



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, 2021



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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Fayette Township, Allegheny County, Pennsylvania, (the "Township") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of December 31, 2021, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of South Fayette, Pennsylvania's basic financial statements. The combining and individual nonmajor fund financial statements 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.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

Grove City, Pennsylvania
September 13, 2022

TOWNSHIP OF SOUTH FAYETTE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2021

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, 2021. 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, 2021 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, 2021 by \$24,337,414 (net position). Of this amount, \$5,169,542 (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 \$3,796,080 for the year ended December 31, 2021.

Fund financial statements:

- At the close of the current year, the Township's governmental funds reported combined ending fund balances of \$44,253,410, an increase of \$28,547,176 in comparison with the prior year. Of this amount, \$3,854,608 is unassigned and available for spending.
- At the end of the current year, unassigned fund balance for the General Fund was \$3,854,608 or 15.4% of total General Fund budgeted expenditures for 2021.

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 \$24,337,414 and \$20,541,334 at December 31, 2021 and 2020.

**Township of South Fayette's Net Position
December 31, 2021 and 2020**

	<i>Governmental Activities</i>	
	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 46,930,036	\$ 17,263,117
Capital assets, net	16,443,359	11,617,332
	<u>63,373,395</u>	<u>28,880,449</u>
Deferred outflows of resources	<u>1,252,803</u>	<u>1,011,116</u>
Current and other liabilities	2,969,509	1,668,642
Long-term liabilities	35,802,089	6,045,273
	<u>38,771,598</u>	<u>7,713,915</u>
Deferred outflows of resources	<u>1,517,186</u>	<u>1,636,316</u>
NET POSITION		
Net investment in capital assets	11,798,785	7,551,728
Restricted	7,369,087	10,058,198
Unrestricted	<u>5,169,542</u>	<u>2,931,408</u>
TOTAL NET POSITION	<u>\$ 24,337,414</u>	<u>\$ 20,541,334</u>

A portion of the Township's net position (48.5%) 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, 2021 and 2020

	<i>Governmental</i>	
	<i>Activities</i>	
	<u>2021</u>	<u>2020</u>
REVENUES		
Program revenues:		
Charges for services	\$ 1,540,126	\$ 1,033,136
Operating grants and contributions	1,176,337	1,236,133
Capital grants and contributions	1,314,821	1,893,471
General revenues:		
Property taxes	7,354,484	7,188,449
Other taxes	6,121,809	5,156,457
Other	93,790	152,271
	<u>17,601,367</u>	<u>16,659,917</u>
 EXPENSES		
General government	1,733,095	1,694,963
Public safety	4,573,788	4,204,393
Public works and streets	4,729,607	5,283,685
Culture and recreation	703,906	572,097
Health and sanitation	1,407,187	1,360,185
Insurance	196,547	168,344
Interest on long-term debt	461,157	111,003
Transfer to fiduciary fund	-	10,146
	<u>13,805,287</u>	<u>13,404,816</u>
 CHANGE IN NET POSITION	 3,796,080	 3,255,101
 NET POSITION, BEGINNING OF YEAR	 <u>20,541,334</u>	 <u>17,286,233</u>
 NET POSITION, END OF YEAR	 <u>\$ 24,337,414</u>	 <u>\$ 20,541,334</u>

Governmental activities Governmental activities increased the Township's net position by \$3,796,080.

Township of South Fayette's Governmental Activities
Years ended December 31, 2021 and 2020

	<i>Total Cost of Services</i>		<i>Net Cost of Services</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
General government	\$ 1,733,095	\$ 1,694,963	\$ 970,013	\$ 953,130
Public safety	4,573,788	4,204,393	3,936,988	3,600,964
Public works and streets	4,729,607	5,283,685	2,535,536	2,595,710
Culture and recreation	703,906	572,097	533,749	460,682
Health and sanitation	1,407,187	1,360,185	1,140,013	1,342,097
Insurance	196,547	168,344	196,547	168,344
Interest on long-term debt	461,157	111,003	461,157	111,003
Transfer to fiduciary fund	-	10,146	-	10,146
TOTAL GOVERNMENTAL ACTIVITIES	\$ 13,805,287	\$ 13,404,816	9,774,003	9,242,076
Less:				
Unrestricted grants, subsidies and contributions not restricted			-	19,135
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES			\$ 9,774,003	\$ 9,222,941

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, 2021 the Township's governmental funds reported combined ending fund balances of \$44,253,410, an increase of \$28,547,176 in comparison to the prior year. Of this amount, \$3,854,608 is unassigned, which is available for spending at the government's discretion.

The General Fund is the Township's chief operating fund. In 2021, the General Fund's expenditures exceeded revenues by \$1,905,364. After adjustment for other financing sources, such as the proceeds from sales of capital assets of \$60,358 and transfers from other funds of \$2,751,323 in 2021, the fund balance increased by \$906,317.

General Fund Budgetary Highlights Revenues of the General Fund were 11.4% greater than budgeted for the year mainly because tax revenues were greater than anticipated. Expenditures were 30.5% less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At December 31, 2021, the Township had \$22,625,872 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 \$4,826,027 or 41.5% from last year.

