



**TOWNSHIP OF SOUTH FAYETTE, PENNSYLVANIA**

AUDITED FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTARY INFORMATION, AND  
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2022



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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 Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of South Fayette, Allegheny County, Pennsylvania, (the "Township") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of December 31, 2022, 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.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Township 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.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***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 opinions. 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 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 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 Township'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 the Township'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.

### ***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 other post-employment benefit plan information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary 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 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

July 25, 2023

**TOWNSHIP OF SOUTH FAYETTE, PENNSYLVANIA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
DECEMBER 31, 2022

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The discussion and analysis of the Township of South Fayette's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2022. 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, 2022 are as follows:

*Government-wide financial statements:*

- The assets and deferred outflows of resources of the Township exceeded its total liabilities and deferred inflows of resources at December 31, 2022 by \$26,401,201 (net position). Of this amount, \$5,426,421 (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 \$1,665,344 for the year ended December 31, 2022.

*Fund financial statements:*

- At the close of the current year, the Township's governmental funds reported combined ending fund balances of \$35,940,645, a decrease of \$8,711,208 in comparison with the prior year. Of this amount, \$4,791,183 is unassigned and available for spending.
- At the end of the current year, unassigned fund balance for the General Fund was \$4,791,183 or 31.4% of total General Fund budgeted expenditures (excluding any other financing uses) for 2022.

**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, deferred outflows of resources, 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, health and sanitation, and other activities.

**Fund financial statements** – The Township's fund financial statements, which begin on page 16, 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 \$26,401,201 and \$24,735,857 at December 31, 2022 and 2021.

**Township of South Fayette's Net Position  
December 31, 2022 and 2021**

	<i>Governmental Activities</i>	
	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 39,366,269	\$ 46,930,036
Capital assets, net	<u>26,539,600</u>	<u>16,443,359</u>
	<u>65,905,869</u>	<u>63,373,395</u>
Deferred outflows of resources	<u>3,011,956</u>	<u>1,252,803</u>
Current and other liabilities	3,749,866	2,571,066
Long-term liabilities	<u>37,631,139</u>	<u>35,802,089</u>
	<u>41,381,005</u>	<u>38,373,155</u>
Deferred inflows of resources	<u>1,135,619</u>	<u>1,517,186</u>
<b>NET POSITION</b>		
Net investment in capital assets	13,001,159	11,798,785
Restricted	7,973,621	7,369,087
Unrestricted	<u>5,426,421</u>	<u>5,567,985</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 26,401,201</b></u>	<u><b>\$ 24,735,857</b></u>

A portion of the Township's net position (49.2%) 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, 2022 and 2021**

	<i>Governmental</i>	
	<i>Activities</i>	
	<u>2022</u>	<u>2021</u>
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 1,310,961	\$ 1,540,126
Operating grants and contributions	1,546,482	1,476,337
Capital grants and contributions	1,305,964	1,314,821
General revenues:		
Property taxes	7,614,201	7,354,484
Other taxes	6,342,416	6,121,809
Other	533,120	93,790
	<u>18,653,144</u>	<u>17,901,367</u>
 <b>EXPENSES</b>		
General government	2,126,837	1,634,652
Public safety	5,589,636	4,573,788
Public works and streets	5,674,467	4,729,607
Culture and recreation	920,406	703,906
Health and sanitation	1,463,646	1,407,187
Insurance	298,522	196,547
Interest on long-term debt	853,376	461,157
Transfer to fiduciary fund	60,910	-
	<u>16,987,800</u>	<u>13,706,844</u>
 <b>CHANGE IN NET POSITION</b>	 1,665,344	 4,194,523
 <b>NET POSITION, BEGINNING OF YEAR</b>	 <u>24,735,857</u>	 <u>20,541,334</u>
 <b>NET POSITION, END OF YEAR</b>	 <u><b>\$ 26,401,201</b></u>	 <u><b>\$ 24,735,857</b></u>

*Governmental activities* Governmental activities increased the Township's net position by \$1,665,344.

**Township of South Fayette's Governmental Activities**  
**Years ended December 31, 2022 and 2021**

	<i>Total Cost of Services</i>		<i>Net Cost of Services</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
General government	\$ 2,126,837	\$ 1,634,652	\$ 1,381,581	\$ 871,570
Public safety	5,589,636	4,573,788	4,930,270	3,936,988
Public works and streets	5,674,467	4,729,607	3,111,711	2,535,536
Culture and recreation	920,406	703,906	724,627	533,749
Health and sanitation	1,463,646	1,407,187	1,463,396	1,140,013
Insurance	298,522	196,547	298,522	196,547
Interest on long-term debt	853,376	461,157	853,376	461,157
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 16,926,890</b>	<b>\$ 13,706,844</b>	12,763,483	9,675,560
<b>TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES</b>			<b>\$ 12,763,483</b>	<b>\$ 9,675,560</b>

**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, 2022 the Township's governmental funds reported combined ending fund balances of \$35,940,645, a decrease of \$8,711,208 in comparison to the prior year. Of this amount, \$4,791,183 is unassigned, which is available for spending at the government's discretion.

The General Fund is the Township's chief operating fund. In 2022, the General Fund's revenues exceeded expenditures by \$1,058,757. After adjustment for other financing uses, such as transfers to other funds of \$804,907 in 2022, the fund balance increased by \$253,850.

*General Fund Budgetary Highlights* Revenues of the General Fund were 5.8% less than budgeted for the year mainly because government grants and subsidies were less than anticipated. Expenditures were 3.8% less than budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

At December 31, 2022, the Township had \$33,629,846 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 \$10,096,241 or 61.4% from last year.

### Township of South Fayette's Capital Assets December 31, 2022 and 2021

	<i>Governmental Activities</i>	
	<u>2022</u>	<u>2021</u>
Land and land improvements	\$ 8,127,993	\$ 8,127,993
Buildings and improvements	1,125,734	900,013
Furniture and equipment	1,861,975	1,678,563
Vehicles	3,677,348	3,486,810
Infrastructure	7,463,902	6,157,938
Construction in progress	11,372,894	2,274,555
	<u>33,629,846</u>	<u>22,625,872</u>
Less: Accumulated depreciation	(7,090,246)	(6,182,513)
<b>TOTAL, NET</b>	<b><u>\$ 26,539,600</u></b>	<b><u>\$ 16,443,359</u></b>

#### *Major Capital Asset Additions*

This year's major capital asset additions included:

- New Municipal Complex, construction in progress, \$6,309,094
- Fairview Park Phase I Improvements, construction in progress, \$2,643,955
- 2022 contributed roads, \$1,305,964
- Boy's Home Park restroom, \$125,710
- Purchase of backhoe, \$124,250
- Purchase of public works vehicles, \$112,378
- Preservation Park restroom, \$100,011
- Community Center Project, construction in progress, \$90,037
- Purchase of police vehicles, \$78,160
- Purchase of excavator, \$59,162
- Morgan Park pavilion, construction in progress, \$55,253

#### *Debt Administration*

As of January 1, 2022, the Township had total outstanding debt of \$34,731,713. The loan activity for the current year consisted of payments totaling \$550,000 and bond premium activity in the amount of \$32,763. Outstanding debt as of December 31, 2022 is \$34,148,950.

## 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 2023 budget, tax rates and fees that will be charged. The millage rate for 2023 will remain at 4.73 mills.

