

FINANCIAL STATEMENTS

BOROUGH OF FOUNTAIN HILL, PENNSYLVANIA

DECEMBER 31, 2019

BOROUGH OF FOUNTAIN HILL
FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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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, 2019, 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, 2019, 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 August 25, 2020, 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.

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

Emmaus, Pennsylvania
August 25, 2020

BOROUGH OF FOUNTAIN HILL
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2019

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 3,949,744	\$ 965,667	\$ 4,915,411
Internal balances	125	(125)	-
Due from other governments	3,949	36,342	40,291
Total Current Assets	<u>3,953,818</u>	<u>1,001,884</u>	<u>4,955,702</u>
Noncurrent Assets:			
Taxpayer receivable	-	947	947
Capital assets:			
Land	971,512	-	971,512
Building, plant & improvements, net	1,638,219	2,537,236	4,175,455
Machinery & equipment, net	67,837	80,877	148,714
Vehicles, net	127,539	-	127,539
Infrastructure, net	<u>2,467,387</u>	<u>-</u>	<u>2,467,387</u>
Total Capital Assets	<u>5,272,494</u>	<u>2,618,113</u>	<u>7,890,607</u>
Total Assets	<u>\$ 9,226,312</u>	<u>\$ 3,620,944</u>	<u>\$ 12,847,256</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Payroll withholdings	\$ 4,333	\$ -	\$ 4,333
Credit card payable	66,346	-	66,346
Unearned revenues	-	17,181	17,181
Current portion of long-term debt	<u>203,361</u>	<u>-</u>	<u>203,361</u>
Total Current Liabilities	<u>274,040</u>	<u>17,181</u>	<u>291,221</u>
Noncurrent Liabilities:			
Escrow deposits	89,538	-	89,538
Long-term debt, net of current portion	1,427,634	-	1,427,634
Other postemployment benefits	<u>3,735,546</u>	<u>-</u>	<u>3,735,546</u>
Total Noncurrent Liabilities	<u>5,252,718</u>	<u>-</u>	<u>5,252,718</u>
Total Liabilities	<u>5,526,758</u>	<u>17,181</u>	<u>5,543,939</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	3,641,499	2,618,113	6,259,612
Restricted	871,263	-	871,263
Unrestricted	<u>(813,208)</u>	<u>985,650</u>	<u>172,442</u>
Total Net Position	<u>\$ 3,699,554</u>	<u>\$ 3,603,763</u>	<u>\$ 7,303,317</u>

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

BOROUGH OF FOUNTAIN HILL
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
DECEMBER 31, 2019

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities</u>				
General government	\$ 340,517	\$ 766	\$ 16,321	\$ -
Public safety	1,245,089	125,839	27,963	72,272
Health and human services	1,590	-	-	-
Public works - highways and streets	351,621	-	136,903	-
Public works - other services	16,368	-	-	-
Culture and recreation	237,245	49,545	5,000	85,370
Community development	3,300	-	-	-
Insurance, employee benefits and misc	995,977	-	153,615	-
Interest expense	48,286	-	-	-
Depreciation expense - unallocated	265,205	-	-	-
Total Governmental Activities	<u>3,505,198</u>	<u>176,150</u>	<u>339,802</u>	<u>157,642</u>
<u>Business-type Activities</u>				
Sewer fund	1,697,255	1,487,419	-	-
Health and sanitation fund	<u>638,795</u>	<u>842,679</u>	<u>82,178</u>	<u>-</u>
Total Business-type Activities	<u>2,336,050</u>	<u>2,330,098</u>	<u>82,178</u>	<u>-</u>
Total	<u>\$ 5,841,248</u>	<u>\$ 2,506,248</u>	<u>\$ 421,980</u>	<u>\$ 157,642</u>

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
Gain on disposal of assets

Total general revenues

Change in net position

Net position - Beginning of Year

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, 2019

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (323,430)	\$ -	\$ (323,430)
(1,019,015)	-	(1,019,015)
(1,590)	-	(1,590)
(214,718)	-	(214,718)
(16,368)	-	(16,368)
(97,330)	-	(97,330)
(3,300)	-	(3,300)
(842,362)	-	(842,362)
(48,286)	-	(48,286)
<u>(265,205)</u>	<u>-</u>	<u>(265,205)</u>
 <u>(2,831,604)</u>	 <u>-</u>	 <u>(2,831,604)</u>
 -	(209,836)	(209,836)
 -	286,062	286,062
 <u>-</u>	 <u>76,226</u>	 <u>76,226</u>
 <u>(2,831,604)</u>	 <u>76,226</u>	 <u>(2,755,378)</u>
 1,936,947	-	1,936,947
18,396	-	18,396
91,978	-	91,978
1,042,306	-	1,042,306
73,380	-	73,380
102,866	-	102,866
94,320	13,504	107,824
204,869	10,120	214,989
7,940	-	7,940
<u>3,573,002</u>	<u>23,624</u>	<u>3,596,626</u>
 741,398	99,850	841,248
<u>2,958,156</u>	<u>3,503,913</u>	<u>6,462,069</u>
 <u>\$ 3,699,554</u>	 <u>\$ 3,603,763</u>	 <u>\$ 7,303,317</u>

