

**BOROUGH OF FOUNTAIN HILL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020**

**NOTE 4 Long-Term Debt (Continued)**

General Obligation Note, Series of 2017 (original issue up to \$ 1,500,000). Proceeds of the note are to be used for the construction and renovation of the public works garage over a twenty-four month draw period. The interest indebtedness is payable semi-annually at 2.86%. Maturity date is June 1, 2024.

The Borough entered into a lease-purchase agreement for the purchase of a 2016 Ford F-550 truck. The capital lease requires semi-annual payments of \$ 7,222, including principal and interest of 4.10% over 5 years.

The following is a summary of long-term debt transactions for the year ended December 31, 2020:

	Balance <u>1/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2020</u>
<b><u>Governmental-type</u></b>				
2013 GO Note	\$ 553,279	\$ -	\$ 59,233	\$ 494,046
2017 GO Note	1,050,458	-	865,017	185,441
Capital Lease	<u>27,258</u>	<u>-</u>	<u>13,246</u>	<u>14,012</u>
Total Governmental-type	1,630,995	-	937,496	693,499
<b><u>Business-type</u></b>				
Capital Lease	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Business-type	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Long-Term Debt	<u>\$ 1,630,995</u>	<u>\$ -</u>	<u>\$ 937,496</u>	<u>\$ 693,499</u>

**BOROUGH OF FOUNTAIN HILL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020**

**NOTE 4 Long-Term Debt (Continued)**

Debt Service Requirements

The annual debt service requirements to maturity for governmental-type general obligation bonds and notes including interest are as follows, as of December 31, 2020:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 216,927	\$ 17,352	\$ 234,279
2022	90,742	11,561	102,303
2023	63,857	9,490	73,347
2024	65,542	7,805	73,347
2025	67,317	6,030	73,347
2026	69,117	4,230	73,347
2027	70,966	2,381	73,347
2028	35,019	1,655	36,674
Total	<u>\$ 679,487</u>	<u>\$ 60,504</u>	<u>\$ 739,991</u>

The annual debt service requirements to maturity for governmental-type capital leases are as follows, as of December 31, 2020:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	<u>\$ 14,012</u>	<u>\$ 432</u>	<u>\$ 14,444</u>

**BOROUGH OF FOUNTAIN HILL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020**

**NOTE 5 Defined Benefit Pension Plans**

The Borough maintains two single-employer, defined benefit pension plans.

One plan, the Pension Plan of the Borough of Fountain Hill, covers substantially all nonuniformed full-time employees of the Borough. This plan is a member of the statewide Pennsylvania Municipal Retirement System (PMRS), an agent multiple-employer, public employee retirement system. PMRS is the trustee of the Pension Plan of the Borough of Fountain Hill.

The other plan maintained by the Borough is the Borough of Fountain Hill Police Pension Plan. This plan is a single-employer, defined benefit pension plan (Police Pension Fund) which covers members of the Borough's police force employed on a full-time basis. The Borough has retained its trustee relationship for the Borough of Fountain Hill Police Pension Plan.

**Pension Plan of the Borough of Fountain Hill**

Summary of Significant Accounting Policies

The financial statements of the Nonuniformed Plan prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due, in accordance with Act 205, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by Statement No. 3 of the Governmental Accounting Standards Board for aggregate PMRS investments are included in PMRS's separately issued CAFR.

For purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pensions and pension expense for the Nonuniformed Pension Plan and additions to/deductions from the Nonuniformed Pension Plan's fiduciary net position have been determined on the same basis. Investments are valued as of the measurement date.

**BOROUGH OF FOUNTAIN HILL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020**

**NOTE 5 Defined Benefit Pension Plans (Continued)**

**Pension Plan of the Borough of Fountain Hill (Continued)**

Plan Description, Contribution Information and Funding Policy

The Pension Plan of the Borough of Fountain Hill is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 326, adopted pursuant to Act 15, of the Commonwealth of Pennsylvania. The Plan participates in the Pennsylvania Municipal Retirement System (PMRS) which was created by the Pennsylvania General Assembly to administer pension plans on a contracted basis for any municipality within Pennsylvania. This agent, multiple-employer public employee retirement system acts as a common investment and administrative agent for participating municipal pension plans. The Borough may withdraw from this contracted service upon giving proper notice.

PMRS maintains each municipality's account separately with that municipality's contributions and related employee contributions, and earnings going into separate accounts. The authority under which the benefit provisions have been established, or may be amended, remains with the Borough Council of the Borough of Fountain Hill. The Pennsylvania Municipal Retirement System issues a publicly available Comprehensive Financial Report (CAFR) that may be obtained by writing to PMRS, PO Box 1165, Harrisburg, PA 17108-1165 or by calling 1-800-622-7968.

All full-time non-uniformed Borough employees are eligible to participate in the System. Benefits vest after 5 years of service. The normal retirement date is age 65. Early retirement is available for employees with 8 to 20 years of service.