Economic Factors that occurred in 2022 included:

### Grants & Donations

**More than \$2.5 million total in grants, sponsorships and other support:**

- \$1 million DCNR grant and \$151,250 GEDTF grant awarded for artificial turf on two multipurpose fields in Fairview Park
- \$837,113 COVID-19 relief, American Rescue Plan Act (this amount represents the 2<sup>nd</sup> half of the township's federal allocation). An additional distribution was received in the amount of \$2,638.
- \$5,000 Western PA Conservancy grant for boating/ fishing launch in Morgan Park
- \$148,275 overall giving to Parks and Recreation, including \$55,475 in sponsorship donations from 50 businesses
- \$500,000 DCED ARPA Pandemic Response grant for new ball fields in Fairview Park

### Building Permits/Construction

- Collected more than \$199,000 in building permit fees
- Issued a total of 417 building permits, including 344 for residential projects and 69 for commercial projects (compared to 399 total permits the prior year)
  - 6 permits were for NEW commercial construction valued at \$12.6 million (less than \$1 million decrease over prior year)
  - 88 permits were for NEW home construction valued at \$24 million
  - Total estimated construction value of all permitted projects exceeded \$65.6 million (down \$11.7 million compared to the prior year)
  - Residential growth (\$30 million) outpaced commercial (\$19.2 million)
  - Homeowners spent \$5 million on 242 accessory structures such as decks (92), fences (45), deck/patio roofs (25), rooftop solar panels (22), swimming pools (17) and sheds (15)

### Business

- Businesses published 56 ads in South Fayette Connect, the township's official magazine (compared to 39 ads the prior year)
- New businesses included:
  - Firebirds, The Piazza – 2022 final
  - Primanti Brothers, The Piazza – Jan 2023 final
  - Empanada Co.
  - MSI International Inc.
  - Madsen Donuts
  - Tesla
  - BJ's Wholesale Club, Newbury
  - Montessori School
  - Modwash

- Ivybrook Academy
- Recon Brewing
- Valentour's Italian Restaurant
- Salud Powered by Mana
- Carnegie Exterminators
- Origins Chiropractic
- Fyzical Therapy
- Greentree Animal Clinic
- Amplify Church South (Nonprofit)
- GNB Battery
- Giant Eagle renovation
- McDonalds renovation
- Maronda Homes
- Construction started:
  - The Piazza, shell bldg. 3, 4, 5
  - South Fayette Municipal Complex
  - Verizon Building Addition
  - GNC
  - Bartram House Piazza
  - Alpine Pointe Building 2
  - Alpine Club Smoke House
  - Image Studios – Piazza
  - European Wax – Piazza
  - Milkshake Factory – Piazza
  - Commercial Bldg in Hastings – no tenant yet
- Approved and announced:
  - Apex Newbury Apartments
  - Traditions of America – announced
  - Raising Canes – announced
- Major construction occurred in these housing plans:
  - Hastings
  - Lafayette Meadow
  - Kevington
  - Stonegate

### Transportation

- Planned \$1.5 million road paving program for 2022 with 23 roads (totaling around six road miles) being paved
- PennDOT prepared for the intersection improvement project at Mayview and Boyce roads and the Chartiers bridge replacement on Washington Pike
- Public Works paved a small portion of Cecil Sturgeon Road (1,000 feet) and Valley Forest Road (300 feet).
- Public Works repaired roads and potholes

## **Public Works**

- Hired Public Works Director and prepared to hire employees for new Parks & Facilities Division
- New Public Works equipment and vehicles purchased, including an excavator, two mowers, two trucks, and backhoe with attachments
- Repaired/replaced 30 storm inlets
- Repaired major landslides in Fairview Park and along Dutch Hill Road and Old Oakdale Road
- Installed 600 feet of storm sewer pipe
- Delivered 133 recycling carts
- Installed 267 street signs
- Responded to 1,691 PA One Calls
- Repeatedly mowed 94 acres of parkland and 145 miles of grass along roads
- Operated 15 snow/salt trucks in winter
- Finalized collective bargaining agreement

## **Parks and Recreation**

- Park projects started: Fairview Park Signs, Fairview Field B Lights, Preservation Park Restrooms, Boys Home Park Restrooms
- Land preparation continued for Fairview Park expansion on Mayview site
- Held 77 recreation programs with 3,519 participants that generated \$70,885 in revenue
- Held 14 free community events with more than 15,000 total participants
- Scheduled 704 pavilion and field rentals (collected \$21,430)

## **Police**

- Police implemented new policies and procedures and updated records management system
- Assigned second investigator position and hired two additional officers
- Started jiu-jitsu tactical defense training
- Added vehicles with enhanced design
- Police handled 5,550 service calls (+6% over prior year)
- 249% increase in traffic stops over prior year

## **Miscellaneous**

- Won lawsuit opposing PennDOT's plan to toll a bridge on Interstate 79 in South Fayette
- Approved \$17.6 million operating budget for 2022 without property tax increase
- Comprehensive Plan update process continued
- Began Municipal Center/Police Station construction
- Progressed Community Center planning
- Free mobile app, South Fayette CitizenLink, launched on App Store and Google Play; 105 total downloads in 2022
- 16,722 magazine digital reads and 34,300 paper copies distributed
- 633 customer services issues addressed through online Citizen Request Tracker
- Recycled more than 8.54 tons of glass during two free glass recycling collections

- \$158,000 in escrow fees collected for new and existing accounts
- Welcomed new police pension fund advisor

**Awards & Honors (3 total)**

- AAA Platinum Traffic Safety Award, South Fayette Police Department
- South Fayette Connect, 2<sup>nd</sup> Place Magazine Award, National Association of Government Communicators
- South Fayette Conservation Group received Governor’s Award for Environmental Excellence

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

<b>BUDGETED REVENUES</b>		
	<i>2023</i>	<i>2022</i>
<b>PROGRAM REVENUES</b>		
Charges for services	4.6%	4.8%
Operating grants and contributions	4.8%	9.7%
<b>GENERAL REVENUES</b>		
Property taxes	43.8%	41.9%
Other taxes	35.9%	40.8%
Other	10.9%	2.8%
<b>BUDGETED EXPENDITURES</b>		
	<i>2023</i>	<i>2022</i>
General government	17.4%	16.4%
Public safety	33.3%	32.9%
Public works and streets	17.8%	18.2%
Culture and recreation	6.4%	4.5%
Health and sanitation	8.8%	8.4%
Insurance	1.5%	1.7%
Miscellaneous and debt service	14.8%	17.9%

**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 John Barrett, 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, 2022**

	<i>Governmental Activities</i>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 17,630,889
Investments	20,443,181
Receivables:	
Taxes-delinquent and other	1,202,817
Accounts and grants	89,382
	<u>39,366,269</u>
<b>CAPITAL ASSETS</b>	
Non-depreciable capital assets	15,323,671
Depreciable capital assets, net	11,215,929
	<u>26,539,600</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Relating to deferred costs of refinancing, net of amortization	83,723
Relating to net pension liability, net of amortization	2,826,214
Relating to net OPEB liability, net of amortization	102,019
	<u>3,011,956</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 68,917,825</u></b>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 630,753
Interfund payable	71,056
Accrued salaries and benefits	192,624
Security deposits	14,070
Current portion of long-term debt	560,000
Escrow liability	37,133
Unearned revenues	2,244,230
	<u>3,749,866</u>
<b>NONCURRENT LIABILITIES</b>	
Long-term debt, net of premium	33,588,950
Net pension liability	3,087,434
Compensated absences	664,134
Other post-employment benefits	290,621
	<u>37,631,139</u>
	<u>41,381,005</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Relating to net pension liability, net of amortization	1,053,442
Relating to net OPEB liability, net of amortization	82,177
	<u>1,135,619</u>
<b>NET POSITION</b>	
Net investment in capital assets	13,001,159
Restricted	7,973,621
Unrestricted	5,426,421
	<u>26,401,201</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b><u>\$ 68,917,825</u></b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF SOUTH FAYETTE**