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, 2019

	<u>General Fund</u>	<u>Highway Aid Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,183,544	\$ 416,877	\$ 349,323	\$ 3,949,744
Due from other funds	125	-	-	125
Due from other governments	<u>3,949</u>	<u>-</u>	<u>-</u>	<u>3,949</u>
Total Assets	<u>\$ 3,187,618</u>	<u>\$ 416,877</u>	<u>\$ 349,323</u>	<u>\$ 3,953,818</u>
<u>LIABILITIES and FUND BALANCES</u>				
<u>LIABILITIES</u>				
Payroll withholdings	\$ 4,333	\$ -	\$ -	\$ 4,333
Credit card payable	66,346	-	-	66,346
Escrow deposits	<u>89,538</u>	<u>-</u>	<u>-</u>	<u>89,538</u>
Total Liabilities	<u>160,217</u>	<u>-</u>	<u>-</u>	<u>160,217</u>
<u>FUND BALANCES</u>				
<u>Restricted for:</u>				
Public safety	-	-	195,946	195,946
Public works	-	416,877	-	416,877
Recreation	377	-	-	377
Library	-	-	130,842	130,842
<u>Committed:</u>				
Public works construction project	104,686	-	-	104,686
<u>Assigned to:</u>				
Recreation	-	-	22,535	22,535
Unassigned:	<u>2,922,338</u>	<u>-</u>	<u>-</u>	<u>2,922,338</u>
Total Fund Balances	<u>3,027,401</u>	<u>416,877</u>	<u>349,323</u>	<u>3,793,601</u>
Total Liabilities and Fund Balances	<u>\$ 3,187,618</u>	<u>\$ 416,877</u>	<u>\$ 349,323</u>	<u>\$ 3,953,818</u>

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, 2019

Total Fund Balances - Governmental Funds	\$ 3,793,601
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**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 \$ 8,341,061.	8,341,061
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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.	(3,068,567)
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Accrued other postemployment benefits are not accrued in governmental-type funds.	(3,735,546)
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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 \$ 1,630,995.	<u>(1,630,995)</u>
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Total Net Position - Governmental Activities	<u>\$ 3,699,554</u>
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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, 2019

	General	Highway Aid	Other	Total
	Fund	Fund	Governmental	Governmental
			Funds	Funds
REVENUES				
Taxes	\$ 2,979,253	\$ -	\$ 110,374	\$ 3,089,627
Licenses and permits	73,380	-	-	73,380
Fines and forfeits	102,866	-	-	102,866
Interest and rents	78,729	9,732	5,859	94,320
Intergovernmental revenues	363,203	134,241	-	497,444
Charges for services	176,150	-	-	176,150
Miscellaneous revenues	212,809	-	-	212,809
TOTAL REVENUES	<u>3,986,390</u>	<u>143,973</u>	<u>116,233</u>	<u>4,246,596</u>
EXPENDITURES				
Current				
General government	340,505	12	-	340,517
Public safety	1,245,089	-	-	1,245,089
Health and human services	1,590	-	-	1,590
Public works - highways and streets	280,328	71,293	-	351,621
Public works - other services	16,368	-	-	16,368
Culture and recreation	139,909	-	97,336	237,245
Community development	3,300	-	-	3,300
Insurance, employee benefits and misc	911,378	-	-	911,378
Debt service - principal	-	-	136,461	136,461
Debt service - interest and fiscal charges	-	-	48,286	48,286
Capital outlay	49,713	-	-	49,713
TOTAL EXPENDITURES	<u>2,988,180</u>	<u>71,305</u>	<u>282,083</u>	<u>3,341,568</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	998,210	72,668	(165,850)	905,028
OTHER FINANCING SOURCES (USES)				
Proceeds of general long-term debt	-	-	-	-
Operating transfers in	-	-	184,747	184,747
Operating transfers out	(177,525)	(7,222)	-	(184,747)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(177,525)</u>	<u>(7,222)</u>	<u>184,747</u>	<u>-</u>
Net change in fund balances	820,685	65,446	18,897	905,028
Fund Balances - January 1	<u>2,206,716</u>	<u>351,431</u>	<u>330,426</u>	<u>2,888,573</u>
Fund Balances - December 31	<u>\$ 3,027,401</u>	<u>\$ 416,877</u>	<u>\$ 349,323</u>	<u>\$ 3,793,601</u>