The normal form of payment of retirement benefits is a monthly annuity available for life with survivor benefit of a lump sum or annuity at the option of the member. Retirement benefits are calculated to equal .02 times years of credited service times the last three years average salary. The plan also provides disability benefits.

Act 205, of the Commonwealth of Pennsylvania, requires that annual contributions be based upon the plan's minimum municipal obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. The most recent actuarial valuation was performed January 1, 2019.

In accordance with the plan's governing ordinance, members are required to contribute 3.5% of their compensation to the plan.

**BOROUGH OF FOUNTAIN HILL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020**

**NOTE 5 Defined Benefit Pension Plans (Continued)**

**Pension Plan of the Borough of Fountain Hill (Continued)**

The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of aid must be paid by the municipality in accordance with Act 205.

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

**Plan Membership Information**

Membership in the pension plan as of January 1, 2019, (the most recent date available) is as follows:

Active plan members	9
Retirees and beneficiaries	
currently receiving benefits	5
Terminated plan members entitled	
to benefits but not yet receiving them	<u>2</u>
Total	<u><u>16</u></u>

**Annual Pension Cost and Net Pension Obligation**

The Borough's annual pension cost and net pension obligation for the current year are as follows:

Annual required contribution	\$ 77,951
Interest on net pension obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual pension costs	77,951
Contributions made	<u>77,951</u>
Increase (decrease) in net pension obligation	-
Net pension obligation, beginning of year	<u>-</u>
Net pension obligation, end of year	<u><u>\$ -</u></u>

The annual required contribution for the current year was determined as part of the January 1, 2017, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 5.25% investment rate of return, and (b) projected salary

**BOROUGH OF FOUNTAIN HILL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020**

**NOTE 5 Defined Benefit Pension Plans (Continued)**

**Pension Plan of the Borough of Fountain Hill (Continued)**

increases of “age-related scale for merit”, per year. Both (a) and (b) include an inflation component for moderate cost-of-living increases. The assumptions did not include postretirement benefit increases. The actuarial value of assets for the plan was determined using market value as determined by the trustee. The unfunded actuarial accrued liability (AAL) amortization method is the level dollar method on a closed basis.

**Three-Year Trend Information**

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2018	\$ 74,368	100%	\$ -
12/31/2019	\$ 71,350	100%	\$ -
12/31/2020	\$ 77,951	100%	\$ -

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Nonuniformed Employees Pension Plan**

At December 31, 2020, the Borough’s net pension liability is \$180,160. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability is based upon the January 1, 2019 actuarial valuation with pension liabilities measured at December 31, 2018.

For the year ended December 31, 2020, the actuarial determined nonuniformed employees plan pension expense is \$56,017. However, the Borough recognizes pension expense on the modified cash basis which totaled \$77,951.

At December 31, 2020, the Borough has deferred outflows of resources and deferred inflows of resources related to the nonuniformed employees pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,165	\$ 104,112
Changes in assumptions	17,262	10,437
Net difference between projected and actual earnings on pension plan investments	42,732	-
Total	<u>\$ 63,159</u>	<u>\$ 114,549</u>

**BOROUGH OF FOUNTAIN HILL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020**

**NOTE 5 Defined Benefit Pension Plans (Continued)**

**Pension Plan of the Borough of Fountain Hill (Continued)**

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

Year ending Dec. 31, 2020	(9,853)
2021	(22,569)
2022	(16,028)
2023	2,726
2024	(5,666)
Thereafter	-

Actuarial assumptions

The beginning of year total pension liability is based upon the January 1, 2017 actuarial valuation, with liabilities rolled forward to December 31, 2017. The end of year total pension liability is based on the January 1, 2019 actuarial valuation with liabilities measured at December 31, 2018.

A summary of the actuarial assumptions and methods used to determine the 2018 contribution rates are as follows:

- Actuarial cost method - Entry Age
- Discount rate - 5.50%, includes inflation at 3.00%
- Salary increases - age related scale with merit and inflation component.
- COLA increases - 3.00% for those eligible for a COLA.
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 1 year for males and 5 years for females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with 10 year set forward for both males and females.

These assumptions are based on the PMRS Experience Study for the period covering January 1, 2009, through December 31, 2013, issued by the actuary in July 2015 as well as subsequent Board approved assumptions changes. These assumptions were first used for the December 31, 2015 measurement date. Effective with the December 31, 2016 measurement date, the Investment Return Assumption for municipal assets decreased from 5.50% to 5.25%.

The PMRS System's long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole and at different

**BOROUGH OF FOUNTAIN HILL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020**

**NOTE 5 Defined Benefit Pension Plans (Continued)**

**Pension Plan of the Borough of Fountain Hill (Continued)**

levels of probability or confidence. 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.

The System's policy in regards to the investment income allocation on invested assets is established and may be amended by the PMRS Board. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of PMRS.

