

**Ross Township,
Pennsylvania**

**Financial Statements
and Required Supplementary
and Supplementary Information**

**Year Ended December 31, 2020
with Independent Auditor's Report**

MaherDuessel

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ROSS TOWNSHIP, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2020

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ROSS TOWNSHIP, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2020

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Independent Auditor's Report

**Board of Commissioners
Ross Township,
Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ross Township, Pennsylvania (Township) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Maher Duessel

Pittsburgh, Pennsylvania
June 23, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

Ross Township, Pennsylvania, hereafter referred to as the "Township," is pleased to present its financial statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, entitled "*Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*" (hereafter "GASB 34"), and related standards. GASB 34 enhances information provided to the users of its financial statements. This section of the financial reporting package presents the discussion and analysis of the Township's financial performance during the year that ended on December 31, 2020. Please read this Management's Discussion and Analysis in conjunction with the Township's financial statements that follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of the following:

- Management's Discussion and Analysis (this section)
- Basic financial statements (including notes to the financial statements)
- Required supplementary information

Management's Discussion and Analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the Township's government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the Township's budget to actual figures for the General Fund and the Sewer Fund.

The basic financial statements present two different views of the Township.

- *Government-wide financial statements*, the first two statements (pages 1-2) provide information about the Township's overall financial status.
- *Fund financial statements*, the remaining statements (pages 3-8) focus on individual parts of the Township's government. They provide more detail on operations than the government-wide statements. There are two types of fund statements:
 - *Governmental funds statements* show how general government services such as public safety, human services, public works, culture and recreation, and conservation and development are financed in the short-term, as well as what remains for future spending.
 - *Fiduciary funds statements* reflect activities involving resources that are held by the Township as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources cannot be used to support the Township's programs.

Table A-1: Organization of the Township's Annual Financial Report

Required Components of the Annual Financial Statements

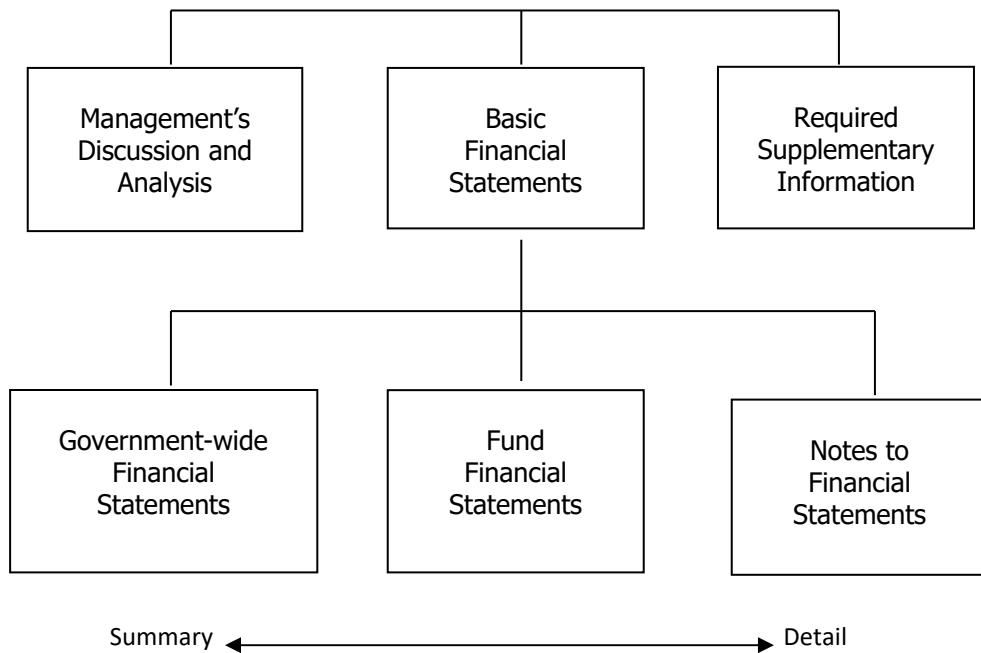


Table A-2 summarizes the major features of the Township's financial statements, including the area of the Township's activities they cover and the types of information they contain.

Table A-2: Major Features of the Government-Wide and Fund Financial Statements

| | <u>Fund Financial Statements</u> | | |
|---|---|---|---|
| | <u>Government-wide Financial Statements</u> | <u>Governmental</u> | <u>Fiduciary</u> |
| Scope | Entire entity (except fiduciary funds) | The day-to-day operating activities of the Township, such as public safety | Instances in which the Township administers resources on behalf of others |
| Required financial statements | <ul style="list-style-type: none"> Statement of Net Position Statement of Activities | <ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances | <ul style="list-style-type: none"> Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position |
| Accounting basis and measurement focus | Accrual | Modified accrual | Accrual accounting and economic resources focus |
| Type of asset, deferred outflows of resources, liability, and deferred inflows of resources information | All assets, deferred outflows of resources and liabilities, and deferred inflows of resources, short-term and long-term | Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, short-term and long-term |
| Type of inflow and outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable. | All additions and deductions during year, regardless of when cash is received or paid |

The remainder of the overview explains the structure and contents of the government-wide and fund financial statements.

Government-wide Financial Statements

Government-wide financial 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 includes all the Township's assets, deferred inflows of resources, liabilities and deferred outflows of resources, except fiduciary funds, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The statement of activities focuses on how the Township's net position changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on local taxes for funding.