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 BALANCES – MODIFIED CASH BASIS
TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances - Governmental Funds	\$ 905,028
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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 \$ 49,713.	49,713
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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.	(265,205)
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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.	(84,599)
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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	-	
Repayment of note and loan principal	136,461	136,461
Change in Net Position of Governmental Activities		\$ 741,398

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, 2019

	Enterprise Funds		Total
	Sewer Fund	Health and Sanitation Fund	Proprietary Funds
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 386,373	\$ 579,294	\$ 965,667
Total Current Assets	<u>386,373</u>	<u>579,294</u>	<u>965,667</u>
<u>Noncurrent Assets:</u>			
Taxpayer receivable	947	-	947
Due from other funds	157	-	157
Due from other governments	36,342	-	36,342
Sewer system, net of accumulated depreciation	2,537,236	-	2,537,236
Machinery and equipment, net of accumulated depreciation	<u>369</u>	<u>80,508</u>	<u>80,877</u>
Total Noncurrent Assets	<u>2,575,051</u>	<u>80,508</u>	<u>2,655,559</u>
Total Assets	<u>2,961,424</u>	<u>659,802</u>	<u>3,621,226</u>
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Due to other funds	-	282	282
Unearned revenues	<u>-</u>	<u>17,181</u>	<u>17,181</u>
Total Current Liabilities	-	17,463	17,463
Long-term debt	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>17,463</u>	<u>17,463</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	2,537,236	80,508	2,617,744
Unrestricted	<u>424,188</u>	<u>561,831</u>	<u>986,019</u>
Total Net Position	<u>\$2,961,424</u>	<u>\$ 642,339</u>	<u>\$ 3,603,763</u>

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, 2019

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Sewer</u>	<u>Health and</u>	<u>Proprietary</u>
	<u>Fund</u>	<u>Sanitation Fund</u>	<u>Funds</u>
OPERATING REVENUES			
Charges for services	\$ 1,487,374	\$ 840,761	\$ 2,328,135
Processing fees	<u>45</u>	<u>1,918</u>	<u>1,963</u>
Total Operating Revenues	1,487,419	842,679	2,330,098
OPERATING EXPENSES			
Administration	65,317	66,296	131,613
Engineering and legal services	9,154	-	9,154
Sewer collection and treatment	1,094,296	-	1,094,296
Sanitation collection	-	392,384	392,384
Payroll taxes and employment benefits	296,498	150,183	446,681
Insurance	13,533	13,533	27,066
Miscellaneous	-	-	-
Depreciation	<u>218,457</u>	<u>16,399</u>	<u>234,856</u>
Total Operating Expenses	<u>1,697,255</u>	<u>638,795</u>	<u>2,336,050</u>
OPERATING INCOME (LOSS)	<u>(209,836)</u>	<u>203,884</u>	<u>(5,952)</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	-	82,178	82,178
Interest income	7,344	6,160	13,504
Miscellaneous	<u>10,120</u>	<u>-</u>	<u>10,120</u>
Total Nonoperating Revenues (Expenses)	<u>17,464</u>	<u>88,338</u>	<u>105,802</u>
CHANGE IN NET POSITION	(192,372)	292,222	99,850
NET POSITION - BEGINNING OF YEAR	<u>3,153,796</u>	<u>350,117</u>	<u>3,503,913</u>
NET POSITION - END OF YEAR	<u>\$ 2,961,424</u>	<u>\$ 642,339</u>	<u>\$ 3,603,763</u>