<u>Asset Class</u>	<u>Target allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities (large capitalized firms)	25%	4.6%
Domestic Equities (small capitalized firms)	15%	7.3%
International Equities (international developed markets)	15%	3.5%
International Equities (emerging markets)	10%	8.3%
Real Estate	20%	5.4%
Fixed Income	15%	1.1%
	<u>100%</u>	<u>4.8%</u>

The above was the Board's adopted asset allocation policy and best estimates of real rates of return by asset class as of December 31, 2018.

**Discount Rate**

The discount rate used to measure the total pension liability was 5.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and the contributions from employers will be made at contractually required rates, actuarially determined. 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 payments to determine the total pension liability.

**Sensitivity of the Borough's proportionate share of the net pension liability to changes in the discount rate**

The following presents the net pension liability, calculated using the discount rate of 5.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.25%) or 1-percentage-point higher (6.25%) than the current rate:



**BOROUGH OF FOUNTAIN HILL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020**

**NOTE 5 Defined Benefit Pension Plans (Continued)**

**Pension Plan of the Borough of Fountain Hill (Continued)**

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Borough's proportionate share of the net pension liability	\$ 305,935	\$ 180,160	\$ 73,612

**Police Pension Plan**

**Summary of Significant Accounting Policies**

The financial statements have been prepared on the accrual basis of accounting. Contributions and pension payments are recognized in the period that they are due. Plan investments are listed at fair value as reported by the PSAB Municipal Retirement Trust.

**Plan Description, Contribution Information and Funding Policy**

The Pension Plan for the Uniformed Employees of the Borough of Fountain Hill is a single-employer defined benefit plan established by the Borough of Fountain Hill, controlled by the provisions of Act 600 of 1955, as amended by Act 30 of 2002, of the Commonwealth of Pennsylvania.

The Plan covers all full-time uniformed employees of the Borough. The normal retirement date is age 55 with 25 years of service. Participants become 100% vested upon completing 12 years of credited service to the plan. The Plan also provides early retirement, death and disability benefits. The authority under which the benefit provisions have been established, or may be amended, remains with the Borough Council of the Borough of Fountain Hill.

The normal form of retirement benefit is a monthly payment equal to 50% of the members' gross pay averaged over the last 36 months of employment, plus a service increment if any.

Act 205, of the Commonwealth of Pennsylvania, requires that annual contributions be based upon the plan's minimum municipal obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. The most recent actuarial valuation was performed January 1, 2019.

**BOROUGH OF FOUNTAIN HILL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020**

**NOTE 5 Defined Benefit Pension Plans (Continued)**

**Police Pension Plan (Continued)**

In accordance with the plan's governing provisions, members are required to contribute 8% of covered payroll for 2020 plan year.

The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

The Plan does not issue a stand-alone financial report.

**Plan Membership Information**

Membership in the pension plan as of December 31, 2020, (the most recent date available) is as follows:

Active plan members	10
Retirees and beneficiaries	
currently receiving benefits	8
Terminated employees entitled	
to benefits but not yet receiving them	<u>-</u>
Total	<u>18</u>

**Annual Pension Cost and Net Pension Obligation**

The Borough's annual pension cost and net pension obligation for the current year are as follows:

Annual required contribution	\$ 359,639
Interest on net pension obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual pension costs	359,639
Contributions made	<u>453,278</u>
Increase (decrease) in net pension obligation	(93,639)
Net pension obligation, beginning of year	<u>-</u>
Net pension obligation, end of year	<u>\$ -</u>

**BOROUGH OF FOUNTAIN HILL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020**

**NOTE 5 Defined Benefit Pension Plans (Continued)**

**Police Pension Plan (Continued)**

The annual required contribution for the current year was determined as part of the January 1, 2019, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 6.75% investment rate of return, and (b) projected salary increases of 5.00% per year. Both (a) and (b) include an inflation component for moderate cost-of-living increases. The assumptions did not include postretirement benefit increases. The actuarial value of assets for the plan was determined using market value as determined by the trustee. The unfunded actuarial accrued liability (AAL) amortization method is the level dollar method on a closed basis.

**Three-Year Trend Information**

<u>Year</u> <u>Ending</u>	<u>Pension</u> <u>Cost (APC)</u>	<u>of APC</u> <u>Contributed</u>	<u>Pension</u> <u>Obligation</u>
12/31/2018	\$ 360,560	100%	\$ -
12/31/2019	\$ 383,106	100%	\$ -
12/31/2020	\$ 359,639	100%+	\$ -

**Investments**

The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The plan has no formally adopted investment policy. It is the policy of the PSABMRT General Balanced Fund to invest approximately 60% of assets in equities, approximately 35% of assets in fixed income investments and approximately 5% of assets in real estate.

At December 31, 2020, the plan had no investments (other than investments issued or guaranteed by the U.S. Government) in any one issuer that represents five percent or more of Fiduciary Net Position.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Uniformed Employees Pension Plan**

At December 31, 2020, the Borough's net pension liability is \$1,324,297. The total pension liability of \$5,313,759 was determined as part of an actuarial valuation at January 1, 2019. Update procedures were used to roll forward to the plan's fiscal year ending December 31, 2020.