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Change In Net Position</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	
<b>GOVERNMENTAL ACTIVITIES:</b>					
General government	\$ 2,126,837	\$ 375,809	\$ 369,447	\$ -	\$ (1,381,581)
Public safety	5,589,636	535,634	123,732	-	(4,930,270)
Public works and streets	5,674,467	228,307	1,028,485	1,305,964	(3,111,711)
Culture and recreation	920,406	170,961	24,818	-	(724,627)
Health and sanitation	1,463,646	250	-	-	(1,463,396)
Insurance	298,522	-	-	-	(298,522)
Interest on long-term debt	853,376	-	-	-	(853,376)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 16,926,890</b>	<b>\$ 1,310,961</b>	<b>\$ 1,546,482</b>	<b>\$ 1,305,964</b>	<b>(12,763,483)</b>
<b>GENERAL REVENUES</b>					
Property taxes, levied for general purposes, net					7,614,201
Other taxes, primarily income taxes					6,342,416
Investment income					516,473
Transfer to fiduciary fund					(60,910)
Other					16,647
<b>TOTAL GENERAL REVENUES</b>					<b>14,428,827</b>
<b>CHANGE IN NET POSITION</b>					<b>1,665,344</b>
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>					<b>24,735,857</b>
<b>NET POSITION, END OF YEAR</b>					<b>\$ 26,401,201</b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF SOUTH FAYETTE**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022

	<i>General Fund</i>	<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,372,255	\$ 7,925,447	\$ 2,333,187	\$ 17,630,889
Investments	-	20,443,181	-	20,443,181
Receivables:				
Taxes-delinquent and other	1,202,817	-	-	1,202,817
Accounts	79,618	-	-	79,618
Grants	-	9,764	-	9,764
<b>TOTAL ASSETS</b>	<b>\$ 8,654,690</b>	<b>\$ 28,378,392</b>	<b>\$ 2,333,187</b>	<b>\$ 39,366,269</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 229,689	\$ 391,124	\$ 9,940	\$ 630,753
Unearned revenues	2,199,227	45,003	-	2,244,230
Accrued salaries and benefits	192,624	-	-	192,624
Security deposits	14,070	-	-	14,070
Escrow liability	37,133	-	-	37,133
Interfund payable	71,056	-	-	71,056
	<u>2,743,799</u>	<u>436,127</u>	<u>9,940</u>	<u>3,189,866</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - taxes	<u>235,758</u>	<u>-</u>	<u>-</u>	<u>235,758</u>
<b>FUND BALANCES</b>				
Fund balances:				
Restricted:				
Capital projects	-	27,942,265	-	27,942,265
Street expenditures	-	-	558,142	558,142
Committed:				
Capital projects	883,950	-	-	883,950
Assigned:				
Parks and recreation	-	-	320,141	320,141
Traffic impact fees	-	-	1,444,964	1,444,964
Unassigned	4,791,183	-	-	4,791,183
	<u>5,675,133</u>	<u>27,942,265</u>	<u>2,323,247</u>	<u>35,940,645</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 8,654,690</b>	<b>\$ 28,378,392</b>	<b>\$ 2,333,187</b>	<b>\$ 39,366,269</b>

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, 2022

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**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 35,940,645

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 \$33,629,846 and accumulated depreciation is \$7,090,246. 26,539,600

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. 235,758

Deferred outflows and inflows of resources relating to the net pension and OPEB liabilities and deferred costs of refinancing are not reported in the funds. 1,876,337

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	\$ (34,148,950)	
Net pension liability	(3,087,434)	
Compensated absences	(664,134)	
Other post-employment benefits	(290,621)	(38,191,139)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ 26,401,201**

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, 2022

	<i>General Fund</i>	<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>REVENUES</b>				
Taxes	\$ 13,977,976	\$ -	\$ -	\$ 13,977,976
Licenses and permits	362,849	-	-	362,849
Fines and violations	24,924	-	-	24,924
Government grants and subsidies	493,179	481,027	547,458	1,521,664
Charges for services	737,826	26,303	183,377	947,506
Interest earnings and rentals	121,941	372,624	22,408	516,973
Miscellaneous	16,647	-	-	16,647
	<u>15,735,342</u>	<u>879,954</u>	<u>753,243</u>	<u>17,368,539</u>
<b>EXPENDITURES</b>				
General government	2,123,741	-	-	2,123,741
Public safety	5,206,519	-	-	5,206,519
Public works and streets	2,739,066	-	429,135	3,168,201
Culture and recreation	744,020	-	-	744,020
Health and sanitation	1,463,646	-	-	1,463,646
Insurance	298,522	-	-	298,522
Miscellaneous	73,373	-	-	73,373
Debt service:				
Principal	550,000	-	-	550,000
Interest and issuance costs on long-term debt	883,677	-	-	883,677
Capital outlay	594,021	10,913,117	-	11,507,138
	<u>14,676,585</u>	<u>10,913,117</u>	<u>429,135</u>	<u>26,018,837</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,058,757	(10,033,163)	324,108	(8,650,298)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from (to) other funds	(804,907)	743,997	-	(60,910)
<b>NET CHANGES IN FUND BALANCES</b>	253,850	(9,289,166)	324,108	(8,711,208)
<b>FUND BALANCES, BEGINNING OF YEAR, AS RESTATED</b>	<u>5,421,283</u>	<u>37,231,431</u>	<u>1,999,139</u>	<u>44,651,853</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 5,675,133</u>	<u>\$ 27,942,265</u>	<u>\$ 2,323,247</u>	<u>\$ 35,940,645</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, 2022

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**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ (8,711,208)

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 (\$9,698,010) are greater than depreciation (\$907,733) in the period. 8,790,277

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. (21,359)

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. 30,301

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 550,000

Certain revenues reported in the Statement of Activities do not provide current financial resources and therefore are not reported as revenues in governmental funds. This amount is the contribution of capital assets. 1,305,964

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. (278,631)

**TOTAL CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES** \$ 1,665,344

**TOWNSHIP OF SOUTH FAYETTE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2022**

	<i>Police Employees Pension Trust Fund</i>	<i>Non-uniformed Employees Pension Trust Fund</i>	<i>Total Pension Trust Funds</i>	<i>Custodial Fund Developers' Escrow Fund</i>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 542,584	\$ -	\$ 542,584	\$ 221,266
Investments	11,282,497	605,535	11,888,032	-
Accounts receivable	-	-	-	147,687
Interfund receivable	-	-	-	71,056
<b>TOTAL ASSETS</b>	<b>\$ 11,825,081</b>	<b>\$ 605,535</b>	<b>\$ 12,430,616</b>	<b>\$ 440,009</b>
<b>NET POSITION</b>				
Restricted for pension benefits	11,825,081	605,535	12,430,616	-
Restricted for developers' escrow	-	-	-	440,009
	<u>11,825,081</u>	<u>605,535</u>	<u>12,430,616</u>	<u>440,009</u>
<b>TOTAL NET POSITION</b>	<b>\$ 11,825,081</b>	<b>\$ 605,535</b>	<b>\$ 12,430,616</b>	<b>\$ 440,009</b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF SOUTH FAYETTE**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED DECEMBER 31, 2022

