

Township of South Fayette, Pennsylvania

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year ended December 31, 2016



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Independent Auditor's Report

To the Members of the Board of Commissioners
Township of South Fayette
Morgan, PA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of South Fayette, Pennsylvania as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of South Fayette, Pennsylvania, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan information, and schedule of funding progress for the retiree health plan on pages 4 through 11 and 41 through 46 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 Township of South Fayette, Pennsylvania's basic financial statements. The combining and individual nonmajor fund financial statements on pages 47 and 48 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

Grove City, Pennsylvania

June 14, 2017

**Township of South Fayette, Pennsylvania
Management's Discussion and Analysis (MD&A)
December 31, 2016**

The discussion and analysis of the Township of South Fayette's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Township's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2016 are as follows:

Government-wide financial statements:

- The assets and deferred outflows of resources of the Township exceeded its total liabilities at December 31, 2016 by \$9,960,257 (net position). Of this amount, \$2,670,972 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net position increased by \$1,988,948 for the year ended December 31, 2016.

Fund financial statements:

- At the close of the current year, the Township's governmental funds reported combined ending fund balances of \$8,460,596, an increase of \$1,323,934 in comparison with the prior year. Of this amount, \$764,686 is unassigned and available for spending.
- At the end of the current year, unassigned fund balance for the General Fund was \$764,686 or 8.3% of total General Fund budgeted expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Position presents information on all of the Township's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The governmental activities of the Township include general government, public safety, public works and streets, culture and recreation, and other activities.

Fund financial statements – The Township's fund financial statements, which begin on page 14, provide detailed information about the most significant funds – not the Township as a whole. Some funds are required by state law and bond requirements.

Governmental funds – Most of the Township's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

The Township's total net position was \$9,960,257 and \$7,971,309 at December 31, 2016 and 2015.

Township of South Fayette's Net Position December 31, 2016 and 2015

	<i>Governmental Activities</i>	
	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 9,920,922	\$ 8,114,056
Capital assets, net	9,732,485	9,070,479
Total assets	<u>19,653,407</u>	<u>17,184,535</u>
Deferred outflows of resources	<u>715,858</u>	<u>624,003</u>
Current and other liabilities	1,517,261	613,184
Long-term liabilities	8,891,747	9,224,045
Total liabilities	<u>10,409,008</u>	<u>9,837,229</u>
Net Position		
Net investment in capital assets	3,149,950	2,331,745
Restricted	4,139,335	3,690,012
Unrestricted	<u>2,670,972</u>	<u>1,949,552</u>
Total net position	<u>\$ 9,960,257</u>	<u>\$ 7,971,309</u>

A portion of the Township's net position (31.6%) reflects its investments in capital assets (e.g. land, buildings and improvements, furniture and equipment), less any debt used to acquire those assets that is still outstanding. Most of the unrestricted net position may be used to meet the government's ongoing obligation to citizens and creditors.

**Township of South Fayette's Changes in Net Position
Years ended December 31, 2016 and 2015**

	<i>Governmental Activities</i>	
	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,506,691	\$ 1,388,118
Operating grants and contributions	982,180	720,115
General revenues:		
Property taxes	5,579,694	4,460,492
Other taxes	4,294,594	4,329,028
Transfers from agency funds	-	197,930
Other	97,848	58,427
Total revenues	<u>12,461,007</u>	<u>11,154,110</u>
 Expenses		
General government	1,742,837	1,443,513
Public safety	3,446,678	3,421,730
Public works and streets	3,286,505	2,819,408
Culture and recreation	608,397	573,078
Health and sanitation	993,964	991,036
Insurance	186,453	196,017
Interest on long-term debt	207,225	322,685
Total expenses	<u>10,472,059</u>	<u>9,767,467</u>
 Change in net position	1,988,948	1,386,643
 Net Position, Beginning of Year	<u>7,971,309</u>	<u>6,584,666</u>
 Net Position, End of Year	<u>\$ 9,960,257</u>	<u>\$ 7,971,309</u>

Governmental activities Governmental activities increased the Township's net position by \$1,988,948.

**Township of South Fayette's Governmental Activities
Years ended December 31, 2016 and 2015**

	<i>Total Cost of Services</i>		<i>Net Cost of Services</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
General government	\$ 1,742,837	\$ 1,443,513	\$ 1,027,760	\$ 791,680
Public safety	3,446,678	3,421,730	2,949,344	3,013,643
Public works and streets	3,286,505	2,819,408	2,138,050	1,878,092
Culture and recreation	608,397	573,078	493,967	478,916
Health and sanitation	993,964	991,036	980,389	978,201
Insurance	186,453	196,017	186,453	196,017
Interest on long-term debt	207,225	322,685	207,225	322,685
Total governmental activities	<u>\$ 10,472,059</u>	<u>\$ 9,767,467</u>	7,983,188	7,659,234
Total needs from local taxes and other revenues			<u>\$ 7,983,188</u>	<u>\$ 7,659,234</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds The purpose of the Township's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At December 31, 2016 the Township's governmental funds reported combined ending fund balances of \$8,460,596, an increase of \$1,323,934 in comparison to the prior year. Of this amount, \$764,686 is unassigned, which is available for spending at the government's discretion.

The General Fund is the Township's chief operating fund. In 2016, the General Fund's revenues exceeded expenditures by \$2,488,803. After adjustment for other financing sources and uses, such as the net activity from the refunding of bonds of \$60,481, insurance proceeds and the sales of fixed assets of \$52,967, the refund of prior year's receipts of \$14,799, and transfers to other funds of \$2,067,311 in 2016, the fund balance increased by \$520,141.

General Fund Budgetary Highlights Revenues of the General Fund were approximately 15.8% greater than budgeted for the year mainly because tax revenues were greater than anticipated. Expenditures were approximately 0.2% less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At December 31, 2016, the Township had \$15,030,721 invested in a broad range of capital assets, including land, buildings, furniture and equipment, vehicles, infrastructure, and construction in progress. There was a total net increase (including additions, deletions, and depreciation) of \$662,006 or 7.3% from last year.