**BOROUGH OF FOUNTAIN HILL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020**

**NOTE 5 Defined Benefit Pension Plans (Continued)**

**Police Pension Plan (Continued)**

For the year ended December 31, 2020, the actuarial determined uniformed employees plan pension expense is \$300,076. However, the Borough recognizes pension expense on the modified cash basis which totaled \$453,278.

At December 31, 2020, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 107,365	\$ 165,915
Net difference between projected and actual earnings on pension plan investments	130,090	313,962
Changes of assumptions	201,653	-
Total	<u>\$ 439,108</u>	<u>\$ 479,877</u>

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

Year ending Dec. 31,	2021	(11,235)
	2022	19,915
	2023	(45,130)
	2024	6,655
	2025	11,678
	Thereafter	(22,652)

**Actuarial assumptions**

The total pension liability in the January 1, 2019, actuarial valuations were determined using the following actuarial assumptions, applied to all periods in the measurements:

- Actuarial cost method - Entry Age Normal
- Investment return - 6.75%, includes inflation at 2.75%
- Salary increases - Effective average of 5.00%
- Mortality rates were based on the RP-2014 Mortality Table with 50% Blue Collar Adjustment, rates set forward 2 years for disabled members.

**BOROUGH OF FOUNTAIN HILL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020**

**NOTE 5 Defined Benefit Pension Plans (Continued)**

**Police Pension Plan**

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<u>Asset Class</u>	<u>Target allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	60.00%	5.0% - 7.0%
Fixed Income	35.00%	1.0% - 3.0%
High Yield	5.00%	0.0% - 1.0%
	<u>100%</u>	

**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 the plan will continue to be funded based on the Minimum Municipal Obligation as determined in accordance with Act 205. Based on that assumption, 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 payments to determine the total pension liability.

**Sensitivity of the Borough's proportionate share of the net pension liability to changes in the discount rate**

The following presents the net pension liability, calculated using the discount rate of 6.75%, as well as what the 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:

	<u>1% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1% Increase 7.75%</u>
Net Pension Liability	\$ 2,059,513	\$ 1,324,297	\$ 719,214

**BOROUGH OF FOUNTAIN HILL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020**

**NOTE 6 Defined Contribution Pension Plan**

The Borough provides pension benefits for all new non-uniform eligible full-time employees, hired on or after June 1, 2018, the effective date of the defined contribution plan. All new full-time qualified employees shall be enrolled in the participation of the plan after completion of six months of credited service. The plan requires contributions by the Borough in an amount equal to 5% of the employee's salary each year as defined by the plan. Additionally, each participant is required to contribute 3.5% of compensation in after-tax contributions. Optional after-tax contributions in an amount not to exceed 20.0% of compensation are permitted.

**NOTE 7 Postemployment Benefits Other Than Pensions**

*Plan Description.* The Borough provides coverage for medical benefits to Borough employees based on eligibility requirements set for each group of employees pursuant to Governmental Accounting Standards Board Statement No. 75. The other postemployment benefits (OPEB) are based on negotiated memorandums of understanding with employee contracts. The Plan provides medical/Rx, dental, and vision benefits to eligible retirees, spouses, and dependents. The costs of retiree health care benefits are recognized as expenditures and a net other post employment benefit payable based on an actuarial valuation. The Plan also provides life insurance in the amount of \$4,000 at time of retirement.

*Funding Policy.* The contribution requirements of plan members and the Borough are established and may be amended by the Borough. The required contribution is based on projected pay-as-you-go financing requirements.

*Funded Status and Funding Progress.* As of January 1, 2020, the most recent actuarial valuation date, the plan was 0% funded. The December 31, 2020, actuarial accrued liability for other postemployment benefits was \$3,426,019 and the actuarial value of assets was \$ -0-, resulting in an unfunded actuarial accrued liability of \$3,426,019.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of

**BOROUGH OF FOUNTAIN HILL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020**

**NOTE 7 Postemployment Benefits Other Than Pensions (Continued)**

short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

*Actuarial Cost Method - Entry Age Normal.* The Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 3.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical/Rx and dental/vision cost trend rate of 2.6% and .50% respectively, in 2020, with the medical/Rx cost and dental/vision trend rate at 8.0% and 3.0% respectively, in the year 2021. The actuarial value of assets was determined using the market value of investments.

*Discount Rate.* The discount rate used to measure the Total OPEB liability was 3.00%. The discount rate was based on the index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current rate:

	1% Decrease 2.00%	Current Discount Rate 3.00%	1% Increase 4.00%
Net OPEB liability	\$ 3,750,426	\$ 3,426,019	\$ 3,132,600

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage point lower or 1 - percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	\$ 3,025,509	\$ 3,426,019	\$ 3,900,544



**BOROUGH OF FOUNTAIN HILL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020**

**NOTE 8    Litigation**

Various claims and lawsuits are pending against the Borough. Defenses are being conducted by counsel for the Borough or the insurance carrier, and losses, if any, are not anticipated to have a significant effect on the Borough's financial position.

