

BOROUGH OF FOUNTAIN HILL

**Financial Statements,
Independent Auditor's Report
and Supplementary Information**

December 31, 2021

**CAMPBELL, RAPPOLD & YURASITS LLP
Certified Public Accountants
1033 South Cedar Crest Boulevard Allentown, PA 18103**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Borough Council
Borough of Fountain Hill
Fountain Hill, PA

Opinions

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, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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 as of December 31, 2021, 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 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of Fountain Hill and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note 2 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.

Adjustments to Prior Period Financial Statements

The financial statements of the Borough of Fountain Hill as of December 31, 2020, were audited by other auditors whose report dated August 9, 2021, expressed an unmodified opinion on those financial statements. As discussed in Note 15 to the financial statements, the Borough has restated its 2020 financial statements during the current year for the correction of the application of the modified cash basis of accounting. The other auditors reported on the 2020 financial statements before the restatement.

As part of our audit of the 2021 financial statements, we also audited the adjustments described in Note 16 that were applied to restate the 2020 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the Borough of Fountain Hill's 2020 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

Responsibilities of Management 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 2, and for 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Fountain Hill's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Borough of Fountain Hill's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that budgetary comparison, pension and other postemployment benefit information on pages 48-57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Fountain Hill's basic financial statements. Management's combining schedules on pages 59-62 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules 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 schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022 on our consideration of the Borough of Fountain Hill 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 solely 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 the effectiveness of Borough of Fountain Hill's 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's internal control over financial reporting and compliance.

Congbell, Rappold & Yussata LLP

June 30, 2022

BOROUGH OF FOUNTAIN HILL
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2021

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash and Cash Equivalents	\$ 5,401,860	\$ 1,694,731	\$ 7,096,591
Internal Balances	89,782	13,671	103,453
Total Current Assets	5,491,642	1,708,402	7,200,044
Noncurrent Assets:			
Land	899,842	-	899,842
Buildings and Improvements	2,378,413	9,956,613	12,335,026
Machinery and Equipment	360,911	223,858	584,769
Vehicles	1,827,222	-	1,827,222
Infrastructure	3,594,121	-	3,594,121
Accumulated Depreciation	(3,443,508)	(8,035,093)	(11,478,601)
Total Noncurrent Assets	5,617,001	2,145,378	7,762,379
TOTAL ASSETS	11,108,643	3,853,780	14,962,423
LIABILITIES			
Current Liabilities:			
Credit Card Payable	43,853	-	43,853
Accrued Expenses	3,153	-	3,153
Internal Balances	1,555	101,898	103,453
Current Portion of Long-Term Debt	91,102	-	91,102
Total Current Liabilities	139,663	101,898	241,561
Noncurrent Liabilities:			
Long-Term Debt	370,849	-	370,849
Total Noncurrent Liabilities	370,849	-	370,849
TOTAL LIABILITIES	510,512	101,898	612,410
NET POSITION			
Invested in Capital Assets, Net of Related Debt	5,155,050	2,145,378	7,300,428
Restricted for:			
Capital Projects	750,235	-	750,235
Special Revenue	844,642	-	844,642
Unrestricted	3,848,204	1,606,504	5,454,708
TOTAL NET POSITION	\$ 10,598,131	\$ 3,751,882	\$ 14,350,013

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

**BOROUGH OF FOUNTAIN HILL
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:						
General Government	\$ 389,016	\$ -	\$ 30,889	\$ -	\$ (388,627)	\$ -
Public Safety	1,383,735	76,463	21,056	300,267	(965,950)	-
Health and Human Services	1,840	-	-	-	(1,840)	-
Public Works - Highways and Streets	331,235	-	121,306	365,491	166,562	-
Public Works - Other Services	17,732	-	-	-	(17,732)	-
Culture and Recreation	135,933	11,940	-	-	(123,993)	-
Insurance and Employee Benefits	994,058	-	124,729	-	(869,329)	-
Interest on Long-Term Debt	16,744	-	-	-	(16,744)	-
Depreciation Expense - Unallocated	239,984	-	-	-	(239,984)	-
Total Governmental Activities	3,500,277	88,393	297,480	665,758	(2,448,646)	-
Business Type Activities:						
Sewer	1,687,877	1,374,651	-	-	-	(213,328)
Health and Sanitation	897,378	693,696	-	-	-	(19,682)
Stormwater	43,666	233,408	-	-	-	189,742
Total Business-Type Activities	2,328,921	2,291,655	-	-	-	(37,266)
Total Primary Government	\$ 5,829,198	\$ 2,380,048	\$ 297,480	\$ 665,758	\$ (2,448,646)	\$ (37,266)
General Revenues:						
Taxes:						
Property Taxes, levied for general purposes, net				\$ 2,113,299	\$ -	\$ 2,113,299
Property Taxes, levied for fire protection, net				18,398	-	18,398
Property Taxes, levied for library protection, net				91,960	-	91,960
Other Taxes, levied for general purposes, net				1,103,270	-	1,103,270
Licenses and Permits				73,123	-	73,123
Fines and Forfeits				62,105	-	62,105
Miscellaneous Income				162,888	-	162,888
Interest and Rental Income				67,086	606	67,691
Transfers In/(Out)				-	-	-
Total General Revenues, Special Items, Extraordinary Items, and Transfers				3,682,126	606	3,682,732
Change In Net Position				1,233,480	(39,690)	1,193,790
Net Position - Beginning (As Restated) (Note 15)				9,364,861	3,789,542	13,154,403
Net Position - Ending				\$ 10,598,341	\$ 3,751,852	\$ 14,350,193

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

BOROUGH OF FOUNTAIN HILL
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES –
MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	Major Fund	Non-Major Funds		Total
	General	Special Revenue	Capital Projects	
ASSETS				
Cash and Cash Equivalents	\$ 3,805,784	\$ 844,474	\$ 751,602	\$ 5,401,860
Due from Other Funds	89,614	168	-	89,782
TOTAL ASSETS	\$ 3,895,398	\$ 844,642	\$ 751,602	\$ 5,491,642
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Credit Card Payable	\$ 43,853	\$ -	\$ -	\$ 43,853
Accrued Expenses	3,153	-	-	3,153
Due to Other Funds	188	-	1,367	1,555
TOTAL LIABILITIES	47,194	-	1,367	48,561
FUND BALANCES				
Assigned	-	18,878	-	18,878
Restricted	147	825,764	244,579	1,070,490
Committed	23,161	-	505,656	528,817
Unassigned	3,824,896	-	-	3,824,896
TOTAL FUND BALANCES	3,848,204	844,642	750,235	5,443,081
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,895,398	\$ 844,642	\$ 751,602	\$ 5,491,642

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

**BOROUGH OF FOUNTAIN HILL
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCES TO THE STATEMENT OF NET POSITION –
MODIFIED CASH BASIS
DECEMBER 31, 2021**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,443,081

**Amounts Reported for Governmental Activities in the
Statement of Net Position - Modified Cash Basis are Different Because:**

Capital assets 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 \$9,060,509 and the accumulated depreciation is \$3,443,508. 5,617,001

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 consist of:

Notes Payable \$ (461,951) (461,951)

TOTAL NET POSITION - \$ 10,598,131
GOVERNMENTAL ACTIVITIES

The accompanying notes are an integral part of these 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, 2021

	Major Fund	Non-Major Funds		Total
	General	Special Revenue	Capital Projects	
REVENUES				
Taxes	\$ 3,216,569	\$ 110,376	\$ -	\$ 3,326,945
Licenses and Permits	73,123	-	-	73,123
Fines and Forfeitures	62,105	-	-	62,105
Interest and Rents	66,799	193	93	67,085
Intergovernmental Revenues	295,745	321,306	245,920	862,971
Contributions	-	100,267	-	100,267
Charges for Services	88,393	-	-	88,393
Other Revenues	152,868	-	-	152,868
TOTAL REVENUES	3,955,602	532,142	246,013	4,733,757
EXPENDITURES				
General Government	399,016	-	-	399,016
Public Safety	1,336,074	27,661	-	1,363,735
Health and Human Services	1,840	-	-	1,840
Public Works - Highways and Streets	284,882	44,755	1,367	330,804
Public Works - Other Services	17,732	-	-	17,732
Culture and Recreation	48,632	87,301	-	135,933
Insurance and Employee Benefits	994,058	-	-	994,058
Debt Service - Principal Retirement	217,536	14,012	-	231,548
Debt Service - Interest	16,744	431	-	17,175
Capital Outlay	71,027	200,000	-	271,027
TOTAL EXPENDITURES	3,387,341	374,160	1,367	3,762,868
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	568,261	157,982	244,646	970,889
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	350,000	350,000
Operating Transfers Out	(350,000)	-	-	(350,000)
Total Other Financing Sources (Uses)	(350,000)	-	350,000	-
Net Change in Fund Balances	218,261	157,982	594,646	970,889
Fund Balances, January 1	3,629,943	686,660	155,589	4,472,192
FUND BALANCES, DECEMBER 31	\$ 3,848,204	\$ 844,642	\$ 750,235	\$ 5,443,081

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

**BOROUGH OF FOUNTAIN HILL
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Net Change In Fund Balances - Governmental Funds \$ 970,889

**Amounts Reported for Governmental Activities in the
Statement of Activities - Modified Cash Basis are Different Because:**

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities - modified cash basis, the cost of those expenditures is not reported but treated as a capital asset on the statement of net position - modified cash basis

Capital Outlay	271,027	
Less: Depreciation Expense	<u>(239,984)</u>	
		31,043

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position - modified cash basis	<u>231,548</u>
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Change in Net Position of Governmental Activities	<u>\$ 1,233,480</u>
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The accompanying notes are an integral part of these financial statements.

