FINANCIAL STATEMENTS

BOROUGH OF FOUNTAIN HILL, PENNSYLVANIA

DECEMBER 31, 2018

BOROUGH OF FOUNTAIN HILL
FINANCIAL STATEMENTS
DECEMBER 31, 2018

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FRANCE, ANDERSON, BASILE and COMPANY, P.C.
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INDEPENDENT AUDITORS' REPORT

To the Borough Council
Borough of Fountain Hill
Fountain Hill, Pennsylvania

We have audited the accompanying 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, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position 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 December 31, 2018, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Fountain Hill, Pennsylvania's basic financial statements. The general fund budgetary comparison schedule-modified cash basis, nonuniform and uniform pension plan schedules, postemployment benefits other than pensions schedule, and 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, on the basis of accounting described in Note 1.

The general fund budgetary comparison schedule-modified cash basis, nonuniform and uniform pension plan schedules, and postemployment benefits other than pensions schedule, have not been

subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2019, on our consideration of the Borough of Fountain Hill, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Fountain Hill, Pennsylvania's internal control over financial reporting and compliance.

France, Anderson, Basile and Company, P.C.

Emmaus, Pennsylvania
July 12, 2019

BOROUGH OF FOUNTAIN HILL
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 2,913,312	$ 711,803	$ 3,625,115
Internal balances	210	(210)	-
Other assets	48	-	48
Total Current Assets	2,913,570	711,593	3,625,163
Noncurrent Assets:			
Taxpayer receivable	-	947	947
Capital assets:			
Land	971,512	-	971,512
Building, plant & improvements, net	1,695,926	2,754,954	4,450,880
Machinery & equipment, net	106,967	37,910	144,877
Vehicles, net	141,365	-	141,365
Infrastructure, net	2,572,216	-	2,572,216
Total Capital Assets	5,487,986	2,792,864	8,280,850
Total Assets	$ 8,401,556	$ 3,505,404	$ 11,906,960
LIABILITIES			
Current Liabilities:			
Retirement withholding	$ 4,788	$ -	$ 4,788
Unearned revenues	-	1,491	1,491
Current portion of long-term debt	135,597	-	135,597
Total Current Liabilities	140,385	1,491	141,876
Noncurrent Liabilities:			
Escrow deposits	20,209	-	20,209
Long-term debt, net of current portion	1,631,859	-	1,631,859
Other postemployment benefits	3,650,947	-	3,650,947
Total Noncurrent Liabilities	5,303,015	-	5,303,015
Total Liabilities	5,443,400	1,491	5,444,891
NET POSITION			
Invested in capital assets, net of related debt	3,720,530	2,792,864	6,513,394
Restricted	797,368	-	797,368
Unrestricted	(1,559,742)	711,049	(848,693)
Total Net Position	$ 2,958,156	$ 3,503,913	$ 6,462,069

The accompanying notes are an integral part of the financial statements.

BOROUGH OF FOUNTAIN HILL
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
DECEMBER 31, 2018

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	$ 384,615	$ 1,600	$ 15,776	$ -
Public safety	1,129,565	49,545	24,742	86,606
Health and human services	1,350	-	-	-
Public works - highways and streets	277,217	-	133,953	81,000
Public works - other services	16,324	-	-	-
Culture and recreation	375,072	52,455	-	100,846
Insurance, employee benefits and misc	970,479	-	117,110	-
Interest expense	49,551	-	-	-
Depreciation expense - unallocated	244,351	-	-	-
Total Governmental Activities	3,448,524	103,600	291,581	268,452
Business-type Activities				
Sewer fund	1,277,050	1,117,986	-	-
Health and Sanitation fund	628,507	662,439	1,244	-
Total Business-type Activities	1,905,557	1,780,425	1,244	-
Total	$ 5,354,081	$ 1,884,025	$ 292,825	$ 268,452

Property taxes, levied for general purposes
Property taxes, levied for fire protection
Property taxes, levied for library services
Other taxes levied for general purposes
Licenses and permits
Fines and forfeits
Investment earnings and rents
Miscellaneous income

Total general revenues

Change in net position

Net position - Beginning of Year
Prior Period Adjustment (Note 11)
Net position - Beginning of Year, Restated

Net position - End of Year

The accompanying notes are an integral part of the financial statements.

BOROUGH OF FOUNTAIN HILL
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (367,239)	$ -	$ (367,239)
(968,672)	-	(968,672)
(1,350)	-	(1,350)
(62,264)	-	(62,264)
(16,324)	-	(16,324)
(221,771)	-	(221,771)
(853,369)	-	(853,369)
(49,551)	-	(49,551)
(244,351)	-	(244,351)
(2,784,891)	-	(2,784,891)
-	(159,064)	(159,064)
-	35,176	35,176
-	(123,888)	(123,888)
(2,784,891)	(123,888)	(2,908,779)
1,745,382	-	1,745,382
18,417	-	18,417
92,084	-	92,084
1,038,819	-	1,038,819
73,769	-	73,769
108,863	-	108,863
49,238	4,916	54,154
256,141	-	256,141
3,382,713	4,916	3,387,629
597,822	(118,972)	478,850
4,460,081	3,622,885	8,082,966
(2,099,747)	-	(2,099,747)
2,360,334	3,622,885	5,983,219
$ 2,958,156	$ 3,503,913	$ 6,462,069

The accompanying notes are an integral part of the financial statements.