**NOTE 9    Contingencies**

The Borough participates in a number of state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs including the year ended December 31, 2020, have not yet been conducted. Accordingly, the Borough's compliance with the applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Borough expects such amounts, if any, to be immaterial.

**NOTE 10   Deficit Fund Balances**

No funds of the Borough had a deficit fund balance at December 31, 2020.

The General Fund's: General Government, Public Safety, Community Development, Insurance, Employee Benefits, and Miscellaneous, and Capital Outlay budget categories had expenditures in excess of appropriations for the year ended December 31, 2020.

**NOTE 11   Risk Management**

Significant losses are covered by commercial insurance for all major programs. There has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 12   Fountain Hill Stormwater Authority**

On December 2, 2019, the Borough of Fountain Hill approved the execution of a quit claim deed to convey the Borough's stormwater system to the Fountain Hill Stormwater Authority so that it can so operate, maintain, and expand the existing system.

**NOTE 13   Subsequent Events**

Subsequent events have been evaluated through August 9, 2021, which was the date the financial statements were available to be issued.



## SUPPLEMENTARY INFORMATION

**BOROUGH OF FOUNTAIN HILL**  
**SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL**  
**GENERAL FUND – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Taxes	\$ 3,026,287	\$ 3,026,287	\$ 3,045,771	\$ 19,484
Licenses and permits	71,250	71,250	66,752	(4,498)
Fines and forfeits	97,527	97,527	69,252	(28,275)
Interest and rents	25,050	25,050	33,559	8,509
Intergovernmental revenues	480,049	480,049	1,624,528	1,144,479
Charges for services	105,450	105,450	81,131	(24,319)
Miscellaneous revenues	111,801	111,801	465,627	353,826
TOTAL REVENUES	<u>3,917,414</u>	<u>3,917,414</u>	<u>5,386,620</u>	<u>1,469,206</u>
<b>EXPENDITURES</b>				
Current				
General government	351,125	351,125	742,881	(391,756)
Public safety	1,169,004	1,169,004	1,231,316	(62,312)
Health and human services	1,700	1,700	1,300	400
Public works - Highways and streets	616,161	616,161	220,657	395,504
Public works - other services	16,368	16,368	15,004	1,364
Culture and recreation	93,642	93,642	9,736	83,906
Community development	500	500	6,348	(5,848)
Insurance, employee benefits and misc	1,024,350	1,024,350	1,034,848	(10,498)
Debt service - principal	190,770	190,770	-	190,770
Debt service - interest and fiscal charges	43,509	43,509	-	43,509
Capital outlay	13,500	13,500	391,633	(378,133)
TOTAL EXPENDITURES	<u>3,520,629</u>	<u>3,520,629</u>	<u>3,653,723</u>	<u>(133,094)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	396,785	396,785	1,732,897	1,336,112
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of general long-term debt	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(20,000)	(20,000)	(1,130,355)	(1,110,355)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(1,130,355)</u>	<u>(1,110,355)</u>
Net change in fund balances	376,785	376,785	602,542	225,757
Fund Balances - January 1	<u>3,148,116</u>	<u>3,148,116</u>	<u>3,027,401</u>	<u>(120,715)</u>
Fund Balances - December 31	<u>\$ 3,524,901</u>	<u>\$ 3,524,901</u>	<u>\$ 3,629,943</u>	<u>\$ 105,042</u>

**BOROUGH OF FOUNTAIN HILL**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY - NONUNIFORMED PENSION PLAN**  
**DEFINED BENEFIT PENSION PLANS**

**EMPLOYEES PENSION PLAN (NONUNIFORMED PLAN)**

Last 10 Fiscal Years\*\*

	<u>12/31/2014*</u>
<b><u>Total Pension Liability</u></b>	
Service cost (beginning of year)	\$ 59,230
Interest (includes interest on service costs)	50,544
Changes of benefit terms	83,347
Differences between expected and actual experience	8,440
Changes of assumptions	-
Transfers	(12,372)
Benefit payments, including refunds of member contributions	<u>(24,838)</u>
<b>Net change in total pension liability</b>	164,351
<b>Total pension liability - beginning</b>	<u>878,100</u>
<b>Total pension liability - ending</b>	<u><u>\$ 1,042,451</u></u>
<b><u>Plan Fiduciary Net Position</u></b>	
Contributions - employer	\$ 42,714
Contributions - PMRS assessment	-
Contributions - member	15,066
Net investment income	40,171
Market value investment income	(689)
Transfers	(12,372)
Benefit payments, including refunds of member contributions	(24,838)
Administrative expense	<u>(1,781)</u>
<b>Net change in plan fiduciary net position</b>	58,271
<b>Plan fiduciary net position - beginning</b>	<u>728,787</u>
<b>Plan fiduciary net position - ending</b>	<u><u>\$ 787,058</u></u>
<b>Municipality's net position liability</b>	<u><u>\$ 255,393</u></u>
 Covered-employee payroll	 \$ 445,714
Net pension liability as a percentage of its covered-employee payroll	57.30%
Plan fiduciary net position as a percentage of the total pension liability	75.50%

\* Measurement date for the Net Pension Liability.