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, 2019

	Enterprise Funds		Total
	Sewer Fund	Health and Sanitation Fund	Proprietary Funds
<u>Cash Flows from Operating Activities</u>			
Operating income (loss)	\$ (209,836)	\$ 203,884	\$ (5,952)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	218,457	16,399	234,856
(Increase) decrease in due from other funds	939	-	939
(Increase) decrease in due from other governments	(36,342)	-	(36,342)
Increase (decrease) in due to other funds	-	(1,024)	(1,024)
Increase (decrease) in unearned revenues	(1,188)	16,878	15,690
Total adjustments	181,866	32,253	214,119
Net Cash Provided by (Used in) Operating Activities	(27,970)	236,137	208,167
<u>Cash Flows from Noncapital Activities</u>			
Intergovernmental revenue	-	82,178	82,178
Miscellaneous	10,120	-	10,120
Net Cash Provided by (Used in) Noncapital Activities	10,120	82,178	92,298
<u>Cash Flows from Financing Activities</u>			
Purchase of machinery and equipment	-	(60,105)	(60,105)
Net Cash Provided by (Used in) Financing Activities	-	(60,105)	(60,105)
<u>Cash Flows from Investing Activities</u>			
Interest income	7,344	6,160	13,504
Net Cash Provided by Investing Activities	7,344	6,160	13,504
Net Increase (Decrease) in Cash and Cash Equivalents	(10,506)	264,370	253,864
Cash and Cash Equivalents, January 1	396,879	314,924	711,803
Cash and Cash Equivalents, December 31	<u>\$ 386,373</u>	<u>\$ 579,294</u>	<u>\$ 965,667</u>

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, 2019

	<u>Police Pension Plan</u>	<u>Non-Uniform Pension Plan (A)</u>	<u>Total Fiduciary Funds</u>
<u>ASSETS</u>			
Receivables - member contributions	\$ -	\$ -	\$ -
Investments, at fair value:			
Assets with MRT	3,414,793	-	3,414,793
Investments, at fair value:			
Assets with PMRS	<u>-</u>	<u>904,887</u>	<u>904,887</u>
Total Assets	<u>3,414,793</u>	<u>904,887</u>	<u>4,319,680</u>
<u>LIABILITIES</u>			
Refunds of member contributions	<u>20,651</u>	<u>-</u>	<u>20,651</u>
Total Liabilities	<u>20,651</u>	<u>-</u>	<u>20,651</u>
<u>NET POSITION:</u>			
Restricted for pension benefits	<u>\$3,394,142</u>	<u>\$ 904,887</u>	<u>\$4,299,029</u>

(A) PMRS's plan fiduciary net position (fair value of plan assets) is measured as of December 31, 2018, 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, 2019

	Police Pension Plan	Non-Uniform Pension Plan (A)	Total Fiduciary Funds
<u>ADDITIONS TO NET POSITION</u>			
Contributions			
Employer	\$ 229,491	\$ 74,468	\$ 303,959
Employee	66,893	13,653	80,546
State aid	<u>153,615</u>	<u>-</u>	<u>153,615</u>
Total Contributions	449,999	88,121	538,120
Investment Income			
Net appreciation (depreciation) in fair value of investments	402,752	(128,160)	274,592
Interest and dividends	<u>59,339</u>	<u>46,899</u>	<u>106,238</u>
	462,091	(81,261)	380,830
Less: Investment expenses	<u>(18,710)</u>	<u>-</u>	<u>(18,710)</u>
Net Investment Income (Loss)	<u>443,381</u>	<u>(81,261)</u>	<u>362,120</u>
TOTAL ADDITIONS TO NET POSITION	893,380	6,860	900,240
<u>DEDUCTIONS FROM NET POSITION</u>			
Benefits payments	280,105	55,441	335,546
Administrative expenses	6,740	2,393	9,133
Refund of member contributions	<u>20,651</u>	<u>-</u>	<u>20,651</u>
TOTAL DEDUCTIONS FROM NET POSITION	<u>307,496</u>	<u>57,834</u>	<u>365,330</u>
Change in net position	585,884	(50,974)	534,910
Net position restricted for pension benefits			
Beginning of year	<u>2,808,258</u>	<u>955,861</u>	<u>3,764,119</u>
End of year	<u>\$ 3,394,142</u>	<u>\$ 904,887</u>	<u>\$ 4,299,029</u>

(A) PMRS's plan fiduciary net position (fair value of plan assets) is measured as of December 31, 2018, the most recent information available.

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

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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.

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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.

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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.

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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)

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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 2019. Borough Council must approve all over expenditures of appropriations or transfers of appropriated amounts.

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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.

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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, 2019.

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.

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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, 2019, the carrying amount of the Borough's deposits is \$ 4,915,411 and the bank balance is \$ 4,929,414. 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, \$ 4,679,414 at December 31, 2019, 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.