Township of South Fayette's Capital Assets December 31, 2021 and 2020

	<i>Governmental Activities</i>	
	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 8,127,993	\$ 6,463,830
Buildings and improvements	900,013	900,013
Furniture and equipment	1,678,563	1,546,044
Vehicles	3,486,810	3,136,156
Infrastructure	6,157,938	4,635,887
Construction in progress	2,274,555	483,383
	<u>22,625,872</u>	<u>17,165,313</u>
Less: Accumulated depreciation	(6,182,513)	(5,547,981)
TOTAL, NET	<u>\$ 16,443,359</u>	<u>\$ 11,617,332</u>

Major Capital Asset Additions

This year's major capital asset additions included:

- New Municipal Complex, construction in progress, \$1,316,288
- 2021 contributed roads, \$1,314,821
- Purchase of Hickory Grade Road property, \$809,018
- Fairview Park Phase I Improvements, construction in progress, \$602,626
- Boy's Home Playground Improvements, \$337,728
- 2021 Freightliner and related equipment, \$274,882
- Stormwater Improvements Project, \$207,230
- Fairview Park Playground Improvements Project, \$204,933

Debt Administration

As of January 1, 2021, the Township had total outstanding debt of \$4,835,952. The loan activity for the current year consisted of payments totaling \$450,000, a refunding of debt being paid off in the amount of \$4,360,000 with \$33,585,000 in debt proceeds, and bond premium activity in the amount of \$1,120,761. Outstanding debt as of December 31, 2021 is \$34,731,713.

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 2022 budget, tax rates and fees that will be charged. The millage rate for 2022 will remain at 4.73 mills.

Economic Factors that occurred in 2021 included:

Grants & Donations

More than \$2 million total in grants, sponsorships and other support:

- \$1 million grant awarded for three ball fields on Mayview site of Fairview Park from the Pennsylvania Department of Conservation and Natural Resources
- \$834,475 COVID-19 relief, American Rescue Plan Act (this amount represents half of the township's federal allocation)
- \$100,000 Department of Community and Economic Development multimodal grant for sidewalks in Fairview Park
- \$40,000 in sponsorship donations from 50 businesses (84% of community event expenses were offset by these contributions)
- \$25,000 T-Mobile Hometown Grant for ball fields at Fairview Park
- \$15,000 donation from South Fayette Baseball and Softball Association for ball fields at Fairview Park
- \$10,000 (in kind) athletic association storage facility from Charter Homes in Fairview Park

Building Permits/Construction

- Collected more than \$260,000 in building permit fees
- Issued a total of 399 building permits, including 340 for residential projects and 59 for commercial projects (compared to 379 total permits the prior year)
 - 11 permits were for NEW commercial construction valued at \$13.5 million (\$3 million increase over prior year)
 - 105 permits were for NEW home construction valued at \$27.6 million
 - Total estimated construction value of all permitted projects exceeded \$77.3 million (more than twice the prior year)
 - Commercial growth (\$43.8 million) outpaced residential (\$33.5 million)
 - Homeowners spent \$4.4 million on 212 accessory structures such as decks (91), fences (34), swimming pools (27) and sheds (14)

Business

- Businesses published 39 ads in South Fayette Connect, the Township's official magazine (compared to 30 ads the prior year)
- New businesses included:
 - BJ's Wholesale Club, Newbury
 - Tropical Smoothie Café, Newbury
 - Millie's Homemade Ice Cream, Newbury
 - MindBody Yoga + Barre, Hastings
 - Atelier Salon, Washington Pike
 - iHeartMEDIA / WDVE-FM, Abele Business Park

- Expansions included:
 - Lewis Music Studio, Abele Business Park
 - T2 Fitness, Abele Business Park
- Construction started:
 - The Piazza, 3 building shells, former Star City site at I-79
 - Verizon, Abele Business Park
 - Greentree Animal Clinic, Hastings
 - ModWash, Washington Pike
 - Zottola Fab, Cuddy
- Approved and announced:
 - Tesla, Newbury
 - Firebirds, The Piazza
 - Pro Bike + Run, Route 50
- Major construction occurred in these housing plans:
 - Hastings
 - Lafayette Meadow
 - Kevington
 - Stonegate (land preparation)

Transportation

- Southern Beltway opened – 4 miles of highway within the township, plus South Fayette Way interchange at Route 50
- Planned \$1.5 million road paving program for 2021 with 36 roads (totaling six road miles) being paved
- PennDOT prepared for the intersection improvement project at Mayview and Boyce roads and the Chartiers bridge replacement on Washington Pike
- Traffic lights installed at Alpine Road and Route 50
- Public Works seal-coated 8 miles of roadway and paved ¾-mile of roadway
- Public Works repaired roads and potholes

Public Works

- New Public Works equipment and vehicles purchased, including street sweeper, two dump trucks and front-end loader with attachments
- Repaired/replaced 75 storm inlets
- Repaired major landslides in Fairview Park and along Morgan Hollow Road
- Installed 1,800 feet of storm sewer pipe
- Delivered 121 recycling carts
- Installed 137 street signs
- Responded to 1,709 PA One Calls
- Repeatedly mowed 94 acres of parkland and 140 miles of grass along roads
- Operated 14 snow/salt trucks in winter

Parks and Recreation

- New playgrounds open at Fairview Park and Boys Home Park with updated equipment, accessibility and safety surfacing

- Land preparation began for Fairview Park expansion on Mayview site
- Held 93 recreation programs with 1,400 participants
- Held 13 free community events with more than 5,000 total participants
- Scheduled 209 pavilion and field rentals (collected \$24,755)

Police

- Police upgraded records management system for first time in 30 years
- Completed first full year of body-worn camera program
- One officer added to force and one promoted to sergeant
- Finished issuing initial round of 150 updated policies under Lexipol program
- Police handled 5,222 service calls (+17% over prior year)
- Police officers trained for 2,360 hours total

COVID-19

- Vaccinations began in 2021
- Senior citizens group resumed activities and gatherings
- Township office reopened to public
- More than 7,000 people viewed virtual tours and videos from community events; Drive-thru events welcomed 1,000 cars
- Summer Playground Camp resumed in-person format with safety protocols