	<i>Police Employees Pension Trust Fund</i>	<i>Non-uniformed Employees Pension Trust Fund</i>	<i>Total Pension Trust Funds</i>	<i>Custodial Fund Developers' Escrow Fund</i>
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 660,972	\$ 102,717	\$ 763,689	\$ -
Employee	120,279	-	120,279	-
	<u>781,251</u>	<u>102,717</u>	<u>883,968</u>	<u>-</u>
Investment income (loss):				
Interest and dividends	169,987	-	169,987	3,009
Net realized and unrealized gains and losses	(1,967,129)	(107,590)	(2,074,719)	-
Less investment expense	(25,526)	-	(25,526)	-
Net investment income (loss)	<u>(1,822,668)</u>	<u>(107,590)</u>	<u>(1,930,258)</u>	<u>3,009</u>
Developer revenue	-	-	-	158,197
Interfund transfer	-	-	-	60,910
	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,107</u>
	<u>(1,041,417)</u>	<u>(4,873)</u>	<u>(1,046,290)</u>	<u>222,116</u>
<b>DEDUCTIONS</b>				
Administration	2,303	-	2,303	-
Benefit payments	507,786	165,498	673,284	-
Developer expense	-	-	-	151,279
	<u>510,089</u>	<u>165,498</u>	<u>675,587</u>	<u>151,279</u>
<b>CHANGES IN NET POSITION</b>	<b>(1,551,506)</b>	<b>(170,371)</b>	<b>(1,721,877)</b>	<b>70,837</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>13,376,587</b>	<b>775,906</b>	<b>14,152,493</b>	<b>369,172</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 11,825,081</b>	<b>\$ 605,535</b>	<b>\$ 12,430,616</b>	<b>\$ 440,009</b>

See accompanying notes to the basic financial statements.

# TOWNSHIP OF SOUTH FAYETTE

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### 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.

# TOWNSHIP OF SOUTH FAYETTE

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### 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 unassigned 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.

*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.

*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.

*Custodial Funds:* This fund represents a developer's escrow fund.

**TOWNSHIP OF SOUTH FAYETTE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)**

*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.

**TOWNSHIP OF SOUTH FAYETTE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS

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**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.

**TOWNSHIP OF SOUTH FAYETTE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS

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**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 acquisition 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 as construction in progress, which is included in non-depreciable capital assets in the Statement of Net Position.

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

<u>Asset Category</u>	<u>Estimated Lives</u>
Building Improvements	20 - 30
Buildings	50
Equipment	5 - 10
Furniture	20
Infrastructure	20 - 50
Land Improvements	20
Vehicles	5 - 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.

**TOWNSHIP OF SOUTH FAYETTE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS

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**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, net OPEB 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. The deferred inflows of resources affecting the Statement of Net Position in the current year relate to delinquent taxes, reported in the Balance Sheet of the governmental funds statement, and deferred inflows related to the net pension and OPEB liabilities.

*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.

**TOWNSHIP OF SOUTH FAYETTE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)**

*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.

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.

**TOWNSHIP OF SOUTH FAYETTE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)**

The Township's Board of Commissioners adopted a fund balance policy for the General Fund via resolution, which includes the following goal ranges the Township will strive to hold:

15-20% budget stabilization reserve for economic uncertainty, possible state borrowing of Township's fund, known or anticipated future obligations.

15-20% emergency disaster reserve for unforeseen events such as natural disasters or catastrophic accidents.

5-10% working capital to provide sufficient cash flow.

In no circumstances shall the total General Fund reserve balance drop below 15% of the Township's annual operating expenditures for the General Fund.

*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.

*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.

*Postemployment Benefits Other Than Pensions (OPEB)*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Township's Retiree Benefits Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments 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.

**TOWNSHIP OF SOUTH FAYETTE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)**

*Impact of Recently Issued Accounting Principles*

GASB Statement No. 87, *Leases*, is effective for periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement had no material impact on the Township's current year financial statements.

*Subsequent Events*

Management has evaluated subsequent events through July 25, 2023, 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 \$593.

*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. The Township does not have a formal deposit policy for custodial credit risk. As of December 31, 2022, the carrying amount of the Township's deposits at year-end with financial institutions was \$17,362,980 with the corresponding bank balance of \$17,363,170.

In addition to deposits with financial institutions, \$267,316 was on deposit with Pennsylvania Local Government Investment Trust (PLGIT). The portfolio of the Trust is comprised of investments with relatively consistent yields at, however, minimum risk. Although the portfolios of these funds may contain insured or guaranteed deposits and investments, the fund shares are not insured or guaranteed. The degree of investment risk depends on the funds' underlying portfolios. Standard and Poor's has given PLGIT a credit rating of AAA.

The Township had cash and cash equivalents maintained in fiduciary funds. As of December 31, 2022, the carrying amount was \$763,850, and the bank balance was \$772,479.

**TOWNSHIP OF SOUTH FAYETTE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**NOTE C – CASH AND CASH EQUIVALENTS (CONTINUED)**

Of the bank balances at year end, \$583,605 was covered by federal depository insurance and \$17,552,044 was held in collateral by the depository’s agent but not in the Township’s name in accordance with Act 72 of the Pennsylvania state legislature. Act 72 requires financial institutions to pool collateral for all governmental deposits and have collateral held by an approved custodian in the institution’s name.

**NOTE D – INVESTMENTS**

Investments in the Capital Projects Fund amounting to \$20,443,181 were held in fixed income securities with Charles Schwab at December 31, 2022. To the extent that they are not insured by FDIC, they are collateralized with securities held by the pledging financial institutions.

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, 2022, 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 \$11,282,497 and \$605,535, respectively, at December 31, 2022. The Police Pension Plan also has cash deposits with local financial institutions in the amount of \$542,584 at December 31, 2022.

*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.

The investments are categorized within the fair value hierarchy established by generally accepted accounting principles. The investments have the following recurring fair value measurements as of December 31, 2022:

	<i>12/31/2022</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>
Capital Projects Fund	\$ 20,443,181	\$ 20,443,181	\$ -	\$ -
Police Pension Fund	11,282,497	11,282,497	-	-
Non-Uniformed Pension	605,535	-	605,535	-
<b>TOTAL</b>	<b>\$ 32,331,213</b>	<b>\$ 31,725,678</b>	<b>\$ 605,535</b>	<b>\$ -</b>

**TOWNSHIP OF SOUTH FAYETTE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**NOTE D – INVESTMENTS (CONTINUED)**

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 4.73 mills (\$4.73 per \$1,000 of assessed valuation). Property taxes receivable represents real estate taxes and outstanding delinquencies measurable as of December 31, 2022, 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, 1% tax rate on earned income of nonresidents, 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.

The balances at December 31, 2022 are as follows:

	<i>Collectible</i>	<i>Recognized</i>	<i>Unavailable Taxes</i>
Real Estate	\$ 262,434	\$ 15,042	\$ 235,758
Real Estate Transfer	38,821	38,821	-
Earned Income	855,730	855,730	-
Regional Asset District Sales Tax	45,832	45,832	-
<b>TOTAL</b>	<b>\$ 1,202,817</b>	<b>\$ 955,425</b>	<b>\$ 235,758</b>

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

**TOWNSHIP OF SOUTH FAYETTE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE F – CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2022, was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital assets not being depreciated:				
Land	\$ 3,950,777	\$ -	\$ -	\$ 3,950,777
Construction in progress	2,274,555	9,098,339	-	11,372,894
	<u>6,225,332</u>	<u>9,098,339</u>	<u>-</u>	<u>15,323,671</u>
Capital assets being depreciated:				
Land improvements	4,177,216	-	-	4,177,216
Buildings and improvements	900,013	225,721	-	1,125,734
Furniture and equipment	1,678,563	183,412	-	1,861,975
Vehicles	3,486,810	190,538	-	3,677,348
Infrastructure	6,157,938	1,305,964	-	7,463,902
	<u>16,400,540</u>	<u>1,905,635</u>	<u>-</u>	<u>18,306,175</u>
Less accumulated depreciation for:				
Land improvements	(1,208,004)	(180,189)	-	(1,388,193)
Buildings and improvements	(726,474)	(10,290)	-	(736,764)
Furniture and equipment	(872,149)	(168,887)	-	(1,041,036)
Vehicles	(2,479,174)	(248,811)	-	(2,727,985)
Infrastructure	(896,712)	(299,556)	-	(1,196,268)
	<u>(6,182,513)</u>	<u>(907,733)</u>	<u>-</u>	<u>(7,090,246)</u>
	<u>10,218,027</u>	<u>997,902</u>	<u>-</u>	<u>11,215,929</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u><u>\$ 16,443,359</u></u>	<u><u>\$ 10,096,241</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 26,539,600</u></u>

Construction in progress at December 31, 2022 consists of the new municipal complex totaling \$7,773,911, the Fairview Park phase I improvements totaling \$3,324,074, the new public works facility project totaling \$109,213, the new community center project totaling \$110,443, and the new pavilion at Morgan Park totaling \$55,253.