Township of South Fayette's Capital Assets December 31, 2016 and 2015

	<i>Governmental Activities</i>	
	<u>2016</u>	<u>2015</u>
Land and land improvements	\$ 3,714,354	\$ 3,670,860
Buildings and improvements	5,268,762	5,268,762
Furniture and equipment	766,070	687,932
Vehicles	2,551,071	2,560,588
Infrastructure	1,910,410	1,910,410
Construction in progress	820,054	-
	<u>15,030,721</u>	<u>14,098,552</u>
Less: Accumulated depreciation	<u>(5,298,236)</u>	<u>(5,028,073)</u>
	<u><u>\$ 9,732,485</u></u>	<u><u>\$ 9,070,479</u></u>

Major Capital Asset Additions

This year's major capital asset additions included:

- Multipurpose fields project (construction in progress), \$607,101
- Purchase of two police utility interceptors, \$71,709
- Purchase of a bucket truck with accessories, \$132,479

Debt Administration

As of January 1, 2016, the Township had total outstanding debt of \$6,712,325. After current year activity, including the refunding of General Obligation Bonds, Series of 2009 with the issuance of General Obligation Bonds, Series of 2016, the outstanding debt as of December 31, 2016 is \$6,571,976.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Township prepares an operating budget for its General Fund. The Township's elected and appointed officials considered many factors when setting the 2016 budget, tax rates and fees that will be charged. The millage rate for 2017 will remain at 4.48 mills.

Economic Factors that occurred in 2016 included:

- The Township refinanced their 2009 debt, generating over \$2,300,000 million in savings, and reducing the overall payback of the debt by 4 years.
- The Township earned a credit rating upgrade to AA.
- Launched the new, annual \$1,000,000 dedicated road program, allowing us to complete improvements on 18 miles of roads in the Township, including repair of 143 storm inlets.
- Gateway Shops at Newbury opened their doors, including First Watch, Mt. Lebanon Dermatology, Five Guys, Yo-Fresh, Envy Nail Salon, and Dollar Bank.
- The Crossings of South Fayette, including Brentwood Bank and Jimmy John's, opened.
- Kiddie Academy of South Fayette opened.
- Beacon 1, an 80,000-square foot office building at Abele Business Park is well under construction, to open late in 2017.
- Continued strong residential development in the Township.
- Charter Homes mixed use plan for the old Mayview site with mandatory commercial square footage of 75,000 to go along with apartments, townhomes, and single family homes was approved. Charter's development will also allow for a new entrance off of Mayview Road for Fairview Park as well as expanded Township park grounds.
- The Township's Star City Cinema property is now under a signed sales agreement with Horizon Properties, which the sale hopefully will generate \$5,000,000 for a first phase of a community center at the Township's Morgan Park as well as an estimated \$25,000,000 of annual assessed taxable value from private development at Star City in the years to come. The Township is hopeful that the property will transfer to Horizon sometime in 2017, as the project has been slowed somewhat by Act 2 remediation work required on site.
- The Township completely rebuilt 2 public works trucks in house, saving over \$150,000.
- As the Township continues to grow the call for services will continue to expand. In order for the Township to provide quality services, a healthy balance between operating expenditures and current revenues must be maintained. Future initiatives, including a new community center, further development of our parks system, funding for annual storm water management and road paving, as well as long term legacy costs related to police and public works pensions and post retirement union benefits will have a significant impact on future budgets.

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

BUDGETED REVENUES		
	<i>2017</i>	<i>2016</i>
Program revenues		
Charges for services	3.1%	3.5%
Operating grants and contributions	6.0%	3.2%
General revenues		
Property taxes	53.3%	40.9%
Other taxes	33.6%	48.5%
Other	4.0%	3.9%
BUDGETED EXPENDITURES		
	<i>2017</i>	<i>2016</i>
General government	13.1%	14.4%
Public safety	34.7%	36.6%
Public works and streets	28.3%	22.3%
Culture and recreation	5.8%	5.8%
Health and sanitation	10.7%	12.2%
Insurance	1.9%	2.2%
Miscellaneous and debt service	5.5%	6.5%

CONTACTING THE TOWNSHIP FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional information, please contact Ryan Eggleston, Township Manager, at the Township of South Fayette, 515 Millers Run Road, Morgan, PA, (412) 221-8700.

Township of South Fayette
Statement of Net Position
December 31, 2016

	<i>Governmental Activities</i>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 8,627,298
Restricted cash	14,494
Receivables:	
Taxes-delinquent and other	1,122,311
Accounts	156,819
	9,920,922
Capital Assets	
Non-depreciable capital assets	3,029,610
Depreciable capital assets, net	6,702,875
	9,732,485
DEFERRED OUTFLOWS OF RESOURCES	
Relating to net pension liability, net of amortization	166,114
Relating to deferred costs of refinancing, net of amortization	549,744
	715,858
Total assets and deferred outflows of resources	\$ 20,369,265
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 978,737
Accrued salaries and benefits	100,465
Current portion of long-term debt	420,000
Accrued interest payable	10,559
Unearned revenues	7,500
	1,517,261
Noncurrent Liabilities	
Long-term debt, net of premium	6,151,976
Net pension liability	2,111,045
Compensated absences	594,601
Other post-employment benefits	34,125
	8,891,747
Total liabilities	10,409,008
NET POSITION	
Net investment in capital assets	3,149,950
Restricted	4,139,335
Unrestricted	2,670,972
Total net position	9,960,257
Total liabilities and net position	\$ 20,369,265

See accompanying notes to the basic financial statements.

Township of South Fayette
Statement of Activities
Year ended December 31, 2016

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>		<i>Net (Expense)</i>
		<i>Charges for</i>	<i>Operating Grants</i>	<i>Revenue and</i>
		<i>Services</i>	<i>and Contributions</i>	<i>Change</i>
				<i>In Net Position</i>
Governmental Activities:				
General government	\$ 1,742,837	\$ 462,961	\$ 252,116	\$ (1,027,760)
Public safety	3,446,678	394,677	102,657	(2,949,344)
Public works and streets	3,286,505	533,433	615,022	(2,138,050)
Culture and recreation	608,397	114,430	-	(493,967)
Health and sanitation	993,964	1,190	12,385	(980,389)
Insurance	186,453	-	-	(186,453)
Interest on long-term debt	207,225	-	-	(207,225)
Total Governmental Activities	\$ 10,472,059	\$ 1,506,691	\$ 982,180	(7,983,188)
General Revenues				
Property taxes, levied for general purposes, net				5,579,694
Other taxes, primarily income taxes				4,294,594
Grants, subsidies, and contributions not restricted to specific programs				39,960
Investment income				15,460
Other				38,495
Gain from the disposal of capital assets				3,933
Total General Revenues				9,972,136
Change in Net Position				1,988,948
Net Position, Beginning of Year				7,971,309
Net Position, End of Year				\$ 9,960,257

See accompanying notes to the basic financial statements.

