%
Culture and recreation	4.9%	4.8%
Health and sanitation	10.3%	12.1%
Insurance	1.6%	1.7%
Miscellaneous and debt service	5.4%	5.3%

CONTACTING THE TOWNSHIP FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional information, please contact John Barrett, Township Manager, at the Township of South Fayette, 515 Millers Run Road, Morgan, PA, (412) 221-8700.

TOWNSHIP OF SOUTH FAYETTE
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	<i>Governmental Activities</i>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 15,830,351
Receivables:	
Taxes-delinquent and other	1,233,938
Accounts	120,646
Interfund	78,182
	<u>17,263,117</u>
CAPITAL ASSETS	
Non-depreciable capital assets	3,625,142
Depreciable capital assets, net	7,992,190
	<u>11,617,332</u>
DEFERRED OUTFLOWS OF RESOURCES	
Relating to net pension liability, net of amortization	116,590
Relating to net OPEB liability, net of amortization	116,039
Relating to deferred costs of refinancing, net of amortization	778,487
	<u>1,011,116</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 29,891,565</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 724,896
Interfund payable	10,146
Accrued salaries and benefits	133,540
Security deposits	5,320
Current portion of long-term debt	450,000
Accrued interest payable	8,139
Escrow liability	36,601
Unearned revenues	300,000
	<u>1,668,642</u>
NONCURRENT LIABILITIES	
Long-term debt, net of premium	4,385,952
Net pension liability	587,746
Compensated absences	699,793
Other post-employment benefits	371,782
	<u>6,045,273</u>
	<u>7,713,915</u>
DEFERRED INFLOWS OF RESOURCES	
Relating to net pension liability, net of amortization	1,624,266
Relating to net OPEB liability, net of amortization	12,050
	<u>1,636,316</u>
NET POSITION	
Net investment in capital assets	7,551,728
Restricted	10,058,198
Unrestricted	2,931,408
	<u>20,541,334</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 29,891,565</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF SOUTH FAYETTE

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Change In Net Position</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	
GOVERNMENTAL ACTIVITIES:					
General government	\$ 1,694,963	\$ 396,039	\$ 345,794	\$ -	\$ (953,130)
Public safety	4,204,393	354,239	249,190	-	(3,600,964)
Public works and streets	5,283,685	170,793	623,711	1,893,471	(2,595,710)
Culture and recreation	572,097	111,415	-	-	(460,682)
Health and sanitation	1,360,185	650	17,438	-	(1,342,097)
Insurance	168,344	-	-	-	(168,344)
Interest on long-term debt	111,003	-	-	-	(111,003)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 13,394,670	\$ 1,033,136	\$ 1,236,133	\$ 1,893,471	(9,231,930)
GENERAL REVENUES					
					7,188,449
Property taxes, levied for general purposes, net					5,156,457
Other taxes, primarily income taxes					19,135
Grants, subsidies, and contributions not restricted to specific programs					66,494
Investment income					(10,146)
Transfer to fiduciary fund					21,367
Other					45,275
Gain from the disposal of capital assets					<u>12,487,031</u>
TOTAL GENERAL REVENUES					
CHANGE IN NET POSITION					3,255,101
NET POSITION, BEGINNING OF YEAR, AS RESTATED					<u>17,286,233</u>
NET POSITION, END OF YEAR					\$ <u>20,541,334</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF SOUTH FAYETTE

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	<i>General Fund</i>	<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
ASSETS				
Cash and cash equivalents	\$ 3,676,052	\$ 10,518,099	\$ 1,636,200	\$ 15,830,351
Receivables:				
Taxes-delinquent and other	1,233,938	-	-	1,233,938
Accounts	85,606	-	-	85,606
Grants	-	35,040	-	35,040
Interfund	78,182	-	-	78,182
TOTAL ASSETS	\$ 5,073,778	\$ 10,553,139	\$ 1,636,200	\$ 17,263,117
LIABILITIES				
Accounts payable	\$ 125,268	\$ 586,129	\$ 13,499	\$ 724,896
Unearned revenues	-	300,000	-	300,000
Accrued salaries and benefits	133,540	-	-	133,540
Security deposits	5,320	-	-	5,320
Escrow liability	36,601	-	-	36,601
Interfund payable	10,146	-	-	10,146
	310,875	886,129	13,499	1,210,503
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - taxes	346,380	-	-	346,380
FUND BALANCES				
Fund balances:				
Restricted:				
Capital projects	-	9,667,010	-	9,667,010
Street expenditures	-	-	391,188	391,188
Committed:				
Capital projects	1,806,747	-	-	1,806,747
Assigned:				
Parks and recreation	-	-	229,545	229,545
Traffic impact fees	-	-	1,001,968	1,001,968
Unassigned	2,609,776	-	-	2,609,776
	4,416,523	9,667,010	1,622,701	15,706,234
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 5,073,778	\$ 10,553,139	\$ 1,636,200	\$ 17,263,117

See accompanying notes to the basic financial statements.

TOWNSHIP OF SOUTH FAYETTE
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE SHEET TO
STATEMENT OF NET POSITION
DECEMBER 31, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 15,706,234

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$17,165,313 and accumulated depreciation is \$5,547,981. 11,617,332

Property and earned income taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable revenues in the funds. 346,380

Deferred outflows and inflows of resources relating to the net pension and OPEB liabilities and deferred costs of refinancing are not reported in the funds. (625,200)

Some liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Those liabilities at year end consist of:

Bonds payable	\$ (4,835,952)	
Net pension liability	(587,746)	
Accrued interest on the bonds	(8,139)	
Compensated absences	(699,793)	
Other post-employment benefits	(371,782)	(6,503,412)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 20,541,334**

TOWNSHIP OF SOUTH FAYETTE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2020

	<i>General Fund</i>	<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
REVENUES				
Taxes	\$ 12,334,573	\$ -	\$ -	\$ 12,334,573
Licenses and permits	355,677	-	-	355,677
Fines and violations	25,548	-	-	25,548
Government grants and subsidies	612,422	120,665	503,046	1,236,133
Charges for services	466,723	-	173,445	640,168
Interest earnings and rentals	16,999	43,432	17,806	78,237
Contributions	50	19,085	-	19,135
Miscellaneous	13,054	8,313	-	21,367
	<u>13,825,046</u>	<u>191,495</u>	<u>694,297</u>	<u>14,710,838</u>
EXPENDITURES				
General government	1,476,968	-	-	1,476,968
Public safety	4,408,897	-	3,000	4,411,897
Public works and streets	2,322,911	-	283,876	2,606,787
Culture and recreation	421,183	-	-	421,183
Health and sanitation	1,360,185	-	-	1,360,185
Insurance	168,344	-	-	168,344
Miscellaneous	78,683	-	-	78,683
Debt service:				
Principal	445,000	-	-	445,000
Interest and issuance costs on long-term debt	102,120	-	-	102,120
Capital outlay	10,456	3,690,475	157,040	3,857,971
	<u>10,794,747</u>	<u>3,690,475</u>	<u>443,916</u>	<u>14,929,138</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,030,299</u>	<u>(3,498,980)</u>	<u>250,381</u>	<u>(218,300)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sales of capital assets	5,530	50,000	-	55,530
Refund of prior year's receipts	(226)	-	-	(226)
Transfers from (to) other funds	(1,660,146)	1,650,000	-	(10,146)
	<u>(1,654,842)</u>	<u>1,700,000</u>	<u>-</u>	<u>45,158</u>
NET CHANGES IN FUND BALANCES	1,375,457	(1,798,980)	250,381	(173,142)
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	<u>3,041,066</u>	<u>11,465,990</u>	<u>1,372,320</u>	<u>15,879,376</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,416,523</u>	<u>\$ 9,667,010</u>	<u>\$ 1,622,701</u>	<u>\$ 15,706,234</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF SOUTH FAYETTE