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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, 2019, 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
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Amount</u>	<u>Value</u>
Mutual Funds	\$ -	\$ -	\$ 4,319,680	\$ 4,319,680	\$ 4,319,680
	Total			<u>\$ 4,319,680</u>	<u>\$ 4,319,680</u>

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

NOTE 3 Capital Assets

The following is a summary of the changes in the capital asset activity for the year ended December 31, 2019:

<u>Governmental Activities</u>					
<u>Cost Basis</u>		Balance			Balance
	<u>Life</u>	<u>1/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2019</u>
Land		\$ 971,512	\$ -	\$ -	\$ 971,512
Buildings and improvements	10 - 40 yrs.	2,355,170	-	-	2,355,170
Machinery and equipment	5 yrs.	357,080	-	-	357,080
Vehicles	5 - 10 yrs.	1,462,728	49,713	-	1,512,441
Infrastructure	30 yrs.	3,144,858	-	-	3,144,858
		<u>\$ 8,291,348</u>	<u>\$ 49,713</u>	<u>\$ -</u>	<u>\$ 8,341,061</u>
<u>Accumulated Depreciation</u>		Balance			Balance
	<u>Life</u>	<u>1/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2019</u>
Land		\$ -	\$ -	\$ -	\$ -
Buildings and improvements	10 - 40 yrs.	659,244	57,707	-	716,951
Machinery and equipment	5 yrs.	250,113	39,130	-	289,243
Vehicles	5 - 10 yrs.	1,321,363	63,539	-	1,384,902
Infrastructure	30 yrs.	572,642	104,829	-	677,471
		<u>\$ 2,803,362</u>	<u>\$ 265,205</u>	<u>\$ -</u>	<u>\$ 3,068,567</u>
Net Capital Assets		<u>\$ 5,487,986</u>			<u>\$ 5,272,494</u>

Depreciation expense of \$ 265,205 in the governmental activities was recorded as an unallocated expense because the Borough does not breakdown the expenses into functional areas.

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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, 2019:

Enterprise Funds:

<u>Cost Basis</u>		Balance			Balance
	<u>Life</u>	<u>1/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2019</u>
Buildings, plant and improvements	40 - 50 yrs.	\$ 9,956,612	\$ -	\$ -	\$ 9,956,612
Machinery	5 - 7 yrs.	163,753	60,105	-	223,858
		<u>\$ 10,120,365</u>	<u>\$ 60,105</u>	<u>\$ -</u>	<u>\$ 10,180,470</u>
<u>Accumulated Depreciation</u>		Balance			Balance
	<u>Life</u>	<u>1/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2019</u>
Buildings, plant and improvements	40 - 50 yrs.	\$ 7,201,658	\$ 217,718	\$ -	\$ 7,419,376
Machinery	5 - 7 yrs.	125,843	17,138	-	142,981
		<u>\$ 7,327,501</u>	<u>\$ 234,856</u>	<u>\$ -</u>	<u>\$ 7,562,357</u>
 Net Capital Assets		 <u>\$ 2,792,864</u>			 <u>\$ 2,618,113</u>

Depreciation charged to operations for the Sewer Fund and Health and Sanitation Fund was \$ 218,457 and \$ 16,399 respectively, for the year ended December 31, 2019.

NOTE 4 Long-Term Debt

The following is a summary of the details of outstanding long-term debt as of December 31, 2019:

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 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.

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

NOTE 4 Long-Term Debt (Continued)

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 lease-purchase agreement was paid off during 2019.

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

The following is a summary of long-term debt transactions for the year ended December 31, 2019:

	Balance <u>1/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2019</u>
<u>Governmental-type</u>				
2013 GO Note	\$ 611,004	\$ -	\$ 57,725	\$ 553,279
2017 GO Note	1,114,980	-	64,522	1,050,458
Capital Lease	7,689	-	7,689	-
Capital Lease	33,783	-	6,525	27,258
Total Governmental-type	1,767,456	-	136,461	1,630,995
<u>Business-type</u>				
Capital Lease	-	-	-	-
Total Business-type	-	-	-	-
Total Long-Term Debt	\$ 1,767,456	\$ -	\$ 136,461	\$ 1,630,995

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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, 2019:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 190,114	\$ 44,165	\$ 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	<u>\$ 1,603,737</u>	<u>\$ 170,971</u>	<u>\$ 1,774,708</u>

The annual debt service requirements to maturity for governmental-type capital leases are as follows, as of December 31, 2019:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 13,247	\$ 1,196	\$ 14,443
2021	14,011	432	14,443
Total	<u>\$ 27,258</u>	<u>\$ 1,628</u>	<u>\$ 28,886</u>

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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.

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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, 2019.

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

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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, 2019, (the most recent date available) is as follows:

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

Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 71,350
Interest on net pension obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual pension costs	71,350
Contributions made	<u>71,350</u>
Increase (decrease) in net pension obligation	-
Net pension obligation, beginning of year	<u>-</u>
Net pension obligation, end of year	<u>\$ -</u>

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

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2017	\$ 65,666	100%	\$ -
12/31/2018	\$ 74,368	100%	\$ -
12/31/2019	\$ 71,350	100%	\$ -

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

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

For the year ended December 31, 2019, the actuarial determined nonuniformed employees plan pension expense is \$56,017. However, the Borough recognizes pension expense on the modified cash basis which totaled \$71,350.