BOROUGH OF FOUNTAIN HILL
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	Highway Aid Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 2,231,455	$ 351,431	$ 330,426	$ 2,913,312
Due from other funds	210	-	-	210
Other assets	48	-	-	48
Total Assets	$ 2,231,713	$ 351,431	$ 330,426	$ 2,913,570
LIABILITIES and FUND BALANCES				
LIABILITIES				
Retirement withholding	$ 4,788	$ -	$ -	$ 4,788
Escrow deposits	20,209	-	-	20,209
Total Liabilities	24,997	-	-	24,997
FUND BALANCES				
Restricted for:				
Public safety	-	-	173,678	173,678
Public works	-	351,431	-	351,431
Recreation	381	-	-	381
Library	-	-	123,191	123,191
Committed:				
Pubic works construction project	115,130	-	-	115,130
Assigned to:				
Recreation	-	-	33,557	33,557
Unassigned:	2,091,205	-	-	2,091,205
Total Fund Balances	2,206,716	351,431	330,426	2,888,573
Total Liabilities and Fund Balances	$ 2,231,713	$ 351,431	$ 330,426	$ 2,913,570

The accompanying notes are an integral part of the financial statements.

BOROUGH OF FOUNTAIN HILL
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES – MODIFIED CASH BASIS TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2018

Total Fund Balances - Governmental Funds	$	2,888,573
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets and land used in governmental activities are not current financial resources and, therefore are not reported as assets in governmental funds. The cost of the assets is $ 8,291,348.		8,291,348
Accumulated depreciation from capital assets used in governmental activities are not current financial resources and therefore is not reported in the governmental funds balance sheet.		(2,803,362)
Accrued other postemployment benefits are not accrued in governmental-type funds.		(3,650,947)
Long-term liabilities are not due and payable in the current period and, therefore are not reported as liabilities in the funds. Long-term liabilities at year end consists of notes and installment loans payable of $ 1,767,456.		(1,767,456)
Total Net Position - Governmental Activities	$	2,958,156

The accompanying notes are an integral part of the financial statements.

BOROUGH OF FOUNTAIN HILL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Highway Aid Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 2,784,201	$ -	$ 110,501	$ 2,894,702
Licenses and permits	73,769	-	-	73,769
Fines and forfeits	108,863	-	-	108,863
Interest and rents	42,192	4,526	2,520	49,238
Intergovernmental revenues	428,903	131,130	-	560,033
Charges for services	103,600	-	-	103,600
Miscellaneous revenues	251,641	-	4,500	256,141
TOTAL REVENUES	3,793,169	135,656	117,521	4,046,346
EXPENDITURES				
Current				
General government	384,615	-	-	384,615
Public safety	1,129,565	-	-	1,129,565
Health and human services	1,350	-	-	1,350
Public works - highways and streets	263,503	13,714	-	277,217
Public works - other services	16,324	-	-	16,324
Culture and recreation	288,206	-	86,866	375,072
Insurance, employee benefits and misc	910,425	-	-	910,425
Debt service - principal	-	-	113,872	113,872
Debt service - interest and fiscal charges	825	-	48,726	49,551
Capital outlay	607,806	11,634	-	619,440
TOTAL EXPENDITURES	3,602,619	25,348	249,464	3,877,431
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	190,550	110,308	(131,943)	168,915
OTHER FINANCING SOURCES (USES)				
Proceeds of general long-term debt	229,630	-	-	229,630
Operating transfers in	-	-	162,598	162,598
Operating transfers out	(117,699)	(18,931)	(25,968)	(162,598)
TOTAL OTHER FINANCING SOURCES (USES)	111,931	(18,931)	136,630	229,630
Net change in fund balances	302,481	91,377	4,687	398,545
Fund Balances - January 1	1,904,235	260,054	325,739	2,490,028
Fund Balances - December 31	$ 2,206,716	$ 351,431	$ 330,426	$ 2,888,573

The accompanying notes are an integral part of the financial statements.

BOROUGH OF FOUNTAIN HILL
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALACES – MODIFIED CASH BASIS TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balances - Governmental Funds		$ 398,545
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those expenditures is not reported, but treated as a capital asset on the statement of net position. The capital outlay for the current year is $ 619,440.		619,440
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net positions, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.		(244,351)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This includes the net (increase) in other post employment benefits.		(60,054)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debts consumes the current financial resources of government funds. However, this transaction has no effect on net position. Repayment of note and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The effect of this transaction in the statement is shown below:		
Proceeds from issuance of debt	(229,630)	
Repayment of note and loan principal	113,872	(115,758)
Change in Net Position of Governmental Activities		$ 597,822

The accompanying notes are an integral part of the financial statements.

BOROUGH OF FOUNTAIN HILL
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Enterprise Funds		Total
	Sewer Fund	Health and Sanitation Fund	Proprietary Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 396,879	$ 314,924	$ 711,803
Total Current Assets	396,879	314,924	711,803
Noncurrent Assets:			
Taxpayer receivable	947	-	947
Due from other funds	1,096	-	1,096
Sewer system, net of accumulated depreciation	2,756,062	-	2,756,062
Machinery and equipment, net of accumulated depreciation	-	36,802	36,802
Total Noncurrent Assets	2,758,105	36,802	2,794,907
Total Assets	3,154,984	351,726	3,506,710
LIABILITIES			
Current Liabilities:			
Due to other funds	-	1,306	1,306
Unearned revenues	1,188	303	1,491
Total Current Liabilities	1,188	1,609	2,797
Long-term debt	-	-	-
Total Liabilities	1,188	1,609	2,797
NET POSITION			
Invested in capital assets, net of related debt	2,756,062	36,802	2,792,864
Unrestricted	397,734	313,315	711,049
Total Net Position	$ 3,153,796	$ 350,117	$ 3,503,913

The accompanying notes are an integral part of the financial statements.