Miscellaneous

- Joined lawsuit opposing PennDOT's plan to toll a bridge on Interstate 79 in South Fayette
- \$14 million Gladden Acid Mine Drainage Treatment Plant opened January 2021 in South Fayette
- Approved \$16.7 million operating budget for 2022 without property tax increase
- Free mobile app, South Fayette CitizenLink, launched on App Store and Google Play; 713 total downloads in 2021
- Website topped 1 million visitors
- Military service member banner program launched
- Comprehensive Plan update process began
- Recycled more than 11.5 tons of glass during two free glass recycling collections
- Installed stormwater detention basin at Boys Home Park
- Began Community Center design and received responses from 1,538 households in community survey; staff visited existing centers
- Worked on design plans for new Municipal Center with police station
- Identity campaign started to educate residents, businesses and media about the boundaries, location and ZIP codes of South Fayette
- 659 customer services issues addressed through online Citizen Request Tracker
- \$181,000 in escrow fees collected
- 13,776 magazine digital reads
- Accepted sealed proposals for new bank, engineering firm and police pension fund manager

Awards & Honors (6 total)

- Allegheny County Banner Community 2021 (fourth consecutive year)
- National Association of Government Communicators Blue Pencil & Gold Screen Awards
 - Best in Show (nationally, chosen from 34 first-place winners), COVID-19 digital campaign and webpage
 - First place, COVID-19 digital campaign and webpage, southfayettepa.com/covid19
 - First place, Magazine, South Fayette Connect
- Paula Willis, Parks and Recreation Director, named to the national 30 Under 30 list by the National Recreation and Park Association
- Pennsylvania Recreation and Park Society
 - Excellence in Recreation and Parks Award: Joy-Thru Fairview holiday celebration

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

BUDGETED REVENUES		
	<i>2022</i>	<i>2021</i>
PROGRAM REVENUES		
Charges for services	4.8%	2.6%
Operating grants and contributions	9.7%	3.3%
GENERAL REVENUES		
Property taxes	45.4%	32.3%
Other taxes	37.2%	24.0%
Other	2.9%	37.8%
BUDGETED EXPENDITURES		
	<i>2022</i>	<i>2021</i>
General government	18.0%	38.0%
Public safety	36.1%	19.5%
Public works and streets	19.9%	20.3%
Culture and recreation	4.9%	13.9%
Health and sanitation	9.2%	4.9%
Insurance	1.8%	0.8%
Miscellaneous and debt service	10.1%	2.6%

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, 2021

	<i>Governmental Activities</i>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 45,212,053
Receivables:	
Taxes-delinquent and other	1,319,554
Accounts and grants	398,429
	<u>46,930,036</u>
CAPITAL ASSETS	
Non-depreciable capital assets	6,225,332
Depreciable capital assets, net	10,218,027
	<u>16,443,359</u>
DEFERRED OUTFLOWS OF RESOURCES	
Relating to deferred costs of refinancing, net of amortization	86,185
Relating to net pension liability, net of amortization	1,051,150
Relating to net OPEB liability, net of amortization	115,468
	<u>1,252,803</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 64,626,198</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 714,119
Interfund payable	10,146
Accrued salaries and benefits	151,883
Security deposits	12,505
Current portion of long-term debt	550,000
Escrow liability	36,605
Unearned revenues	1,494,251
	<u>2,969,509</u>
NONCURRENT LIABILITIES	
Long-term debt, net of premium	34,181,713
Net pension liability	629,213
Compensated absences	619,475
Other post-employment benefits	371,688
	<u>35,802,089</u>
	<u>38,771,598</u>
DEFERRED INFLOWS OF RESOURCES	
Relating to net pension liability, net of amortization	1,506,475
Relating to net OPEB liability, net of amortization	10,711
	<u>1,517,186</u>
NET POSITION	
Net investment in capital assets	11,798,785
Restricted	7,369,087
Unrestricted	5,169,542
	<u>24,337,414</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 64,626,198</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF SOUTH FAYETTE

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

<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	\$ 1,733,095	\$ 429,120	\$ 333,962	\$ -	\$ (970,013)
Public safety	4,573,788	547,319	89,481	-	(3,936,988)
Public works and streets	4,729,607	393,230	486,020	1,314,821	(2,535,536)
Culture and recreation	703,906	170,157	-	-	(533,749)
Health and sanitation	1,407,187	300	266,874	-	(1,140,013)
Insurance	196,547	-	-	-	(196,547)
Interest on long-term debt	461,157	-	-	-	(461,157)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 13,805,287	\$ 1,540,126	\$ 1,176,337	\$ 1,314,821	(9,774,003)
GENERAL REVENUES					
Property taxes, levied for general purposes, net					7,354,484
Other taxes, primarily income taxes					6,121,809
Investment income					19,241
Other					20,106
Gain from the disposal of capital assets					54,443
TOTAL GENERAL REVENUES					13,570,083
CHANGE IN NET POSITION					
					3,796,080
NET POSITION, BEGINNING OF YEAR					
					20,541,334
NET POSITION, END OF YEAR					
					\$ 24,337,414

See accompanying notes to the basic financial statements.