**TOWNSHIP OF SOUTH FAYETTE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE F – CHANGES IN CAPITAL ASSETS (CONTINUED)**

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

Governmental Activities:	
General government	\$ 8,405
Public safety	136,868
Public works and streets	590,676
Culture and recreation	<u>171,784</u>
<b>TOTAL DEPRECIATION EXPENSE</b>	<b><u><u>\$ 907,733</u></u></b>

**NOTE G – NONCURRENT LIABILITIES**

During the year ended December 31, 2022, noncurrent liabilities changed as follows:

	<i>Outstanding January 1,</i>	<i>Additions</i>	<i>Reductions</i>	<i>Outstanding December 31,</i>	<i>Due Within One Year</i>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 33,585,000	\$ -	\$ (550,000)	\$ 33,035,000	\$ 560,000
Plus: Bond Premium	1,146,713	-	(32,763)	1,113,950	-
Total Bonds Payable	<u>34,731,713</u>	<u>-</u>	<u>(582,763)</u>	<u>34,148,950</u>	<u>560,000</u>
Compensated Absences	619,475	44,659	-	664,134	-
Net Pension Liability	629,213	2,458,221	-	3,087,434	-
Other Post-Employment Benefits	<u>371,688</u>	<u>-</u>	<u>(81,067)</u>	<u>290,621</u>	<u>-</u>
<b>GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES</b>	<b><u><u>\$ 36,352,089</u></u></b>	<b><u><u>\$ 2,502,880</u></u></b>	<b><u><u>\$ (663,830)</u></u></b>	<b><u><u>\$ 38,191,139</u></u></b>	<b><u><u>\$ 560,000</u></u></b>

*General Obligation Bonds, Series of 2021*

During 2021, the Township issued general obligation bonds in the amount of \$33,585,000. The purpose of the bonds was to refund General Obligation Bonds, Series of 2016, pay the costs of the issuance of the bonds, and for future capital improvement in the Township. The bonds bear interest of 2.0% - 4.0% and mature in December 2056. The amount of defeased debt was \$4,360,000. The refunding reduced total debt service payments over the next nine years by \$138,405. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$433,000. The balance outstanding at December 31, 2022 was \$33,035,000.

**TOWNSHIP OF SOUTH FAYETTE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**NOTE G – NONCURRENT LIABILITIES (CONTINUED)**

The future annual payments required to amortize the outstanding debt as of December 31, 2022 are as follows:

<i>Year Ended</i> <u>December 31,</u>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2023	\$ 560,000	\$ 927,138	\$ 1,487,138
2024	580,000	914,538	1,494,538
2025	590,000	900,638	1,490,638
2026	610,000	880,438	1,490,438
2027	630,000	857,088	1,487,088
2028-2032	3,515,000	3,969,765	7,484,765
2033-2037	4,165,000	3,420,090	7,585,090
2038-2042	4,785,000	2,759,190	7,544,190
2043-2047	5,510,000	2,017,040	7,527,040
2048-2052	6,360,000	1,260,471	7,620,471
2053-2056	5,730,000	381,004	6,111,004
<b>TOTAL</b>	<b><u>\$ 33,035,000</u></b>	<b><u>\$ 18,287,400</u></b>	<b><u>\$ 51,322,400</u></b>

*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.

Compensated absences totaled \$664,134 at December 31, 2022. Payments of these liabilities are dependent upon many factors (including retirement, termination, or employee leaving service) and, therefore, timing of future payments of such are not readily determinable. For governmental fund statements, compensated absences are recorded only when payment is due. For governmental activities, the amount is accrued in the government-wide Statement of Net Position as a noncurrent liability.

**NOTE H – INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of December 31, 2022 is as follows:

<u>Recipient Fund</u>	<u>Payor Fund</u>	<u>Purpose</u>	<u>Amount</u>
Developers' Escrow Fund	General Fund	Reimbursement	\$ 71,056

**TOWNSHIP OF SOUTH FAYETTE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**NOTE I – INTERFUND TRANSFERS**

The composition of and purpose of transfers between funds during the December 31, 2022 year-end is as follows:

<u>Recipient Fund</u>	<u>Payor Fund</u>	<u>Purpose</u>	<u>Amount</u>
Capital Projects Fund	General Fund	Capital projects	\$ 743,997
Developers' Escrow Fund	General Fund	Reimbursement	60,910
<b>TOTAL</b>			<b>\$ 804,907</b>

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

**NOTE J – 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.

As allowed by GASB No. 68, the Township is reporting on its government-wide financial statements its net pension liabilities and related deferred outflows and inflows of resources measured as of January 1, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that same date.

Membership of the Plan consisted of the following at December 31, 2022:

Active participants	22
Retired and beneficiaries currently receiving benefits	10
Terminated employees entitled to benefits but not yet receiving them	0
<b>TOTAL</b>	<b><u>32</u></b>

**TOWNSHIP OF SOUTH FAYETTE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**NOTE J – PENSION PLANS (CONTINUED)**

*Investments* For the year ended December 31, 2022, the annual money weighted rate of return on pension plan investments, net of investment expense was -13.93%. 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, 2021 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	2.5%
Salary increases	5.0% including inflation
Investment rate of return	6.75% net of investment expenses not funded through MMO

Mortality rates were based on the PubS-2010 mortality table with mortality improvement projected from base year 2015 with rates derived from the Long-Range Demographic Assumptions for the 2020 SSA's Trustee Report.

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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Expected Real Rate of Return</u>
US Equity - Large Cap	4.09 - 7.34%
US Equity - Small/Mid Cap	5.01 - 9.06%
Non-US Equity - Developed	4.62 - 8.26%
Non-US Equity - Emerging	5.65 - 10.49%
US Corporate Bond - Core	0.88 - 2.02%
US Corporate Bond - High Yield	2.80 - 4.96%
Non-US Debt - Developed	0.44 - 1.89%
Non-US Debt - Emerging	2.69 - 4.76%
US Treasuries/Cash	0.07 - 0.53%

**TOWNSHIP OF SOUTH FAYETTE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**NOTE J – PENSION PLANS (CONTINUED)**

*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 2022 was \$660,972 computed through an actuarial valuation performed January 1, 2021 and represented 26.28% 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, 2022 is as follows:

Total pension liability	\$ 14,921,349
Pension plan net position	<u>(11,833,915)</u>
<b>NET PENSION LIABILITY</b>	<b><u><u>\$ 3,087,434</u></u></b>

The pension plan’s net position as a percentage of total pension liability is 79.31%.

*Discount Rate* The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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.