BOROUGH OF FOUNTAIN HILL
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Enterprise Funds		Total
	Sewer Fund	Health and Sanitation Fund	Proprietary Funds
OPERATING REVENUES			
Charges for services	$ 1,115,778	$ 660,993	$ 1,776,771
Miscellaneous	2,208	1,446	3,654
Total Operating Revenues	1,117,986	662,439	1,780,425
OPERATING EXPENSES			
Administration	72,886	72,533	145,419
Engineering and legal services	5,966	-	5,966
Sewer collection and treatment	649,770	-	649,770
Sanitation collection	-	366,909	366,909
Payroll taxes and employment benefits	307,494	160,039	467,533
Insurance	16,341	16,341	32,682
Miscellaneous	3,316	-	3,316
Depreciation	221,241	12,685	233,926
Total Operating Expenses	1,277,014	628,507	1,905,521
OPERATING INCOME (LOSS)	(159,028)	33,932	(125,096)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	-	1,244	1,244
Interest income	3,465	1,451	4,916
Interest expense	(36)	-	(36)
Total Nonoperating Revenues (Expenses)	3,429	2,695	6,124
CHANGE IN NET POSITION	(155,599)	36,627	(118,972)
NET POSITION - BEGINNING OF YEAR	3,309,395	313,490	3,622,885
NET POSITION - END OF YEAR	$ 3,153,796	$ 350,117	$ 3,503,913

The accompanying notes are an integral part of the financial statements.

BOROUGH OF FOUNTAIN HILL
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Enterprise Funds		Total
Cash Flows from Operating Activities	Sewer Fund	Health and Sanitation Fund	Proprietary Funds
Operating income (loss)	$ (159,028)	$ 33,932	$ (125,096)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	221,241	12,685	233,926
(Increase) decrease in taxpayer receivable	1,168	-	1,168
(Increase) decrease in due from other funds	(1,096)	-	(1,096)
Increase (decrease) in due to other funds	-	1,306	1,306
Increase (decrease) in unearned revenues	1,188	303	1,491
Total adjustments	222,501	14,294	236,795
Net Cash Provided by (Used in) Operating Activities	63,473	48,226	111,699
Cash Flows from Noncapital Activities			
Intergovernmental revenue	-	1,244	1,244
Operating transfers	-	-	-
Net Cash Provided by (Used in) Noncapital Activities	-	1,244	1,244
Cash Flows from Financing Activities			
Interest expense	(36)	-	(36)
Repayment of installment loans	(3,968)	-	(3,968)
Net Cash Provided by (Used in) Financing Activities	(4,004)	-	(4,004)
Cash Flows from Investing Activities			
Interest income	3,465	1,451	4,916
Net Cash Provided by Investing Activities	3,465	1,451	4,916
Net Increase (Decrease) in Cash and Cash Equivalents	62,934	50,921	113,855
Cash and Cash Equivalents, January 1	333,945	264,003	597,948
Cash and Cash Equivalents, December 31	$ 396,879	$ 314,924	$ 711,803

The accompanying notes are an integral part of the financial statements.

BOROUGH OF FOUNTAIN HILL
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2018

	Police Pension Plan	Non-Uniform Pension Plan (A)	Total Fiduciary Funds
ASSETS			
Receivables - member contributions	$ 2,359	$ -	$ 2,359
Investments, at fair value:			
Assets with MRT	2,805,899	-	2,805,899
Investments, at fair value:			
Assets with PMRS	-	955,861	955,861
Total Assets	2,808,258	955,861	3,764,119
LIABILITIES			
None	-	-	-
Total Liabilities	-	-	-
NET POSITION:			
Restricted for pension benefits	$ 2,808,258	$ 955,861	$ 3,764,119

(A) PMRS's plan fiduciary net position (fair value of plan assets) is measured as of December 31, 2017, the most recent information available.

The accompanying notes are an integral part of the financial statements.

BOROUGH OF FOUNTAIN HILL
STATEMENT OF CHANGES IN NET POSITION
MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Police Pension Plan	Non-Uniform Pension Plan (A)	Total Fiduciary Funds
ADDITIONS TO NET POSITION			
Contributions			
Employer	$ 243,450	$ 65,706	$ 309,156
Employee	64,239	12,594	76,833
State aid	117,110	-	117,110
Total Contributions	424,799	78,300	503,099
Investment Income			
Net appreciation (depreciation) in fair value of investments	(181,632)	99,058	(82,574)
Interest and dividends	44,827	43,310	88,137
	(136,805)	142,368	5,563
Less: Investment expenses	(16,375)	-	(16,375)
Net Investment Income (Loss)	(153,180)	142,368	(10,812)
TOTAL ADDITIONS TO NET POSITION	271,619	220,668	492,287
DEDUCTIONS FROM NET POSITION			
Benefits	278,805	51,575	330,380
Administrative expenses	3,165	2,312	5,477
Other	-	4,563	4,563
TOTAL DEDUCTIONS FROM NET POSITION	281,970	58,450	340,420
Change in net position	(10,351)	162,218	151,867
Net position restricted for pension benefits			
Beginning of year	2,818,609	793,643	3,612,252
End of year	$ 2,808,258	$ 955,861	$ 3,764,119

(A) PMRS's plan fiduciary net position (fair value of plan assets) is measured as of December 31, 2017, the most recent information available.

The accompanying notes are an integral part of the financial statements.

NOTE 1 Summary of Significant Accounting Policies

The Borough of Fountain Hill, Lehigh County, Pennsylvania operates under the Commonwealth of Pennsylvania Borough Code Act of February 1, 1966 (1965 P.L. 1656 No. 581), as amended. The Borough is organized as a Council-Mayor form of governance, with an elected Borough Council, and provides governmental services to its residents, including public safety, highway, road and street maintenance, sanitation, culture and recreation, planning and zoning, and general administrative services.

The accompanying primary government financial statements conform to the modified cash basis of accounting as applicable to governmental units. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant accounting policies used by the Borough.