TOWNSHIP OF SOUTH FAYETTE

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<i>General Fund</i>	<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
ASSETS				
Cash and cash equivalents	\$ 5,980,211	\$ 37,221,667	\$ 2,010,175	\$ 45,212,053
Receivables:				
Taxes-delinquent and other	1,319,554	-	-	1,319,554
Accounts	83,834	-	-	83,834
Grants	304,831	9,764	-	314,595
TOTAL ASSETS	\$ 7,688,430	\$ 37,231,431	\$ 2,010,175	\$ 46,930,036
LIABILITIES				
Accounts payable	\$ 703,083	\$ -	\$ 11,036	\$ 714,119
Unearned revenues	1,194,251	300,000	-	1,494,251
Accrued salaries and benefits	151,883	-	-	151,883
Security deposits	12,505	-	-	12,505
Escrow liability	36,605	-	-	36,605
Interfund payable	10,146	-	-	10,146
	<u>2,108,473</u>	<u>300,000</u>	<u>11,036</u>	<u>2,419,509</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - taxes	257,117	-	-	257,117
FUND BALANCES				
Fund balances:				
Restricted:				
Capital projects	-	36,931,431	-	36,931,431
Street expenditures	-	-	438,610	438,610
Committed:				
Capital projects	1,468,232	-	-	1,468,232
Assigned:				
Parks and recreation	-	-	283,448	283,448
Traffic impact fees	-	-	1,277,081	1,277,081
Unassigned	3,854,608	-	-	3,854,608
	<u>5,322,840</u>	<u>36,931,431</u>	<u>1,999,139</u>	<u>44,253,410</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 7,688,430	\$ 37,231,431	\$ 2,010,175	\$ 46,930,036

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, 2021

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 44,253,410

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 \$22,625,872 and accumulated depreciation is \$6,182,513. 16,443,359

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. 257,117

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. (264,383)

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	\$ (34,731,713)	
Net pension liability	(629,213)	
Compensated absences	(619,475)	
Other post-employment benefits	(371,688)	(36,352,089)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 24,337,414**

See accompanying notes to the basic financial statements.

TOWNSHIP OF SOUTH FAYETTE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	<i>General Fund</i>	<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
REVENUES				
Taxes	\$ 13,565,556	\$ -	\$ -	\$ 13,565,556
Licenses and permits	368,411	-	-	368,411
Fines and violations	18,125	-	-	18,125
Government grants and subsidies	690,317	5,603	480,417	1,176,337
Charges for services	803,802	-	327,388	1,131,190
Interest earnings and rentals	28,507	10,760	2,374	41,641
Miscellaneous	20,106	-	-	20,106
	<u>15,494,824</u>	<u>16,363</u>	<u>810,179</u>	<u>16,321,366</u>
EXPENDITURES				
General government	1,729,494	180	-	1,729,674
Public safety	4,829,309	1,229	-	4,830,538
Public works and streets	2,627,042	-	433,741	3,060,783
Culture and recreation	560,518	-	-	560,518
Health and sanitation	1,407,187	-	-	1,407,187
Insurance	196,547	-	-	196,547
Miscellaneous	89,050	-	-	89,050
Debt service:				
Principal	450,000	-	-	450,000
Interest and issuance costs on long-term debt	93,920	365,751	-	459,671
Capital outlay	5,417,121	-	-	5,417,121
	<u>17,400,188</u>	<u>367,160</u>	<u>433,741</u>	<u>18,201,089</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,905,364)</u>	<u>(350,797)</u>	<u>376,438</u>	<u>(1,879,723)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from bonds issued	-	33,585,000	-	33,585,000
Payment to refunded bond escrow agent	-	(4,365,172)	-	(4,365,172)
Discounts/premiums on bonds issued	-	1,146,713	-	1,146,713
Proceeds from sales of capital assets	60,358	-	-	60,358
Transfers from (to) other funds	2,751,323	(2,751,323)	-	-
	<u>2,811,681</u>	<u>27,615,218</u>	<u>-</u>	<u>30,426,899</u>
NET CHANGES IN FUND BALANCES	906,317	27,264,421	376,438	28,547,176
FUND BALANCES, BEGINNING OF YEAR	<u>4,416,523</u>	<u>9,667,010</u>	<u>1,622,701</u>	<u>15,706,234</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 5,322,840</u></u>	<u><u>\$ 36,931,431</u></u>	<u><u>\$ 1,999,139</u></u>	<u><u>\$ 44,253,410</u></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, 2021

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 28,547,176

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 (\$4,300,732) are greater than depreciation (\$783,611) in the period.	3,517,121
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.	(89,263)
The issuance of long-term debt provide current financial resources but has no effect on net position.	(33,585,000)
The defeasance of long-term debt uses current financial resources but has no effect on net position.	4,365,172
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.	(1,148,199)
Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	450,000
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.	(5,915)
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.	1,314,821
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.	<u>430,167</u>
TOTAL CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 3,796,080</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF SOUTH FAYETTE
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2021

	<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	\$ 1,105,622	\$ -	\$ 1,105,622	\$ 170,442
Investments	12,270,965	775,906	13,046,871	-
Accounts receivable	-	-	-	188,584
Interfund receivable	-	-	-	10,146
TOTAL ASSETS	\$ 13,376,587	\$ 775,906	\$ 14,152,493	\$ 369,172
NET POSITION				
Restricted for pension benefits	13,376,587	775,906	14,152,493	-
Restricted for developers' escrow	-	-	-	369,172
	<u>13,376,587</u>	<u>775,906</u>	<u>14,152,493</u>	<u>369,172</u>
TOTAL NET POSITION	\$ 13,376,587	\$ 775,906	\$ 14,152,493	\$ 369,172

See accompanying notes to the basic financial statements.

TOWNSHIP OF SOUTH FAYETTE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2021

	<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	\$ 671,570	\$ 92,492	\$ 764,062	\$ -
Employee	107,532	-	107,532	-
	<u>779,102</u>	<u>92,492</u>	<u>871,594</u>	<u>-</u>
Investment income (loss):				
Interest and dividends	217,238	-	217,238	78
Net realized and unrealized gains and losses	698,311	80,281	778,592	-
Less investment expense	(96,923)	-	(96,923)	-
Net investment income	<u>818,626</u>	<u>80,281</u>	<u>898,907</u>	<u>78</u>
Developer revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,936</u>
	<u>1,597,728</u>	<u>172,773</u>	<u>1,770,501</u>	<u>198,014</u>
DEDUCTIONS				
Administration	2,749	-	2,749	-
Benefit payments	442,990	192,892	635,882	-
Developer expense	-	-	-	137,117
	<u>445,739</u>	<u>192,892</u>	<u>638,631</u>	<u>137,117</u>
CHANGES IN NET POSITION	1,151,989	(20,119)	1,131,870	60,897
NET POSITION, BEGINNING OF YEAR	12,224,598	796,025	13,020,623	308,275
NET POSITION, END OF YEAR	\$ 13,376,587	\$ 775,906	\$ 14,152,493	\$ 369,172

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 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 13, 2022, 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.