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (173,142)

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

Capital outlays are reported in governmental funds 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 (\$1,417,883) are greater than depreciation (\$567,605) in the period. 850,278

Because some property and earned income taxes will not be collected for several months after the Township’s fiscal year ends, they are not considered as “available” revenues in the governmental funds. Unavailable tax revenues changed by this amount this year. 10,333

Governmental funds report issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt related items. (8,883)

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 445,000

Gross proceeds from capital assets are reported as revenues in the governmental funds. The governmental activities reflect the actual gain or loss from the sale. This is the amount by which the proceeds (\$55,530) exceeds the gain (\$45,275). (10,255)

Certain revenues reported in the Statement of Activities do not provide current financial resources and therefore are not reported as revenues in governmental funds. This amount is the contribution of capital assets. 1,893,471

In the Statement of Activities, certain operating expenses 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. 248,299

TOTAL CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 3,255,101

TOWNSHIP OF SOUTH FAYETTE
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020

	<i>Police Employees Pension Trust Fund</i>	<i>Non-uniformed Employees Pension Trust Fund</i>	<i>Total Pension Trust Funds</i>	<i>Custodial Fund Developers' Escrow Fund</i>
ASSETS				
Cash and cash equivalents	\$ 1,008,405	\$ 7,503	\$ 1,015,908	\$ 85,482
Investments	11,294,375	788,522	12,082,897	-
Accounts receivable	-	-	-	212,647
Interfund receivable	-	-	-	10,146
TOTAL ASSETS	\$ 12,302,780	\$ 796,025	\$ 13,098,805	\$ 308,275
LIABILITIES				
Interfund payable	\$ 78,182	\$ -	\$ 78,182	\$ -
NET POSITION				
Restricted for pension benefits	12,224,598	796,025	13,020,623	-
Restricted for developers' escrow	-	-	-	308,275
	<u>12,224,598</u>	<u>796,025</u>	<u>13,020,623</u>	<u>308,275</u>
TOTAL LIABILITIES AND NET POSITION	\$ 12,302,780	\$ 796,025	\$ 13,098,805	\$ 308,275

See accompanying notes to the basic financial statements.

TOWNSHIP OF SOUTH FAYETTE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2020

	<i>Police Employees Pension Trust Fund</i>	<i>Non-uniformed Employees Pension Trust Fund</i>	<i>Total Pension Trust Funds</i>	<i>Custodial Fund Developers' Escrow Fund</i>
ADDITIONS				
Contributions:				
Employer	\$ 662,218	\$ 92,879	\$ 755,097	\$ -
Employee	104,838	-	104,838	-
	<u>767,056</u>	<u>92,879</u>	<u>859,935</u>	<u>-</u>
Investment income (loss):				
Interest and dividends	369,042	-	369,042	677
Net realized and unrealized gains and losses	725,049	85,850	810,899	-
Less investment expense	(78,868)	-	(78,868)	-
Net investment income	<u>1,015,223</u>	<u>85,850</u>	<u>1,101,073</u>	<u>677</u>
Developer revenue	-	-	-	176,152
Interfund transfer	-	-	-	10,146
	<u>1,782,279</u>	<u>178,729</u>	<u>1,961,008</u>	<u>186,975</u>
DEDUCTIONS				
Administration	7,457	-	7,457	-
Benefit payments	454,630	51,958	506,588	-
Developer expense	-	-	-	225,288
	<u>462,087</u>	<u>51,958</u>	<u>514,045</u>	<u>225,288</u>
CHANGES IN NET POSITION	1,320,192	126,771	1,446,963	(38,313)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	10,904,406	669,254	11,573,660	346,588
NET POSITION, END OF YEAR	\$ 12,224,598	\$ 796,025	\$ 13,020,623	\$ 308,275

See accompanying notes to the basic financial statements.

TOWNSHIP OF SOUTH FAYETTE

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – DESCRIPTION OF THE TOWNSHIP AND REPORTING ENTITY

The Township of South Fayette (the Township) was incorporated in 1911 under the provisions of Article 9, Section 1 of the Constitution of the Commonwealth of Pennsylvania, as amended. The Township operates under a Commissioner form of government.

Reporting Entity

A reporting entity consists of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. The primary government of the Township consists of all funds and departments that are not legally separate from the Township. For the Township, this includes various services including police protection, recreation (including parks), planning and zoning, street maintenance and repair, sanitation, and general and administrative services. The operation of each of these activities is directly controlled by the Board through the budgetary process.

Component units are legally separate organizations for which the Township is financially accountable. The Township has no component units.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The Township's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities. The Township reports no business-type activities.

The Statement of Net Position presents the financial condition of the Township at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore are clearly identifiable to a particular function. 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. Revenues which are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

TOWNSHIP OF SOUTH FAYETTE

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

Fund Financial Statements During the year, the Township segregates transactions to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. The Township has no enterprise funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary. The Township has no proprietary funds.

Governmental Funds Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

General Fund: The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund unassigned fund balance is available to the Township for any purpose provided it is expended or transferred according to the Township Code of the Commonwealth of Pennsylvania.

Capital Projects Fund: The Capital Projects Fund accounts for resources to be used for the acquisition or construction of major capital facilities or equipment.

The Other Governmental Funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The following are the Township's fiduciary funds:

Pension Trust Funds: The Pension Trust Funds account for the activities of the police and non-uniform pension plans, which accumulate resources for pension benefit payments to covered employees.

Custodial Funds: This fund represents a developer's escrow fund.

TOWNSHIP OF SOUTH FAYETTE

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

Measurement Focus

Government-wide Financial Statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operating of the Township are included on the Statement of Net Position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenues, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is reported on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is reported in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Township, available means expected to be received within sixty days of year end.

TOWNSHIP OF SOUTH FAYETTE

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

Non-exchange transactions, in which the Township receives value without directly giving equal value in return, include earned income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from earned income taxes is recognized in the period in which the taxpayer earns income. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note E). Revenue from grants, entitlements, and donations are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: earned income taxes, delinquent real estate taxes, interest, and grants.