BOROUGH OF FOUNTAIN HILL
STATEMENT OF NET POSITION – MODIFIED CASH BASIS – ALL PROPRIETARY FUNDS
DECEMBER 31, 2021

	Sewer Fund	Health and Sanitation Fund	Stormwater Fund	Total Proprietary Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents - Unrestricted	\$ 721,752	\$ 683,999	\$ 288,980	\$ 1,694,731
Due from Other Funds	12,284	20	1,367	13,671
Total Current Assets	<u>734,036</u>	<u>684,019</u>	<u>290,347</u>	<u>1,708,402</u>
Noncurrent Assets:				
Fixed Assets, Less Accumulated Depreciation	2,101,800	43,578	-	2,145,378
Total Noncurrent Assets	<u>2,101,800</u>	<u>43,578</u>	<u>-</u>	<u>2,145,378</u>
TOTAL ASSETS	<u>\$ 2,835,836</u>	<u>\$ 727,597</u>	<u>\$ 290,347</u>	<u>\$ 3,853,780</u>
LIABILITIES				
Current Liabilities:				
Due to Other Funds	\$ 89,614	\$ 12,284	\$ -	\$ 101,898
Total Current Liabilities	<u>89,614</u>	<u>12,284</u>	<u>-</u>	<u>101,898</u>
TOTAL LIABILITIES	<u>89,614</u>	<u>12,284</u>	<u>-</u>	<u>101,898</u>
NET POSITION				
Invested in Capital Assets	2,101,800	43,578	-	2,145,378
Unrestricted	644,422	671,735	290,347	1,608,504
Total Net Position	<u>2,746,222</u>	<u>715,313</u>	<u>290,347</u>	<u>3,751,882</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,835,836</u>	<u>\$ 727,597</u>	<u>\$ 290,347</u>	<u>\$ 3,853,780</u>

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

**BOROUGH OF FOUNTAIN HILL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION – MODIFIED CASH BASIS – ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Sewer Fund	Health and Sanitation Fund	Stormwater Fund	Total Proprietary Funds
OPERATING REVENUES:				
Charges for Services	\$ 1,374,551	\$ 683,696	\$ 233,408	\$ 2,291,655
Intergovernmental Revenues	-	-	-	-
Total Operating Revenues	1,374,551	683,696	233,408	2,291,655
OPERATING EXPENSES:				
Personnel	192,741	64,159	12,072	268,972
Supplies	12,473	11,274	2,439	26,186
Professional Services	98,686	2,150	24,609	125,445
Employee Benefits	188,743	117,438	4,446	310,627
Insurance	11,937	31,238	-	43,175
Repairs and Maintenance	366,635	-	100	366,735
Disposal System	498,944	452,654	-	951,598
Contractual Services	-	-	-	-
Depreciation and Amortization	217,718	18,465	-	236,183
Total Operating Expenses	1,587,877	697,378	43,666	2,328,921
OPERATING INCOME (LOSS)	(213,326)	(13,682)	189,742	(37,266)
NON-OPERATING REVENUES:				
Interest Revenue	291	287	28	606
Total Non-operating Revenues	291	287	28	606
Income (Loss) Before Transfers	(213,035)	(13,395)	189,770	(36,660)
Transfers In (Out)	-	-	-	-
Change in Net Position	(213,035)	(13,395)	189,770	(36,660)
Total Net Position - January 1 (As Restated) (Note 15)	2,959,257	728,708	100,577	3,788,542
TOTAL NET POSITION - December 31	\$ 2,746,222	\$ 715,313	\$ 290,347	\$ 3,751,882

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

BOROUGH OF FOUNTAIN HILL
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS –
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Sewer Fund	Health and Sanitation Fund	Stormwater Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 1,374,551	\$ 683,896	\$ 233,408	\$ 2,291,655
Cash Payment to Suppliers for Goods and Services	(988,675)	(497,316)	(27,148)	(1,513,139)
Cash Payments to Employees for Services	(308,713)	(170,145)	(17,885)	(496,743)
Net Cash Provided by Operating Activities	<u>77,163</u>	<u>16,235</u>	<u>188,375</u>	<u>281,773</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Transfers Out	-	-	-	-
Net Cash Used In Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:				
Acquisition of Capital Assets	-	-	-	-
Net Cash Used by Capital Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	291	287	28	606
Net Cash Provided by Investing Activities	<u>291</u>	<u>287</u>	<u>28</u>	<u>606</u>
Net Increase In Cash and Cash Equivalents	77,454	16,522	188,403	282,379
Cash and Cash Equivalents, January 1	644,298	667,477	100,577	1,412,352
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 721,752</u>	<u>\$ 683,999</u>	<u>\$ 288,980</u>	<u>\$ 1,694,731</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided Operating Activities				
Operating Income (Loss)	\$ (213,326)	\$ (13,682)	\$ 189,742	\$ (37,266)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	217,718	18,465	-	236,183
(Increase) Decrease In Due from Other Funds	(11,472)	(20)	(1,367)	(12,859)
Increase (Decrease) In Due to Other Funds	84,243	11,472	-	95,715
Total Adjustments	<u>290,489</u>	<u>29,917</u>	<u>(1,367)</u>	<u>319,039</u>
Net Cash Provided by Operating Activities	<u>\$ 77,163</u>	<u>\$ 16,235</u>	<u>\$ 188,375</u>	<u>\$ 281,773</u>

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

**BOROUGH OF FOUNTAIN HILL
STATEMENT OF NET POSITION – MODIFIED CASH BASIS –
ALL FIDUCIARY FUNDS
DECEMBER 31, 2021**

ASSETS:

Cash and Cash Equivalents - Restricted	<u>\$ 106,640</u>
Total Assets	<u><u>\$ 106,640</u></u>

LIABILITIES:

Due to Depositors	<u>\$ -</u>
Total Liabilities	<u>-</u>

NET POSITION:

Restricted	<u>106,640</u>
Total Liabilities and Net Position	<u><u>\$ 106,640</u></u>

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

**BOROUGH OF FOUNTAIN HILL
STATEMENT OF CHANGES IN NET POSITION – MODIFIED CASH BASIS –
ALL FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Custodial Funds
ADDITIONS:	
Collections from Other Entities	\$ 159,335
Total Additions	159,335
DEDUCTIONS:	
Payments to Other Entities	98,434
Total Deductions	98,434
NET INCREASE	60,901
NET POSITION:	
Net Position, January 1 (As Restated) (Note 15)	45,739
Net Position, December 31	\$ 106,640

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

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

1. Entity

The Borough of Fountain Hill (the "Borough") was incorporated in 1893 under the provisions of the constitution and general statutes of the Commonwealth of Pennsylvania ("Commonwealth").

The Borough Council, a seven-member group, and a Mayor, is the level of government responsible for providing a full range of municipal services including those mandated by statute or ordinance. These include public safety, highways and streets, culture and recreation, public improvements, planning and zoning, and general administrative services. The Borough receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities.

In evaluating the Borough as a reporting entity, management has addressed all potential component units for which the Borough may or may not be financially accountable, and as such, be includable within the Borough's financial statements. In accordance with Statement of Governmental Accounting Standards Board (GASB) No. 14 and No. 39, the Borough is financially accountable if it appoints a voting majority of the organization governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the Borough. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Following is a brief description of the component unit meeting the above criteria and as a result included within the financial reporting entity, a description of the component unit's relationship with the Borough, and a discussion of how component unit information has been incorporated into the financial statements:

The Fountain Hill Stormwater Authority (Authority) was incorporated October 23, 2019, under the Pennsylvania Municipal Authorities Act of 1945, approved May 2, 1945, as amended and supplemented. The Authority was formed to operate, maintain, and expand the existing Borough of Fountain Hill stormwater system, as a municipal authority. The Authority, by virtue of its Articles of Incorporation and of the Municipal Authorities Act, existence shall terminate fifty years from the date of filing, unless extended by an amendment to the Articles of Incorporation. The Authority is governed by a five-member Board of Directors who are residents of the Borough of Fountain Hill. The Authority funds are blended into the Proprietary Funds. Separate financial statements for Fountain Hill Stormwater Authority are audited by Campbell, Rappold & Yurasits LLP.

2. Summary of Significant Accounting Policies

The financial statements of the Borough of Fountain Hill have been prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) and is described more fully under Basis of Accounting and Measurement Focus. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are described below to enhance the usefulness of the financial statements to the reader.

BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (Continued)

Fund Accounting

The accounts of the Borough are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, expenditures, or expenses, and other financing sources and uses. These various funds are summarized by type in the financial statements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Basis of Presentation

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

Government-wide financial statements (i.e. the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis) report information on all of the non-fiduciary activities of the Borough as a whole. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately in the government-wide financial statements from business-type activities which rely, to a significant extent on fees and charges for support.

The Statement of Net Position – Modified Cash Basis presents the financial condition of the governmental and business-type activity of the Borough at fiscal year-end. The Statement of Activities – Modified Cash Basis presents a comparison between direct expenses and program revenues for the business-type activity of the Borough and for each function of the Borough's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Borough.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Borough's enterprise fund are service charges for sewer, health and sanitation and stormwater. Operating expenses for the Borough's enterprise funds include treatment and collection costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting

For financial reporting purposes, the Borough's funds have been grouped by fund type and are presented in this report in the following manner:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Borough are financed. The acquisition, use and balances of the Borough's expendable financial resources and the related liabilities are accounted for through the following governmental funds:

- ***General Fund (Major Fund)*** - is used to account for all financial transactions applicable to the general operations of the Borough except for those required to be accounted for in another fund.
- ***Special Revenue Funds (Non-Major Funds)*** - are used to account for proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The following are special revenue fund types:

State Liquid Fuels Fund - is utilized to account for the financial activity of the Borough's motor vehicle fuel tax allocation from the Commonwealth of Pennsylvania.

Fire Fund - is utilized to account for the financial activity of the Borough's fire tax revenue and its related expenditures.

Library Fund - is utilized to account for the financial activity of the Borough's library tax revenue and its related expenditures.

Playground Fund - is utilized to account for the financial activity of the Borough's playground revenue and its related expenditures.

- ***Capital Projects Fund (Non-Major Funds)*** - is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Projects and Capital Reserve funds are included in the accompanying financial statements as Capital Projects Funds.

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting (Continued)

Proprietary Fund Types

Proprietary funds are used to account for the Borough's ongoing activities that are similar to those often found in the private sector. The measurement focus is based upon the determination of net income. The Borough has one type of proprietary fund - the Enterprise Fund.

- ***Enterprise Fund*** - is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income are appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Borough has three Enterprise Funds described below.

Sewer Fund - is used to account for the operation and maintenance of the sanitary sewage treatment plant and is operated in a manner similar to a private business enterprise and is intended to be self-supporting.

Health and Sanitation Fund - is used to account for the administration of the collection and disposal of municipal waste and recycling materials in the Borough and is operated in a manner similar to a private business enterprise and is intended to be self-supporting.

Stormwater Fund - is used to account for the operation, maintenance and expansion of the existing stormwater system in the Borough and is operated in a manner similar to a private business enterprise and is intended to be self-supporting.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Borough in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following is the Borough's fiduciary fund type:

- ***Custodial Funds*** - are used to account for funds held in escrow for other parties. The Custodial Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Management Focus

Basis of Accounting

Basis of accounting refers to the timing of recognition of revenues and expenditures or expenses in the financial statements regardless of the measurement focus. The modified cash basis of accounting is followed for all governmental, proprietary and fiduciary funds of the Borough. The modified cash basis differs from GAAP in that certain revenues and the related assets are recognized when received rather than when earned and certain expenditures or expenses are recognized when paid rather than when a liability is incurred. Modifications to the cash basis of accounting include: fixed assets are capitalized and depreciated over their economic useful lives, the recording of long-term debt proceeds and principal payments as liabilities, the recording of payroll withholdings when withheld from employees' pay and recording of credit card liabilities. The Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis - Governmental Funds presents the results of the Borough's activities; it does not purport to present the net income or loss for the period.

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are accounted for on a spending or "financial flow" measurement focus. This means the Borough has elected to report on a modified cash basis while reporting long-term indebtedness in the General Fund. Governmental fund-type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with this activity are included on their statements of assets, liabilities, and net position. The reported fund equity is segregated into contributed capital and net position - modified cash basis. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in equity.

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Budgets and Non-GAAP Budgetary Basis of Accounting

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

- 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 and culture and recreation.
- Public hearings are conducted to obtain taxpayer comment.
- By December 31, the budget is legally enacted for all governmental funds through passage of an ordinance. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.
- All modifications, transfers and amendments must be approved by Borough Council.
- Formal budgetary integration is employed as a management control device during the year for the General Fund, State Liquid Fuels Fund, Sewer Fund and the Health and Sanitation Fund.
- The legally required and adopted budgets of the Borough are for the General Fund, State Liquid Fuels Fund, Sewer Fund and the Health and Sanitation Fund.
- Budgets for the General Fund, State Liquid Fuels Fund, Sewer Fund and the Health and Sanitation Fund are adopted on a modified cash basis of accounting discussed above.
- Borough Council may authorize supplemental appropriations during the year. No supplemental appropriations were made during fiscal 2021. Borough Council must approve all over expenditures of appropriations or transfers of appropriated amounts.

BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (Continued)

Budgets and Non-GAAP Budgetary Basis of Accounting (Continued)

The Schedule of Revenues, Expenditures and Other Financing Sources - Modified Cash Basis - Budget Comparison presents comparisons of legally adopted budgets with actual data. The budget has been prepared on the modified cash basis, which is the same basis of accounting used to prepare the financial statements as described more fully in Note 2. The Borough Council approves by a motion the total appropriations in the budget. Fund Balance and any revisions to the budget also require approval by Borough Council. There were no amendments to the budget as presented in the current year.

Cash

Cash and cash equivalents on the Statement of Net Position – Modified Cash Basis are considered to be cash on hand, demand deposits, cash with fiscal agent and deposits in the Pennsylvania Local Government Investment Trust (PLGIT).

For the purpose of the proprietary funds, "Statement of Cash Flows – Modified Cash Basis," cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, all highly liquid investments with an original maturity of three months or less and deposits in the Pennsylvania Local Government Investment Trust (PLGIT).

Interfund Transactions

Certain inter-fund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Other inter-fund transactions are reported as transfers. Non-recurring or non-routine permanent transfers of net position are reported as residual transfers of net position. All other inter-fund transfers are reported as operating transfers.

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Restricted Assets

Cash has been restricted to the extent of escrows payable and specific uses.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital assets reported in the governmental and business-type activities are depreciated using the straight-line method over the estimated useful life of components ranging from 5 to 30 years. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. 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 regulations of other governments. The Borough's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Transfers

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.

Management Estimates

The preparation of financial statements prepared with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Government – Wide Fiduciary and Proprietary Fund Net Position

Net Position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted – consist of assets that are restricted by the Borough's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

Governmental Fund Balances

The fund balance of Governmental Fund Types and the Fiduciary Funds are classified in four separate categories. The categories, and their general meanings, are as follows:

- Restricted fund balance - indicates the portion of the fund balance that can only be spent for specific purposes because of constitutional provisions, legislation, or constraints that are externally imposed.
- Committed fund balance - indicates the portion of the fund balance that can only be used for specific purposes determined by formal action of the Council.
- Assigned fund balance - indicates the portion of the fund balance that has been appropriated for specific purposes by authorization of the Council.
- Unassigned fund balance - indicates the portion of the fund balance that is available for appropriation and expenditure, in future periods.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position – modified cash basis will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position – modified cash basis will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

The Borough of Fountain Hill has not recorded any deferred outflows/inflows of resources because the Borough has elected to report its financial activities on the modified cash basis of accounting.

Adoption of New Accounting Standards

During 2021, the Borough adopted the provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This Statement is designed to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for the IRC Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. See Note 15 for effect on previously reported amounts.

3. Cash

General

Section 1316 of the Pennsylvania Borough Code provides for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Commonwealth of Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The deposit and investment policy of the Borough adheres to the statutes of the Commonwealth. Deposits of the Borough are either maintained in demand deposits or are held in bank money market accounts. There were no deposit or investment transactions during the year that were in violation of either the Commonwealth's statutes or the policy of the Borough.

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

3. Cash (Continued)

Cash (Cash on Hand and Bank Balances)

At December 31, 2021, the carrying amount of the Borough's bank deposits at one financial institution (including Custodial Funds) totaled \$1,548,061 and the corresponding bank balances were \$1,573,375 of which \$250,000 was insured by the Federal Deposit Insurance Corporation ("FDIC"); the uninsured bank balances of \$1,323,375 were collateralized, as described below.

Under Act No. 72 of the 1972 Session of the Pennsylvania General Assembly (the "Act of 72"), financial institutions were granted the authority to secure the deposits of public bodies by pledging a pool of assets, as defined in the Act of 72, to cover all public funds deposited in excess of FDIC limits. The uninsured bank balances of the Borough in the amount of \$1,323,375 were collateralized by this pool of assets maintained by the Borough's depository institutions.