At December 31, 2019, the Borough has deferred outflows of resources and deferred inflows of resources related to the nonuniformed employees pension from the following sources:

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

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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

Actuarial assumptions

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

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

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

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

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

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 5.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and the contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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	\$ 305,935	\$ 180,160	\$ 73,612

Police Pension Plan

Summary of Significant Accounting Policies

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

Plan Description, Contribution Information and Funding Policy

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

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

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

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

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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 2019 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, 2019, (the most recent date available) is as follows:

Active plan members	9
Retirees and beneficiaries	
currently receiving benefits	8
Terminated employees entitled	
to benefits but not yet receiving them	-
Total	<u>17</u>

Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 383,106
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension costs	383,106
Contributions made	<u>383,106</u>
Increase (decrease) in net pension obligation	-
Net pension obligation, beginning of year	-
Net pension obligation, end of year	<u>\$ -</u>

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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

<u>Year</u> <u>Ending</u>	<u>Pension</u> <u>Cost (APC)</u>	<u>of APC</u> <u>Contributed</u>	<u>Pension</u> <u>Obligation</u>
12/31/2017	\$ 265,129	100%	\$ -
12/31/2018	\$ 360,560	100%	\$ -
12/31/2019	\$ 383,106	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, 2019, 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, 2019, the Borough's net pension liability is \$1,627,037. The total pension liability of \$5,021,179 was determined as part of an actuarial valuation at January 1, 2019. Update procedures were used to roll forward to the plan's fiscal year ending December 31, 2019.

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

NOTE 5 Retirement Plans (Continued)

Police Pension Plan (Continued)

For the year ended December 31, 2019, the actuarial determined uniformed employees plan pension expense is \$383,014. However, the Borough recognizes pension expense on the modified cash basis which totaled \$383,106.

At December 31, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 134,895	\$ 189,005
Net difference between projected and actual earnings on pension plan investments	206,924	280,466
Changes of assumptions	<u>236,421</u>	<u>-</u>
Total	<u>\$ 578,240</u>	<u>\$ 469,471</u>

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

Year ending Dec. 31,	2020	30,352
	2021	18,561
	2022	49,711
	2023	(15,334)
	2024	36,453
	Thereafter	(10,974)

Actuarial assumptions

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

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

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the plan will continue to be funded based on the Minimum Municipal Obligation as determined in accordance with Act 205. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	<u>1% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1% Increase 7.75%</u>
Net Pension Liability	\$ 2,314,731	\$ 1,627,037	\$ 1,061,205

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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 December 31, 2019, actuarial accrued liability for other postemployment benefits was \$3,735,546 and the actuarial value of assets was \$ -0-, resulting in an unfunded actuarial accrued liability of \$3,735,546.

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.

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 2019, 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.

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

NOTE 6 Postemployment Benefits Other Than Pensions (Continued)

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

	<u>1% Decrease</u> <u>2.25%</u>	<u>Current Discount Rate</u> <u>3.25%</u>	<u>1% Increase</u> <u>4.25%</u>
Net OPEB liability	\$ 4,090,637	\$ 3,735,546	\$ 3,416,666

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 3,283,410	\$ 3,735,546	\$ 4,273,911

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.

BOROUGH OF FOUNTAIN HILL
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019

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, 2019, 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, 2019.

The General Fund's: Culture and Recreation, Community Development, and Capital Outlay budget categories had expenditures in excess of appropriations for the year ended December 31, 2019.

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 Fountain Hill Stormwater Authority