Unavailable Revenue: Unavailable revenues arise when assets are recognized before revenue recognition criteria have been satisfied. On governmental fund financial statements, receivables that will not be collected within the available period also have been reflected as deferred revenue.

Expenses/Expenditures: On the accrual basis of accounting, expenses are recorded at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Cash and Cash Equivalents

Investments with an original maturity of one year or less at the time of purchase are presented on the financial statements as cash equivalents. The Township's policy is to maintain cash balances in interest-bearing accounts such as money market or flex funds. The market values of the funds approximate cost.

Investments

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed and are reported as construction in progress, which is included in non-depreciable capital assets in the Statement of Net Position.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u><i>Asset Category</i></u>	<u><i>Estimated Lives</i></u>
Building Improvements	20 - 30
Buildings	50
Equipment	5 - 10
Furniture	20
Infrastructure	20 - 50
Land Improvements	20
Vehicles	5 - 8

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources affecting the Statement of Net Position in the current year relate to the net pension liability, net OPEB liability, and deferred costs of refinancing.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The deferred inflows of resources affecting the Statement of Net Position in the current year relate to delinquent taxes, reported in the Balance Sheet of the governmental funds statement, and deferred inflows related to the net pension and OPEB liabilities.

Net Position

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy the Township's obligations. Net position is classified as follows:

Net Investment in Capital Assets: This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of debt that is attributable to the acquisition, construction, and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted Net Position: This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted: This consists of all other net position that does not meet the definition of net investment in capital assets or restricted net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Township's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

Fund Equity

The Government Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* with the intention of providing a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Township's financial statements. The reporting standard established a hierarchy for fund balance classifications and the constraints imposed on the users of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Restricted: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Township's board, the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Township's board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification reflects the amounts constrained by the Township's "intent" to be used for specific purposes, but are neither restricted nor committed. The Township's Manager has the authority to assign the amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the Township considers the restricted funds to have been used first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

The Township's Board of Commissioners adopted a fund balance policy for the General Fund via resolution, which includes the following goal ranges the Township will strive to hold:

15-20% budget stabilization reserve for economic uncertainty, possible state borrowing of Township's fund, known or anticipated future obligations.

15-20% emergency disaster reserve for unforeseen events such as natural disasters or catastrophic accidents.

5-10% working capital to provide sufficient cash flow.

In no circumstances shall the total General Fund reserve balance drop below 15% of the Township's annual operating expenditures for the General Fund.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Township's pension plan and additions to/deductions from the Township's fiduciary net position have been determined on the same basis as they are reported by the Township. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Township's Retiree Benefits Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

Impact of Recently Issued and Adopted Accounting Principles

For the 2020 year-end, the Township has implemented GASB Statement No. 84, *Fiduciary Activities*. The primary objective of this standard is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities.

Due to the implementation of GASB Statement No. 84, the Township will no longer be reporting agency funds. The Township reviewed its agency funds and a certain fund will be reported in the new fiduciary classification of custodial fund, while other funds have been reclassified as governmental funds. These reclassifications resulted in the restatement of the Township's financial statements (see Note N for detail).

Impact of Recently Issued Accounting Principles

GASB Statement No. 87, *Leases*, is effective for periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is currently evaluating the impact of the adoption of this Statement on the Township's financial statements.

Subsequent Events

Management has evaluated subsequent events through September 29, 2021, the date on which the financial statements were available to be issued.

NOTE C – CASH AND CASH EQUIVALENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposits. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The deposit and investment policy of the Township adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Township. Cash and cash equivalents consist of demand deposits at various financial institutions and cash on hand of \$400.

TOWNSHIP OF SOUTH FAYETTE

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE C – CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Township’s deposits may not be returned. The Township does not have a formal deposit policy for custodial credit risk. As of December 31, 2020, the carrying amount of the Township’s deposits at year-end with financial institutions was \$15,367,520 with the corresponding bank balance of \$15,429,696.

In addition to deposits with financial institutions, \$462,431 was on deposit with Pennsylvania Local Government Investment Trust (PLGIT). The portfolio of the Trust is comprised of investments with relatively consistent yields at, however, minimum risk. Although the portfolios of these funds may contain insured or guaranteed deposits and investments, the fund shares are not insured or guaranteed. The degree of investment risk depends on the funds’ underlying portfolios. Standard and Poor’s has given PLGIT a credit rating of AAA.

The Township had cash and cash equivalents maintained as fiduciary funds. As of December 31, 2020, the carrying amount and bank balance of these deposits was \$1,101,390.

Of the bank balances at year end, \$500,000 was covered by federal depository insurance and \$16,031,086 was held in collateral by the depository’s agent but not in the Township’s name in accordance with Act 72 of the Pennsylvania state legislature. Act 72 requires financial institutions to pool collateral for all governmental deposits and have collateral held by an approved custodian in the institution’s name.

NOTE D – FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments made by the Police and Non-uniformed Pension Plan Trust Funds are held by investment firms in trust for the Township. The Plans are authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. As of December 31, 2020, the Township’s Police Pension Plan and Non-Uniformed Pension Plan invested in equity mutual funds, stocks, and money market funds. These assets have a market value of \$11,294,375 and \$788,522, respectively, at December 31, 2020. The Police Pension Plan and Non-Uniformed Pension Plan also have cash deposits with local financial institutions in the amount of \$1,008,405 and \$7,503, respectively, at December 31, 2020.

Credit risk: The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Township has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations.

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE D – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The Plans categorizes there fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plans have the following recurring fair value measurements as of December 31, 2020:

	<i>Fair Value Measurements Using</i>		
	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
<i>12/31/2020</i>			
Police Pension Fund			
investments	\$ 11,294,375	\$ 11,294,375	\$ -
Non-Uniformed Pension			
Fund investments	788,522	788,522	-
TOTAL	\$ 12,082,897	\$ 12,082,897	\$ -

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques. Collateralized debt obligations classified in Level 3 are valued using consensus pricing.

NOTE E – TAXES

The Elected Tax Collector collects property taxes on behalf of the Township. The Elected Tax Collector periodically remits to the Township its portion of the taxes collected. The Township rate levied on January 1 was 4.73 mills (\$4.73 per \$1,000 of assessed valuation). Property taxes receivable represents real estate taxes and outstanding delinquencies measurable as of December 31, 2020, and for which there is an enforceable legal claim. Taxes are levied on January 1 and payable at 2% discount to May 31, at face from June 1 to July 31 and at a penalty of 10% thereafter. In the governmental funds, the portion of the collectible taxes that is collected beyond sixty days is reported as deferred tax revenue. On a full accrual basis, delinquent property taxes have been recorded as revenue.