Township of South Fayette
Balance Sheet
Governmental Funds
December 31, 2016

ASSETS	<i>General Fund</i>	<i>Parks and Recreation Fund</i>	<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Cash and cash equivalents	\$ 1,757,556	\$ 1,072,516	\$ 4,957,167	\$ 840,059	\$ 8,627,298
Restricted cash	14,494	-	-	-	14,494
Receivables:					
Taxes-delinquent and other	1,122,311	-	-	-	1,122,311
Accounts	114,965	-	41,854	-	156,819
 Total assets	 <u>\$ 3,009,326</u>	 <u>\$ 1,072,516</u>	 <u>\$ 4,999,021</u>	 <u>\$ 840,059</u>	 <u>\$ 9,920,922</u>
 LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 953,499	\$ 25,238	\$ 978,737
Unearned revenues	-	-	7,500	-	7,500
Accrued salaries and benefits	100,465	-	-	-	100,465
Interfund payable	-	-	-	-	-
Total liabilities	<u>100,465</u>	<u>-</u>	<u>960,999</u>	<u>25,238</u>	<u>1,086,702</u>
 DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - taxes	373,624	-	-	-	373,624
 FUND BALANCES					
Fund balances:					
Restricted:					
Debt	14,494	-	-	-	14,494
Capital projects	-	-	4,038,022	-	4,038,022
Street expenditures	-	-	-	86,819	86,819
Assigned:					
Capital projects	1,756,057	-	-	-	1,756,057
Parks and recreation	-	1,072,516	-	-	1,072,516
Traffic impact fees	-	-	-	728,002	728,002
Unassigned	764,686	-	-	-	764,686
Total fund balances	<u>2,535,237</u>	<u>1,072,516</u>	<u>4,038,022</u>	<u>814,821</u>	<u>8,460,596</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 3,009,326</u>	 <u>\$ 1,072,516</u>	 <u>\$ 4,999,021</u>	 <u>\$ 840,059</u>	 <u>\$ 9,920,922</u>

See accompanying notes to the basic financial statements.

Township of South Fayette
Reconciliation of Total Governmental Fund Balance Sheet to
Statement of Net Position
December 31, 2016

Total Fund Balances - Governmental Funds \$ 8,460,596

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$15,030,721 and accumulated depreciation is \$5,298,236. 9,732,485

Property and earned income taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable revenues in the funds. 373,624

Deferred outflows of resources relating to the net pension liability and deferred costs of refinancing are not reported in the funds. 715,858

Some liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Those liabilities at year end consist of:

Bonds payable	\$ (6,571,976)	
Net pension liability	(2,111,045)	
Accrued interest on the bonds	(10,559)	
Compensated absences	(594,601)	
Other post-employment benefits	(34,125)	<u>(9,322,306)</u>

Total Net Position - Governmental Activities \$ 9,960,257

See accompanying notes to the basic financial statements.

Township of South Fayette
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year ended December 31, 2016

	<i>General</i> <i>Fund</i>	<i>Parks and</i> <i>Recreation</i> <i>Fund</i>	<i>Capital</i> <i>Projects</i>	<i>Other</i> <i>Governmental</i> <i>Funds</i>	<i>Total</i> <i>Governmental</i> <i>Funds</i>
Revenues					
Taxes	\$ 10,126,283	\$ -	\$ -	\$ -	\$ 10,126,283
Licenses and permits	421,106	-	-	-	421,106
Fines and violations	34,718	-	-	-	34,718
Government grants and subsidies	367,158	-	154,243	460,779	982,180
Charges for services	652,671	-	-	361,365	1,014,036
Interest earnings and rentals	3,426	23,995	23,425	1,445	52,291
Contributions	34,960	-	5,000	-	39,960
Miscellaneous	13,495	-	-	-	13,495
Total revenues	<u>11,653,817</u>	<u>23,995</u>	<u>182,668</u>	<u>823,589</u>	<u>12,684,069</u>
Expenditures					
General government	1,351,064	-	125,125	-	1,476,189
Public safety	3,326,140	6,000	62,004	-	3,394,144
Public works and streets	2,103,466	-	732,069	447,603	3,283,138
Culture and recreation	509,857	-	30,011	-	539,868
Health and sanitation	993,964	-	-	-	993,964
Insurance	186,453	-	-	-	186,453
Miscellaneous	49,537	-	-	-	49,537
Debt service:					
Principal	370,000	-	-	-	370,000
Interest and issuance costs on long-term debt	220,019	-	-	-	220,019
Capital outlay	54,514	-	888,169	-	942,683
Total expenditures	<u>9,165,014</u>	<u>6,000</u>	<u>1,837,378</u>	<u>447,603</u>	<u>11,455,995</u>
Excess of Revenues Over					
(Under) Expenditures	<u>2,488,803</u>	<u>17,995</u>	<u>(1,654,710)</u>	<u>375,986</u>	<u>1,228,074</u>
Other Financing Sources (Uses)					
Proceeds from refunding bonds issued	6,670,000	-	-	-	6,670,000
Payment to refunded bond escrow agent	(6,646,725)	-	-	-	(6,646,725)
Discounts/premiums on bonds issued	37,206	-	-	-	37,206
Insurance proceeds	25,000	-	-	-	25,000
Proceeds from sales of capital assets	27,967	-	-	-	27,967
Refund of prior year's receipts	(14,799)	(2,789)	-	-	(17,588)
Transfers from (to) other funds	(2,067,311)	-	2,065,662	1,649	-
Total other financing sources (uses)	<u>(1,968,662)</u>	<u>(2,789)</u>	<u>2,065,662</u>	<u>1,649</u>	<u>95,860</u>
Net Changes in Fund Balances	520,141	15,206	410,952	377,635	1,323,934
Fund Balances, Beginning of Year	<u>2,015,096</u>	<u>1,057,310</u>	<u>3,627,070</u>	<u>437,186</u>	<u>7,136,662</u>
Fund Balances, End of Year	<u>\$ 2,535,237</u>	<u>\$ 1,072,516</u>	<u>\$ 4,038,022</u>	<u>\$ 814,821</u>	<u>\$ 8,460,596</u>

See accompanying notes to the basic financial statements.

Township of South Fayette
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances - Governmental
Funds to the Statement of Activities
Year ended December 31, 2016

Total Net Change in Fund Balances - Governmental Funds \$ 1,323,934

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,156,451) are greater than depreciation (\$470,411) in the period. 686,040

Because some property and earned income taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues changed by this amount this year. (251,995)

The issuance of long-term debt provide current financial resources but has no effect on net position. (6,670,000)

The defeasance of long-term debt uses current financial resources but has no effect on net position. 6,646,725

Governmental funds report issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt related items. (3,056)

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 370,000

Change in accrued interest expense on bonds payable. 15,850

Gross proceeds from capital assets are reported as revenues in the governmental funds. The governmental activities reflect the actual gain or loss from the sale. This is the amount by which the proceeds (\$27,967) exceeds the gain (\$3,933). (24,034)

In the Statement of Activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. (104,516)

Total Change in Net Position - Governmental Activities \$ 1,988,948

See accompanying notes to the basic financial statements.