Principles Determining Scope of Reporting Entity

In evaluating how to define the Borough, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the financial reporting entity was made by applying the criteria set forth in GASB Statement 14, as amended. The criteria for including a potential component unit within the financial reporting entity is the significance of the potential component unit's operational or financial relationship with the Borough. Based upon the application of these criteria, there are no component units to be included in the financial reporting entity of the Borough.

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Borough as a whole excluding fiduciary activities such as employee pension plans. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to

NOTE 1 Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus and the modified cash basis of accounting.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting is used as appropriate:

a. All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting

In the government-wide financial statements and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position/fund equity, revenues and expenditures when they result from cash transactions with a provision for other post employment benefits and depreciation in the government-wide statements and depreciation in the proprietary fund statements. The basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of this modified cash basis of accounting, certain assets, deferred inflows and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities, deferred outflows and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Borough utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Financial Statement Presentation

The Borough reports the following major governmental fund types:

The General Fund is the general operating fund of the Borough. Substantially all tax revenues, federal and state aid (except revenues and aid restricted for use in the Special Revenue Fund) and other operating revenues are accounted for in the General Fund. This fund also accounts for expenditures and transfers as appropriated in the budget, which provides for the Borough's day-to-day operations.

The State Liquid Fuels Highway Aid Fund (Liquid Fuels Fund), Fire Fund, Library Fund, and Playground Fund are the Borough's special revenue funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources other than expendable trusts, or major capital projects that are legally restricted to expenditures for specific purposes.

The Debt Service Fund accounts for the accumulation of resources for, and payment of, interest and principal on long-term obligations.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

The Borough reports the following enterprise fund types:

The Sewer Fund and Health and Sanitation Fund are Enterprise Funds. Enterprise Funds account for the provisions of sanitary sewer and trash collection services to some residents of the Borough. All activities necessary to provide such services are accounted for in these funds including, but not limited to, administration, operations, maintenance, financing and related debt service, and billings and collections.

The Borough also reports the following fiduciary fund types:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others, and therefore are not available to support Borough programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The Police Pension Plan and Non-Uniform Pension Plan are used to account for fiduciary resources legally held in trust for the receipt, investment, and distribution of retirement benefits.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Borough or through external restrictions imposed by creditors, grantors, or laws or other regulations of other governments.

Fund Balance Reporting

Fund balance is divided into five classifications based primarily on the extent to which the Borough is bound to observe constraints imposed upon the use of the resources. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Fund Balance Reporting (Continued)

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the Borough to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Legal enforceability means that the Borough can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Borough Council. Those committed amounts cannot be used for any other purpose unless the Borough Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classifications may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Borough Council separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Borough for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Borough Council.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Borough applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned)

NOTE 1 Summary of Significant Accounting Policies (Continued)

Fund Balance Reporting (Continued)

amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Budgets and Budgetary Accounting

The Borough follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Borough Code and Borough procedures, at least thirty days prior to adoption, the Borough Manager submits to the Borough Council, with whom the legal level of budgetary control resides, a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. Departments for budgetary purposes are general government, public safety, public works, culture and recreation, insurance, employee benefits, and miscellaneous.

2. Public hearings are conducted to obtain taxpayer comment.

3. By December 31, the budget is legally enacted through passage of a resolution. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.

4. All modifications, transfers and amendments must be approved by the Borough Council.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Liquid Fuels Fund, Sewer Fund, and Health and Sanitation Fund.

6. The legally adopted budgets of the Borough are for the General Fund, Liquid Fuels Fund, Sewer Fund and Health and Sanitation Fund.

7. Budgets for the General Fund, Liquid Fuels Fund, Sewer Fund, and Health and Sanitation Fund are adopted on the modified cash basis of accounting discussed above. (The basis of accounting for budget purposes is the same as for financial statement reporting purposes).

8. Borough Council may authorize supplemental appropriations during the year. No supplemental appropriations were made during fiscal 2018. Borough Council must approve all over expenditures of appropriations or transfers of appropriated amounts.

NOTE 1 Summary of Significant Accounting Policies (Continued)

OTHER SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Statutes allow the Borough to invest in obligations of the U.S. Treasury, U.S. Agencies, obligations of the Commonwealth of Pennsylvania, savings accounts or time deposits of institutions insured by the Federal Deposit Insurance Corporation (FDIC) and deposits in excess of FDIC amounts if collateralized by the depository. For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are stated at market. See Note 2 for additional disclosures about investments.

Capital Assets

The Borough's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund. Fixed assets and related depreciation are reported on in the government-wide financial statements.

Property Taxes

The property tax calendar for the fiscal year is as follows:

March 1	- Levy Date
March 1 to April 30	- 2% Discount Period
May 1 to June 30	- Face Payment Period
July 1 to December 31	- 10% Penalty Period
January 1 (following year)	- Lien Date

Sewer Systems in Service

The sewer system is stated substantially at cost, net of accumulated depreciation. The policy is to capitalize all acquisitions of property, plant and equipment in excess of $ 5,000. Depreciation is provided using the straight-line method over the estimated useful life of the system components ranging, from five to fifty years.

NOTE 1 Summary of Significant Accounting Policies (Continued)

OTHER SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transfers and Interfund Balances

Legally authorized payments or authorizations to make payments from a fund receiving revenue to a fund through which the resources are to be expended are reported as operating transfers.

Other outstanding balances between funds are reported as "due to / from other funds."

Statement of Cash Flows

For purposes of the statement of cash flows, the Borough considers time deposits and all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. There were no encumbrances as of December 31, 2018.

Total Columns on Combined Statements

Total columns on the combined statements are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Nor is such data comparable to a consolidation.