Cash Equivalents

As of December 31, 2021, the carrying amounts of deposits in the Pennsylvania Local Government Investment Trust ("PLGIT" or "Trust") (including Custodial Funds) were \$5,366,190. The Borough maintains deposits in the PLGIT portfolio of the Trust. The assets in these portfolios are marked to market daily, there are stated limits on the weighted average maturity of the portfolios and the Trust seeks to maintain a net asset value of \$1.00 per share. Accordingly, the market value for the deposits in PLGIT are not materially different from the carrying amount. All deposits in PLGIT are insured or registered, or securities held by the Borough's or its agent in the Borough's name.

4. Real Estate Taxes

Based upon assessed valuations provided by the County (\$229,949,600 in 2021), the Borough bills and collects its own property taxes. The schedule for property taxes levied for 2021 is as follows:

January 1	- levy date
March 1	- billing date
March 1 – April 30	- 2% discount period
April 1 – June 30	- face payment period
July 1 – December 31	- 10% penalty period
January 1 (following year)	- lien date

The Borough continues to collect delinquent real estate taxes through December of the current year. At that time, all unpaid real estate taxes are turned over to the County of Lehigh Tax Claim Bureau for further collection. The 2021 municipal tax rate for all purposes was 9.61 mills (\$9.61 per \$1,000 of assessed valuation).

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

5. Inter-fund Receivables and Payables

Inter-fund receivable and payable balances as of December 31, 2021 as follows:

	Due From Other Funds	Due to Other Funds
<i><u>Governmental Activities</u></i>		
General Fund	\$ 89,614	\$ 188
State Liquid Fuels Fund	168	-
Capital Projects Fund	-	1,367
<i><u>Business Type Activities</u></i>		
Sewer Fund	12,284	89,614
Health and Sanitation Fund	20	12,284
Stormwater Fund	1,367	-
	\$ 103,453	\$ 103,453

6. Inter-fund Transfers

Inter-fund transfers during 2021 were as follows:

	Transfers from Other Funds	Transfers to Other Funds
<i><u>Governmental Activities</u></i>		
General Fund	\$ -	\$ 350,000
Capital Projects Fund	350,000	-
	\$ 350,000	\$ 350,000

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

7. Capital Assets

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

	Balance Jan. 1, 2021	Additions	Retirements	Balance Dec. 31, 2021
Governmental Activities:				
<i>Capital Assets Being Depreciated</i>				
Land	\$ 899,842	\$ -	\$ -	\$ 899,842
Buildings and Improvements	2,355,170	23,243	-	2,378,413
Machinery and Equipment	360,911	-	-	360,911
Vehicles	1,615,966	247,784	(36,528)	1,827,222
Infrastructure	3,594,121	-	-	3,594,121
Total Capital Assets Being Depreciated	<u>8,826,010</u>	<u>271,027</u>	<u>(36,528)</u>	<u>9,060,509</u>
Less Accumulated Depreciation	<u>(3,240,052)</u>	<u>(239,984)</u>	<u>36,528</u>	<u>(3,443,508)</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,585,958</u>	<u>\$ 31,043</u>	<u>\$ -</u>	<u>\$ 5,617,001</u>

Depreciation expense for the governmental activities' capital assets was \$239,984.

	Balance Jan. 1, 2021	Additions	Retirements	Balance Dec. 31, 2021
Business-Type Activities:				
<i>Capital Assets Being Depreciated</i>				
Buildings, Plant and Improvements	\$ 9,956,613	\$ -	\$ -	\$ 9,956,613
Machinery	223,858	-	-	223,858
Total Capital Assets Being Depreciated	<u>10,180,471</u>	<u>-</u>	<u>-</u>	<u>10,180,471</u>
Less Accumulated Depreciation	<u>(7,798,910)</u>	<u>(236,183)</u>	<u>-</u>	<u>(8,035,093)</u>
Business-Type Capital Assets, Net	<u>\$ 2,381,561</u>	<u>\$ (236,183)</u>	<u>\$ -</u>	<u>\$ 2,145,378</u>

Depreciation expense for the Sewer Fund and Health and Sanitation Fund was \$217,718 and \$18,465 respectively in 2021.

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. Long-Term Debt

Changes in long-term obligations for the year ended December 31, 2021, are as follows:

	Balance Outstanding Jan. 1, 2021	Additions	Reductions	Balance Outstanding Dec. 31, 2021	Amounts Due Within One Year
<i>Governmental Activities:</i>					
<u>General Obligation - Series 2013:</u>					
15-year Term Loan Payable to Bank, fixed interest annual interest rate of 2.62%. Payable in monthly installments, matures July 2028.	\$ 494,046	\$ -	\$ (60,795)	\$ 433,251	\$ 62,402
<u>General Obligation - Series 2017:</u>					
20-year Term Loan Payable to Bank, fixed interest annual interest rate of 2.86%. Payable in monthly installments, matures June 2022.	185,441	-	(156,741)	28,700	28,700
<u>Installment Loan:</u>					
5-Year Loan Payable to Institution, fixed annual interest rate of 4.10%. Payable in annual installments, matured July 2021.	14,012	-	(14,012)	-	-
	<u>\$ 693,499</u>	<u>\$ -</u>	<u>\$ (231,548)</u>	<u>\$ 461,951</u>	<u>\$ 91,102</u>

The annual debt service requirements to maturity for governmental-type general obligation notes and installment loans, including interest are as follows, as of December 31, 2021:

During the year ended December 31,	Principal	Interest
2022	\$ 91,102	\$ 11,355
2023	64,048	9,300
2024	65,737	7,610
2025	67,470	5,877
2026	69,250	4,098
2027-2028	104,344	2,707
Totals	<u>\$ 461,951</u>	<u>\$ 40,947</u>

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

9. Defined Benefit Pension Plans

The Borough has two defined benefit pension plans under multi-employer arrangements. One plan, the Borough of Fountain Hill Police Pension Plan, covers uniformed police personnel employed on a full-time basis. The other plan, the Borough of Fountain Hill Employees' ("Non-Uniform") Pension Plan, covers full-time non-uniform employees of the Borough.

Non-Uniform Pension Plan

Plan Description and Funding Policy for the Non-Uniform Employees of the Borough of Fountain Hill

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.

The Borough makes contributions to a Non-Uniform Pension Plan (the "Plan"). The Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available in the PMRS website. A copy of the CAFR can be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165 or by calling 1-800-622-7968.

The Borough contributes ten percent (10%) of all eligible employees' compensation. Members of the Plan are allowed to contribute up to twenty percent (20%) of their eligible compensation.

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.

For the year ended December 31, 2021, the Borough recognized pension expense of \$76,310.

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

9. Defined Benefit Retirement Plans (Continued)

Non-Uniform Pension Plan (Continued)

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

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 at December 31, 2019

Inactive Members or Beneficiaries Currently Receiving Benefits	5
Inactive Members Entitled to but not yet Receiving Benefits	2
Active Members	<u>9</u>
Total Members	<u><u>16</u></u>

Net Pension Liability

The net pension liability was measured as of December 31, 2019, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Discount Rate

The discount rate used to measure the total pension liability was 5.25%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. 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. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

9. Defined Benefit Retirement Plans (Continued)

Non-Uniform Pension Plan (Continued)

Changes in Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2018	\$ 1,085,047	\$ 904,887	\$ 180,160
Changes for the year:			
Service Cost	68,852	-	68,852
Interest Cost	58,917	-	58,917
Changes in Benefit Terms	-	-	-
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	71,030	(71,030)
Contributions - PMRS Assessment	-	320	(320)
Contributions - Member	-	14,826	(14,826)
PMRS Investment Income	-	49,302	(49,302)
Market Value Investment Income	-	140,618	(140,618)
Benefit Payments	(64,155)	(64,155)	-
PMRS Administrative Expense	-	(320)	320
Additional Administrative Expense	-	(1,704)	1,704
Net Changes	<u>63,614</u>	<u>209,917</u>	<u>(146,303)</u>
Balance at December 31, 2019	<u>\$ 1,148,661</u>	<u>\$ 1,114,804</u>	<u>\$ 33,857</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Net Pension Liability	\$ 167,006	\$ 33,857	\$ (78,938)

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

9. Defined Benefit Retirement Plans (Continued)

Non-Uniform Pension Plan (Continued)

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

	2018	2019
Service Cost	\$ 64,719	\$ 68,852
Interest on the Total Pension Liability	59,173	58,917
Changes in Benefit Terms	-	-
Difference between Expected and Actual Experience	(46,899)	(49,302)
Changes of Assumptions	843	843
Member Contributions	(13,653)	(14,826)
Projected Earnings on Pension Plan Investments	(22,693)	(22,693)
Difference between Projected and Actual Earnings on Investments	12,134	(16,127)
Pension Plan Administrative Expense	2,393	2,024
Other Changes in Fiduciary Net Position	-	-
Pension Expense	<u>\$ 56,017</u>	<u>\$ 27,688</u>

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

9. Defined Benefit Retirement Plans (Continued)

Uniformed Pension Plan

The Borough of Fountain Hill Police Pension Plan is a single-employer defined benefit pension plan. The Plan was established effective January 1, 1946 and entered into a Joinder Agreement with the Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT) dated June 21, 1985. The Plan was amended and restated by Ordinance No. 702, effective April 17, 2002. The Plan is governed by the Borough Council of the Borough of Fountain Hill which may amend plan provisions, and which is responsible for the management of Plan assets. The Borough Council has delegated the authority to manage certain Plan assets to the PSABMRT. The plan is required to file Form PC-20 I C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2019.