Township of South Fayette
Statement of Fiduciary Net Position
December 31, 2016

	<i>Police Employees Pension Trust Fund</i>	<i>Non-uniformed Employees Pension Trust Fund</i>	<i>Total Trust Funds</i>	<u><i>Agency Funds</i></u>	
				<i>Developers' Escrow Fund</i>	<i>Tax Escrow Fund</i>
ASSETS					
Cash and cash equivalents	\$ 840,161	\$ 749	\$ 840,910	\$ 207,258	\$ 217,925
Investments	<u>7,341,838</u>	<u>575,214</u>	<u>7,917,052</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 8,181,999</u></u>	<u><u>\$ 575,963</u></u>	<u><u>\$ 8,757,962</u></u>	<u><u>\$ 207,258</u></u>	<u><u>\$ 217,925</u></u>
LIABILITIES					
Due to other organizations	\$ -	\$ -	\$ -	\$ 207,258	\$ 217,925
NET POSITION					
Restricted for pension benefits	<u>8,181,999</u>	<u>575,963</u>	<u>8,757,962</u>	<u>-</u>	<u>-</u>
Total liabilities and net position	<u><u>\$ 8,181,999</u></u>	<u><u>\$ 575,963</u></u>	<u><u>\$ 8,757,962</u></u>	<u><u>\$ 207,258</u></u>	<u><u>\$ 217,925</u></u>

See accompanying notes to the basic financial statements.

Township of South Fayette
Statement of Changes in Fiduciary Net Position
Year ended December 31, 2016

	<i>Police Employees Pension Trust Fund</i>	<i>Non-uniformed Employees Pension Trust Fund</i>	<i>Total</i>
Additions			
Contributions:			
Employer	\$ 540,026	\$ 35,595	\$ 575,621
Employee	74,562	-	74,562
Total contributions	<u>614,588</u>	<u>35,595</u>	<u>650,183</u>
Investment income (loss):			
Interest and dividends	137,238	15,445	152,683
Net realized and unrealized gains and losses	330,897	23,732	354,629
Less investment expense	(69,464)	(4,954)	(74,418)
Net investment income	<u>398,671</u>	<u>34,223</u>	<u>432,894</u>
Total additions	<u>1,013,259</u>	<u>69,818</u>	<u>1,083,077</u>
Deductions			
Administration	4,039	-	4,039
Benefit payments	777,337	10,489	787,826
Total deductions	<u>781,376</u>	<u>10,489</u>	<u>791,865</u>
Changes in Net Position Restricted for Pension Benefits	231,883	59,329	291,212
Net Position, Beginning of Year	<u>7,950,116</u>	<u>516,634</u>	<u>8,466,750</u>
Net Position, End of Year	<u>\$ 8,181,999</u>	<u>\$ 575,963</u>	<u>\$ 8,757,962</u>

See accompanying notes to the basic financial statements.

Township of South Fayette
Notes to the Basic Financial Statements
Year ended December 31, 2016

NOTE A – DESCRIPTION OF THE TOWNSHIP AND REPORTING ENTITY

The Township of South Fayette (the Township) was incorporated in 1911 under the provisions of Article 9, Section 1 of the Constitution of the Commonwealth of Pennsylvania, as amended. The Township operates under a Commissioner form of government.

Reporting Entity

A reporting entity consists of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government of the Township consists of all funds and departments that are not legally separate from the Township. For the Township, this includes various services including police protection, recreation (including parks), planning and zoning, street maintenance and repair, sanitation, and general and administrative services. The operation of each of these activities is directly controlled by the Board through the budgetary process.

Component units are legally separate organizations for which the Township is financially accountable. The Township has no component units.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

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

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities. The Township reports no business-type activities.

The Statement of Net Position presents the financial condition of the Township at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

Fund Financial Statements During the year, the Township segregates transactions to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. The Township has no enterprise funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary. The Township has no proprietary funds.

Governmental Funds Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

General Fund The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the Township Code of the Commonwealth of Pennsylvania.

Parks and Recreation Fund The Parks and Recreation Fund is used for the parks and recreation expenses and improvements. It is considered a special revenue fund.

Capital Projects Fund The Capital Projects Fund accounts for resources to be used for the acquisition or construction of major capital facilities or equipment.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The following are the Township's fiduciary funds:

Pension Trust Funds The Pension Trust Funds account for the activities of the police and non-uniform pension plans, which accumulate resources for pension benefit payments to covered employees.

Agency Funds These funds represent a developer's escrow fund and a tax escrow fund.

Measurement Focus

Government-wide Financial Statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operating of the Township are included on the Statement of Net Position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenues, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is reported on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is reported in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Township, available means expected to be received within sixty days of year end.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

Non-exchange transactions, in which the Township receives value without directly giving equal value in return, include earned income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from earned income taxes is recognized in the period in which the taxpayer earns income. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note E). Revenue from grants, entitlements, and donations are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: earned income taxes, delinquent real estate taxes, interest and grants.

Unavailable Revenue Unavailable revenues arise when assets are recognized before revenue recognition criteria have been satisfied. On governmental fund financial statements, receivables that will not be collected within the available period also have been reflected as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recorded at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Cash and Cash Equivalents

Investments with an original maturity of one year or less at the time of purchase are presented on the financial statements as cash equivalents. The Township's policy is to maintain cash balances in interest-bearing accounts such as money market or flex funds. The market values of the funds approximate cost.

Investments

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed and are reported in the Statement of Net Position as construction in progress.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<i>Asset Category</i>	<i>Estimated Lives</i>
Building Improvements	25 - 30
Buildings	50
Equipment	10
Furniture	20
Infrastructure	50
Land Improvements	20
Vehicles	8

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources affecting the Statement of Net Position in the current year relate to the net pension liability and deferred costs of refinancing.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. No deferred inflows of resources affect the financial statements at December 31, 2016.

Net Position

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy the Township's obligations. Net position is classified as follows:

Net Investment in Capital Assets: This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of debt that is attributable to the acquisition, construction, and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted Net Position: This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted: This consists of all other net position that does not meet the definition of net investment in capital assets or restricted net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Township's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

Fund Equity

The Government Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* with the intention of providing a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Township's financial statements. The reporting standard established a hierarchy for fund balance classifications and the constraints imposed on the users of those resources.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Restricted: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Township’s board, the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Township’s board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification reflects the amounts constrained by the Township’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Township’s Manager has the authority to assign the amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the Township considers the restricted funds to have been used first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Township's pension plan and additions to/deductions from the Township's fiduciary net position have been determined on the same basis as they are reported by the Township. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Recently Issued and Adopted Accounting Pronouncements

In February 2015, GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and for enhancing disclosures around fair value measurements.

Subsequent Events

Management has evaluated subsequent events through June 14, 2017, the date on which the financial statements were available to be issued.