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, 2021, the carrying amount of the Township's deposits at year-end with financial institutions was \$14,735,520 with the corresponding bank balance of \$14,735,770.

In addition to deposits with financial institutions, \$30,476,133 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.

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE C – CASH AND CASH EQUIVALENTS (CONTINUED)

The Township had cash and cash equivalents maintained as fiduciary funds. As of December 31, 2021, the carrying amount of these deposits was \$1,276,064, and the bank balance was \$1,290,570.

Of the bank balances at year end, \$500,000 was covered by federal depository insurance and \$15,526,340 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, 2021, 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 \$12,270,965 and \$775,906, respectively, at December 31, 2021. The Police Pension Plan also has cash deposits with local financial institutions in the amount of \$1,105,622 at December 31, 2021.

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.

The Plans categorizes their 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, 2021:

	<i>Fair Value Measurements Using</i>			
	<i>Quoted Prices in Active Markets for Identical Assets</i>	<i>Significant Other Observable Inputs</i>	<i>Significant Unobservable Inputs</i>	
<i>12/31/2021</i>	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	
Police Pension Fund investments	\$ 12,270,965	\$ 12,270,965	\$ -	\$ -
Non-Uniformed Pension Fund investments	775,906	775,906	-	-
TOTAL	\$ 13,046,871	\$ 13,046,871	\$ -	\$ -

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE D – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 2021, 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.

The balances at December 31, 2021 are as follows:

	<i>Collectible</i>	<i>Recognized</i>	<i>Unavailable Taxes</i>
Real Estate	\$ 330,613	\$ 15,042	\$ 257,117
Real Estate Transfer	166,289	166,289	-
Earned Income	788,797	788,797	-
Regional Asset District Sales Tax	33,855	33,855	-
TOTAL	<u>\$ 1,319,554</u>	<u>\$ 1,003,983</u>	<u>\$ 257,117</u>

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

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE F – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$ 3,141,759	\$ 809,018	\$ -	\$ 3,950,777
Construction in progress	483,383	1,918,914	(127,742)	2,274,555
	<u>3,625,142</u>	<u>2,727,932</u>	<u>(127,742)</u>	<u>6,225,332</u>
Capital assets being depreciated:				
Land improvements	3,322,071	727,403	127,742	4,177,216
Buildings and improvements	900,013	-	-	900,013
Furniture and equipment	1,546,044	132,519	-	1,678,563
Vehicles	3,136,156	505,648	(154,994)	3,486,810
Infrastructure	4,635,887	1,522,051	-	6,157,938
	<u>13,540,171</u>	<u>2,887,621</u>	<u>(27,252)</u>	<u>16,400,540</u>
Less accumulated depreciation for:				
Land improvements	(1,062,196)	(145,808)	-	(1,208,004)
Buildings and improvements	(714,930)	(11,544)	-	(726,474)
Furniture and equipment	(718,648)	(153,501)	-	(872,149)
Vehicles	(2,398,095)	(230,158)	149,079	(2,479,174)
Infrastructure	(654,112)	(242,600)	-	(896,712)
	<u>(5,547,981)</u>	<u>(783,611)</u>	<u>149,079</u>	<u>(6,182,513)</u>
	<u>7,992,190</u>	<u>2,104,010</u>	<u>121,827</u>	<u>10,218,027</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u><u>\$ 11,617,332</u></u>	<u><u>\$ 4,831,942</u></u>	<u><u>\$ (5,915)</u></u>	<u><u>\$ 16,443,359</u></u>

Construction in progress at December 31, 2021 consists of the new municipal complex totaling \$1,464,817, the Fairview Park phase I improvements totaling \$680,119, the new public works facility project totaling \$109,213, and the new community center project totaling \$20,406.

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE F – CHANGES IN CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
General government	\$ 8,692
Public safety	136,040
Public works and streets	495,492
Culture and recreation	<u>143,387</u>
TOTAL DEPRECIATION EXPENSE	<u><u>\$ 783,611</u></u>

NOTE G – NONCURRENT LIABILITIES

During the year ended December 31, 2021, 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	\$ 4,810,000	\$ 33,585,000	\$ (4,810,000)	\$ 33,585,000	\$ 550,000
Plus: Bond Premium	25,952	1,146,713	(25,952)	1,146,713	-
Total Bonds Payable	<u>4,835,952</u>	<u>34,731,713</u>	<u>(4,835,952)</u>	<u>34,731,713</u>	<u>550,000</u>
Compensated Absences	699,793	-	(80,318)	619,475	-
Net Pension Liability	587,746	41,467	-	629,213	-
Other Post-Employment Benefits	<u>371,782</u>	<u>-</u>	<u>(94)</u>	<u>371,688</u>	<u>-</u>
GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	<u><u>\$ 6,495,273</u></u>	<u><u>\$ 34,773,180</u></u>	<u><u>\$ (4,916,364)</u></u>	<u><u>\$ 36,352,089</u></u>	<u><u>\$ 550,000</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 bonds bear interest of 0.70% - 2.05% and matures June 1, 2030. The bonds were refunded during the 2021 year-end.