**TOWNSHIP OF SOUTH FAYETTE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE J – PENSION PLANS (CONTINUED)**

*Schedule of Changes in the Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>BALANCES AT 12/31/2021</b>	<b>\$ 13,994,153</b>	<b>\$ 13,364,940</b>	<b>\$ 629,213</b>
Changes for the year:			
Service cost	396,093	-	396,093
Interest	957,195	-	957,195
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	660,972	(660,972)
Contributions - employee	-	120,279	(120,279)
Net investment income	-	(1,855,619)	1,855,619
Benefit payments	(426,092)	(426,092)	-
Administrative expense	-	(30,565)	30,565
Other changes	-	-	-
Net changes	<u>927,196</u>	<u>(1,531,025)</u>	<u>2,458,221</u>
<b>BALANCES AT 12/31/2022</b>	<b><u>\$ 14,921,349</u></b>	<b><u>\$ 11,833,915</u></b>	<b><u>\$ 3,087,434</u></b>

*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 6.75% 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 (5.75%) or 1-percentage point higher (7.75%) than the current rate:

	<i>1.0% Decrease</i>	<i>Current Rate</i>	<i>1.0% Increase</i>
	<i>5.75%</i>	<i>6.75%</i>	<i>7.75%</i>
Net pension liability (asset)	\$ 4,962,508	\$ 3,087,434	\$ 1,531,957

**TOWNSHIP OF SOUTH FAYETTE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**NOTE J – PENSION PLANS (CONTINUED)**

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

For the year ended December 31, 2022, the Township recognized pension expense of \$891,096. At December 31, 2022, 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	\$ 8,570	\$ 643,517
Changes of assumptions	611,670	-
Net difference between projected and actual earnings on pension plan investments	2,205,974	409,925
<b>TOTAL</b>	<b><u>\$ 2,826,214</u></b>	<b><u>\$ 1,053,442</u></b>

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>	
2023	\$ 270,027
2024	409,959
2025	470,817
2026	532,305
2027	44,829
Thereafter	44,835

*B. Non-Union 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.

**TOWNSHIP OF SOUTH FAYETTE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NOTE J – PENSION PLANS (CONTINUED)**

The Township is required to contribute to the Pension Fund an amount equivalent to 10% 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, 2022 consisted of employer contributions of \$102,717. 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 2022 was \$147,121. There are no required employee contributions.

**NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN**

**General Information about the OPEB Plan**

*Plan Description*

The Township's defined benefit OPEB plan, South Fayette Retiree Benefits Plan (the Plan), provides OPEB benefits to all eligible retirees who qualify and elect to participate. The Plan is a single-employer defined benefit OPEB plan administered by the Township. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

*Benefits Provided*

The Plan provides medical and life insurance benefits for eligible Township employees. Coverage amounts vary by employee classification.

The benefits are as follows:

*Police* Police who retire are eligible to receive an 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. Police who retire are eligible to receive life insurance in the amount of \$7,500.

**TOWNSHIP OF SOUTH FAYETTE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)**

*Public Works* Public Works employees who retire are eligible to receive an amount equal to \$225 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. Public Works employees who retire are eligible to receive life insurance in the amount of \$5,000.

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 10 years of service.

*Employees Covered by Benefit Terms*

Active participants	36
Inactive participants	
Covered for medical	4
Covered for life insurance	14
<b>TOTAL</b>	<u><u>54</u></u>

**Total OPEB Liability**

The Township’s total OPEB liability of \$290,621 was measured as of January 1, 2022 and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and Other Inputs*

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	2.50%
Healthcare cost trend rates	The \$300 monthly benefit provided to retired Police and the \$225 benefit provided to retiring Public Works employees are assumed not to increase. For the few post-65 retirees who have coverage for their lifetime, healthcare trends are assumed as follows: 5.00% in 2023, 4.75% in 2024, and 4.50% in 2025 and later.

**TOWNSHIP OF SOUTH FAYETTE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)**

The discount rate was based on the Bond Buyers 20-Bond Index.

Mortality rates were based on the Pri.H-2012 Blue Collar Mortality Table projected using Scale MP-2021.

The actuarial assumptions used in the January 1, 2022 valuation were based on census information at that time and is believed to be representative of the population for the 2021 year-end.

**Change in the Total OPEB liability**

	<i>Total OPEB Liability</i>
<b>BALANCE AT DECEMBER 31, 2021</b>	<u>\$ 371,688</u>
Changes for the year:	
Service cost	6,482
Interest	7,880
Changes of benefit terms	-
Differences between expected and actual experience	(80,085)
Changes of assumptions	11,608
Benefit payments	<u>(26,952)</u>
Net changes	<u>(81,067)</u>
 <b>BALANCE AT DECEMBER 31, 2022</b>	 <b><u>\$ 290,621</u></b>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.12% to 2.06%. The mortality improvement scale changed to MP-2021. There were updates in the assumed medical trend rates.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB 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 discount rate:

	<i>1% Decrease</i> <u>1.06%</u>	<i>Current Rate</i> <u>2.06%</u>	<i>1% Increase</i> <u>3.06%</u>
Total OPEB liability	\$ 326,656	\$ 290,621	\$ 261,136

**TOWNSHIP OF SOUTH FAYETTE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)**

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the Township, as well as what the Township’s total OPEB liability would be if it were calculated using healthcare cost trend rates at 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rates</u>	<u>1% Increase</u>
Total OPEB liability (asset)	\$ 288,726	\$ 290,621	\$ 292,691

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended December 31, 2022, the Township recognized OPEB expense of \$18,143. At December 31, 2022, the Township reported deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 31,220	\$ 72,805
Changes in assumptions	56,504	9,372
Benefit payments subsequent to the measurement date	14,295	-
<b>TOTAL</b>	<b>\$ 102,019</b>	<b>\$ 82,177</b>

The \$14,295 amount reported as deferred outflows of resources resulting from the Township’s benefit payments subsequent to the measurement date will be recognized as a reduction in next year’s total OPEB liability. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	
2023	\$ 3,781
2024	3,781
2025	3,781
2026	3,781
2027	3,781
Thereafter	(13,358)
<b>TOTAL</b>	<b>\$ 5,547</b>

# TOWNSHIP OF SOUTH FAYETTE

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### NOTE L – TAX ABATEMENTS

The Township's tax abatements are authorized by Township ordinance. Under the Local Economic Revitalization Tax Assistance (LERTA) program, recipients are eligible for property tax abatement on certain improvements to deteriorated residential or commercial property and new construction of residential or commercial structures in deteriorated areas that increase the assessed property value. The Planning Commission of the Township held a public hearing to determine the geographic boundaries of deteriorated areas.

The Township's tax abatement agreements do not contain recapture provisions for non-compliance. There were no amounts received or receivable from other governments in association with the forgone taxes. The Township did not make other commitments other than to reduce taxes as part of the tax abatement agreements.

During 2022, the Township's LERTA property tax abatements totaled \$66,809.

### NOTE M – 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.

In August 2018, the Township entered into a contribution agreement with the Commonwealth of Pennsylvania, Department of Transportation (the Department) to contribute \$200,000 to the Department for costs associated with a project. As of December 31, 2022, no amounts have been remitted to the Department. The amount is expected to be remitted in 2023.

### NOTE N – PRIOR PERIOD ADJUSTMENTS

Accounts payable for the General Fund was overstated by \$98,443 in the 2021 year-end financial statements. The beginning fund balance for the General Fund per the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds increased from \$5,322,840 to \$5,421,283.

Unearned revenues for the Capital Projects Fund was overstated by \$300,000 in the 2021 year-end financial statements. The beginning fund balance for the Capital Projects Fund per the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds increased from \$36,931,431 to \$37,231,431.

The beginning net position for governmental activities per the Statement of Activities increased from \$24,337,414 to \$24,735,857 as a result from both restatements.