NOTE C – CASH AND CASH EQUIVALENTS

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

The deposit and investment policy of the Township adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Township. Cash and cash equivalents consist of demand deposits at various financial institutions and cash on hand of \$400.

NOTE C – CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Township’s deposits may not be returned. As of December 31, 2016, the carrying amount of the Township’s deposits at year-end with financial institutions was \$8,626,898 with the corresponding bank balance of \$8,675,992.

Additionally, the Township had cash and cash equivalents maintained as fiduciary funds. As of December 31, 2016, the carrying amount of these deposits was \$1,266,093 with the corresponding bank balance of \$1,286,571.

Of the bank balances at year end, \$500,000 was covered by federal depository insurance and \$9,462,563 was held in collateral by the depository’s agent but not in the Township’s name.

NOTE D – FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments made by the Police and Non-uniformed Pension Plan Trust Funds are held by investment firms in trust for the Township. The Plans are authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. As of December 31, 2016, the Township’s Police Pension Plan and Non-Uniformed Pension Plan invested in equity mutual funds, stocks, and money market funds. These assets have a market value of \$7,341,838 and \$575,214, respectively, at December 31, 2016. The Police Pension Plan and Non-Uniformed Pension Plan also have cash deposits with local financial institutions in the amount of \$840,161 and \$749, respectively, at December 31, 2016.

Credit risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Township has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations.

NOTE D – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The Plans categorizes there fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plans have the following recurring fair value measurements as of December 31, 2016:

	<i>12/31/2016</i>	<i>Fair Value Measurements Using</i>		
		<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
Investments by fair value level				
Police Pension Fund				
investments	\$ 7,341,838	\$ 7,341,838	\$ -	\$ -
Non-Uniformed Pension				
Fund investments	575,214	575,214	-	-
	<u>\$ 7,917,052</u>	<u>\$ 7,917,052</u>	<u>\$ -</u>	<u>\$ -</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques. Collateralized debt obligations classified in Level 3 are valued using consensus pricing.

NOTE E – TAXES

The Elected Tax Collector collects property taxes on behalf of the Township. The Elected Tax Collector periodically remits to the Township its portion of the taxes collected. The Township rate levied on January 1 was 4.48 mills (\$4.48 per \$1,000 of assessed valuation). Property taxes receivable represents real estate taxes and outstanding delinquencies measurable as of December 31, 2016, and for which there is an enforceable legal claim. Taxes are levied on January 1 and payable at 2% discount to May 31, at face from June 1 to July 31 and at a penalty of 10% thereafter. In the governmental funds, the portion of the collectible taxes that is collected beyond sixty days is reported as deferred tax revenue. On a full accrual basis, delinquent property taxes have been recorded as revenue.

The Township also levies a \$10 per capita tax based on the census of residents in the Township, and under Act 511 of the 1965 Local Tax Enabling Act, as amended a \$47 local service tax, .5 tax rate on earned income and 1% realty transfer tax. The earned income tax of one-half of one percent is levied on all earned income arising from the income of Township residents.

NOTE E – TAXES (CONTINUED)

The balances at December 31, 2016 are as follows:

	<u>Collectible</u>	<u>Recognized</u>	<u>Unavailable Taxes</u>
Real Estate	\$ 501,633	\$ 128,009	\$ 373,624
Real Estate Transfer	44,150	44,150	-
Earned Income	<u>576,528</u>	<u>576,528</u>	<u>-</u>
 Total	 <u>\$ 1,122,311</u>	 <u>\$ 748,687</u>	 <u>\$ 373,624</u>

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

NOTE F – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,166,062	\$ 43,494	\$ -	\$ 2,209,556
Construction in progress	-	820,054	-	820,054
Total capital assets not being depreciated	<u>2,166,062</u>	<u>863,548</u>	<u>-</u>	<u>3,029,610</u>
Capital assets being depreciated:				
Land improvements	1,504,798	-	-	1,504,798
Buildings and improvements	5,268,762	-	-	5,268,762
Furniture and equipment	687,932	78,138	-	766,070
Vehicles	2,560,588	214,765	(224,282)	2,551,071
Infrastructure	1,910,410	-	-	1,910,410
Total capital assets, depreciated	<u>11,932,490</u>	<u>292,903</u>	<u>(224,282)</u>	<u>12,001,111</u>
Less accumulated depreciation for:				
Land improvements	(640,059)	(46,568)	-	(686,627)
Buildings and improvements	(1,479,843)	(233,351)	-	(1,713,194)
Furniture and equipment	(465,133)	(32,179)	-	(497,312)
Vehicles	(2,093,230)	(120,105)	200,248	(2,013,087)
Infrastructure	(349,808)	(38,208)	-	(388,016)
Total accumulated depreciation	<u>(5,028,073)</u>	<u>(470,411)</u>	<u>200,248</u>	<u>(5,298,236)</u>
Total capital assets, depreciated, net	<u>6,904,417</u>	<u>(177,508)</u>	<u>(24,034)</u>	<u>6,702,875</u>
Governmental Activities, capital assets, net	<u>\$ 9,070,479</u>	<u>\$ 686,040</u>	<u>\$ (24,034)</u>	<u>\$ 9,732,485</u>

NOTE F – CHANGES IN CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
General government	\$ 234,795
Public safety	58,052
Public works and streets	133,876
Culture and recreation	<u>43,688</u>
 Total Depreciation Expense	 <u>\$ 470,411</u>

NOTE G – NONCURRENT LIABILITIES

During the year ended December 31, 2016, the Township’s long-term debt changed as follows:

	<u>Outstanding January 1,</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding December 31,</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 6,765,000	\$ 6,670,000	\$ (6,900,000)	\$ 6,535,000	\$ 420,000
Less: Bond Discount	(52,675)	52,675	-	-	-
Plus: Bond Premium	-	37,206	(230)	36,976	-
Total Bonds Payable	<u>6,712,325</u>	<u>6,759,881</u>	<u>(6,900,230)</u>	<u>6,571,976</u>	<u>420,000</u>
 Compensated Absences	 556,712	 37,889	 -	 594,601	 -
Other Post Employment Benefits	<u>24,887</u>	<u>9,238</u>	<u>-</u>	<u>34,125</u>	<u>-</u>
 Governmental Activities					
Long-term Liabilities	<u>\$ 7,293,924</u>	<u>\$ 6,807,008</u>	<u>\$ (6,900,230)</u>	<u>\$ 7,200,702</u>	<u>\$ 420,000</u>

General Obligation Bonds, Series of 2009

In 2009, the Township issued \$8,040,000 of general obligation bonds. The bonds bear rates ranging from 2% to 5.125% and mature June 1, 2034. During 2016, these bonds were refunded with the issuance of General Obligation Bonds, Series of 2016. For financial reporting purposes, the debt has fees considered deferred and therefore removed as a liability from the Township’s financial statements. During 2016, the amount of defeased debt was \$6,530,000.