Public Employee Retirement Systems

The Borough participates in two public employee retirement systems. Both systems, single employer public retirement systems, are defined benefit pension plans which cover all uniform and non-uniform personnel employed on a full-time basis.

NOTE 1 Summary of Significant Accounting Policies (Continued)

OTHER SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Borough requires management to make estimates and assumptions that affect certain reported amount and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts and balances presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Recent Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions-an Amendment of GASB Statement No. 45. The Borough adopted GASB Statement No. 75 for its December 31, 2018 financial statements. The adoption of this Statement affected the Government-Wide financial statements.

NOTE 2 Deposits and Investments

The Borough's investment policy is to place as much of the available funds into interest bearing accounts as feasible. Current cash requirements are kept in bank demand deposits.

Deposits

As of December 31, 2018, the carrying amount of the Borough's deposits is $ 3,625,115 and the bank balance is $ 3,747,055. Of the bank balance, $ 250,000 is covered by federal depository insurance (FDIC).

The Borough requires all deposits and investments to be covered by federal depository insurance or to be fully collateralized by the financial institution issuing the investment or acquiring the deposit. Deposits that are not fully insured by the Federal Deposit Insurance Corporation, $ 3,497,055 at December 31, 2018, are collateralized using the pooled asset method to 100% of value as required by Pennsylvania Law. The securities pledged as collateral are held by the trust department of a financial institution or by its agents in the financial institution's name, not in the Borough's name, and are considered uncollateralized for credit risk purposes.

NOTE 2 Deposits and Investments (Continued)

Investments

Authorized types of investments for Borough funds are as follows:

a) United States Treasury Bills and Notes.

b) Short-term obligations of the United States, its agencies or instrumentalities.

c) Deposits in savings accounts or time deposits insured by the Federal Deposit Insurance Corporation or similar insurance and provided that approved collateral for public deposits is pledged by the depository for excess amounts over the insured maximum.

d) Obligations of the United States and the Commonwealth of Pennsylvania or any of their agencies or instrumentalities backed by the full faith and credit of the United States, Commonwealth of Pennsylvania, or political subdivisions.

e) Shares of an investment company provided that the only investments of the company are in the investments listed in a) through d) above.

Investments made by the Borough as of December 31, 2018, are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1 - Insured or registered, or securities held by the Borough or its agent in the Borough's name.
- Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Borough's name.
- Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Borough's name.

Investments, categorized by level of risk, are:

	Category			Fair Value /	Market
	1	2	3	Carrying Amount	Value
Mutual Funds	$ -	$ -	$3,761,760	$ 3,761,760	$ 3,761,760
		Total		$ 3,761,760	$ 3,761,760

NOTE 3 Capital Assets

The following is a summary of the changes in the capital asset activity for the year ended December 31, 2018:

Governmental Activities

Cost Basis	Life	Balance 1/1/2018	Additions	Reductions	Balance 12/31/2018
Land		$ 899,842	$ 71,670	$ -	$ 971,512
Buildings and improvements	10 - 40 yrs.	1,975,034	380,136	-	2,355,170
Machinery and equipment	5 yrs.	282,080	75,000	-	357,080
Vehicles	5 - 10 yrs.	1,462,728	-	-	1,462,728
Infrastructure	30 yrs.	3,052,224	92,634	-	3,144,858
		$ 7,671,908	$ 619,440	$ -	$ 8,291,348

Accumulated Depreciation	Life	Balance 1/1/2018	Additions	Reductions	Balance 12/31/2018
Land		$ -	$ -	$ -	$ -
Buildings and improvements	10 - 40 yrs.	616,847	42,397	-	659,244
Machinery and equipment	5 yrs.	222,451	27,662	-	250,113
Vehicles	5 - 10 yrs.	1,250,356	71,007	-	1,321,363
Infrastructure	30 yrs.	469,357	103,285	-	572,642
		$ 2,559,011	$ 244,351	$ -	$ 2,803,362
Net Capital Assets		**$ 5,112,897**			**$ 5,487,986**

Depreciation expense of $ 244,351 in the governmental activities was recorded as an unallocated expense because the Borough does not breakdown the expenses into functional areas.

NOTE 3 Capital Assets (Continued)

The following is a summary of proprietary fund type property, plant and equipment for the primary government at December 31, 2018:

Enterprise Funds:

Cost Basis	Life	Balance 1/1/2018	Additions	Reductions	Balance 12/31/2018
Buildings, plant and improvements	40 - 50 yrs.	$ 9,956,612	$ -	$ -	$ 9,956,612
Machinery	5 - 7 yrs.	163,753	-	-	163,753
		$ 10,120,365	$ -	$ -	$ 10,120,365

Accumulated Depreciation	Life	Balance 1/1/2018	Additions	Reductions	Balance 12/31/2018
Buildings, plant and improvements	40 - 50 yrs.	$ 6,983,940	$ 217,718	$ -	$ 7,201,658
Machinery	5 - 7 yrs.	109,635	16,208	-	125,843
		$ 7,093,575	$ 233,926	$ -	$ 7,327,501
Net Capital Assets		**$ 3,026,790**			**$ 2,792,864**

Depreciation charged to operations for the Sewer Fund and Health and Sanitation Fund was $ 221,241 and $ 12,685 respectively, for the year ended December 31, 2018.

NOTE 4 Long-Term Debt

The following is a summary of the details of outstanding long-term debt as of December 31, 2018:

PEMA Note, in the aggregate principal amount of $ 150,000. Proceeds of the note were used to purchase fire safety equipment. The interest indebtedness is payable monthly at 2.0%. Maturity date is March 1, 2020. The note was paid off during 2018.

General Obligation Note, Series of 2013 (original issue up to $ 2,000,000). Proceeds of the note were used to finance the reconstruction of Delaware Avenue. The interest indebtedness is payable semi-annually at 2.62%. Maturity date is July 31, 2028.