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

NOTE 12 Subsequent Events

Subsequent events have been evaluated through August 25, 2020, 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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Taxes	\$ 2,747,501	\$ 2,747,501	\$ 2,979,253	\$ 231,752
Licenses and permits	72,150	72,150	73,380	1,230
Fines and forfeits	62,000	62,000	102,866	40,866
Interest and rents	26,950	26,950	78,729	51,779
Intergovernmental revenues	148,800	148,800	363,203	214,403
Charges for services	97,150	97,150	176,150	79,000
Donations and miscellaneous	82,000	82,000	212,809	130,809
TOTAL REVENUES	<u>3,236,551</u>	<u>3,236,551</u>	<u>3,986,390</u>	<u>749,839</u>
EXPENDITURES				
Current				
General government	383,617	383,617	340,505	43,112
Public safety	1,275,635	1,275,635	1,245,089	30,546
Health and human services	1,700	1,700	1,590	110
Public works - Highways and streets	302,523	302,523	280,328	22,195
Public works - other services	17,289	17,289	16,368	921
Culture and recreation	88,230	88,230	139,909	(51,679)
Community development	-	-	3,300	(3,300)
Insurance, employee benefits and misc	970,935	970,935	911,378	59,557
Debt service - principal	133,475	133,475	-	133,475
Debt service - interest and fiscal charges	59,077	59,077	-	59,077
Capital outlay	-	-	49,713	(49,713)
TOTAL EXPENDITURES	<u>3,232,481</u>	<u>3,232,481</u>	<u>2,988,180</u>	<u>244,301</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,070	4,070	998,210	994,140
OTHER FINANCING SOURCES (USES)				
Proceeds of general long-term debt	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(177,525)	(177,525)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(177,525)</u>	<u>(177,525)</u>
Net change in fund balances	4,070	4,070	820,685	816,615
Fund Balances - January 1	1,880,434	1,880,434	2,206,716	326,282
Fund Balances - December 31	<u>\$ 1,884,504</u>	<u>\$ 1,884,504</u>	<u>\$ 3,027,401</u>	<u>\$ 1,142,897</u>

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

EMPLOYEES PENSION PLAN (NONUNIFORMED PLAN)

Last 10 Fiscal Years**

	<u>12/31/2014*</u>
<u>Total Pension Liability</u>	
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	<u>164,351</u>
Total pension liability - beginning	<u>878,100</u>
Total pension liability - ending	<u><u>\$ 1,042,451</u></u>
<u>Plan Fiduciary Net Position</u>	
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	<u>58,271</u>
Plan fiduciary net position - beginning	<u>728,787</u>
Plan fiduciary net position - ending	<u><u>\$ 787,058</u></u>
Municipality's net position liability	<u><u>\$ 255,393</u></u>
 Covered-employee payroll	 \$ 445,714
Net pension liability as a percentage of its covered-employee payroll	57.30%
Plan fiduciary net position as a percentage of the total pension liability	75.50%

* Measurement date for the Net Pension Liability.

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

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

EMPLOYEES PENSION PLAN (NONUNIFORMED PLAN)

Last 10 Fiscal Years**

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

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

POLICE PENSION PLAN (UNIFORMED PLAN)

Last 10 Fiscal Years*

	<u>12/31/2014</u>	<u>12/31/2015</u>
<u>Total Pension Liability</u>		
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	<u>(301,878)</u>	<u>(278,084)</u>
Net change in total pension liability	75,172	383,205
Total pension liability - beginning	<u>3,675,936</u>	<u>3,751,108</u>
Total pension liability - ending	<u><u>\$ 3,751,108</u></u>	<u><u>\$ 4,134,313</u></u>
<u>Plan Fiduciary Net Position</u>		
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	<u>(301,878)</u>	<u>(278,084)</u>
Administrative expense	<u>(17,326)</u>	<u>(21,186)</u>
Net change in plan fiduciary net position	39,146	(95,204)
Plan fiduciary net position - beginning	<u>2,442,598</u>	<u>2,481,744</u>
Plan fiduciary net position - ending	<u><u>\$ 2,481,744</u></u>	<u><u>\$ 2,386,540</u></u>
Municipality's net position liability	<u><u>\$ 1,269,364</u></u>	<u><u>\$ 1,747,773</u></u>
 Covered-employee payroll	 \$ 524,894	 \$ 522,861
 Net pension liability as a percentage of its covered-employee payroll	 241.8%	 334.3%
 Plan fiduciary net position as a percentage of the total pension liability	 66.2%	 57.7%

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

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

POLICE PENSION PLAN (UNIFORMED PLAN)

Last 10 Fiscal Years*

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

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

EMPLOYEES PENSION PLAN (NONUNIFORMED PLAN)

	Last 10 Fiscal Years*				
	<u>December 31, 2014</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>
Actuarially determined contribution	42,714	55,468	39,838	65,666	74,368
Contributions in relation to the actuarially required contribution:	<u>42,714</u>	<u>55,548</u>	<u>39,879</u>	<u>65,706</u>	<u>74,468</u>
Contribution deficiency (excess)	-	(80)	(41)	(40)	(100)
Covered-employee payroll	445,189	283,428	355,857	359,820	390,068
Contributions as a percentage of covered-employee payroll	9.59%	19.60%	11.21%	18.26%	19.09%