General Obligation Bonds, Series of 2016

During 2016, the Township issued general obligation bonds in the amount of \$6,670,000. The purpose of the bonds was to refund General Obligation Bonds, Series of 2009, pay the costs of the issuance of the bond, and take advantage of more favorable interest rates. The bond bears interest of 0.70% - 2.05% and matures June 1, 2030. At December 31, 2016, the balance outstanding on this bond is \$6,535,000.

NOTE G – NONCURRENT LIABILITIES (CONTINUED)

The future annual payments required to amortize the outstanding debt as of December 31, 2016 are as follows:

<i>Year Ended</i> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 420,000	\$ 125,240	\$ 545,240
2018	425,000	119,520	544,520
2019	435,000	110,920	545,920
2020	445,000	102,120	547,120
2021	450,000	93,170	543,170
2022-2026	2,410,000	324,058	2,734,058
2027-2030	1,950,000	75,748	2,025,748
	<u>\$ 6,535,000</u>	<u>\$ 950,776</u>	<u>\$ 7,485,776</u>

Compensated Absences

The Township allows public works and police employees to accumulate their unused sick leave. Employees accumulate sick days based on contractual provisions and upon retirement may receive payment up to a stipulated maximum number of days. Payment is \$175 per day for public works employees. Police employees are paid their standard hourly rate based on an eight-hour day for the first 120 days and their standard hourly rate based on a four-hour day for the next 30 days.

NOTE H – INTERFUND TRANSFERS

The composition of and purpose of transfers between funds during the December 31, 2016 year-end is as follows:

<u>Recipient Fund</u>	<u>Payee Fund</u>	<u>Purpose</u>	<u>Amount</u>
Capital Projects	General Fund	Capital projects	\$ 2,065,662

On the government-wide Statement of Activities, all interfund transfers have been eliminated.

NOTE I – PENSION PLANS

A. Police Pension Plan

Plan Description

The Township Police Employees' Pension Plan is a single-employer defined benefit pension trust fund. Any person employed on a full-time basis by the Township as a member of the police force is eligible to participate in the Plan.

Retirement Benefits A participant is entitled to receive retirement benefits after completing 25 years of service and attaining age 55. The scheduled retirement monthly benefit is 50% of the participant's final monthly average salary earned during the last 36 months of employment.

Significant Accounting Policies

The pension plan is maintained using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The investments are reported at fair value based on published securities data. The actuarial method for valuing the assets is the 4-year smoothing technique.

Membership of the Plan consisted of the following at January 1, 2015, the date of the latest actuarial valuation:

Active participants	16
Retired and beneficiaries currently receiving benefits	12
Terminated employees entitled to benefits but not yet receiving them	<u>0</u>
	<u>28</u>

Investments For the year ended December 31, 2016, the annual money weighted rate of return on pension plan investments, net of investment expense was 5.56%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions Total pension liability was determined by an actuarial valuation as of January 1, 2015 and rolled forward to the reporting date, utilizing the Entry Age Normal actuarial funding method and the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	5.5% including inflation
Investment rate of return	7.5% applied to all periods

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment and rates set forward five years for disabled members.

NOTE I – PENSION PLANS (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the Minimum Municipal Obligation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<i>Long-term Expected Real Rate of Return</i>
Equities	6.30%
Fixed income	2.00%
Cash and cash equivalents	0.00%

Funding The Plan is funded on an annual basis pursuant to the provisions of the Municipal Pension Plan Funding Standard and Recovery Act of December 18, 1984, P.L. 1005 no. 205, as amended, 53 P.S. 895 101, et seq. (“Act 205”). Act 205 requires that annual employer contributions be based upon the plan’s Minimum Municipal Obligation (MMO). The MMO is based upon the plan’s most recent biennial actuarial valuation. The MMO includes normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state contributions must be funded by the employer. Employees are required to contribute 5% of covered payroll to the Plan. This contribution is governed by the Plan’s governing ordinances and collective bargaining. The actuarial determined contribution to the plan for 2016 was \$540,026 computed through an actuarial valuation performed January 1, 2015 and represented 32.67% of covered payroll.

Net pension liability of the pension plan The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of December 31, 2016 is as follows:

Total pension liability	\$ 10,289,101
Pension plan net position	<u>8,178,056</u>
Net pension liability	<u><u>\$ 2,111,045</u></u>

The pension plan’s net position as a percentage of total pension liability is 79.48%.

NOTE I – PENSION PLANS (CONTINUED)

Discount Rate The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Township contributions will be made equal to the Minimum Municipal Obligation. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Schedule of Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/2015	<u>\$ 9,810,851</u>	<u>\$ 7,645,730</u>	<u>\$ 2,165,121</u>
Changes for the year:			
Service cost	223,381	-	223,381
Interest	734,892	-	734,892
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	540,372	(540,372)
Contributions - employee	-	77,345	(77,345)
Net investment income	-	466,851	(466,851)
Benefit payments	(480,023)	(480,023)	-
Administrative expense	-	(72,219)	72,219
Other changes	-	-	-
Net changes	<u>478,250</u>	<u>532,326</u>	<u>(54,076)</u>
Balances at 12/31/2016	<u>\$ 10,289,101</u>	<u>\$ 8,178,056</u>	<u>\$ 2,111,045</u>

Sensitivity of the net pension liability to change in the discount rate The following presents the net pension liability of the plan, calculated using the discount rate of 7.50% as well as what the plan’s net position liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	<i>1.0% Decrease</i>	<i>Current Rate</i>	<i>1.0% Increase</i>
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Net pension liability	\$ 3,361,963	\$ 2,111,045	\$ 1,056,588

NOTE I – PENSION PLANS (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the Township recognized pension expense of \$560,555. At December 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 38,380	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	511,364	-
	<u>\$ 549,744</u>	<u>\$ -</u>

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

<i>Year ended December 31:</i>	
2017	\$ 173,219
2018	173,219
2019	173,217
2020	29,153
2021	936
Thereafter	-
	<u>\$ 549,744</u>

B. Non-Uniformed Pension Plan

Non-Union Employees' Pension Plan

The Township contributes to the Township's Non-Union Employees' Pension Plan, a defined contribution plan. The Plan is governed by the Township's Board of Commissioners which is responsible for the management of the Plan and has appointed the Township Manager as Chief Administrative Officer of the Plan. Any person regularly employed by the Township, other than police or members of a collective bargaining unit and attainment of 18 years of age and completion of a 90 day probationary period is eligible to participate in the Plan. Normal retirement age is when an employee attains age 65. The amount of retirement benefits is determined by the monies accumulated in the individual accounts at retirement. The Plan's total current membership consists of thirteen employees.