\*\* This schedule is presented to illustrate the requirement to show information for 10 years.  
However, until a full 10-year trend is complete, available information is presented.

**BOROUGH OF FOUNTAIN HILL**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY - NONUNIFORMED PENSION PLAN (Continued)**  
**DEFINED BENEFIT PENSION PLANS**

EMPLOYEES PENSION PLAN (NONUNIFORMED PLAN)			
Last 10 Fiscal Years**			
<u>12/31/2015*</u>	<u>12/31/2016*</u>	<u>12/31/2017*</u>	<u>12/31/2018*</u>
\$ 41,920	\$ 52,945	\$ 59,700	\$ 64,719
58,507	59,161	55,776	59,173
-	-	-	-
-	(72,946)	-	(73,150)
(20,873)	27,618	-	-
-	(56,196)	(4,563)	-
(41,768)	(60,411)	(51,575)	(55,441)
37,786	(49,829)	59,338	(4,699)
1,042,451	1,080,237	1,030,408	1,089,746
<u>\$ 1,080,237</u>	<u>\$ 1,030,408</u>	<u>\$ 1,089,746</u>	<u>\$ 1,085,047</u>
\$ 55,228	\$ 39,619	\$ 65,346	\$ 74,068
320	260	360	400
9,920	12,220	12,594	13,653
40,434	42,132	43,310	46,899
(63,570)	32,687	99,058	(128,160)
-	(56,196)	(4,563)	-
(41,768)	(60,411)	(51,575)	(55,441)
(2,006)	(2,284)	(2,312)	(2,393)
(1,442)	8,027	162,218	(50,974)
787,058	785,616	793,643	955,861
<u>\$ 785,616</u>	<u>\$ 793,643</u>	<u>\$ 955,861</u>	<u>\$ 904,887</u>
<u>\$ 294,621</u>	<u>\$ 236,765</u>	<u>\$ 133,885</u>	<u>\$ 180,160</u>
\$ 283,428	\$ 355,857	\$ 359,820	\$ 390,068
103.95%	66.53%	37.21%	46.19%
72.73%	77.02%	87.71%	83.40%

**BOROUGH OF FOUNTAIN HILL**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY - UNIFORMED PENSION PLAN**  
**DEFINED BENEFIT PENSION PLANS**

**POLICE PENSION PLAN (UNIFORMED PLAN)**

Last 10 Fiscal Years\*

	<u>12/31/2014</u>	<u>12/31/2015</u>
<b><u>Total Pension Liability</u></b>		
Service cost	\$ 113,097	\$ 99,705
Interest	263,953	289,039
Differences between expected & actual experience	-	272,545
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(301,878)	(278,084)
<b>Net change in total pension liability</b>	75,172	383,205
<b>Total pension liability - beginning</b>	3,675,936	3,751,108
<b>Total pension liability - ending</b>	<u>\$ 3,751,108</u>	<u>\$ 4,134,313</u>
<b><u>Plan Fiduciary Net Position</u></b>		
Contributions - employer	\$ 195,280	\$ 193,640
Contributions - employee	19,697	26,296
Net investment income	143,373	(15,870)
Benefit payments, including refunds of member contributions	(301,878)	(278,084)
Administrative expense	(17,326)	(21,186)
<b>Net change in plan fiduciary net position</b>	39,146	(95,204)
<b>Plan fiduciary net position - beginning</b>	2,442,598	2,481,744
<b>Plan fiduciary net position - ending</b>	<u>\$ 2,481,744</u>	<u>\$ 2,386,540</u>
<b>Municipality's net position liability</b>	<u>\$ 1,269,364</u>	<u>\$ 1,747,773</u>
Covered-employee payroll	\$ 524,894	\$ 522,861
Net pension liability as a percentage of its covered-employee payroll	241.8%	334.3%
Plan fiduciary net position as a percentage of the total pension liability	66.2%	57.7%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

**BOROUGH OF FOUNTAIN HILL**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY - UNIFORMED PENSION PLAN (Continued)**  
**DEFINED BENEFIT PENSION PLANS**