The Township also levies a \$10 per capita tax based on the census of residents in the Township, and under Act 511 of the 1965 Local Tax Enabling Act, as amended a \$47 local service tax, .5 tax rate on earned income, 1% tax rate on earned income of nonresidents, and 1% realty transfer tax. The earned income tax of one-half of one percent is levied on all earned income arising from the income of Township residents.

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE E – TAXES (CONTINUED)

The balances at December 31, 2020 are as follows:

	<u>Collectible</u>	<u>Recognized</u>	<u>Unavailable Taxes</u>
Real Estate	\$ 361,422	\$ 15,042	\$ 346,380
Real Estate Transfer	75,253	75,253	-
Earned Income	765,299	765,299	-
Regional Asset District Sales Tax	31,964	31,964	-
TOTAL	<u>\$ 1,233,938</u>	<u>\$ 887,558</u>	<u>\$ 346,380</u>

Per capita taxes receivable at year end is insignificant and recognized as revenue when collected.

NOTE F – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$ 2,836,167	\$ 305,592	\$ -	\$ 3,141,759
Construction in progress	558,835	353,765	(429,217)	483,383
	<u>3,395,002</u>	<u>659,357</u>	<u>(429,217)</u>	<u>3,625,142</u>
Capital assets being depreciated:				
Land improvements	3,322,071	-	-	3,322,071
Buildings and improvements	900,013	-	-	900,013
Furniture and equipment	1,140,003	438,754	(32,713)	1,546,044
Vehicles	3,100,018	241,235	(205,097)	3,136,156
Infrastructure	2,234,662	2,401,225	-	4,635,887
	<u>10,696,767</u>	<u>3,081,214</u>	<u>(237,810)</u>	<u>13,540,171</u>
Less accumulated depreciation for:				
Land improvements	(924,765)	(137,431)	-	(1,062,196)
Buildings and improvements	(703,072)	(11,858)	-	(714,930)
Furniture and equipment	(657,048)	(94,313)	32,713	(718,648)
Vehicles	(2,391,699)	(201,238)	194,842	(2,398,095)
Infrastructure	(531,347)	(122,765)	-	(654,112)
	<u>(5,207,931)</u>	<u>(567,605)</u>	<u>227,555</u>	<u>(5,547,981)</u>
	<u>5,488,836</u>	<u>2,513,609</u>	<u>(10,255)</u>	<u>7,992,190</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 8,883,838</u>	<u>\$ 3,172,966</u>	<u>\$ (439,472)</u>	<u>\$ 11,617,332</u>

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE F – CHANGES IN CAPITAL ASSETS (CONTINUED)

Construction in progress at December 31, 2020 consists of the new municipal complex totaling \$148,530, the new public works facility project totaling \$109,213, the Route 50 and Alpine Road signal installation totaling \$102,466, the Fairview Park phase I improvements totaling \$77,493, playground replacement project totaling \$25,275, and the new community center project totaling \$20,406.

Depreciation expense was charged to functions/programs of the Township as follows:

Governmental Activities:	
General government	\$ 12,867
Public safety	109,946
Public works and streets	301,405
Culture and recreation	<u>143,387</u>
TOTAL DEPRECIATION EXPENSE	<u><u>\$ 567,605</u></u>

NOTE G – NONCURRENT LIABILITIES

During the year ended December 31, 2020, the Township's noncurrent liabilities changed as follows:

	<i>Outstanding January 1,</i>	<i>Additions</i>	<i>Reductions</i>	<i>Outstanding December 31,</i>	<i>Due Within One Year</i>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 5,255,000	\$ -	\$ (445,000)	\$ 4,810,000	\$ 450,000
Plus: Bond Premium	28,708	-	(2,756)	25,952	-
Total Bonds Payable	<u>5,283,708</u>	<u>-</u>	<u>(447,756)</u>	<u>4,835,952</u>	<u>450,000</u>
Compensated Absences	583,198	116,595	-	699,793	-
Net Pension Liability	1,164,746	-	(577,000)	587,746	-
Other Post-Employment Benefits	<u>339,784</u>	<u>31,998</u>	<u>-</u>	<u>371,782</u>	<u>-</u>
GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	<u><u>\$ 7,371,436</u></u>	<u><u>\$ 148,593</u></u>	<u><u>\$ (1,024,756)</u></u>	<u><u>\$ 6,495,273</u></u>	<u><u>\$ 450,000</u></u>

General Obligation Bonds, Series of 2016

During 2016, the Township issued general obligation bonds in the amount of \$6,670,000. The purpose of the bonds was to refund General Obligation Bonds, Series of 2009, pay the costs of the issuance of the bond, and take advantage of more favorable interest rates. The bond bears interest of 0.70% - 2.05% and matures June 1, 2030. At December 31, 2020, the balance outstanding on this bond was \$4,810,000.

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE G – NONCURRENT LIABILITIES (CONTINUED)

The future annual payments required to amortize the outstanding debt as of December 31, 2020 are as follows:

<i>Year Ended</i> <i>December 31,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2021	\$ 450,000	\$ 93,170	\$ 543,170
2022	465,000	84,020	549,020
2023	475,000	74,620	549,620
2024	480,000	65,070	545,070
2025	490,000	55,248	545,248
2026-2030	2,450,000	120,847	2,570,847
TOTAL	\$ 4,810,000	\$ 492,975	\$ 5,302,975

Compensated Absences

The Township allows public works and police employees to accumulate their unused sick leave. Employees accumulate sick days based on contractual provisions and upon retirement may receive payment up to a stipulated maximum number of days. Payment is \$175 per day for public works employees. Police employees are paid their standard hourly rate based on an eight-hour day for the first 120 days and their standard hourly rate based on a four-hour day for the next 30 days.

Compensated absences totaled \$699,793 at December 31, 2020. Payments of these liabilities are dependent upon many factors (including retirement, termination, or employee leaving service) and, therefore, timing of future payments of such are not readily determinable. For governmental fund statements, compensated absences are recorded only when payment is due. For governmental activities, the amount is accrued in the government-wide Statement of Net Position as a noncurrent liability.

NOTE H – INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2020 is as follows:

<i>Recipient Fund</i>	<i>Payor Fund</i>	<i>Purpose</i>	<i>Amount</i>
General Fund	Police Employees Pension Fund	Reimbursement	\$ 78,182
Developers' Escrow Fund	General Fund	Reimbursement	10,146
TOTAL			\$ 88,328

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE I – INTERFUND TRANSFERS

The composition of and purpose of transfers between funds during the December 31, 2020 year-end is as follows:

<u>Recipient Fund</u>	<u>Payor Fund</u>	<u>Purpose</u>	<u>Amount</u>
Capital Projects Fund	General Fund	Capital projects	\$ 1,650,000
Developers' Escrow Fund	General Fund	Reimbursement	10,146
TOTAL			\$ 1,660,146

On the government-wide Statement of Activities, all interfund governmental fund transfers have been eliminated.