NOTE I – PENSION PLANS (CONTINUED)

The Township is required to contribute to the Pension Fund an amount equivalent to 8.6% of the compensation paid to each employee. Employees are not required to contribute to the Plan.

The contributions to the Plan for the year ending December 31, 2016 consisted of employer contributions of \$35,595. The Plan is a money purchase plan, qualified under Section 401(a) of the Internal Revenue Code.

Union Employees' Pension Plan (Public Works)

The Township's Union Employees' Pension Plan is a defined benefit plan. In a defined benefit plan, participants receive benefits as defined in the plan documents, upon meeting eligibility requirements. The Plan is administered by the Western Pennsylvania Teamsters and Employer's Pension Fund. The Township has no responsibility or authority for the operation and administration of the pension program. Contributions required of the Township are based upon an agreement between the Township and Teamsters Local Union No. 205. The contribution to the plan for the year 2016 was \$102,052. There are no required employee contributions.

NOTE J – POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

The Township administers a single-employer defined benefit healthcare plan. The plan provides medical, dental, and vision for eligible Township employees. Benefits provisions are mostly established through negotiations between the Township and union representing the employees. The plan does not issue a publicly available financial report.

Funding Policy

Police become eligible for the post-retirement benefit upon attaining age 55 with at least 25 years of service. Public works employees become eligible for the post-retirement benefit upon attaining age 60 with at least ten years of service.

The benefits are as follows:

Police Policemen who retire are eligible to receive an additional amount equal to \$300 per month which is to be used to purchase healthcare coverage. The amount is payable provided the spouse of the retiree does not have healthcare coverage in which the retiree would be eligible to enroll. The retiree must provide documentation that they have enrolled in a healthcare plan. The amount is payable up to the age of 65 or until the retiree becomes eligible for Medicare.

NOTE J – POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Public Works Public Works employees who retire are eligible to receive an additional amount equal to \$200 per month which is to be used to purchase healthcare coverage. The amount is payable provided the spouse of the retiree does not have healthcare coverage in which the retiree would be eligible to enroll. The retiree must provide documentation that they have enrolled in a healthcare plan. The amount is payable up to the age of 65 or until the retiree becomes eligible for Medicare.

Annual OPEB Cost and Net OPEB Obligation

The Township’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (funding excess) over a period not to exceed 30 years. The following table shows the components of the Township’s annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Township’s net OPEB obligation.

Annual Required Contribution	\$ 46,220
Interest on Net OPEB Obligation	995
Adjustment to Annual Required Contribution	<u>(3,068)</u>
Annual OPEB Cost (Expense)	44,147
Contributions Made	<u>(34,909)</u>
	9,238
Net OPEB Obligation - Beginning of Year	<u>24,887</u>
Net OPEB Obligation - End of Year	<u><u>\$ 34,125</u></u>

The Township’s OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are as follows:

<u><i>Year</i></u> <u><i>Ended</i></u>	<u><i>Annual</i></u> <u><i>OPEB Cost</i></u>	<u><i>Percentage</i></u> <u><i>of Annual OPEB</i></u> <u><i>Cost Contributed</i></u>	<u><i>Net</i></u> <u><i>OPEB</i></u> <u><i>Obligation</i></u>
12/31/2012	\$ 23,160	62.18%	\$ 23,888
12/31/2013	22,724	117.57%	19,896
12/31/2014	22,923	106.23%	18,468
12/31/2015	44,682	85.63%	24,887
12/31/2016	44,147	79.07%	34,125

NOTE J – POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Funded Status and Funding Progress

As of January 1, 2015, the actuarial accrued liability for benefits was \$346,444, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,239,297 and the ratio of unfunded actuarial accrued liability to the covered payroll was 10.7%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Multi-year information will be presented in future years.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a discount rate of 4%. The method used to determine the actuarial value of assets is not applicable since there were no plan assets. The unfunded actuarial accrued liability is being amortized using the level dollar method. The amortization period for the most recent actuarial valuation is ten years. The period is open.

NOTE K – COMMITMENTS AND CONTINGENCIES

The Township participates in federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Township is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE L – SETTLEMENT AGREEMENT

During 2016, the Township entered into a settlement agreement resolving pending litigation in the Court of Common Pleas of Allegheny County. The settlement paid by the Township was \$50,000. The agreement stipulates the recipient of the payment will drop their case and not pursue any further legal action.

Required Supplementary Information

Township of South Fayette
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - General Fund
Year ended December 31, 2016

	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues			
Taxes	\$ 8,999,703	\$ 10,126,283	\$ 1,126,580
Licenses and permits	360,000	421,106	61,106
Fines and violations	21,000	34,718	13,718
Government grants and subsidies	325,725	367,158	41,433
Charges for services	350,300	652,671	302,371
Interest earnings	2,889	3,426	537
Contributions	-	34,960	34,960
Miscellaneous	-	13,495	13,495
Total revenues	<u>10,059,617</u>	<u>11,653,817</u>	<u>1,594,200</u>
Expenditures			
General government	1,326,331	1,362,512	(36,181)
Public safety	3,362,345	3,326,140	36,205
Highways and streets	2,045,308	2,103,466	(58,158)
Culture and recreation	531,930	552,923	(20,993)
Health and sanitation	1,118,964	993,964	125,000
Insurance	201,100	186,453	14,647
Miscellaneous	45,072	49,537	(4,465)
Debt service:			
Principal	235,000	370,000	(135,000)
Interest and issuance costs on long-term debt	312,943	220,019	92,924
Total expenditures	<u>9,178,993</u>	<u>9,165,014</u>	<u>13,979</u>
Excess of Revenues Over (Under)			
Expenditures	<u>880,624</u>	<u>2,488,803</u>	<u>1,608,179</u>
Other Financing Sources (Uses)			
Proceeds from refunding bonds issued	-	6,670,000	6,670,000
Payment to refunded bond escrow agent	-	(6,646,725)	(6,646,725)
Discounts/premiums on bonds issued	-	37,206	37,206
Insurance proceeds	-	25,000	25,000
Proceeds from sales of capital assets	2,000	27,967	25,967
Refund of prior year's receipts	(5,000)	(14,799)	(9,799)
Transfers to other funds	(877,624)	(2,067,311)	(1,189,687)
Total other financing uses	<u>(880,624)</u>	<u>(1,968,662)</u>	<u>(1,088,038)</u>
Net Changes in Fund Balances	-	520,141	520,141
Fund Balances, Beginning of Year	-	2,015,096	2,015,096
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 2,535,237</u>	<u>\$ 2,535,237</u>

See accompanying notes.