**POLICE PENSION PLAN (UNIFORMED PLAN)**

Last 10 Fiscal Years\*

<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
\$ 104,690	\$ 167,674	\$ 176,058	\$ 218,425	\$ 229,346
297,282	305,814	319,572	327,162	345,055
-	(95,660)	-	(135,957)	-
-	340,725	-	-	-
<u>(282,061)</u>	<u>(277,297)</u>	<u>(278,805)</u>	<u>(300,756)</u>	<u>(281,821)</u>
119,911	441,256	216,825	108,874	292,580
<u>4,134,313</u>	<u>4,254,224</u>	<u>4,695,480</u>	<u>4,912,305</u>	<u>5,021,179</u>
<u>\$ 4,254,224</u>	<u>\$ 4,695,480</u>	<u>\$ 4,912,305</u>	<u>\$ 5,021,179</u>	<u>\$ 5,313,759</u>
\$ 249,453	\$ 265,129	\$ 360,560	\$ 383,106	\$ 453,278
39,144	48,763	64,239	66,893	69,941
109,200	319,492	(136,805)	462,091	377,725
<u>(282,061)</u>	<u>(277,297)</u>	<u>(278,805)</u>	<u>(300,756)</u>	<u>(281,821)</u>
<u>(17,830)</u>	<u>(21,924)</u>	<u>(19,540)</u>	<u>(25,450)</u>	<u>(23,803)</u>
97,906	334,163	(10,351)	585,884	595,320
<u>2,386,540</u>	<u>2,484,446</u>	<u>2,818,609</u>	<u>2,808,258</u>	<u>3,394,142</u>
<u>\$ 2,484,446</u>	<u>\$ 2,818,609</u>	<u>\$ 2,808,258</u>	<u>\$ 3,394,142</u>	<u>\$ 3,989,462</u>
<u>\$ 1,769,778</u>	<u>\$ 1,876,871</u>	<u>\$ 2,104,047</u>	<u>\$ 1,627,037</u>	<u>\$ 1,324,297</u>
\$ 661,478	\$ 764,709	\$ 831,870	\$ 801,712	\$ 932,782
267.5%	245.4%	252.9%	202.9%	142.0%
58.4%	60.0%	57.2%	67.6%	75.1%

**BOROUGH OF FOUNTAIN HILL**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**NONUNIFORMED PENSION PLAN**  
**DEFINED BENEFIT PENSION PLANS**

**EMPLOYEES PENSION PLAN (NONUNIFORMED PLAN)**

Last 10 Fiscal Years\*

	<u>December 31, 2014</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>
Actuarially determined contribution	42,714	55,468	39,838	65,666	74,368
Contributions in relation to the actuarially required contribution	<u>42,714</u>	<u>55,548</u>	<u>39,879</u>	<u>65,706</u>	<u>74,468</u>
Contribution deficiency (excess)	-	(80)	(41)	(40)	(100)
Covered-employee payroll	445,189	283,428	355,857	359,820	390,068
Contributions as a percentage of covered-employee payroll	9.59%	19.60%	11.21%	18.26%	19.09%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

**BOROUGH OF FOUNTAIN HILL**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**UNIFORMED PENSION PLAN**  
**DEFINED BENEFIT PENSION PLANS**

Last 10 Fiscal Years \*

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Actuarially Determined Contribution	\$ 183,491	\$ 221,357	\$ 213,908	\$ 195,280	\$ 193,640	\$ 249,453	\$ 265,129	\$ 360,560	\$ 383,106	\$ 359,639
Contributions in Relation to the Actuarially Determined Contribution	183,491	221,357	213,908	195,280	193,640	249,453	265,129	360,560	383,106	453,278
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (93,639)
Covered Employee Payroll		\$ 598,685		\$ 524,894	\$ 522,861	\$ 661,478	\$ 764,709	\$ 831,870	\$ 801,712	\$ 932,782
Contributions as a Percentage of Covered Employee Payroll		37.0%		37.2%	37.0%	37.7%	34.7%	43.3%	47.8%	48.6%
<b>Notes to schedules:</b>										
<b>NONE</b>										

\* This schedule is presented to illustrate the requirement to show information for 10 years.



**BOROUGH OF FOUNTAIN HILL**  
**SUPPLEMENTARY INFORMATION**  
**NOTES TO THE SUPPLEMENTARY INFORMATION**  
**DEFINED BENEFIT PENSION PLANS**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

**PENSION PLAN OF THE BOROUGH OF FOUNTAIN HILL (NONUNIFORMED PLAN)**

Valuation date:	1/1/19
Actuarial cost method:	Entry Age Normal
Amortization method:	Level Dollar Closed
Remaining amortization period:	Not available
Asset valuation method:	Fair Value as determined by the trustee
Actuarial assumptions:	
Investment rate of return	5.25%
Projected salary increases	Age-related scale for merit
Includes inflation at	2.80%

**POLICE PENSION PLAN (UNIFORMED PLAN)**

Valuation date:	1/1/19
Actuarial cost method:	Entry Age Normal
Amortization method:	Level Dollar Closed
Remaining amortization period:	12 years
Asset valuation method:	Asset Smoothing
Actuarial assumptions:	
Investment rate of return	6.75%
Projected salary increases	5.00%
Includes inflation	2.75%

**BOROUGH OF FOUNTAIN HILL**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES TO TOTAL OPEB LIABILITY**  
**POSTEMPLOYMENT BENEFITS PLAN**