**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, 2022

	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Budgetary Basis to GAAP Basis</i>	<i>Actual Amounts GAAP Basis</i>
<b>REVENUES</b>					
Taxes	\$ 13,812,952	\$ 13,977,976	\$ 165,024	\$ (21,359)	\$ 13,956,617
Licenses and permits	386,950	362,849	(24,101)	-	362,849
Fines and violations	18,000	24,924	6,924	-	24,924
Government grants and subsidies	1,618,892	493,179	(1,125,713)	-	493,179
Charges for services	808,030	737,826	(70,204)	-	737,826
Interest earnings and rentals	22,300	121,941	99,641	-	121,941
Contributions	-	-	-	1,305,964	1,305,964
Miscellaneous	45,000	16,647	(28,353)	-	16,647
	<u>16,712,124</u>	<u>15,735,342</u>	<u>(976,782)</u>	<u>1,284,605</u>	<u>17,019,947</u>
<b>EXPENDITURES</b>					
General government	2,743,639	2,124,469	619,170	(127,013)	1,997,456
Public safety	5,504,604	5,209,901	294,703	344,632	5,554,533
Highways and streets	3,039,714	2,746,694	293,020	583,383	3,330,077
Culture and recreation	754,950	1,326,303	(571,353)	(409,152)	917,151
Health and sanitation	1,400,000	1,463,646	(63,646)	-	1,463,646
Insurance	277,024	298,522	(21,498)	-	298,522
Miscellaneous	105,961	73,373	32,588	-	73,373
Debt service:					
Principal	555,000	550,000	5,000	(550,000)	-
Interest and issuance costs on long-term debt	883,000	883,677	(677)	(30,301)	853,376
	<u>15,263,892</u>	<u>14,676,585</u>	<u>587,307</u>	<u>(188,451)</u>	<u>14,488,134</u>
<b>EXCESS OF REVENUES OVER (UNDER EXPENDITURES)</b>	<u>1,448,232</u>	<u>1,058,757</u>	<u>(389,475)</u>	<u>1,473,056</u>	<u>2,531,813</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sales of capital assets	20,000	-	(20,000)	-	-
Transfers to other funds	(1,468,232)	(804,907)	663,325	-	(804,907)
	<u>(1,448,232)</u>	<u>(804,907)</u>	<u>643,325</u>	<u>-</u>	<u>(804,907)</u>
<b>NET CHANGES IN FUND BALANCES</b>	-	253,850	253,850	1,473,056	1,726,906
<b>FUND BALANCES, BEGINNING OF YEAR</b>	-	5,421,283	5,421,283	(1,473,056)	3,948,227
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 5,675,133</u>	<u>\$ 5,675,133</u>	<u>\$ -</u>	<u>\$ 5,675,133</u>

See accompanying notes.

# TOWNSHIP OF SOUTH FAYETTE

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND YEAR ENDED DECEMBER 31, 2022

	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<b>REVENUES</b>			
Government grants and subsidies	\$ 5,600,000	\$ 481,027	\$ (5,118,973)
Charges for services	-	26,303	26,303
Interest earnings and rentals	-	372,624	372,624
	<u>5,600,000</u>	<u>879,954</u>	<u>(4,720,046)</u>
<b>EXPENDITURES</b>			
General government	12,018,036	6,319,720	5,698,316
Public safety	1,550,000	35,103	1,514,897
Public works and streets	2,855,000	2,211,045	643,955
Culture and recreation	4,880,000	2,347,249	2,532,751
	<u>21,303,036</u>	<u>10,913,117</u>	<u>10,389,919</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(15,703,036)	(10,033,163)	5,669,873
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from bonds issued	30,000,000	-	(30,000,000)
Transfer from other funds	2,452,006	743,997	(1,708,009)
	<u>32,452,006</u>	<u>743,997</u>	<u>(31,708,009)</u>
<b>NET CHANGES IN FUND BALANCES</b>	16,748,970	(9,289,166)	(26,038,136)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>(16,748,970)</u>	<u>37,231,431</u>	<u>53,980,401</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 27,942,265</u>	<u>\$ 27,942,265</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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY:</b>									
Service cost	\$ 396,093	\$ 377,231	\$ 348,167	\$ 330,016	\$ 310,276	\$ 317,459	\$ 223,381	\$ 211,736	\$ 200,338
Interest	957,195	899,164	881,654	830,761	841,119	795,998	734,892	712,440	684,399
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(345,869)	-	(810,912)	-	55,304	-	57,102	-
Changes of assumptions	-	704,507	-	-	-	537,585	-	-	-
Benefit payments, including refunds of employee contributions	(426,092)	(444,662)	(469,024)	(484,628)	(520,914)	(448,180)	(480,023)	(787,351)	(378,741)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>927,196</b>	<b>1,190,371</b>	<b>760,797</b>	<b>(134,763)</b>	<b>630,481</b>	<b>1,258,166</b>	<b>478,250</b>	<b>193,927</b>	<b>505,996</b>
<b>TOTAL PENSION LIABILITY, BEGINNING</b>	<b>13,994,153</b>	<b>12,803,782</b>	<b>12,042,985</b>	<b>12,177,748</b>	<b>11,547,267</b>	<b>10,289,101</b>	<b>9,810,851</b>	<b>9,616,924</b>	<b>9,110,928</b>
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<b>\$ 14,921,349</b>	<b>\$ 13,994,153</b>	<b>\$ 12,803,782</b>	<b>\$ 12,042,985</b>	<b>\$ 12,177,748</b>	<b>\$ 11,547,267</b>	<b>\$ 10,289,101</b>	<b>\$ 9,810,851</b>	<b>\$ 9,616,924</b>
<b>PLAN FIDUCIARY NET POSITION</b>									
Contributions - employer	\$ 660,972	\$ 671,570	\$ 662,218	\$ 684,132	\$ 666,493	\$ 585,123	\$ 540,372	\$ 488,219	\$ 474,992
Contributions - employee	120,279	107,532	101,461	96,883	83,101	78,736	77,345	67,581	60,298
Net investment income	(1,855,619)	915,138	1,130,232	1,719,061	(620,869)	1,110,240	466,851	(135,345)	439,329
Benefit payments, including refunds of employee contributions	(426,092)	(444,662)	(469,024)	(484,628)	(520,914)	(448,180)	(480,023)	(787,351)	(378,741)
Administrative expense	(30,565)	(100,674)	(87,090)	(77,034)	(83,769)	(88,192)	(72,219)	(78,265)	(78,040)
Other	-	-	-	-	-	-	-	18,074	-
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>(1,531,025)</b>	<b>1,148,904</b>	<b>1,337,797</b>	<b>1,938,414</b>	<b>(475,958)</b>	<b>1,237,727</b>	<b>532,326</b>	<b>(427,087)</b>	<b>517,838</b>
<b>PLAN FIDUCIARY NET POSITION, BEGINNING</b>	<b>13,364,940</b>	<b>12,216,036</b>	<b>10,878,239</b>	<b>8,939,825</b>	<b>9,415,783</b>	<b>8,178,056</b>	<b>7,645,730</b>	<b>8,072,817</b>	<b>7,554,979</b>
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<b>\$ 11,833,915</b>	<b>\$ 13,364,940</b>	<b>\$ 12,216,036</b>	<b>\$ 10,878,239</b>	<b>\$ 8,939,825</b>	<b>\$ 9,415,783</b>	<b>\$ 8,178,056</b>	<b>\$ 7,645,730</b>	<b>\$ 8,072,817</b>
<b>TOWNSHIP'S NET PENSION LIABILITY, ENDING (a) - (b)</b>	<b>\$ 3,087,434</b>	<b>\$ 629,213</b>	<b>\$ 587,746</b>	<b>\$ 1,164,746</b>	<b>\$ 3,237,923</b>	<b>\$ 2,131,484</b>	<b>\$ 2,111,045</b>	<b>\$ 2,165,121</b>	<b>\$ 1,544,107</b>
Plan fiduciary net position as a percentage of total pension liability	79.31%	95.50%	95.41%	90.33%	73.41%	81.54%	79.48%	77.93%	83.94%
Covered employee payroll	\$ 2,515,365	\$ 2,405,929	\$ 2,151,310	\$ 1,962,155	\$ 1,838,269	\$ 1,546,352	\$ 1,654,191	\$ 1,425,129	\$ 1,193,858
Net liability as a percentage of covered payroll	122.74%	26.15%	27.32%	59.36%	176.14%	137.84%	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