NOTE J – PENSION PLANS

A. Police Pension Plan

Plan Description

The Township Police Employees' Pension Plan is a single-employer defined benefit pension trust fund. Any person employed on a full-time basis by the Township as a member of the police force is eligible to participate in the Plan.

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

Significant Accounting Policies

The pension plan is maintained using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The investments are reported at fair value based on published securities data. The actuarial method for valuing the assets is the 4-year smoothing technique.

As allowed by GASB No. 68, the Township is reporting on its government-wide financial statements its net pension liabilities and related deferred outflows and inflows of resources measured as of January 1, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that same date.

Membership of the Plan consisted of the following at December 31, 2020:

Active participants	20
Retired and beneficiaries currently receiving benefits	11
Terminated employees entitled to benefits but not yet receiving them	0
TOTAL	<u>31</u>

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLANS (CONTINUED)

Investments For the year ended December 31, 2020, the annual money weighted rate of return on pension plan investments, net of investment expense was 10.40%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions Total pension liability was determined by an actuarial valuation as of January 1, 2019 and rolled forward to the reporting date, utilizing the Entry Age Normal actuarial funding method and the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	5.5% including inflation
Investment rate of return	7.25% applied to all periods

Mortality rates were based on the RP-2014 Mortality Table with 50% Blue Collar Adjustment, with rates set forward 5 years for disabled lives. Rates projected to improve based on Long-Range Demographic Assumptions for the 2015 SSA’s Trustee Report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the Minimum Municipal Obligation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<i>Long-term Expected Real Rate of Return</i>
Equities	5.00% - 7.00%
Fixed income	1.00% - 3.00%
Cash and cash equivalents	0.00% - 1.00%

Funding The Plan is funded on an annual basis pursuant to the provisions of the Municipal Pension Plan Funding Standard and Recovery Act of December 18, 1984, P.L. 1005 no. 205, as amended, 53 P.S. 895 101, et seq. (“Act 205”). Act 205 requires that annual employer contributions be based upon the plan’s Minimum Municipal Obligation (MMO). The MMO is based upon the plan’s most recent biennial actuarial valuation. The MMO includes normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state contributions must be funded by the employer.

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLANS (CONTINUED)

Employees are required to contribute 5% of covered payroll to the Plan. This contribution is governed by the Plan’s governing ordinances and collective bargaining. The actuarial determined contribution to the plan for 2020 was \$662,218 computed through an actuarial valuation performed January 1, 2019 and represented 30.78% of covered payroll.

Net pension liability of the pension plan The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of December 31, 2020 is as follows:

Total pension liability	\$ 12,803,782
Pension plan net position	<u>(12,216,036)</u>
NET PENSION LIABILITY	<u><u>\$ 587,746</u></u>

The pension plan’s net position as a percentage of total pension liability is 95.41%.

Discount Rate The discount rate used to measure the total pension liability was 7.25%. 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 Township contributions will be made equal to the Minimum Municipal Obligation. Based on those assumptions, the pension plan’s 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 payment to determine the total pension liability.

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLANS (CONTINUED)

Schedule of Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
BALANCES AT 12/31/2019	\$ 12,042,985	\$ 10,878,239	\$ 1,164,746
Changes for the year:			
Service cost	348,167	-	348,167
Interest	881,654	-	881,654
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	662,218	(662,218)
Contributions - employee	-	101,461	(101,461)
Net investment income	-	1,130,232	(1,130,232)
Benefit payments	(469,024)	(469,024)	-
Administrative expense	-	(87,090)	87,090
Other changes	-	-	-
Net changes	<u>760,797</u>	<u>1,337,797</u>	<u>(577,000)</u>
BALANCES AT 12/31/2020	<u>\$ 12,803,782</u>	<u>\$ 12,216,036</u>	<u>\$ 587,746</u>

Sensitivity of the net pension liability to change in the discount rate The following presents the net pension liability of the plan, calculated using the discount rate of 7.25% as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<i>1.0% Decrease</i>	<i>Current Rate</i>	<i>1.0% Increase</i>
	<i>6.25%</i>	<i>7.25%</i>	<i>8.25%</i>
Net pension liability (asset)	\$ 2,179,641	\$ 587,746	\$ (739,963)

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLANS (CONTINUED)

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

For the year ended December 31, 2020, the Township recognized pension expense of \$307,627. At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 25,084	\$ 597,514
Changes of assumptions	234,721	-
Net difference between projected and actual earnings on pension plan investments	518,682	1,026,752
TOTAL	<u><u>\$ 778,487</u></u>	<u><u>\$ 1,624,266</u></u>

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

<i>Year ended December 31:</i>	
2021	\$ (151,872)
2022	(48,145)
2023	(307,488)
2024	(167,556)
2025	(106,699)
Thereafter	(64,019)

B. Non-Union Pension Plan

Non-Union Employees' Pension Plan

The Township contributes to the Township's Non-Union Employees' Pension Plan, a defined contribution plan. The Plan is governed by the Township's Board of Commissioners which is responsible for the management of the Plan and has appointed the Township Manager as Chief Administrative Officer of the Plan. Any person regularly employed by the Township, other than police or members of a collective bargaining unit and attainment of 18 years of age and completion of a 90 day probationary period is eligible to participate in the Plan. Normal retirement age is when an employee attains age 65. The amount of retirement benefits is determined by the monies accumulated in the individual accounts at retirement. The Plan's total current membership consists of thirteen employees.

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLANS (CONTINUED)

The Township is required to contribute to the Pension Fund an amount equivalent to 8.6% of the compensation paid to each employee. Employees are not required to contribute to the Plan.

The contributions to the Plan for the year ending December 31, 2020 consisted of employer contributions of \$97,174. The Plan is a money purchase plan, qualified under Section 401(a) of the Internal Revenue Code.

Union Employees' Pension Plan (Public Works)

The Township's Union Employees' Pension Plan is a defined benefit plan. In a defined benefit plan, participants receive benefits as defined in the plan documents, upon meeting eligibility requirements. The Plan is administered by the Western Pennsylvania Teamsters and Employer's Pension Fund. The Township has no responsibility or authority for the operation and administration of the pension program. Contributions required of the Township are based upon an agreement between the Township and Teamsters Local Union No. 205. The contribution to the plan for the year 2020 was \$133,478. There are no required employee contributions.

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN

General Information about the OPEB Plan

Plan Description

The Township's defined benefit OPEB plan, South Fayette Retiree Benefits Plan (the Plan), provides OPEB benefits to all eligible retirees who qualify and elect to participate. The Plan is a single-employer defined benefit OPEB plan administered by the Township. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Plan provides medical and life insurance benefits for eligible Township employees. Coverage amounts vary by employee classification.

The benefits are as follows:

Police Police who retire are eligible to receive an amount equal to \$300 per month which is to be used to purchase healthcare coverage. The amount is payable provided the spouse of the retiree does not have healthcare coverage in which the retiree would be eligible to enroll. The retiree must provide documentation that they have enrolled in a healthcare plan. The amount is payable up to the age of 65 or until the retiree becomes eligible for Medicare. Police who retire are eligible to receive life insurance in the amount of \$7,500.