General Obligation Bonds, Series of 2021

During 2021, the Township issued general obligation bonds in the amount of \$33,585,000. The purpose of the bonds was to refund General Obligation Bonds, Series of 2016, pay the costs of the issuance of the bonds, and for future capital improvement in the Township. The bonds bear interest of 2.0% - 4.0% and mature in December 2056. The amount of defeased debt was \$4,360,000. The refunding reduced total debt service payments over the next nine years by \$138,405. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$433,000. The balance outstanding at December 31, 2021 was \$33,585,000.

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, 2021 are as follows:

<i>Year Ended</i> <u>December 31,</u>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2022	\$ 550,000	\$ 883,215	\$ 1,433,215
2023	560,000	927,138	1,487,138
2024	580,000	914,538	1,494,538
2025	590,000	900,638	1,490,638
2026	610,000	880,438	1,490,438
2027-2031	3,385,000	4,071,465	7,456,465
2032-2036	4,045,000	3,541,440	7,586,440
2037-2041	4,665,000	2,899,140	7,564,140
2042-2046	5,335,000	2,165,890	7,500,890
2047-2051	6,195,000	1,420,121	7,615,121
2052-2056	7,070,000	566,592	7,636,592
TOTAL	\$ 33,585,000	\$ 19,170,615	\$ 52,755,615

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 \$619,475 at December 31, 2021. 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, 2021 is as follows:

<u>Recipient Fund</u>	<u>Payor Fund</u>	<u>Purpose</u>	<u>Amount</u>
Developers' Escrow Fund	General Fund	Reimbursement	\$ 10,146

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, 2021 year-end is as follows:

<u>Recipient Fund</u>	<u>Payor Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Capital Projects Fund	Capital projects	\$ 2,751,323

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, 2021. 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, 2021:

Active participants	21
Retired and beneficiaries currently receiving benefits	10
Terminated employees entitled to benefits but not yet receiving them	<u>0</u>
TOTAL	<u><u>31</u></u>

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLANS (CONTINUED)

Investments For the year ended December 31, 2021, the annual money weighted rate of return on pension plan investments, net of investment expense was 7.51%. 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	2.5%
Salary increases	5.0% including inflation
Investment rate of return	6.25% net of investment expenses not funded through MMO

Mortality rates were based on the RP-2014 Mortality Table with rates set forward five years for disabled lives. Mortality improvement based on the 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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Expected Real Rate of Return</u>
US Equity - Large Cap	4.09 - 7.34%
US Equity - Small/Mid Cap	5.01 - 9.06%
Non-US Equity - Developed	4.62 - 8.26%
Non-US Equity - Emerging	5.65 - 10.49%
US Corporate Bond - Core	0.88 - 2.02%
US Corporate Bond - High Yield	2.80 - 4.96%
Non-US Debt - Developed	0.44 - 1.89%
Non-US Debt - Emerging	2.69 - 4.76%
US Treasuries/Cash	0.07 - 0.53%

TOWNSHIP OF SOUTH FAYETTE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLANS (CONTINUED)

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.

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 2021 was \$671,570 computed through an actuarial valuation performed January 1, 2019 and represented 27.91% 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, 2021 is as follows:

Total pension liability	\$ 13,994,153
Pension plan net position	(13,364,940)
NET PENSION LIABILITY	<u><u>\$ 629,213</u></u>

The pension plan’s net position as a percentage of total pension liability is 95.50%.

Discount Rate The discount rate used to measure the total pension liability was 6.75%. 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 12/31/2020	\$ 12,803,782	\$ 12,216,036	\$ 587,746
Changes for the year:			
Service cost	377,231	-	377,231
Interest	899,164	-	899,164
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(345,869)	-	(345,869)
Changes of assumptions	704,507	-	704,507
Contributions - employer	-	671,570	(671,570)
Contributions - employee	-	107,532	(107,532)
Net investment income	-	915,138	(915,138)
Benefit payments	(444,662)	(444,662)	-
Administrative expense	-	(100,674)	100,674
Other changes	-	-	-
Net changes	<u>1,190,371</u>	<u>1,148,904</u>	<u>41,467</u>
BALANCES AT 12/31/2021	<u>\$ 13,994,153</u>	<u>\$ 13,364,940</u>	<u>\$ 629,213</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 6.75% 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 (5.75%) or 1-percentage point higher (7.75%) than the current rate:

	<i>1.0% Decrease</i>	<i>Current Rate</i>	<i>1.0% Increase</i>
	<i>5.75%</i>	<i>6.75%</i>	<i>7.75%</i>
Net pension liability (asset)	\$ 2,425,082	\$ 629,213	\$ (861,596)

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, 2021, the Township recognized pension expense of \$322,583. At December 31, 2021, 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	\$ 16,359	\$ 793,450
Changes of assumptions	775,449	-
Net difference between projected and actual earnings on pension plan investments	259,342	713,025
TOTAL	<u>\$ 1,051,150</u>	<u>\$ 1,506,475</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>	
2022	\$ (22,123)
2023	(281,466)
2024	(141,534)
2025	(80,676)
2026	(19,190)
Thereafter	89,664

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 10% 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, 2021 consisted of employer contributions of \$99,995. 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 2021 was \$134,500. 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><u>60</u></u>

Total OPEB Liability

The Township’s total OPEB liability of \$371,688 was measured as of January 1, 2021 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-2020.

The actuarial assumptions used in the January 1, 2021 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, 2020	<u>\$ 371,782</u>
Changes for the year:	
Service cost	5,897
Interest	10,187
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	19,823
Benefit payments	(36,001)
Net changes	<u>(94)</u>
BALANCE AT DECEMBER 31, 2021	<u><u>\$ 371,688</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.74% in 2020 to 2.12% in 2021. The mortality improvement scale changed to MP-2020.