	<i>2022</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Actuarially determined contribution	\$ 660,972	\$ 671,570	\$ 662,218	\$ 684,132	\$ 666,493	\$ 585,123	\$ 540,026	\$ 488,219	\$ 474,992	\$ 413,128
Contributions in relation to the actuarially determined contribution	660,972	671,570	662,218	684,132	666,493	585,123	540,372	488,219	474,992	413,128
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (346)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Covered employee payroll	\$ 2,515,365	\$ 2,405,929	\$ 2,151,310	\$ 1,962,155	\$ 1,838,269	\$ 1,546,352	\$ 1,654,191	\$ 1,425,129	\$ 1,193,858	N/A
Contributions as a percentage of covered employee payroll	26.28%	27.91%	30.78%	34.87%	36.26%	37.84%	32.67%	34.26%	39.79%	N/A

See accompanying notes.

## TOWNSHIP OF SOUTH FAYETTE

### SCHEDULE OF CHANGES IN POLICE EMPLOYEES' PENSION FUND INVESTMENT RETURNS LAST TEN FISCAL YEARS

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	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	-13.93%	7.51%	10.40%	19.42%	-6.68%	13.76%	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 CHANGES IN THE TOWNSHIP'S TOTAL OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS

	<i>2022</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>
<b>TOTAL OPEB LIABILITY</b>					
Service cost	\$ 6,482	\$ 5,897	\$ 3,743	\$ 3,783	\$ 3,507
Interest	7,880	10,187	13,931	13,306	13,858
Changes of benefit terms	-	-	-	-	1,739
Differences between expected and actual experience	(80,085)	-	14,317	-	38,864
Changes of assumptions	11,608	19,823	37,063	(14,728)	7,607
Benefit payments	(26,952)	(36,001)	(37,056)	(36,333)	(38,263)
<b>NET CHANGE IN TOTAL OPEB LIABILITY</b>	<b>(81,067)</b>	<b>(94)</b>	<b>31,998</b>	<b>(33,972)</b>	<b>27,312</b>
<b>TOTAL OPEB LIABILITY - BEGINNING</b>	<b>371,688</b>	<b>371,782</b>	<b>339,784</b>	<b>373,756</b>	<b>346,444</b>
<b>TOTAL OPEB LIABILITY - ENDING</b>	<b>\$ 290,621</b>	<b>\$ 371,688</b>	<b>\$ 371,782</b>	<b>\$ 339,784</b>	<b>\$ 373,756</b>
Covered-employee payroll	\$ 3,120,300	\$ 2,956,907	\$ 2,884,787	\$ 2,718,267	\$ 2,651,968
District's total OPEB liability as a percentage of covered-employee payroll	9.31%	12.57%	12.89%	12.50%	14.09%

#### Notes to Schedule:

GASB 75 was implemented beginning with the fiscal year ended December 31, 2018.

#### *Changes of assumptions:*

Discount rate used for fiscal year ending December 31,: 2022 - 2.06%; 2021 - 2.12%; 2020 - 2.74%; 2019 - 4.10%; 2018 - 3.56%

December 31, 2022 - Changes were made to the discount rate, mortality improvement scale and the assumed medical trend rates.

December 31, 2021 - Change were made to the mortality improvement scale.

December 31, 2020 - Changes were made to the mortality table and mortality improvement scale.

December 31, 2019 - Changes were made to the mortality improvement scale.

December 31, 2018 - Changes were made to the mortality improvement scale and the cost method.

#### *Benefit terms changes:*

December 31, 2018 - The amount of reimbursement that retired Public Works employees receive increased from \$200/month to \$225/month.

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**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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**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, 2022, General Fund expenditures exceeded appropriations in four functions by approximately \$657,000. This over-expenditure was funded by less than anticipated expenditures in other functions and less than anticipated other financing uses.

For the year ended December 31, 2022, Capital Projects Fund expenditures did not exceed appropriations in any function.

**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, 2022 are as follows:

Valuation date	January 1, 2021
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	6 years (aggregate)
Asset valuation method	4-year smoothing
Inflation	2.50%
Salary increases	5.00% including inflation
Investment rate of return	6.75% net of investment expenses not funded through the MMO, and including inflation
Mortality	PubS-2010 mortality table with rates projected from base year 2015 with rates derived from the Long-Range Demographic Assumptions for the Social Security Administration's 2020 Trustee Report.
Retirement age	Attainment of age 55 and the completion of 25 years of Aggregate Service or attained age if greater

**SUPPLEMENTARY INFORMATION**

**TOWNSHIP OF SOUTH FAYETTE**  
**COMBINING SCHEDULE OF BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2022**

	<i>Fuel Tax</i>	<i>Traffic Impact Fee Fund</i>	<i>Parks and Recreation Fund</i>	<i>Total Nonmajor Funds</i>
<b>ASSETS</b>				
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ 568,082</b>	<b>\$ 1,444,964</b>	<b>\$ 320,141</b>	<b>\$ 2,333,187</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 9,940	\$ -	\$ -	\$ 9,940
<b>FUND BALANCES</b>				
Restricted:				
Street expenditures	558,142	-	-	558,142
Assigned:				
Parks and recreation	-	-	320,141	320,141
Traffic impact fees	-	1,444,964	-	1,444,964
	<u>558,142</u>	<u>1,444,964</u>	<u>320,141</u>	<u>2,323,247</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 568,082</b>	<b>\$ 1,444,964</b>	<b>\$ 320,141</b>	<b>\$ 2,333,187</b>

## TOWNSHIP OF SOUTH FAYETTE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2022

	<i>Fuel Tax</i>	<i>Traffic Impact Fee Fund</i>	<i>Parks and Recreation Fund</i>	<i>Total Nonmajor Funds</i>
<b>REVENUES</b>				
Government grants and subsidies	\$ 547,458	\$ -	\$ -	\$ 547,458
Charges for services	-	143,746	39,631	183,377
Interest earnings	1,209	20,586	613	22,408
	<u>548,667</u>	<u>164,332</u>	<u>40,244</u>	<u>753,243</u>
<b>EXPENDITURES</b>				
Public works and streets	429,135	-	-	429,135
	<u>429,135</u>	<u>-</u>	<u>-</u>	<u>429,135</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	119,532	164,332	40,244	324,108
<b>OTHER FINANCING USES</b>				
Transfer from (to) other funds	-	3,551	(3,551)	-
	<u>-</u>	<u>3,551</u>	<u>(3,551)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	119,532	167,883	36,693	324,108
<b>FUND BALANCES, BEGINNING OF YEAR</b>	438,610	1,277,081	283,448	1,999,139
	<u>438,610</u>	<u>1,277,081</u>	<u>283,448</u>	<u>1,999,139</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 558,142</u>	<u>\$ 1,444,964</u>	<u>\$ 320,141</u>	<u>\$ 2,323,247</u>