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Public Works Public Works employees who retire are eligible to receive an amount equal to \$225 per month which is to be used to purchase healthcare coverage. The amount is payable provided the spouse of the retiree does not have healthcare coverage in which the retiree would be eligible to enroll. The retiree must provide documentation that they have enrolled in a healthcare plan. The amount is payable up to the age of 65 or until the retiree becomes eligible for Medicare. Public Works employees who retire are eligible to receive life insurance in the amount of \$5,000.

Police become eligible for the post-retirement benefit upon attaining age 55 with at least 25 years of service. Public works employees become eligible for the post-retirement benefit upon attaining age 60 with at least 10 years of service.

Employees Covered by Benefit Terms

Active participants	36
Inactive participants	
Covered for medical	9
Covered for life insurance	15
TOTAL	<u>60</u>

Total OPEB Liability

The Township’s total OPEB liability of \$371,782 was measured as of January 1, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	2.50%
Healthcare cost trend rates	The \$300 monthly benefit provided to retired Police and the \$225 benefit provided to retiring Public Works employees are assumed not to increase. For the few post-65 retirees who have coverage for their lifetime, healthcare trends are assumed as follows: 6.00% in 2019, 5.75% in 2020, 5.50% in 2021, 5.25% in 2022, 5.00% in 2023, 4.75% in 2024, and 4.50% in 2025 and later.

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

The discount rate was based on the Bond Buyers 20-Bond Index.

Mortality rates were based on the Pri.H-2012 Blue Collar Mortality Table projected using Scale MP-2019.

The actuarial assumptions used in the January 1, 2020 valuation were based on census information at that time and is believed to be representative of the population for the 2020 year-end.

Change in the Total OPEB liability

	<i>Total OPEB Liability</i>
BALANCE AT DECEMBER 31, 2019	<u>\$ 339,784</u>
Changes for the year:	
Service cost	3,743
Interest	13,931
Changes of benefit terms	-
Differences between expected and actual experience	14,317
Changes of assumptions	37,063
Benefit payments	<u>(37,056)</u>
Net changes	<u>31,998</u>
 BALANCE AT DECEMBER 31, 2020	 <u><u>\$ 371,782</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.10% in 2019 to 2.74% in 2020. The mortality improvement scale changed to MP-2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.74%) or 1-percentage-point higher (3.74%) than the current discount rate:

	<i>1% Decrease 1.74%</i>	<i>Current Rate 2.74%</i>	<i>1% Increase 3.74%</i>
Total OPEB liability	\$ 405,704	\$ 371,782	\$ 341,791

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Township, as well as what the Township’s total OPEB liability would be if it were calculated using healthcare cost trend rates at 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rates</u>	<u>1% Increase</u>
Total OPEB liability (asset)	\$ 365,305	\$ 371,782	\$ 378,875

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the Township recognized OPEB expense of \$25,698. At December 31, 2020, the Township reported deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 41,150	\$ -
Changes in assumptions	38,888	12,050
Benefit payments subsequent to the measurement date	36,001	-
TOTAL	\$ 116,039	\$ 12,050

The \$36,001 amount reported as deferred outflows of resources resulting from the Township’s benefit payments subsequent to the measurement date will be recognized as a reduction in next year’s total OPEB liability. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	
2021	\$ 8,024
2022	8,024
2023	8,024
2024	8,024
2025	8,024
Thereafter	27,868
TOTAL	\$ 67,988

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE L – TAX ABATEMENTS

The Township’s tax abatements are authorized by Township ordinance. Under the Local Economic Revitalization Tax Assistance (LERTA) program, recipients are eligible for property tax abatement on certain improvements to deteriorated residential or commercial property and new construction of residential or commercial structures in deteriorated areas that increase the assessed property value. The Planning Commission of the Township held a public hearing to determine the geographic boundaries of deteriorated areas.

The Township’s tax abatement agreements do not contain recapture provisions for non-compliance. There were no amounts received or receivable from other governments in association with the forgone taxes. The Township did not make other commitments other than to reduce taxes as part of the tax abatement agreements.

During 2020, the Township’s LERTA property tax abatements totaled \$43,159.

NOTE M – COMMITMENTS AND CONTINGENCIES

The Township participates in federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Township is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

In August 2018, the Township entered into a contribution agreement with the Commonwealth of Pennsylvania, Department of Transportation (the Department) to contribute \$200,000 to the Department for costs associated with a project. As of December 31, 2020, no amounts have been remitted to the Department.

NOTE N – RESTATEMENT OF NET POSITION AND FUND BALANCES

The implementation of GASB Statement No. 84 had the following effect on the fund balance as reported at January 1, 2020:

	<i>General Fund</i>	<i>Capital Projects Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Fund balance as previously reported	\$ 2,851,570	\$ 11,465,990	\$ 1,372,320	\$ 15,689,880
GASB Statement No. 84	<u>189,496</u>	<u>-</u>	<u>-</u>	<u>189,496</u>
Restated fund balance, at January 1, 2020	<u>\$ 3,041,066</u>	<u>\$ 11,465,990</u>	<u>\$ 1,372,320</u>	<u>\$ 15,879,376</u>

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE N – RESTATEMENT OF NET POSITION AND FUND BALANCES (CONTINUED)

The implementation of the GASB Statement No. 84 pronouncement had the following effect on the net position as reported at January 1, 2020:

	<i>Governmental Activities</i>
Net position as previously reported	\$ 17,096,737
GASB Statement No. 84	<u>189,496</u>
Restated net position at January 1, 2020	<u>\$ 17,286,233</u>

Due to the implementation of GASB Statement No. 84, the new classification of custodial fund is reporting a beginning net position of \$346,588 as of January 1, 2020. Also, related to the implementation of GASB Statement No. 84, the Township will no longer be reporting agency funds. At December 31, 2019, agency funds reported assets and liabilities of \$782,293.

NOTE O – SUBSEQUENT EVENTS

Current Economic Conditions

A global pandemic, due to the spread of COVID-19 coronavirus, caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government mandated closings of local stores and businesses, which has resulted in significant job losses. The Township expects financial disruption, however, the related dollar amount of the impact and duration cannot be reasonably estimated at this time.