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 (1.12%) or 1-percentage-point higher (3.12%) than the current discount rate:

	<i>1% Decrease 1.12%</i>	<i>Current Rate 2.12%</i>	<i>1% Increase 3.12%</i>
Total OPEB liability	\$ 405,647	\$ 371,688	\$ 341,459

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)	\$ 365,650	\$ 371,688	\$ 378,301

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

For the year ended December 31, 2021, the Township recognized OPEB expense of \$26,090. At December 31, 2021, 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	\$ 36,185	\$ -
Changes in assumptions	52,331	10,711
Benefit payments subsequent to the measurement date	26,952	-
TOTAL	\$ 115,468	\$ 10,711

The \$26,952 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>	
2022	\$ 10,006
2023	10,006
2024	10,006
2025	10,006
2026	10,006
Thereafter	27,775
TOTAL	\$ 77,805

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 2021, the Township's LERTA property tax abatements totaled \$66,809.

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, 2021, no amounts have been remitted to the Department. The amount is expected to be remitted in 2023.

NOTE N – 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.

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, 2021

	<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	\$ 12,201,131	\$ 13,565,556	\$ 1,364,425	\$ (89,263)	\$ 13,476,293
Licenses and permits	375,700	368,411	(7,289)	-	368,411
Fines and violations	20,000	18,125	(1,875)	-	18,125
Government grants and subsidies	709,000	690,317	(18,683)	-	690,317
Charges for services	567,000	803,802	236,802	-	803,802
Interest earnings and rentals	25,700	28,507	2,807	-	28,507
Contributions	-	-	-	1,314,821	1,314,821
Miscellaneous	16,500	20,106	3,606	-	20,106
	<u>13,915,031</u>	<u>15,494,824</u>	<u>1,579,793</u>	<u>1,225,558</u>	<u>16,720,382</u>
EXPENDITURES					
General government	9,510,099	3,887,605	5,622,494	(2,243,740)	1,643,865
Public safety	4,883,710	4,917,142	(33,432)	(344,583)	4,572,559
Highways and streets	5,072,270	4,652,931	419,339	(357,065)	4,295,866
Culture and recreation	3,475,920	1,705,806	1,770,114	(1,001,900)	703,906
Health and sanitation	1,235,000	1,407,187	(172,187)	-	1,407,187
Insurance	196,000	196,547	(547)	-	196,547
Miscellaneous	100,000	89,050	10,950	-	89,050
Debt service:					
Principal	445,000	450,000	(5,000)	(450,000)	-
Interest and issuance costs on long-term debt	102,200	93,920	8,280	1,486	95,406
	<u>25,020,199</u>	<u>17,400,188</u>	<u>7,620,011</u>	<u>(4,395,802)</u>	<u>13,004,386</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(11,105,168)</u>	<u>(1,905,364)</u>	<u>9,199,804</u>	<u>5,621,360</u>	<u>3,715,996</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt	3,150,000	-	(3,150,000)	-	-
Proceeds from sales of capital assets	-	60,358	60,358	-	60,358
Transfers to other funds	4,620,888	2,751,323	(1,869,565)	(5,915)	2,745,408
	<u>7,770,888</u>	<u>2,811,681</u>	<u>(4,959,207)</u>	<u>(5,915)</u>	<u>2,805,766</u>
NET CHANGES IN FUND BALANCES	(3,334,280)	906,317	4,240,597	5,615,445	6,521,762
FUND BALANCES, BEGINNING OF YEAR	3,334,280	4,416,523	1,082,243	(5,615,445)	(1,198,922)
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 5,322,840</u>	<u>\$ 5,322,840</u>	<u>\$ -</u>	<u>\$ 5,322,840</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, 2021

	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
REVENUES			
Government grants and subsidies	\$ 8,000	\$ 5,603	\$ (2,397)
Interest earnings and rentals	25,000	10,760	(14,240)
	<u>33,000</u>	<u>16,363</u>	<u>(16,637)</u>
EXPENDITURES			
General government	-	180	(180)
Public safety	-	1,229	(1,229)
Debt service	-	365,751	(365,751)
	<u>-</u>	<u>367,160</u>	<u>(367,160)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	33,000	(350,797)	(383,797)
OTHER FINANCING SOURCES (USES)			
Proceeds from bonds issued	-	33,585,000	33,585,000
Payment to refunded bond escrow agent	-	(4,365,172)	(4,365,172)
Discounts/ premiums on bonds issued	-	1,146,713	1,146,713
Transfer from other funds	(4,699,073)	(2,751,323)	1,947,750
	<u>(4,699,073)</u>	<u>27,615,218</u>	<u>32,314,291</u>
NET CHANGES IN FUND BALANCES	(4,666,073)	27,264,421	31,930,494
FUND BALANCES - BEGINNING OF YEAR	4,666,073	9,667,010	5,000,937
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 36,931,431</u>	<u>\$ 36,931,431</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