Last 10 Fiscal Years\*

	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2020</u>
Total OPEB Liability			
Service Cost	\$ 214,555	\$ 220,455	\$ 211,586
Interest	119,264	121,669	102,845
Changes of Benefit Terms	-	-	(12,849)
Differences between Expected and Actual Experience	-	-	(514,381)
Changes of Assumptions	-	-	111,717
Benefit Payments	(273,765)	(257,525)	(208,445)
Other Changes	-	-	-
Net Change in Total OPEB Liability	<u>60,054</u>	<u>84,599</u>	<u>(309,527)</u>
 Total OPEB Liability - Beginning	 <u>3,590,893</u>	 <u>3,650,947</u>	 <u>3,735,546</u>
Total OPEB Liability - Ending	<u>\$ 3,650,947</u>	<u>\$ 3,735,546</u>	<u>\$ 3,426,019</u>

Amounts were determined as of the January 1, 2018, actuarial valuation.

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

**BOROUGH OF FOUNTAIN HILL**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES**  
**MODIFIED CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

<b><u>ASSETS</u></b>	<b><u>Highway Aid</u></b>	<b><u>Fire</u></b>	<b><u>Library</u></b>	<b><u>Playground</u></b>	<b><u>Capital Reserve</u></b>	<b><u>Total</u></b>
	<b><u>Fund</u></b>	<b><u>Fund</u></b>	<b><u>Fund</u></b>	<b><u>Fund</u></b>	<b><u>Fund</u></b>	
Cash and cash equivalents	\$ 213,672	\$ 215,306	\$ 135,868	\$ 18,868	\$ 155,589	\$ 739,303
Due from other funds	<u>102,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,946</u>
Total Assets	<u>\$ 316,618</u>	<u>\$ 215,306</u>	<u>\$ 135,868</u>	<u>\$ 18,868</u>	<u>\$ 155,589</u>	<u>\$ 842,249</u>

**LIABILITIES AND FUND BALANCES**

<b><u>FUND BALANCES</u></b>						
<b><u>Restricted for:</u></b>						
Public safety	\$ -	\$ 215,306	\$ -	\$ -	-	\$ 215,306
Public works	316,618					316,618
Library			135,868			135,868
<b><u>Committed:</u></b>						
Capital acquisitions/construction					155,589	155,589
<b><u>Assigned to:</u></b>						
Recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,868</u>	<u>-</u>	<u>18,868</u>
Total Fund Balances	<u>316,618</u>	<u>215,306</u>	<u>135,868</u>	<u>18,868</u>	<u>155,589</u>	<u>842,249</u>
Total Liabilities and Fund Balances	<u>\$ 316,618</u>	<u>\$ 215,306</u>	<u>\$ 135,868</u>	<u>\$ 18,868</u>	<u>\$ 155,589</u>	<u>\$ 842,249</u>

**BOROUGH OF FOUNTAIN HILL**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**MODIFIED CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Highway Aid	Fire	Library	Playground	Capital Reserve	Total
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
<b>REVENUES</b>						
Taxes	\$ -	\$ 18,396	\$ 91,978	\$ -	\$ -	\$ 110,374
Interest	2,494	770	495	22	305	4,086
Intergovernmental	130,656	-	-	-	-	130,656
Contributions and donations	-	100,267	-	-	-	100,267
TOTAL REVENUES	133,150	119,433	92,473	22	305	345,383
<b>EXPENDITURES</b>						
Current						
General Government	191	73	73	-	-	337
Public safety	-	100,000	-	-	-	100,000
Public works	84,567	-	-	-	-	84,567
Culture and recreation	-	-	87,374	3,689	-	91,063
Capital Outlay	134,208	-	-	-	-	134,208
TOTAL EXPENDITURES	218,966	100,073	87,447	3,689	-	410,175
Excess (deficiency) of revenues over (under) expenditures	(85,816)	19,360	5,026	(3,667)	305	(64,792)
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	-	-	-	-	155,284	155,284
Operating transfers out	(14,443)	-	-	-	-	(14,443)
TOTAL OTHER FINANCING SOURCES (USES)	(14,443)	-	-	-	155,284	140,841
Net change in fund balances	(100,259)	19,360	5,026	(3,667)	155,589	76,049
Fund Balances - January 1	416,877	195,946	130,842	22,535	-	766,200
Fund Balances - December 31	\$ 316,618	\$ 215,306	\$ 135,868	\$ 18,868	\$ 155,589	\$ 842,249

FRANCE, ANDERSON, BASILE and COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Borough Council  
Borough of Fountain Hill, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Fountain Hill, Pennsylvania as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the Borough of Fountain Hill, Pennsylvania's basic financial statements, and have issued our report thereon dated August 9, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough of Fountain Hill, Pennsylvania's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Fountain Hill, Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Fountain Hill, Pennsylvania's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Borough's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough of Fountain Hill, Pennsylvania's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Prance, Anderson, Basile and Company, P.C.".

Emmaus, Pennsylvania  
August 9, 2021