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.

For the year ended December 31, 2021, the Borough recognized pension expense of \$391,390.

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

9. Defined Benefit Retirement Plans (Continued)

Uniformed Pension Plan (Continued)

Contributions

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the plan's most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state contributions must be funded by the employer.

Employees were required to contribute 8 percent of covered payroll to the Plan. This contribution is governed by the Plan's governing ordinances and collective bargaining.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or plan earnings.

Plan Membership at December 31, 2021

Inactive Members or Beneficiaries Currently Receiving Benefits	7
Inactive Members Entitled to but not yet Receiving Benefits	0
Active Members	10
Total Members	<u><u>17</u></u>

Net Pension Liability

The net pension liability was measured as of December 31, 2021, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2021. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. 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. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

9. Defined Benefit Retirement Plans (Continued)

Uniformed Pension Plan (Continued)

Changes in the Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2020	\$ 5,313,759	\$ 3,989,462	\$ 1,324,297
Changes for the year:			
Service Cost	238,256	-	238,256
Interest Cost	354,647	-	354,647
Changes in Benefit Terms	(15,992)	-	(15,992)
Changes for Experience	(99,939)	-	(99,939)
Changes of Assumptions	156,258	-	156,258
Contributions - Employer	-	391,390	(391,390)
Contributions - Member	-	80,033	(80,033)
Net Investment Income	-	528,127	(528,127)
Benefit Payments	(276,841)	(276,841)	-
Administrative Expense	-	(25,149)	25,149
Other Changes	-	-	-
Net Changes	<u>356,389</u>	<u>697,560</u>	<u>(341,171)</u>
Balance at December 31, 2021	<u>\$ 5,670,148</u>	<u>\$ 4,687,022</u>	<u>\$ 983,126</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 6.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net Pension Liability	\$ 1,782,160	\$ 983,126	\$ 326,115

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

9. Defined Benefit Retirement Plans (Continued)

Uniformed Pension Plan (Continued)

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

	<u>2021</u>	<u>2020</u>
Service Cost	\$ 238,256	\$ 229,346
Interest on the Total Pension Liability	354,647	345,055
Changes in Benefit Terms	(15,992)	-
Difference between Expected and Actual Experience	(5,655)	4,440
Changes of Assumptions	50,552	34,768
Member Contributions	(80,033)	(69,941)
Projected Earnings on Pension Plan Investments	(258,426)	(228,743)
Difference between Projected and Actual Earnings on Investments	(104,383)	(38,652)
Pension Plan Administrative Expense	25,149	23,803
Other Changes in Fiduciary Net Position	<u>-</u>	<u>-</u>
Pension Expense	<u>\$ 204,115</u>	<u>\$ 300,076</u>

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

10. 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 postemployment benefit payable based on an actuarial valuation. The Plan also provides life insurance in the amount of \$4,000 at time of retirement.

Uniformed Employees

Eligibility

Police officers retiring on pension whether due to Normal Retirement or Service-Related Disability Retirement.

Normal Retirement Eligibility

Retiring after attaining age 55 and completing 25 years of service

Service-Related Disability Retirement Eligibility

Total and permanent disablement that occurs in the line of duty.

Coverage

Eligible retired police officer, spouse and dependents.

Benefits

For officers hired before January 1, 2020, the Borough provides health insurance including medical, dental and vision for the retiree and his/her family until the earlier of the death of the retiree, participation in any other medical insurance program (obtained through employment) or the retiree's Medicare eligibility or age 65. Upon reaching Medicare eligibility or age 65, the retiree may choose to remain on the Borough's post-65 Senior Plan medical, dental and vision coverages until the retiree's spouse reaches age 65. The post-65 Senior Plan coverage is paid by the Borough.

For officers hired on or after January 1, 2020, the Borough provides health insurance including medical, dental and vision for the retiree until the earlier of the death of the retiree, participation in any other medical insurance program (obtained through employment) or the retiree's Medicare eligibility or age 65 and health insurance including medical, dental and vision for the retiree's spouse and dependents for the first 5 years of retirement.

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

10. Postemployment Benefits Other Than Pensions (Continued)

Police Department Employees (Continued)

Retiree Contributions

If retired before January 1, 2020, if the retiree chooses to cover his/her spouse after the retiree reaches age 65 he/she must reimburse the Borough 100% of the cost of the spouse's coverage.

If retired on or after January 1, 2020, the pre-tax amount contractually in place at time of retirement. For 2020, the annual amount is \$260, increasing to \$520 in 2021 and \$780 in 2022; if the retiree chooses to cover his/her spouse after the retiree reaches age 65, he/she must reimburse the Borough 100% of the cost of the spouse's coverage.

Medical Plans Available

Capital Blue Cross PPO \$500/\$1,000 Plan in the Pennsylvania Municipal Health Insurance Cooperative administered by Benecon.

Life Insurance

If retired before January 1, 2020, the Borough provides a life insurance policy in the amount of \$4,000 for each officer at time of retirement.

Non-Uniformed Employees

Eligibility

Employees retiring after attaining age 62 and completing 20 years of service.

Coverage

Eligible retired participant.

Benefits

The Borough pays 100% of the cost of medical insurance premiums and 50% of dental premiums for the retiree until the earlier of the death of the retiree, participation in any other medical insurance program (obtained through employment) or the retiree's Medicare eligibility or age 65.

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

10. Postemployment Benefits Other Than Pensions (Continued)

Non-Uniformed Employees (Continued)

Retiree Contributions

If the retiree elects to continue dental or vision coverage, he must pay 50% of the dental premium cost and/or 100% of the vision premium cost.

From time to time, retirees may be required to contribute the same amount as active employees. The current union contract states that if the cost of family coverage exceeds the previous year's cost by 20%, active employees must contribute the lesser of \$50 per month or 50% of the difference in cost between current family coverage and 120% of the prior year's cost of family coverage. If the cost of family coverage does not exceed the previous year's cost by 20%, contribution amounts will remain the same as the previous year. In 2021, Public Works Union members did not contribute toward medical coverage. In 2021, Borough Administration members contributed \$240.

Medical Plans Available

For Public Works Union Members: Capital Blue Cross PPO \$1,000/\$2,000 Plan in the Pennsylvania Municipal Health Cooperative administered by Benecon.

For Borough Administration: Capital Blue Cross PPO \$500/\$1,000 Plan in the Pennsylvania Municipal Health Cooperative administered by Benecon.

Life Insurance

The Borough provides a life insurance policy for four retirees in the amount contractually in place at time of their retirement.

OPEB Expense

For the year ended December 31, 2021, the Borough recognized OPEB expense of \$-0-.

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

10. Postemployment Benefits Other Than Pensions (Continued)

Actuarial Cost Method - Entry Age Normal

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

Discount Rate

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

Participant Data

Based on census information as of January 1, 2020, the following eligible employees and retirees were covered by the plan:

Active Members	14
Vested Former Participants	0
Retired Participants	11
Total Participants	<u>25</u>

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

10. Postemployment Benefits Other Than Pensions (Continued)

Net OPEB Liability

The components of the net OPEB liability of the Borough at December 31, 2021 were as follows:

Total OPEB Liability	\$ 3,529,048
Plan Fiduciary Net Position	<u>-</u>
Net OPEB Liability	<u><u>\$ 3,529,048</u></u>

Projection of Changes in Net OPEB Liability

The following table shows the changes in net OPEB liability recognized over the measurement period:

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at December 31, 2020	\$ 3,426,019	\$ -	\$ 3,426,019
Changes for the year:			
Service Cost	217,405	-	217,405
Interest Cost	106,021	-	106,021
Changes in Benefit Terms	-	-	-
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	(220,397)	220,397
Contributions - Member	-	-	-
Net Investment Income	-	-	-
Benefit Payments	(220,397)	220,397	(440,794)
Administrative Expense	-	-	-
Other Changes	-	-	-
	<u>103,029</u>	<u>-</u>	<u>103,029</u>
Net Changes			
Balance at December 31, 2021	<u><u>\$ 3,529,048</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,529,048</u></u>

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

10. Postemployment Benefits Other Than Pensions (Continued)

Net OPEB Liability Sensitivity – Discount Rate

The following is a sensitivity analysis of the net OPEB liability to changes in the discount rate. The table below presents the net OPEB liability calculated using the discount rate of 3.00% as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower (2.00%) or one percent higher (4.00%) than the current rate:

	1% Decrease 2.00%	Current Discount Rate 3.00%	1% Increase 4.00%
Net OPEB Liability	\$ 3,866,451	\$ 3,529,048	\$ 3,223,165

Net OPEB Liability Sensitivity – Healthcare Trend

The following is a sensitivity analysis of the net OPEB liability to changes in the healthcare trend rate. The table below presents the net OPEB liability calculated using the current trend rate as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is one percent higher and one percent lower than expected.