General Obligation Note, Series of 2016. Proceeds of the note were used to purchase a 2004 LeeBoy Asphalt Paver. The note requires quarterly payments of $ 2,277, including principal and interest of 2.57% over 2 years. The note was paid off during 2018.

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 Ford F-550 truck. The capital lease requires quarterly payments of $ 3,884, including principal and interest of 2.75% over 5 years.

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 Borough entered into a lease-purchase agreement for the purchase of sewer jet equipment. The capital lease requires quarterly payments of $ 2,736, including principal and interest of 2.75% over 5 years.

The following is a summary of long-term debt transactions for the year ended December 31, 2018:

	Balance 1/1/2018	Additions	Reductions	Balance 12/31/2018
Governmental-type				
PEMA Note	$ 25,466	$ -	$ 25,466	$ -
2013 GO Note	667,243	-	56,239	611,004
2016 GO Note	4,445	-	4,445	-
2017 GO Note	885,350	229,630	-	1,114,980
Capital Lease	22,752	-	15,063	7,689
Capital Lease	46,442	-	12,659	33,783
Total Governmental-type	1,651,698	229,630	113,872	1,767,456
Business-type				
Capital Lease	3,968	-	3,968	-
Total Business-type	3,968	-	3,968	-
Total Long-Term Debt	$ 1,655,666	$ 229,630	$ 117,840	$ 1,767,456

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, 2018:

Year Ending December 31,	Principal	Interest	Total
2019	$ 121,590	$ 32,223	$ 153,813
2020	190,771	43,508	234,279
2021	196,184	38,095	234,279
2022	201,711	32,568	234,279
2023	207,392	26,887	234,279
2024	565,917	14,960	580,877
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	$ 1,725,984	$ 202,537	$ 1,928,521

The annual debt service requirements to maturity for governmental-type capital leases are as follows, as of December 31, 2018:

Year Ending December 31,	Principal	Interest	Total
2019	$ 14,007	$ 983	$ 14,990
2020	13,454	989	14,443
2021	14,011	432	14,443
Total	$ 41,472	$ 2,404	$ 43,876

NOTE 5 Retirement 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.

NOTE 5 Retirement 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, 2017.

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

NOTE 5 Retirement 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, 2017, (the most recent date available) is as follows:

Active plan members	7
Retirees and beneficiaries currently receiving benefits	5
Terminated plan members entitled to benefits but not yet receiving them	1
Total	13

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	$ 74,368
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension costs	74,368
Contributions made	74,368
Increase (decrease) in net pension obligation	-
Net pension obligation, beginning of year	-
Net pension obligation, end of year	$ -

The annual required contribution for the current year was determined as part of the January 1, 2015, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 5.50% investment rate of return, and (b) projected salary

NOTE 5 Retirement 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

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2016	$ 39,839	100%	$ -
12/31/2017	$ 65,666	100%	$ -
12/31/2018	$ 74,368	100%	$ -

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

At December 31, 2018, the Borough's net pension liability is $133,885. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability is based upon the January 1, 2017 actuarial valuation with pension liabilities rolled forward to December 31, 2017.

For the year ended December 31, 2018, the actuarial determined nonuniformed employees plan pension expense is $41,167. However, the Borough recognizes pension expense on the modified cash basis which totaled $74,368.

At December 31, 2018, the Borough has deferred outflows of resources and deferred inflows of resources related to the nonuniformed employees pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 54,710	$ 4,220
Changes in assumptions	13,046	20,714
Net difference between projected and actual earnings on pension plan investments	73,294	-
Total	$ 141,050	$ 24,934

NOTE 5 Retirement 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,	2019	(20,718)
	2020	(20,855)
	2021	(33,571)
	2022	(27,030)
	2023	(8,276)
	Thereafter	(5,666)

Actuarial assumptions

The beginning of year total pension liability is based upon the January 1, 2017 actuarial valuation, with liabilities measured at December 31, 2016. The end of year total pension liability is based upon the same actuarial valuation with liabilities rolled forward to December 31, 2017.

A summary of the actuarial assumptions and methods used to determine the 2017 contribution rates are as follows:

- Actuarial cost method - Entry Age
- Investment return - 5.25%, 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, 2017 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

NOTE 5 Retirement 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.

Asset Class	Target allocation	Long-Term Expected Real Rate of Return
Domestic Equities (large capitalized firms)	25%	5.6%
Domestic Equities (small capitalized firms)	15%	7.2%
International Equities (international developed markets)	15%	4.6%
International Equities (emerging markets)	10%	8.7%
Real Estate	20%	6.2%
Fixed Income	15%	2.1%
	100%	5.6%

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, 2017.

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:

NOTE 5 Retirement 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	$ 264,174	$ 133,885	$ 24,082

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, 2017.

NOTE 5 Retirement Plans (Continued)

Police Pension Plan (Continued)

In accordance with the plan's governing provisions, members are required to contribute 8% of covered payroll for 2018 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, 2018, (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	-
Total	18

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	$ 360,560
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension costs	360,560
Contributions made	360,560
Increase (decrease) in net pension obligation	-
Net pension obligation, beginning of year	-
Net pension obligation, end of year	$ -

NOTE 5 Retirement Plans (Continued)

Police Pension Plan (Continued)

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) 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

Year Ending	Pension Cost (APC)	of APC Contributed	Pension Obligation
12/31/2016	$ 249,453	100%	$ -
12/31/2017	$ 265,129	100%	$ -
12/31/2018	$ 360,560	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, 2018, 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, 2018, the Borough's net pension liability is $2,104,047. The total pension liability of $4,912,305 was determined as part of an actuarial valuation at January 1, 2017. Update procedures were used to roll forward to the plan's fiscal year ending December 31, 2018.