Purchase of Property

In August 2021, the Township purchased property for \$832,269 for the future construction of a community center.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF SOUTH FAYETTE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED DECEMBER 31, 2020

	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Budgetary Basis to GAAP Basis</i>	<i>Actual Amounts GAAP Basis</i>
REVENUES					
Taxes	\$ 11,762,000	\$ 12,334,573	\$ 572,573	\$ 10,333	\$ 12,344,906
Licenses and permits	364,300	355,677	(8,623)	-	355,677
Fines and violations	25,000	25,548	548	-	25,548
Government grants and subsidies	414,000	612,422	198,422	-	612,422
Charges for services	524,600	466,723	(57,877)	-	466,723
Interest earnings	31,900	16,999	(14,901)	-	16,999
Contributions	-	50	50	1,893,471	1,893,521
Miscellaneous	-	13,054	13,054	-	13,054
	<u>13,121,800</u>	<u>13,825,046</u>	<u>703,246</u>	<u>1,903,804</u>	<u>15,728,850</u>
EXPENDITURES					
General government	1,726,565	1,477,664	248,901	(354,367)	1,123,297
Public safety	4,554,983	4,411,130	143,853	(376,986)	4,034,144
Highways and streets	2,456,800	2,322,911	133,889	(407,842)	1,915,069
Culture and recreation	545,950	428,710	117,240	40,618	469,328
Health and sanitation	1,390,500	1,360,185	30,315	-	1,360,185
Insurance	196,000	168,344	27,656	-	168,344
Miscellaneous	66,602	78,683	(12,081)	-	78,683
Debt service:					
Principal	445,000	445,000	-	(445,000)	-
Interest and issuance costs on long-term debt	102,200	102,120	80	8,883	111,003
	<u>11,484,600</u>	<u>10,794,747</u>	<u>689,853</u>	<u>(1,534,694)</u>	<u>9,260,053</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,637,200</u>	<u>3,030,299</u>	<u>1,393,099</u>	<u>3,438,498</u>	<u>6,468,797</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sales of capital assets	-	5,530	5,530	(10,255)	(4,725)
Refund of prior year's receipts	(10,000)	(226)	9,774	-	(226)
Transfers to other funds	(1,650,000)	(1,660,146)	(10,146)	-	(1,660,146)
	<u>(1,660,000)</u>	<u>(1,654,842)</u>	<u>5,158</u>	<u>(10,255)</u>	<u>(1,665,097)</u>
NET CHANGES IN FUND BALANCES	<u>(22,800)</u>	<u>1,375,457</u>	<u>1,398,257</u>	<u>3,428,243</u>	<u>4,803,700</u>
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	<u>22,800</u>	<u>3,041,066</u>	<u>3,018,266</u>	<u>(3,428,243)</u>	<u>(387,177)</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 4,416,523</u>	<u>\$ 4,416,523</u>	<u>\$ -</u>	<u>\$ 4,416,523</u>

See accompanying notes.

TOWNSHIP OF SOUTH FAYETTE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
 YEAR ENDED DECEMBER 31, 2020

	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
REVENUES			
Government grants and subsidies	\$ 1,950,000	\$ 120,665	\$ (1,829,335)
Interest earnings and rentals	6,000	43,432	37,432
Contributions	-	19,085	19,085
Miscellaneous	-	8,313	8,313
	<u>1,956,000</u>	<u>191,495</u>	<u>(1,764,505)</u>
EXPENDITURES			
General government	83,000	492,757	(409,757)
Public safety	149,000	167,249	(18,249)
Public works and streets	3,000,000	2,927,700	72,300
Culture and recreation	2,300,000	102,769	2,197,231
	<u>5,532,000</u>	<u>3,690,475</u>	<u>1,841,525</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,576,000)	(3,498,980)	77,020
OTHER FINANCING SOURCES			
Proceeds from the sale of capital assets	-	50,000	50,000
Transfer from other funds	1,650,000	1,650,000	-
	<u>1,650,000</u>	<u>1,700,000</u>	<u>50,000</u>
NET CHANGES IN FUND BALANCES	(1,926,000)	(1,798,980)	127,020
FUND BALANCES - BEGINNING OF YEAR	<u>1,926,000</u>	<u>11,465,990</u>	<u>9,539,990</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 9,667,010</u>	<u>\$ 9,667,010</u>

See accompanying notes.

TOWNSHIP OF SOUTH FAYETTE

SCHEDULE OF CHANGES IN POLICE EMPLOYEES' PENSION FUND

NET PENSION LIABILITY AND RELATED RATIOS

LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY:							
Service cost	\$ 348,167	\$ 330,016	\$ 310,276	\$ 317,459	\$ 223,381	\$ 211,736	\$ 200,338
Interest	881,654	830,761	841,119	795,998	734,892	712,440	684,399
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(810,912)	-	55,304	-	57,102	-
Changes of assumptions	-	-	-	537,585	-	-	-
Benefit payments, including refunds of employee contributions	(469,024)	(484,628)	(520,914)	(448,180)	(480,023)	(787,351)	(378,741)
NET CHANGE IN TOTAL PENSION LIABILITY	760,797	(134,763)	630,481	1,258,166	478,250	193,927	505,996
TOTAL PENSION LIABILITY, BEGINNING	12,042,985	12,177,748	11,547,267	10,289,101	9,810,851	9,616,924	9,110,928
TOTAL PENSION LIABILITY, ENDING (a)	\$ 12,803,782	\$ 12,042,985	\$ 12,177,748	\$ 11,547,267	\$ 10,289,101	\$ 9,810,851	\$ 9,616,924
PLAN FIDUCIARY NET POSITION							
Contributions - employer	\$ 662,218	\$ 684,132	\$ 666,493	\$ 585,123	\$ 540,372	\$ 488,219	\$ 474,992
Contributions - employee	101,461	96,883	83,101	78,736	77,345	67,581	60,298
Net investment income	1,130,232	1,719,061	(620,869)	1,110,240	466,851	(135,345)	439,329
Benefit payments, including refunds of employee contributions	(469,024)	(484,628)	(520,914)	(448,180)	(480,023)	(787,351)	(378,741)
Administrative expense	(87,090)	(77,034)	(83,769)	(88,192)	(72,219)	(78,265)	(78,040)
Other	-	-	-	-	-	18,074	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,337,797	1,938,414	(475,958)	1,237,727	532,326	(427,087)	517,838
PLAN FIDUCIARY NET POSITION, BEGINNING	10,878,239	8,939,825	9,415,783	8,178,056	7,645,730	8,072,817	7,554,979
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 12,216,036	\$ 10,878,239	\$ 8,939,825	\$ 9,415,783	\$ 8,178,056	\$ 7,645,730	\$ 8,072,817
TOWNSHIP'S NET PENSION LIABILITY, ENDING (a) - (b)	\$ 587,746	\$ 1,164,746	\$ 3,237,923	\$ 2,131,484	\$ 2,111,045	\$ 2,165,121	\$ 1,544,107
Plan fiduciary net position as a percentage of total pension liability	95.41%	90.33%	73.41%	81.54%	79.48%	77.93%	83.94%
Covered employee payroll	\$ 2,151,310	\$ 1,962,155	\$ 1,838,269	\$ 1,546,352	\$ 1,654,191	\$ 1,425,129	\$ 1,193,858
Net liability as a percentage of covered payroll	27.32%	59.36%	176.14%	137.84%	127.62%	151.92%	129.34%

The Township is required to present the information for the last ten fiscal years. Additional years will be displayed as they become available.