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	\$ 3,076,291	\$ 3,529,048	\$ 4,069,022

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

	2021
Service Cost	\$ 217,405
Interest on the Total OPEB Liability	106,021
Difference between Expected and Actual Experience	(45,520)
Changes in Benefit Terms	-
Changes of Assumptions	9,886
Projected Earnings on OPEB Plan Investments	-
Other Changes	-
OPEB Expense	\$ 287,792

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

11. Defined Contribution Pension Plan

The Borough makes contributions to a non-uniform defined contribution plan. The Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available in the PMRS website. A copy of the CAFR can be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165 or by calling 1-800-622-7968.

The Borough contributes five percent (5%) of all eligible employees' compensation. Members of the Plan are allowed to contribute up to twenty percent (20%) of their eligible compensation. During the year ended December 31, 2021, the Borough contributed \$3,185 to the Plan.

12. Fund Balances

The fund balances have been categorized based on the relative strength of the spending constraints placed on the purpose for which the resources can be used, as follows:

	General Fund	Capital Reserve Fund	Capital Projects Fund	Fire Protection Fund	State Liquid Fuels Fund	Library Fund	Playground Fund	Totals
Unassigned	\$ 3,824,896	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,824,896
Restricted	147	-	244,579	306,352	378,840	140,572	-	1,070,490
Committed	23,161	505,656	-	-	-	-	-	528,817
Assigned	-	-	-	-	-	-	18,878	18,878
Totals	<u>\$ 3,848,204</u>	<u>\$ 505,656</u>	<u>\$ 244,579</u>	<u>\$ 306,352</u>	<u>\$ 378,840</u>	<u>\$ 140,572</u>	<u>\$ 18,878</u>	<u>\$ 5,443,081</u>

No funds at the Borough had a deficit fund balance or net position at December 31, 2021.

13. Operating Leases

The Borough leases various pieces of equipment under multiple long-term lease agreements, expiring June 2026. Expenses incurred under the leases were \$2,856 for 2021. Future minimum lease payments are as follows:

Year ending December 31,		
	2022	\$ 3,217
	2023	2,892
	2024	2,682
	2025	1,632
	2026	1,224
		<u>11,647</u>
Total Minimum Lease Payments		<u>\$ 11,647</u>

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

14. Risk Management and Litigation

Risk Management

The Borough is exposed to various risk of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are provided for through insurance from private insurance companies. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably stated. In determining claims, events that might create claims, but for which none have been reported are considered. During the year ended December 31, 2021 and the two previous fiscal years, no settlements exceeded insurance coverage.

Litigation

In the normal course of operations, the Borough is involved in various civil disputes. Management and Borough solicitor estimate that the amount of actual potential claims against the Borough as of December 31, 2021, will not materially affect the financial condition of the Borough.

15. Commitments and Contingencies

Federal and State Grants

The Borough receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Borough's management, such disallowances, if any, will not be significant to the Borough's basic purpose financial statements.

Compensated Absences

The Borough of Fountain Hill has not accrued compensated absences because the Borough has elected to report its financial activities on the modified cash basis of accounting. However, employees of the Borough are entitled to paid vacation and sick days, depending on their length of service.

Insurance

The Borough is exposed to various risks of loss, including workers' compensation; property, casualty and public official liability; employee benefit administration; employment practice liability; and general liability claims. During the past four calendar years, there have not been any settlements that exceeded insurance coverage. The Borough is contingently liable to the extent any potential future judgment exceeds available insurance coverage.

**BOROUGH OF FOUNTAIN HILL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

16. Prior Period Restatement

	Health and Sanitation Fund	Fiduciary Funds		
	Police Pension Fund	Non-Uniform Pension Fund	Custodial Fund	
Net Position - December 31, 2020	\$ 700,156			
To reduce deferred revenue	<u>28,552</u>			
Net Position - December 31, 2020, As Restated	<u>\$ 728,708</u>			
Fund Balance - December 31, 2020	\$ 3,989,462	\$ 904,887	\$ -	
As a result of the adoption of GASB Statement No. 97, the defined benefit plan for employees of the Borough no longer meets the definition of a Fiduciary Fund and will not be reported on the Borough's financial statements.	(3,989,462)	(904,887)	-	
To record custodial activity	-	-	<u>45,739</u>	
Fund Balance - December 31, 2020, As Restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,739</u>	
	Governmental Activities	Business Type Activities		
Net Position - December 31, 2020	\$ 5,838,632	\$ 3,659,413		
Fund balance adjustments from above	-	28,552		
To adjust fixed assets to actual	100,000	-		
To remove OPEB liability	3,426,019	-		
To add component unit	<u>-</u>	<u>100,577</u>		
Net Position - December 31, 2020, As Restated	<u>\$ 9,364,651</u>	<u>\$ 3,788,542</u>		

17. Subsequent Events

Management has considered events subsequent to December 31, 2021 that affect the Borough through June 30, 2022, the date the financial statements were available to be issued, and has determined that with the exception of the item noted below, no material subsequent events exist that require disclosure.

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Borough, COVID-19 may impact various parts of its 2022 fiscal year operations and financial results. Management believes the Borough is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

REQUIRED SUPPLEMENTARY INFORMATION

**BOROUGH OF FOUNTAIN HILL
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND
OTHER FINANCING SOURCES – MODIFIED CASH BASIS - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Actual</u>	<u>Original Budget</u>	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes	\$ 3,216,569	\$ 3,057,092	\$ 159,477
Licenses and Permits	73,123	64,334	8,789
Fines and Forfeitures	62,105	63,000	(895)
Interest and Rents	66,799	33,800	32,999
Intergovernmental Revenues	295,745	1,188,488	(892,743)
Charges for Services	88,393	185,350	(96,957)
Other Revenues	152,868	82,751	70,117
Total Revenues Received	<u>\$ 3,955,602</u>	<u>\$ 4,674,815</u>	<u>\$ (719,213)</u>
EXPENDITURES PAID			
General Government	\$ 422,260	\$ 427,760	\$ 5,500
Public Safety	1,383,857	1,345,428	(38,429)
Health and Human Services	1,840	1,700	(140)
Public Works - Highways and Streets	284,682	1,389,902	1,105,220
Public Works - Other Services	17,732	16,368	(1,364)
Culture and Recreation	48,632	90,642	42,010
Insurance and Employee Benefits	994,058	1,003,400	9,342
Debt Service - Principal and Interest	234,280	234,283	3
Total Expenditures Paid	<u>3,387,341</u>	<u>4,509,483</u>	<u>1,122,142</u>
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	568,261	165,332	402,929
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	(350,000)	(350,000)	-
Total Other Financing Sources (Uses), Net	<u>(350,000)</u>	<u>(350,000)</u>	<u>-</u>
EXCESS OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES PAID AND OTHER FINANCING USES	218,261	(184,668)	402,929
FUND BALANCE - JANUARY 1, 2021	<u>3,629,943</u>	<u>3,629,943</u>	<u>-</u>
FUND BALANCE - DECEMBER 31, 2021	<u>\$ 3,848,204</u>	<u>\$ 3,445,275</u>	<u>\$ 402,929</u>

See independent auditor's report on required supplementary information.

**BOROUGH OF FOUNTAIN HILL
SPECIAL REVENUE FUNDS - SCHEDULE OF REVENUES, EXPENDITURES AND
OTHER FINANCING SOURCES – MODIFIED CASH BASIS - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Actual	Original Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes	\$ 110,376	\$ 110,373	\$ 3
Intergovernmental Revenues	321,306	337,748	(16,442)
Contributions	100,267	200,534	(100,267)
Interest	193	800	(607)
Total Revenues Received	<u>532,142</u>	<u>649,455</u>	<u>(117,313)</u>
EXPENDITURES PAID			
Public Safety	27,661	-	(27,661)
Public Works - Highways and Streets	44,755	54,443	9,688
Culture and Recreation	87,301	87,301	
Capital Outlay	200,000	600,534	400,534
Total Expenditures Paid	<u>359,717</u>	<u>742,278</u>	<u>382,561</u>
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	172,425	(92,823)	265,248
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses), Net	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	172,425	(92,823)	265,248
FUND BALANCE - JANUARY 1, 2021	<u>686,660</u>	<u>686,660</u>	<u>-</u>
FUND BALANCE - DECEMBER 31, 2021	<u>\$ 859,085</u>	<u>\$ 593,837</u>	<u>\$ 265,248</u>

See independent auditor's report on required supplementary information.