NOTE 5 Retirement Plans (Continued)

Police Pension Plan (Continued)

For the year ended December 31, 2018, the actuarial determined uniformed employees plan pension expense is $398,631. However, the Borough recognizes pension expense on the modified cash basis which totaled $360,560.

At December 31, 2018, 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	$ 162,425	$ 76,138
Net difference between projected and actual earnings on pension plan investments	321,657	93,446
Changes of assumptions	271,189	-
Total	$ 755,271	$ 169,584

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,	2019	136,122
	2020	98,223
	2021	86,432
	2022	117,582
	2023	52,537
	Thereafter	94,791

Actuarial assumptions

The total pension liability in the January 1, 2017, 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.

NOTE 5 Retirement 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.

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

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:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net Pension Liability	$ 2,764,415	$ 2,104,047	$ 1,560,737

NOTE 6 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, 2018, the most recent actuarial valuation date, the plan was 0% funded. The January 1, 2018, actuarial accrued liability for other postemployment benefits was $3,590,893 and the actuarial value of assets was $ -0-, resulting in an unfunded actuarial accrued liability of $3,590,893.

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

NOTE 6 Postemployment Benefits Other Than Pensions (Continued)

Actuarial Cost Method - Entry Age Normal. The Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 3.25% 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 8.0% and 0% respectively, in 2018, with the medical/Rx cost and dental/vision trend rate at 7.5% and 3.0% respectively, in the year 2019. 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 3.25%. 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 Borough, as well as what the Borough'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 2.25%	Current Discount Rate 3.25%	1% Increase 4.25%
Net OPEB liability	$ 3,993,367	$ 3,650,947	$ 3,344,178

NOTE 7 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 8 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, 2018, 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 9 Deficit Fund Balances

No funds of the Borough had a deficit fund balance at December 31, 2018.

The General Fund's: Culture and Recreation, Insurance, Employee Benefits, and Miscellaneous, and Capital Outlay budget categories had expenditures in excess of appropriations for the year ended December 31, 2018.

NOTE 10 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 11 Change in Accounting Principle

During the current year the Borough implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, to be in conformity with generally accepted accounting principles. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting by governments for postemployment benefit plans other than pensions. As a result of implementing this statement, a prior period adjustment is required for the beginning postemployment liability.

The effect is a reduction in net position of governmental activities of $2,360,334, as detailed below:

Beginning net position as previously reported at December 31, 2017	$ 4,460,081
District's Other Postemployment Benefit Plan net liability adjustment (January 1, 2018 measurement date)	(2,099,747)
Net position as restated, December 31, 2017	$ 2,360,334

NOTE 12 Subsequent Events

Subsequent events have been evaluated through July 12, 2019, 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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
REVENUES	Original	Final	Amounts	(Negative)
Taxes	$ 2,556,880	$ 2,556,880	$ 2,784,201	$ 227,321
Licenses and permits	67,200	67,200	73,769	6,569
Fines and forfeits	52,000	52,000	108,863	56,863
Interest and rents	17,050	17,050	42,192	25,142
Intergovernmental revenues	229,300	229,300	428,903	199,603
Charges for services	105,895	105,895	103,600	(2,295)
Donations and miscellaneous	44,000	44,000	251,641	207,641
TOTAL REVENUES	3,072,325	3,072,325	3,793,169	720,844
EXPENDITURES				
Current				
General government	437,441	437,441	384,615	52,826
Public safety	1,185,043	1,185,043	1,129,565	55,478
Health and human services	1,700	1,700	1,350	350
Public works - Highways and streets	265,777	265,777	263,503	2,274
Public works - other services	17,289	17,289	16,324	965
Culture and recreation	96,230	96,230	288,206	(191,976)
Insurance, employee benefits and misc	895,856	895,856	910,425	(14,569)
Debt service - principal	114,421	114,421	-	114,421
Debt service - interest and fiscal charges	17,956	17,956	825	17,131
Capital outlay	10,000	10,000	607,806	(597,806)
TOTAL EXPENDITURES	3,041,713	3,041,713	3,602,619	(560,906)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	30,612	30,612	190,550	159,938
OTHER FINANCING SOURCES (USES)				
Proceeds of general long-term debt	-	-	229,630	229,630
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(117,699)	(117,699)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	111,931	111,931
Net change in fund balances	30,612	30,612	302,481	271,869
Fund Balances - January 1	-	-	1,904,235	1,904,235
Fund Balances - December 31	$ 30,612	$ 30,612	$ 2,206,716	$ 2,176,104

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**

		12/31/2014*
Total Pension Liability		
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		(24,838)
Net change in total pension liability		164,351
Total pension liability - beginning		878,100
Total pension liability - ending	$	1,042,451
Plan Fiduciary Net Position		
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		(1,781)
Net change in plan fiduciary net position		58,271
Plan fiduciary net position - beginning		728,787
Plan fiduciary net position - ending	$	787,058
Municipality's net position liability	$	255,393
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**

12/31/2015*	12/31/2016*	12/31/2017*
$ 41,920	$ 52,945	$ 59,700
58,507	59,161	55,776
-	-	-
-	(72,946)	-
(20,873)	27,618	-
-	(56,196)	(4,563)
(41,768)	(60,411)	(51,575)
37,786	(49,829)	59,338
1,042,451	1,080,237	1,030,408
$ 1,080,237	$ 1,030,408	$ 1,089,746
$ 55,228	$ 39,619	$ 65,346
320	260	360
9,920	12,220	12,594
40,434	42,132	43,310
(63,570)	32,687	99,058
-	(56,196)	(4,563)
(41,768)	(60,411)	(51,575)
(2,006)	(2,284)	(2,312)
(1,442)	8,027	162,218
787,058	785,616	793,643
$ 785,616	$ 793,643	$ 955,861
$ 294,621	$ 236,765	$ 133,885
$ 283,428	$ 355,857	$ 359,820
103.95%	66.53%	37.21%
72.73%	77.02%	87.71%