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

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

Last 10 Fiscal Years *

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Actuarially Determined Contribution	\$ 167,988	\$ 183,491	\$ 221,357	\$ 213,908	\$ 195,280	\$ 193,640	\$ 249,453	\$ 265,129	\$ 360,560	\$ 383,106
Contributions in Relation to the Actuarially Determined Contribution	167,988	183,491	221,357	213,908	195,280	193,640	249,453	265,129	360,560	383,106
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 643,160		\$ 598,685		\$ 524,894	\$ 522,861	\$ 661,478	\$ 764,709	\$ 831,870	\$ 801,712
Contributions as a Percentage of Covered Employee Payroll	26.1%		37.0%		37.2%	37.0%	37.7%	34.7%	43.3%	47.8%
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:	1/1/19
Actuarial cost method:	Entry Age Normal
Amortization method:	Level Dollar Closed
Remaining amortization period:	Not available
Asset valuation method:	Fair Value as determined by the trustee
Actuarial assumptions:	
Investment rate of return	5.25%
Projected salary increases	Age-related scale for merit
Includes inflation at	2.80%

POLICE PENSION PLAN (UNIFORMED PLAN)

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

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

Last 10 Fiscal Years*

	<u>December 31, 2018</u>	<u>December 31, 2019</u>
Total OPEB Liability		
Service Cost	\$ 214,555	\$ 220,455
Interest	119,264	121,669
Changes of Benefit Terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Benefit Payments	(273,765)	(257,525)
Other Changes	-	-
Net Change in Total OPEB Liability	<u>60,054</u>	<u>84,599</u>
 Total OPEB Liability - Beginning	 <u>3,590,893</u>	 <u>3,650,947</u>
Total OPEB Liability - Ending	<u>\$ 3,650,947</u>	<u>\$ 3,735,546</u>

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

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

BOROUGH OF FOUNTAIN HILL
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
MODIFIED CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

ASSETS

Cash and Cash Equivalents	\$ 195,946	\$ 130,842	\$ 22,535	\$ -	\$ 349,323
	<u>\$ 195,946</u>	<u>\$ 130,842</u>	<u>\$ 22,535</u>	<u>\$ -</u>	<u>\$ 349,323</u>
Total Assets					

LIABILITIES AND FUND BALANCES

FUND BALANCES

Restricted for:

Public safety	\$ 195,946	\$ -	\$ -	\$ -	\$ 195,946
Public works					-
Library		130,842			130,842

Assigned to:

Recreation	-	-	22,535	-	22,535
Total Fund Balances	<u>195,946</u>	<u>130,842</u>	<u>22,535</u>	<u>-</u>	<u>349,323</u>

Total Liabilities and Fund Balances	\$ 195,946	\$ 130,842	\$ 22,535	\$ -	\$ 349,323
	<u>\$ 195,946</u>	<u>\$ 130,842</u>	<u>\$ 22,535</u>	<u>\$ -</u>	<u>\$ 349,323</u>

BOROUGH OF FOUNTAIN HILL
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Fire</u>	<u>Library</u>	<u>Playground</u>	<u>Debt Service</u>	<u>Total</u>
REVENUES					
Taxes	\$ 18,396	\$ 91,978	\$ -	\$ -	\$ 110,374
Interest	3,872	1,864	123	-	5,859
Miscellaneous	-	-	-	-	-
TOTAL REVENUES	22,268	93,842	123	-	116,233
EXPENDITURES					
Current					
Culture and recreation	-	86,191	11,145	-	97,336
Debt service - principal	-	-	-	136,461	136,461
Debt service - interest	-	-	-	48,286	48,286
TOTAL EXPENDITURES	-	86,191	11,145	184,747	282,083
Excess (deficiency) of revenues over (under) expenditures	22,268	7,651	(11,022)	(184,747)	(165,850)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	184,747	184,747
Operating transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	184,747	184,747
Net change in fund balances	22,268	7,651	(11,022)	-	18,897
Fund Balances - January 1	173,678	123,191	33,557	-	330,426
Fund Balances - December 31	\$ 195,946	\$ 130,842	\$ 22,535	\$ -	\$ 349,323

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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, 2019 and the related notes to the financial statements, which collectively comprise the Borough of Fountain Hill, Pennsylvania's basic financial statements, and have issued our report thereon dated August 25, 2020.

Internal Control over Financial Reporting

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

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

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

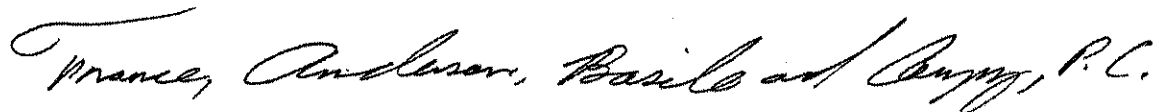
not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

Emmaus, Pennsylvania
August 25, 2020