See accompanying notes.

TOWNSHIP OF SOUTH FAYETTE

SCHEDULE OF POLICE EMPLOYEES' PENSION FUND EMPLOYER CONTRIBUTIONS

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 662,218	\$ 684,132	\$ 666,493	\$ 585,123	\$ 540,026	\$ 488,219	\$ 474,992
Contributions in relation to the actuarially determined contribution	<u>662,218</u>	<u>684,132</u>	<u>666,493</u>	<u>585,123</u>	<u>540,372</u>	<u>488,219</u>	<u>474,992</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (346)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,151,310	\$ 1,962,155	\$ 1,838,269	\$ 1,546,352	\$ 1,654,191	\$ 1,425,129	\$ 1,193,858
Contributions as a percentage of covered employee payroll	30.78%	34.87%	36.26%	37.84%	32.67%	34.26%	39.79%

The Township is required to present the information for the last ten fiscal years.
Additional years will be displayed as they become available.

See accompanying notes.

TOWNSHIP OF SOUTH FAYETTE

SCHEDULE OF CHANGES IN POLICE EMPLOYEES' PENSION FUND INVESTMENT RETURNS LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	10.40%	19.42%	-6.68%	13.76%	6.13%	-1.48%	5.56%

The Township is required to present the information for the last ten fiscal years. Additional years will be displayed as they become available.

See accompanying notes.

TOWNSHIP OF SOUTH FAYETTE

SCHEDULE OF CHANGES IN THE TOWNSHIP'S TOTAL OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS

	<i>2020</i>	<i>2019</i>	<i>2018</i>
TOTAL OPEB LIABILITY			
Service cost	\$ 3,743	\$ 3,783	\$ 3,507
Interest	13,931	13,306	13,858
Changes of benefit terms	-	-	1,739
Differences between expected and actual experience	14,317	-	38,864
Changes of assumptions	37,063	(14,728)	7,607
Benefit payments	(37,056)	(36,333)	(38,263)
NET CHANGE IN TOTAL OPEB LIABILITY	31,998	(33,972)	27,312
TOTAL OPEB LIABILITY - BEGINNING	339,784	373,756	346,444
TOTAL OPEB LIABILITY - ENDING	\$ 371,782	\$ 339,784	\$ 373,756
Covered-employee payroll	\$ 2,884,787	\$ 2,718,267	\$ 2,651,968
District's total OPEB liability as a percentage of covered-employee payroll	12.89%	12.50%	14.09%

Notes to Schedule:

GASB 75 was implemented beginning with the fiscal year ended December 31, 2018.

Changes of assumptions:

Discount rate used for fiscal year ending December 31,: 2020 - 2.74%; 2019 - 4.10%; 2018 - 3.56%
 December 31, 2020 - Changes were made to the mortality table and mortality improvement scale.
 December 31, 2019 - Changes were made to the mortality improvement scale.
 December 31, 2018 - Changes were made to the mortality improvement scale and the cost method.

Benefit terms changes:

December 31, 2018 - The amount of reimbursement that retired Public Works employees receive increased from \$200/month to \$225/month.

The Township is required to present the information for the last ten fiscal years. Additional years will be displayed as they become available.

See accompanying notes.

TOWNSHIP OF SOUTH FAYETTE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE A – BUDGETARY INFORMATION

Budget Process

The General Fund is legally required to be budgeted and appropriated. All funds, except the fiduciary funds, prepare budgets on the budgetary basis of accounting. The budget demonstrates a need for existing or increased tax rates and user fees. The Board's final adoption of the budget is the authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Board.

Excess of expenditures over appropriations

For the year ended December 31, 2020, General Fund expenditures exceeded appropriations in one function by approximately \$12,000. This over-expenditure was funded by greater than anticipated revenues.

For the year ended December 31, 2020, Capital Projects Fund expenditures exceeded appropriations in two functions by approximately \$428,000. The over-expenditures in the Capital Projects Fund were funded by other functions that did not exceed appropriations.

NOTE B – PENSION INFORMATION – ACTUARIAL METHODS AND ASSUMPTIONS

Methods and assumptions used to determine contribution rates for the Police Pension Fund under Act 205 for the year ended December 31, 2020 are as follows:

Valuation date	January 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	8 years (aggregate)
Asset valuation method	4-year smoothing
Inflation	2.75%
Salary increases	5.50% including inflation
Investment rate of return	7.25% net of investment expenses not funded through the MMO, and including inflation
Mortality	RP-2014 Mortality Table with rates set forward 5 years for disabled lives. Mortality improvement based on the Long-Range Demographic Assumptions for the 2015 SSA's Trustee Report.

SUPPLEMENTARY INFORMATION

TOWNSHIP OF SOUTH FAYETTE
COMBINING SCHEDULE OF BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	<i>Fuel Tax</i>	<i>Traffic Impact Fee Fund</i>	<i>Parks and Recreation Fund</i>	<i>Total Nonmajor Funds</i>
ASSETS				
CASH AND CASH EQUIVALENTS	\$ 401,687	\$ 1,001,968	\$ 232,545	\$ 1,636,200
LIABILITIES				
Accounts payable	\$ 10,499	\$ -	\$ 3,000	\$ 13,499
FUND BALANCES				
Restricted:				
Street expenditures	391,188	-	-	391,188
Assigned:				
Parks and recreation	-	-	229,545	229,545
Traffic impact fees	-	1,001,968	-	1,001,968
	<u>391,188</u>	<u>1,001,968</u>	<u>229,545</u>	<u>1,622,701</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 401,687	\$ 1,001,968	\$ 232,545	\$ 1,636,200

TOWNSHIP OF SOUTH FAYETTE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2020

	<i>Fuel Tax</i>	<i>Traffic Impact Fee Fund</i>	<i>Parks and Recreation Fund</i>	<i>Total Nonmajor Funds</i>
REVENUES				
Government grants and subsidies	\$ 503,046	\$ -	\$ -	\$ 503,046
Charges for services	-	103,914	69,531	173,445
Interest earnings	978	4,693	12,135	17,806
	<u>504,024</u>	<u>108,607</u>	<u>81,666</u>	<u>694,297</u>
EXPENDITURES				
Public safety	-	-	3,000	3,000
Public works and streets	283,876	-	-	283,876
Capital outlay	157,040	-	-	157,040
	<u>440,916</u>	<u>-</u>	<u>3,000</u>	<u>443,916</u>
EXCESS OF REVENUES OVER EXPENDITURES	63,108	108,607	78,666	250,381
FUND BALANCES, BEGINNING OF YEAR	<u>328,080</u>	<u>893,361</u>	<u>150,879</u>	<u>1,372,320</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 391,188</u></u>	<u><u>\$ 1,001,968</u></u>	<u><u>\$ 229,545</u></u>	<u><u>\$ 1,622,701</u></u>