**BOROUGH OF FOUNTAIN HILL
CAPITAL PROJECTS FUND - SCHEDULE OF REVENUES, EXPENDITURES AND
OTHER FINANCING SOURCES – MODIFIED CASH BASIS - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Actual	Original Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Interest and Rents	\$ 93	\$ -	\$ 93
Intergovernmental Revenues	245,920	-	245,920
Total Revenues Received	<u>246,013</u>	<u>-</u>	<u>246,013</u>
EXPENDITURES PAID			
Public Works - Highways and Streets	1,367	-	(1,367)
Capital Outlay	-	-	-
Total Expenditures Paid	<u>1,367</u>	<u>-</u>	<u>(1,367)</u>
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	244,646	-	244,646
Other Financing Sources (Uses)			
Transfers In	350,000	350,000	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses), Net	<u>350,000</u>	<u>350,000</u>	<u>-</u>
EXCESS OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES PAID AND OTHER FINANCING USES	594,646	350,000	244,646
FUND BALANCE - JANUARY 1, 2021	<u>155,589</u>	<u>155,589</u>	<u>-</u>
FUND BALANCE - DECEMBER 31, 2021	<u>\$ 750,235</u>	<u>\$ 505,589</u>	<u>\$ 244,646</u>

See independent auditor's report on required supplementary information.

**BOROUGH OF FOUNTAIN HILL
SCHEDULE OF BOROUGH CONTRIBUTIONS -
NON-UNIFORM PENSION PLAN
FOR THE LAST TEN YEARS ENDED**

Year	Actuarially Determined Contributions	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Payroll
2014	\$ 71,350	\$ 71,350	\$ -	\$ 408,697	17.46%
2015	74,368	74,468	(100)	390,068	19.09%
2016	65,666	65,706	(40)	359,820	18.26%
2017	39,838	39,879	(41)	355,857	11.21%
2018	55,468	55,548	(80)	283,428	19.60%
2019	42,714	42,714	-	445,189	9.59%

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

See independent auditor's report on required supplementary information.

The accompanying notes to required supplementary schedules are an integral part of these schedules.

**BOROUGH OF FOUNTAIN HILL
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS -
NON-UNIFORM PENSION PLAN
FOR THE LAST TEN YEARS ENDED**

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 88,852	\$ 84,719	\$ 59,700	\$ 52,945	\$ 41,920	\$ 59,230
Interest	59,917	59,173	55,776	59,161	58,507	50,544
Changes of Benefit Terms	-	-	-	-	-	83,347
Changes for Experience	-	(73,160)	-	(72,948)	-	8,440
Changes of Assumptions	-	-	-	27,818	(20,873)	-
Transfers	-	-	(4,663)	(56,198)	-	(12,372)
Benefit Payments, including Refunds of Member Contributions	(64,155)	(55,441)	(51,575)	(60,411)	(41,768)	(24,836)
Net Change in Total Pension Liability	83,614	(4,699)	59,339	(49,829)	37,796	164,351
Total Pension Liability - Beginning	1,085,047	1,089,746	1,030,408	1,080,237	1,042,451	878,100
Total Pension Liability - Ending	\$ 1,148,661	\$ 1,085,047	\$ 1,089,746	\$ 1,030,408	\$ 1,080,237	\$ 1,042,451
Plan Fiduciary Net Pension						
Contributions - Employer	\$ 71,030	\$ 74,068	\$ 65,348	\$ 39,818	\$ 55,228	\$ 42,714
Contributions - PMRS Assessment	320	400	360	260	320	-
Contributions - Member	14,826	13,653	12,594	12,220	9,920	15,066
PMRS Investment Income	49,302	46,898	43,310	42,132	40,434	40,171
Net Investment Income	140,618	(128,180)	99,058	32,687	(63,570)	(689)
Transfers	-	-	(4,563)	(56,198)	-	(12,372)
Benefit Payments, including Refunds of Member Contributions	(64,155)	(55,441)	(51,575)	(60,411)	(41,768)	(24,836)
PMRS Administrative Expense	(320)	(300)	(320)	(220)	(320)	(240)
Additional Administrative Expense	(1,704)	(2,083)	(1,992)	(2,064)	(1,896)	(1,541)
Net Change in Plan Fiduciary Net Position	209,917	(50,974)	192,218	8,027	(1,442)	58,271
Plan Net Position - Beginning	904,887	935,891	793,643	785,618	787,058	728,787
Plan Net Position - Ending	\$ 1,114,804	\$ 884,887	\$ 985,861	\$ 793,643	\$ 785,616	\$ 787,058
Municipality's Net Pension Liability	\$ 33,857	\$ 180,160	\$ 133,885	\$ 236,765	\$ 294,621	\$ 255,393
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.05%	83.40%	87.71%	77.02%	72.73%	75.50%
Covered Employee Payroll	\$ 408,697	\$ 390,068	\$ 359,820	\$ 355,857	\$ 283,428	\$ 445,189
Municipality's Net Pension Liability as a Percentage	8.26%	46.19%	37.21%	66.53%	103.85%	57.37%

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

See independent auditor's report on required supplementary information.

The accompanying notes to required supplementary schedules are an integral part of these schedules.

**BOROUGH OF FOUNTAIN HILL
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES –
NON-UNIFORM PENSION PLAN
DECEMBER 31, 2021**

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 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.

See independent auditor's report on required supplementary information.

**BOROUGH OF FOUNTAIN HILL
SCHEDULE OF BOROUGH CONTRIBUTIONS -
UNIFORMED PENSION PLAN
FOR THE LAST TEN YEARS ENDED**

Year	Actuarially Determined Contributions	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Payroll
2012	221,357	221,357	-	598,685	37.0%
2013	213,908	213,908	-	-	0.0%
2014	195,280	195,280	-	524,894	37.2%
2015	193,640	193,640	-	522,861	37.0%
2016	249,453	249,453	-	661,478	37.7%
2017	265,129	265,129	-	764,709	34.7%
2018	360,560	360,560	-	831,870	43.3%
2019	383,106	383,106	-	807,712	47.4%
2020	359,639	453,278	(93,639)	932,782	48.6%
2021	391,390	391,390	-	1,000,411	39.1%

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

See independent auditor's report on required supplementary information.

The accompanying notes to required supplementary schedules are an integral part of these schedules.

**BOROUGH OF FOUNTAIN HILL
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS -
UNIFORMED PENSION PLAN
FOR THE LAST TEN YEARS ENDED**

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	\$ 238,266	\$ 229,346	\$ 218,425	\$ 176,068	\$ 167,674	\$ 104,690	\$ 99,705	\$ 113,097
Interest	354,647	345,056	327,162	319,672	305,814	297,282	289,039	283,953
Changes of Benefit Terms	(16,692)	-	-	-	-	-	-	-
Changes for Experience	(99,939)	-	(135,967)	-	(65,660)	-	272,545	-
Changes of Assumptions	156,258	-	-	-	340,726	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(276,841)	(281,821)	(300,756)	(278,805)	(277,297)	(282,061)	(278,084)	(301,878)
Net Change in Total Pension Liability	356,399	292,580	108,874	216,828	441,258	119,911	383,205	76,172
Total Pension Liability - Beginning	5,313,759	5,021,179	4,912,305	4,685,480	4,264,224	4,134,313	3,751,108	3,675,936
Total Pension Liability - Ending	\$ 5,670,148	\$ 5,313,759	\$ 5,021,179	\$ 4,912,305	\$ 4,695,480	\$ 4,264,224	\$ 4,134,313	\$ 3,751,108
Plan Fiduciary Net Pension								
Contributions - Employer	\$ 391,390	\$ 453,278	\$ 383,106	\$ 360,560	\$ 265,129	\$ 249,453	\$ 193,840	\$ 195,280
Contributions - Member	80,033	69,941	66,893	64,239	48,763	39,144	26,296	19,697
Net Investment Income	528,127	377,725	462,061	(138,805)	319,482	109,200	(15,870)	143,373
Benefit Payments, Including Refunds of Member Contributions	(276,841)	(281,821)	(300,756)	(278,805)	(277,297)	(282,061)	(278,084)	(301,878)
Administrative Expense	(25,149)	(23,803)	(25,450)	(19,540)	(21,924)	(17,830)	(17,186)	(17,326)
Net Change in Plan Fiduciary Net Position	697,560	595,320	585,894	(10,351)	334,163	67,906	(65,204)	39,146
Plan Net Position - Beginning	3,999,462	3,394,142	2,808,258	2,818,009	2,484,446	2,388,540	2,481,744	2,442,598
Plan Net Position - Ending	\$ 4,697,022	\$ 3,989,462	\$ 3,394,142	\$ 2,808,258	\$ 2,818,009	\$ 2,484,446	\$ 2,388,540	\$ 2,481,744
Municipality's Net Pension Liability	\$ 983,126	\$ 1,324,297	\$ 1,627,037	\$ 2,104,047	\$ 1,876,871	\$ 1,769,778	\$ 1,747,773	\$ 1,289,364
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.7%	75.1%	67.6%	57.2%	60.0%	58.4%	57.7%	66.2%
Covered Employee Payroll	\$ 1,000,411	\$ 932,782	\$ 801,742	\$ 831,870	\$ 764,709	\$ 661,478	\$ 522,861	\$ 524,894
Municipality's Net Pension Liability as a Percentage	98.3%	142.0%	202.9%	252.9%	245.4%	267.5%	334.3%	241.8%

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

See independent auditor's report on required supplementary information.

The accompanying notes to required supplementary schedules are an integral part of these schedules.