	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY:								
Service cost	\$ 377,231	\$ 348,167	\$ 330,016	\$ 310,276	\$ 317,459	\$ 223,381	\$ 211,736	\$ 200,338
Interest	899,164	881,654	830,761	841,119	795,998	734,892	712,440	684,399
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(345,869)	-	(810,912)	-	55,304	-	57,102	-
Changes of assumptions	704,507	-	-	-	537,585	-	-	-
Benefit payments, including refunds of employee contributions	(444,662)	(469,024)	(484,628)	(520,914)	(448,180)	(480,023)	(787,351)	(378,741)
NET CHANGE IN TOTAL PENSION LIABILITY	1,190,371	760,797	(134,763)	630,481	1,258,166	478,250	193,927	505,996
TOTAL PENSION LIABILITY, BEGINNING	12,803,782	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)	\$ 13,994,153	\$ 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	\$ 671,570	\$ 662,218	\$ 684,132	\$ 666,493	\$ 585,123	\$ 540,372	\$ 488,219	\$ 474,992
Contributions - employee	107,532	101,461	96,883	83,101	78,736	77,345	67,581	60,298
Net investment income	915,138	1,130,232	1,719,061	(620,869)	1,110,240	466,851	(135,345)	439,329
Benefit payments, including refunds of employee contributions	(444,662)	(469,024)	(484,628)	(520,914)	(448,180)	(480,023)	(787,351)	(378,741)
Administrative expense	(100,674)	(87,090)	(77,034)	(83,769)	(88,192)	(72,219)	(78,265)	(78,040)
Other	-	-	-	-	-	-	18,074	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,148,904	1,337,797	1,938,414	(475,958)	1,237,727	532,326	(427,087)	517,838
PLAN FIDUCIARY NET POSITION, BEGINNING	12,216,036	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)	\$ 13,364,940	\$ 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)	\$ 629,213	\$ 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	95.50%	95.41%	90.33%	73.41%	81.54%	79.48%	77.93%	83.94%
Covered employee payroll	\$ 2,405,929	\$ 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	26.15%	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

	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>
Actuarially determined contribution	\$ 671,570	\$ 662,218	\$ 684,132	\$ 666,493	\$ 585,123	\$ 540,026	\$ 488,219	\$ 474,992	\$ 413,128	\$ 376,847
Contributions in relation to the actuarially determined contribution	671,570	662,218	684,132	666,493	585,123	540,372	488,219	474,992	413,128	338,605
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (346)	\$ -	\$ -	\$ -	\$ 38,242
Covered employee payroll	\$ 2,405,929	\$ 2,151,310	\$ 1,962,155	\$ 1,838,269	\$ 1,546,352	\$ 1,654,191	\$ 1,425,129	\$ 1,193,858	N/A	\$ 1,066,515
Contributions as a percentage of covered employee payroll	27.91%	30.78%	34.87%	36.26%	37.84%	32.67%	34.26%	39.79%	N/A	31.75%

See accompanying notes.

TOWNSHIP OF SOUTH FAYETTE

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

	<u>2021</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	7.51%	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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 5,897	\$ 3,743	\$ 3,783	\$ 3,507
Interest	10,187	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	19,823	37,063	(14,728)	7,607
Benefit payments	(36,001)	(37,056)	(36,333)	(38,263)
NET CHANGE IN TOTAL OPEB LIABILITY	<u>(94)</u>	<u>31,998</u>	<u>(33,972)</u>	<u>27,312</u>
TOTAL OPEB LIABILITY - BEGINNING	371,782	339,784	373,756	346,444
TOTAL OPEB LIABILITY - ENDING	<u>\$ 371,688</u>	<u>\$ 371,782</u>	<u>\$ 339,784</u>	<u>\$ 373,756</u>
Covered-employee payroll	\$ 2,956,907	\$ 2,884,787	\$ 2,718,267	\$ 2,651,968
District's total OPEB liability as a percentage of covered-employee payroll	12.57%	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,: 2021 - 2.12%; 2020 - 2.74%; 2019 - 4.10%; 2018 - 3.56%

December 31, 2021 - Change were made to the mortality improvement scale.

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, 2021, General Fund expenditures exceeded appropriations in four functions by approximately \$211,000. This over-expenditure was funded by greater than anticipated revenues.

For the year ended December 31, 2021, Capital Projects Fund expenditures exceeded appropriations in three functions by approximately \$367,000. The over-expenditures in the Capital Projects Fund were funded other financing sources.

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, 2021 are as follows:

Valuation date	January 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	6 years (aggregate)
Asset valuation method	4-year smoothing
Inflation	2.50%
Salary increases	5.00% including inflation
Investment rate of return	7.25% net of investment expenses not funded through the MMO, and including inflation
Mortality	PubS-2010 mortality table with rates projected from base year 2015 with rates derived from the Long-Range Demographic Assumptions for the Social Security Administration's 2020 Trustee Report.
Retirement age	Attainment of age 55 and the completion of 25 years of Aggregate Service or attained age if greater

SUPPLEMENTARY INFORMATION

TOWNSHIP OF SOUTH FAYETTE
COMBINING SCHEDULE OF BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<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	\$ 449,646	\$ 1,277,081	\$ 283,448	\$ 2,010,175
LIABILITIES				
Accounts payable	\$ 11,036	\$ -	\$ -	\$ 11,036
FUND BALANCES				
Restricted:				
Street expenditures	438,610	-	-	438,610
Assigned:				
Parks and recreation	-	-	283,448	283,448
Traffic impact fees	-	1,277,081	-	1,277,081
	<u>438,610</u>	<u>1,277,081</u>	<u>283,448</u>	<u>1,999,139</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 449,646	\$ 1,277,081	\$ 283,448	\$ 2,010,175

TOWNSHIP OF SOUTH FAYETTE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2021

	<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	\$ 480,417	\$ -	\$ -	\$ 480,417
Charges for services	-	273,888	53,500	327,388
Interest earnings	746	1,225	403	2,374
	<u>481,163</u>	<u>275,113</u>	<u>53,903</u>	<u>810,179</u>
EXPENDITURES				
Public works and streets	433,741	-	-	433,741
	<u>433,741</u>	<u>-</u>	<u>-</u>	<u>433,741</u>
EXCESS OF REVENUES OVER EXPENDITURES	47,422	275,113	53,903	376,438
FUND BALANCES, BEGINNING OF YEAR	<u>391,188</u>	<u>1,001,968</u>	<u>229,545</u>	<u>1,622,701</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 438,610</u></u>	<u><u>\$ 1,277,081</u></u>	<u><u>\$ 283,448</u></u>	<u><u>\$ 1,999,139</u></u>