Township of South Fayette
Schedule of Changes in Police Employees' Pension Fund
Net Pension Liability and Related Ratios
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability:			
Service cost	\$ 223,381	\$ 211,736	\$ 200,338
Interest	734,892	712,440	684,399
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	57,102	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(480,023)	(787,351)	(378,741)
Net Change in Total Pension Liability	<u>478,250</u>	<u>193,927</u>	<u>505,996</u>
Total Pension Liability, Beginning	<u>9,810,851</u>	<u>9,616,924</u>	<u>9,110,928</u>
Total Pension Liability, Ending (a)	<u>\$ 10,289,101</u>	<u>\$ 9,810,851</u>	<u>\$ 9,616,924</u>
Plan Fiduciary Net Position:			
Contributions - employer	\$ 540,372	\$ 488,219	\$ 474,992
Contributions - employee	77,345	67,581	60,298
Net investment income	466,851	(135,345)	439,329
Benefit payments, including refunds of employee contributions	(480,023)	(787,351)	(378,741)
Administrative expense	(72,219)	(78,265)	(78,040)
Other	-	18,074	-
Net Change in Plan Fiduciary Net Position	<u>532,326</u>	<u>(427,087)</u>	<u>517,838</u>
Plan Fiduciary Net Position, Beginning	<u>7,645,730</u>	<u>8,072,817</u>	<u>7,554,979</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 8,178,056</u>	<u>\$ 7,645,730</u>	<u>\$ 8,072,817</u>
Township's Net Pension Liability, Ending (a) - (b)	<u>\$ 2,111,045</u>	<u>\$ 2,165,121</u>	<u>\$ 1,544,107</u>
Plan fiduciary net position as a percentage of total pension liability	79.48%	77.93%	83.94%
Covered employee payroll	\$ 1,654,191	\$ 1,425,129	\$ 1,193,858
Net liability as a percentage of covered payroll	127.62%	151.92%	129.34%

The Township is required to present the information for the last ten fiscal years. Additional years will be displayed as they become available.

See accompanying notes.

Township of South Fayette
Schedule of Police Employees' Pension Fund Employer Contributions
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 540,026	\$ 488,219	\$ 474,992
Contributions in relation to the actuarially determined contribution	<u>540,372</u>	<u>488,219</u>	<u>474,992</u>
Contribution deficiency (excess)	<u>\$ (346)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,654,191	\$ 1,425,129	\$ 1,193,858
Contributions as a percentage of covered employee payroll	32.67%	34.26%	39.79%

The Township is required to present the information for the last ten fiscal years. Additional years will be displayed as they become available.

See accompanying notes.

Township of South Fayette
Schedule of Changes in Police Employees' Pension Fund
Investment Returns
Last Ten Fiscal Years

	<i>2016</i>	<i>2015</i>	<i>2014</i>
Annual money-weighted rate of return, net of investment expense	6.13%	-1.48%	5.56%

The Township is required to present the information for the last ten fiscal years. Additional years will be displayed as they become available.

See accompanying notes.

Township of South Fayette
Schedule of Funding Progress for the Retiree Health Plan
December 31, 2016

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
1/1/2009	\$ -	\$ 222,870	\$ 222,870	0.0%	\$ 2,883,309	7.73%
1/1/2012	-	225,803	225,803	0.0%	2,795,003	8.08%
1/1/2015	-	346,444	346,444	0.0%	3,239,297	10.70%

See accompanying notes.

Township of South Fayette
Notes to Required Supplementary Information
Year ended December 31, 2016

NOTE A – BUDGETARY INFORMATION

Budget Process

The General Fund is legally required to be budgeted and appropriated. All funds, except the fiduciary funds, prepare budgets on the budgetary basis of accounting. The budget demonstrates a need for existing or increased tax rates and user fees. The Board’s final adoption of the budget is the authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Board.

Excess of expenditures over appropriations

For the year ended December 31, 2016, expenditures exceeded appropriations in five functions by approximately \$255,000. These over-expenditures were funded by greater than anticipated revenues, mainly tax revenue.

NOTE B – PENSION INFORMATION – ACTUARIAL METHODS AND ASSUMPTIONS

Methods and assumptions used to determine contribution rates for the Police Pension Fund under Act 205 for the year ended December 31, 2016 are as follows:

Valuation date	January 1, 2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	9 years (aggregate)
Asset valuation method	4-year smoothing
Inflation	3.00%
Salary increases	5.50% including inflation
Investment rate of return	7.50% net of investment expenses not funded through the MMO, and including inflation
Mortality	RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment and rates set forward 5 years for disabled members

Supplementary Information

Township of South Fayette
Combining Schedule of Balance Sheet
Nonmajor Governmental Funds
December 31, 2016

	<i>Fuel Tax</i>	<i>Hickory Heights</i>	<i>Traffic Impact Fee Fund</i>	<i>Total Nonmajor Funds</i>
ASSETS				
Cash and cash equivalents	\$ 74,470	\$ 30,091	\$ 735,498	\$ 840,059
LIABILITIES				
Accounts payable	\$ 17,742	\$ -	\$ 7,496	\$ 25,238
FUND BALANCES				
Restricted:				
Street expenditures	56,728	30,091	-	86,819
Assigned:				
Traffic impact fees	-	-	728,002	728,002
Total fund balances	56,728	30,091	728,002	814,821
Total liabilities and fund balances	\$ 74,470	\$ 30,091	\$ 735,498	\$ 840,059

Township of South Fayette
Combining Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year ended December 31, 2016

	<i>Fuel Tax</i>	<i>Hickory Heights</i>	<i>Traffic Impact Fee Fund</i>	<i>Total Nonmajor Funds</i>
Revenues				
Government grants and subsidies	\$ 460,779	\$ -	\$ -	\$ 460,779
Charges for services	-	-	361,365	361,365
Interest earnings	764	45	636	1,445
Total revenues	<u>461,543</u>	<u>45</u>	<u>362,001</u>	<u>823,589</u>
Expenditures				
Public works and streets	<u>437,711</u>	<u>-</u>	<u>9,892</u>	<u>447,603</u>
Excess of Revenues Over Expenditures	23,832	45	352,109	375,986
Other Financing Source				
Transfer from other fund	<u>-</u>	<u>-</u>	<u>1,649</u>	<u>1,649</u>
Net Changes in Fund Balances	23,832	45	353,758	377,635
Fund Balances, Beginning of Year	<u>32,896</u>	<u>30,046</u>	<u>374,244</u>	<u>437,186</u>
Fund Balances, End of Year	<u><u>\$ 56,728</u></u>	<u><u>\$ 30,091</u></u>	<u><u>\$ 728,002</u></u>	<u><u>\$ 814,821</u></u>