**BOROUGH OF FOUNTAIN HILL
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES –
UNIFORMED PENSION PLAN
DECEMBER 31, 2021**

Actuarial Assumptions

The total pension liability in the January 1, 2021 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

A. Economic

- | | |
|-----------------------|-----------------|
| 1. Interest Rate: | 6.75% per year. |
| 2. Salary Projection: | 5.00% per year. |
| 3. Inflation: | 2.75 per year. |

B. Employee Characteristics

- | | |
|---------------------------|---|
| 1. Mortality: | RP-2014 Mortality Table, with 50% of Blue Collar adjustment and rates set forward 2 years for disabled members. |
| 2. Mortality Improvement: | Rates derived from the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report. |
| 3. Withdrawal: | None assumed. |
| 4. Disablement: | 150% of rates derived from the 2010 Social Security Administration's projections of Disability incidence (ultimate rates only). |
| 5. Marital Assumption: | 100% of participants assumed to be married with spouse of the opposite sex. Female spouse assumed to be 3 years younger than male spouse. |

C. Retirement

- | | |
|------------------------------|---|
| 1. Valuation Retirement Age: | Normal Retirement Age, or attained age if currently eligible to retire. |
| 2. Benefit Form: | Joint and 50% survivor annuity. |

See independent auditor's report on required supplementary information.

**BOROUGH OF FOUNTAIN HILL
SCHEDULE OF CHANGES IN NET OPEB
LIABILITY AND RELATED RATIOS
FOR THE LAST TEN YEARS ENDED**

	2021	2020
Total OPEB Liability		
Service Cost	\$ 217,405	\$ 211,586
Interest	106,021	102,845
Changes of Benefit Terms	-	(12,849)
Differences between Expected and Actual Experience	-	(514,381)
Changes of Assumptions	-	111,717
Benefit Payments, Including Refunds of Member Contributions	(220,397)	(208,445)
Other Changes	-	-
Net Change in Total OPEB Liability	103,029	(309,527)
Total OPEB Liability - Beginning	3,426,019	3,735,546
 Total OPEB Liability - Ending	 \$ 3,529,048	 \$ 3,426,019
 Plan Fiduciary Net Pension		
Contributions - Employer	\$ 220,397	\$ 208,445
Contributions - Employee	-	-
Net Investment Income	-	-
Benefit Payments, Including Refunds of Member Contributions	(220,397)	(208,445)
Administrative Expense	-	-
Net Change in Plan Fiduciary Net Position	-	-
Plan Net Position - Beginning	-	-
 Plan Net Position - Ending	 \$ -	 \$ -
 Municipality's Net OPEB Liability	 \$ 3,529,048	 \$ 3,426,019
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 0.0%	 0.0%
 Covered Employee Payroll	 \$ 1,019,142	 \$ 1,019,142
 Municipality's Net OPEB Liability as a Percentage of Covered Employee Payroll	 346.3%	 336.2%

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

See independent auditor's report on required supplementary information.

The accompanying notes to required supplementary schedules are an integral part of these schedules.

OTHER SUPPLEMENTARY INFORMATION

**BOROUGH OF FOUNTAIN HILL
 COMBINING BALANCE SHEET – MODIFIED CASH BASIS –
 ALL CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2021**

	Capital Reserve Fund	Capital Projects Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 505,656	\$ 245,946	\$ 751,602
Due from Other Funds	-	-	-
Total Assets	<u>\$ 505,656</u>	<u>\$ 245,946</u>	<u>\$ 751,602</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to Other Funds	\$ -	\$ 1,367	\$ 1,367
Total Liabilities	<u>-</u>	<u>1,367</u>	<u>1,367</u>
Fund Balance			
Committed	505,656	-	505,656
Restricted	-	244,579	244,579
Total Liabilities and Fund Balances	<u>\$ 505,656</u>	<u>\$ 245,946</u>	<u>\$ 751,602</u>

See independent auditor's report on supplementary information.

**BOROUGH OF FOUNTAIN HILL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS –
 ALL CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2021**

	Capital Reserve Fund	Capital Projects Fund	Total
REVENUES RECEIVED			
Intergovernmental Revenues	\$ -	\$ 245,920	\$ 245,920
Interest	67	26	93
Total Revenues Received	<u>67</u>	<u>245,946</u>	<u>246,013</u>
EXPENDITURES PAID			
Public Works	-	1,367	1,367
Capital Outlay	-	-	-
Total Expenditures Paid	<u>-</u>	<u>1,367</u>	<u>1,367</u>
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	<u>67</u>	<u>244,579</u>	<u>244,646</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	350,000	-	350,000
Transfers Out	-	-	-
Total Other Financing Sources (Uses), Net	<u>350,000</u>	<u>-</u>	<u>350,000</u>
EXCESS OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES PAID AND OTHER FINANCING USES	350,067	244,579	594,646
Fund Balances - January 1, 2021	<u>155,589</u>	<u>-</u>	<u>155,589</u>
Fund Balances - December 31, 2021	<u>\$ 505,656</u>	<u>\$ 244,579</u>	<u>\$ 750,235</u>

See independent auditor's report on supplementary information.

**BOROUGH OF FOUNTAIN HILL
 COMBINING BALANCE SHEET – MODIFIED CASH BASIS –
 ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2021**

	Fire Protection Fund	State Liquid Fuels Fund	Library Fund	Playground Fund	Total
ASSETS					
Cash and Cash Equivalents	\$ 306,352	\$ 378,672	\$ 140,572	\$ 18,878	\$ 844,474
Due from Other Funds	-	168	-	-	168
Total Assets	<u>\$ 306,352</u>	<u>\$ 378,840</u>	<u>\$ 140,572</u>	<u>\$ 18,878</u>	<u>\$ 844,642</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance					
Assigned	-	-	-	18,878	18,878
Restricted	306,352	378,840	140,572	-	825,764
Total Liabilities and Fund Balances	<u>\$ 306,352</u>	<u>\$ 378,840</u>	<u>\$ 140,572</u>	<u>\$ 18,878</u>	<u>\$ 844,642</u>

See independent auditor's report on supplementary information.

**BOROUGH OF FOUNTAIN HILL
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS –
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Fire Protection Fund	State Liquid Fuels Fund	Library Fund	Playground Fund	Total
REVENUES RECEIVED					
Taxes	\$ 18,396	\$ -	\$ 91,980	\$ -	\$ 110,376
Intergovernmental Revenues	200,000	121,306	-	-	321,306
Contributions	100,267	-	-	-	100,267
Interest	44	114	25	10	193
Total Revenues Received	<u>318,707</u>	<u>121,420</u>	<u>92,005</u>	<u>10</u>	<u>532,142</u>
EXPENDITURES PAID					
General Government	-	-	-	-	-
Public Safety	27,661	-	-	-	27,661
Public Works - Highways and Streets	-	59,198	-	-	59,198
Culture and Recreation	-	-	87,301	-	87,301
Capital Outlay	200,000	-	-	-	200,000
Total Expenditures Paid	<u>227,661</u>	<u>59,198</u>	<u>87,301</u>	<u>-</u>	<u>374,160</u>
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	<u>91,046</u>	<u>62,222</u>	<u>4,704</u>	<u>10</u>	<u>157,982</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses), Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES PAID AND OTHER FINANCING USES	<u>91,046</u>	<u>62,222</u>	<u>4,704</u>	<u>10</u>	<u>157,982</u>
Fund Balances - January 1, 2021	<u>215,308</u>	<u>316,618</u>	<u>135,888</u>	<u>18,868</u>	<u>686,682</u>
Fund Balances - December 31, 2021	<u>\$ 306,352</u>	<u>\$ 378,840</u>	<u>\$ 140,572</u>	<u>\$ 18,878</u>	<u>\$ 844,642</u>

See independent auditor's report on supplementary information.

**INDEPENDENT AUDITOR'S 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**

Members of Borough Council
Borough of Fountain Hill
Fountain Hill, PA

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 financial statements of the Borough of Fountain Hill, which comprise the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough of Fountain Hill's basic financial statements, and have issued our report thereon dated June 30, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Fountain Hill's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Fountain Hill'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 entity'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. We did identify a certain deficiency in internal control, that we considered to be a material weakness:

Incorrect Pay Rates

During our testing, we noted the Borough of Fountain Hill did not properly calculate holiday pay in accordance with the Collective Bargaining Agreement between the Borough of Fountain Hill and the Fountain Hill Police Association. Our testing identified uniformed employees were being paid holiday hours worked at a factor of both one and one-half (1.5) and two (2.0) on the same hours. From January 1, 2019 – December 31, 2019, the holiday rate was one and one-half (1.5). Effective, January 1, 2020, the holiday rate was changed to two (2.0). When hours were transmitted to the third-party payroll service, the holiday hours were accidentally paid at both rates rather than the updated two (2) times rate. In order to provide greater control in this area, we suggest that management review the payroll reports for each payroll period. We also suggest that documentation of the review of these reports be made on the reports and maintained.

Views of Responsible Officials and Planned Corrective Actions

Recommendations were implemented in February 2022 to correct the payroll calculation error.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Fountain Hill'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.

Congbell, Roppold & Yasaita LLP

June 30, 2022