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*

	12/31/2014	12/31/2015
Total Pension Liability		
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)
Net change in total pension liability	75,172	383,205
Total pension liability - beginning	3,675,936	3,751,108
Total pension liability - ending	$ 3,751,108	$ 4,134,313
Plan Fiduciary Net Position		
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)
Net change in plan fiduciary net position	39,146	(95,204)
Plan fiduciary net position - beginning	2,442,598	2,481,744
Plan fiduciary net position - ending	$ 2,481,744	$ 2,386,540
Municipality's net position liability	$ 1,269,364	$ 1,747,773
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*

12/31/2016	12/31/2017	12/31/2018
$ 104,690	$ 167,674	$ 176,058
297,282	305,814	319,572
-	(95,660)	-
-	340,725	-
(282,061)	(277,297)	(278,805)
119,911	441,256	216,825
4,134,313	4,254,224	4,695,480
$ 4,254,224	$ 4,695,480	$ 4,912,305
$ 249,453	$ 265,129	$ 360,560
39,144	48,763	64,239
109,200	319,492	(136,805)
(282,061)	(277,297)	(278,805)
(17,830)	(21,924)	(19,540)
97,906	334,163	(10,351)
2,386,540	2,484,446	2,818,609
$ 2,484,446	$ 2,818,609	$ 2,808,258
$ 1,769,778	$ 1,876,871	$ 2,104,047
$ 661,478	$ 764,709	$ 831,870
267.5%	245.4%	252.9%
58.4%	60.0%	57.2%

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*

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

* 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 *

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Actuarially Determined Contribution	$161,164	$167,988	$183,491	$221,357	$213,908	$195,280	$193,640	$249,453	$265,129	$360,560
Contributions in Relation to the Actuarially Determined Contribution	161,164	167,988	183,491	221,357	213,908	195,280	193,640	249,453	265,129	360,560
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll		$643,160		$598,685		$524,894	$522,861	$661,478	$764,709	$831,870
Contributions as a Percentage of Covered Employee Payroll		26.1%		37.0%		37.2%	37.0%	37.7%	34.7%	43.3%

Notes to schedules:
NONE

* 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:	1/1/17
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	3.00%

POLICE PENSION PLAN (UNIFORMED PLAN)

Valuation date:	1/1/17
Actuarial cost method:	Entry Age Normal
Amortization method:	Level Dollar Closed
Remaining amortization period:	13 years
Asset valuation method:	Asset Smoothing
Actuarial assumptions:	
Investment rate of return	6.75%
Projected salary increases	5.00%
Includes inflation	Moderate cost of living

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

	Last 10 Fiscal Years*
	December 31, 2018
Total OPEB Liability	
Service Cost	$ 214,555
Interest	119,264
Changes of Benefit Terms	-
Differences between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments	(273,765)
Other Changes	-
Net Change in Total OPEB Liability	60,054
Total OPEB Liability - Beginning	3,590,893
Total OPEB Liability - Ending	$ 3,650,947

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 ASSSETS, LIABILITIES, AND FUND BALANCES
MODIFIED CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Fire Fund	Library Fund	Playground Fund	Debt Service Fund	Total
ASSETS					
Cash and Cash Equivalents	$ 173,678	$ 123,191	$ 33,557	$ -	$ 330,426
Total Assets	$ 173,678	$ 123,191	$ 33,557	$ -	$ 330,426
LIABILITIES AND FUND BALANCES					
FUND BALANCES					
Restricted for:					
Public safety	$ 173,678	$ -	$ -	$ -	$ 173,678
Public works					-
Library		123,191			123,191
Assigned to:					
Recreation	-	-	33,557	-	33,557
Total Fund Balances	173,678	123,191	33,557	-	330,426
Total Liabilities and Fund Balances	$ 173,678	$ 123,191	$ 33,557	$ -	$ 330,426

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, 2018

	Fire Fund	Library Fund	Playground Fund	Debt Service Fund	Total
REVENUES					
Taxes	$ 18,417	$ 92,084	$ -	$ -	$ 110,501
Interest	1,934	520	66	-	2,520
Intergovernmental	-	-	-	-	-
Donations	-	-	4,500	-	4,500
Miscellaneous	-	-	-	-	-
TOTAL REVENUES	20,351	92,604	4,566	-	117,521
EXPENDITURES					
Current					
Public works	-	-	-	-	-
Culture and recreation	-	81,116	5,750	-	86,866
Debt service - principal	-	-	-	113,872	113,872
Debt service - interest	-	-	-	48,726	48,726
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	-	81,116	5,750	162,598	249,464
Excess (deficiency) of revenues over (under) expenditures	20,351	11,488	(1,184)	(162,598)	(131,943)
OTHER FINANCING SOURCES (USES)					
Proceeds of long-term debt	-	-	-	-	-
Operating transfers in	-	-	-	162,598	162,598
Operating transfers out	(25,968)	-	-	-	(25,968)
TOTAL OTHER FINANCING SOURCES (USES)	(25,968)	-	-	162,598	136,630
Net change in fund balances	(5,617)	11,488	(1,184)	-	4,687
Fund Balances - January 1	179,295	111,703	34,741	-	325,739
Fund Balances - December 31	$ 173,678	$ 123,191	$ 33,557	$ -	$ 330,426

FRANCE, ANDERSON, BASILE and COMPANY, P.C.
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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, 2018, 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 July 12, 2019.

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.

France, Anderson, Basile and Campy, P.C.

Emmaus, Pennsylvania
July 12, 2019