All changes to net position are reported using the economic resources measurement focus and the accrual basis of accounting, which requires that revenues be reported when they are earned and expenses be recorded when a liability is incurred, regardless of the timing of the related cash flow.

Net position is one way to measure the Township's financial position. Over time, increases or decreases in the Township's net position are one indicator of whether the Township's financial position is improving or deteriorating. However, other non-financial factors such as changes in the Township's property tax base and general economic conditions must be considered to assess the overall position of the Township.

The activities for the primary government include the Township's basic services such as general government, public safety, fire and building inspection, highways, roads, and streets, sanitation, parks and recreation, library, and senior citizens services.

Net position of the governmental activities differs from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets in the fund level statements are reported as expenditures when financial resources (money) are expended to purchase or build assets. Likewise, the financial resources that may have been borrowed are considered expenditures when they are received. The principal and interest payments are both considered revenue when they are paid. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

Government-wide financial statements are reported on the accrual basis of accounting that involves the following steps to format the statement of net position:

- Capitalize current outlays for capital assets
- Report long-term debt as liabilities
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Allocate net position balances as follows:
 - Net investment in capital assets
 - Restricted net position is that with constraints placed on its use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
 - Unrestricted net position is net position that does not meet any of the above restrictions

Fund Financial Statements

Fund financial statements provide more detailed information on the Township's most significant funds, not the Township as a whole. Funds are accounting devices, i.e., a group of related accounts that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using the modified accrual basis of accounting.

The Township has two kinds of funds:

- *Governmental funds* include most of the Township's basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and: (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting.

The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The Township adopts an annual budget for the General Fund, as required by state law, and the Sewer Fund. A budgetary comparison of the Township's General and Sewer Funds is presented as required supplementary information.

- *Fiduciary Funds* are those for which the Township is the trustee or fiduciary. This includes the pension trust funds. The Township is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net position. These funds are excluded from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations. The fiduciary funds are reported using the accrual basis of accounting.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

Condensed Statements of Net Position December 31, 2020 and 2019

| | 2020 | 2019 |
|--|----------------------------|----------------------------|
| | Governmental Activities | Governmental Activities |
| Current and other assets | \$ 24,844,979 | \$ 23,173,837 |
| Capital assets | <u>25,466,515</u> | <u>25,641,795</u> |
| Total Assets | <u>50,311,494</u> | <u>48,815,632</u> |
| Deferred outflows of resources for pension | 7,084,102 | 4,516,263 |
| Deferred outflows of resources for other post-employment benefits | <u>48,969</u> | <u>26,305</u> |
| Total Deferred Outflows of Resources | <u>7,133,071</u> | <u>4,542,568</u> |
| Current and other liabilities | 4,597,717 | 3,277,244 |
| Long-term liabilities | <u>10,698,485</u> | <u>10,670,913</u> |
| Total Liabilities | <u>15,296,202</u> | <u>13,948,157</u> |
| Deferred inflows of resources for pension | 7,288,851 | 5,937,904 |
| Deferred inflows of resources for other post-employment benefits | <u>21,166</u> | <u>14,055</u> |
| Total Deferred Outflows of Resources | <u>7,310,017</u> | <u>5,951,959</u> |
| Net Position: | | |
| Net investment in capital assets | 17,602,113 | 17,659,115 |
| Restricted | 2,390,138 | 2,060,589 |
| Unrestricted | <u>14,846,095</u> | <u>13,738,380</u> |
| Total Net Position | <u>\$ 34,838,346</u> | <u>\$ 33,458,084</u> |

At December 31, 2020, the Township's total net position was approximately \$35 million. Of this amount, approximately \$18 million is accounted for by net investment in capital assets.

Change in Net Position

The following statements of activities represents the changes in net position for the years ended December 31, 2020 and 2019. It shows revenues by source and expenses by function.

Condensed Statements of Activities Year Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---------------------------------|----------------------------|----------------------------|
| | Governmental Activities | Governmental Activities |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 12,537,881 | \$ 12,374,274 |
| Grants and contributions | 2,271,271 | 1,818,303 |
| General revenues: | | |
| Real estate taxes | 7,815,975 | 7,870,435 |
| Other taxes | 8,075,526 | 8,254,916 |
| Interest income | 65,024 | 181,241 |
| Miscellaneous | <u>473,861</u> | <u>496,130</u> |
| Total revenues | <u>31,239,538</u> | <u>30,995,299</u> |
| Expenses: | | |
| Program expenses: | | |
| General government | 1,786,888 | 2,499,923 |
| Public safety | 7,219,374 | 7,857,815 |
| Fire and building inspection | 1,921,332 | 1,764,311 |
| Highways, roads, and streets | 7,186,557 | 8,502,731 |
| Sanitation | 10,176,597 | 9,418,773 |
| Parks and recreation | 717,891 | 938,245 |
| Library | 528,604 | 505,628 |
| Senior citizen services | 45,000 | 45,000 |
| Interest | <u>277,033</u> | <u>206,003</u> |
| Total expenses | <u>29,859,276</u> | <u>31,738,429</u> |
| Change in net position | 1,380,262 | (743,130) |
| Net position - beginning | <u>33,458,084</u> | <u>34,201,214</u> |
| Net position - ending | <u>\$ 34,838,346</u> | <u>\$ 33,458,084</u> |

General Government expenses decreased by approximately \$713,000 due to Personnel changes, less Engineering expenses, and actuarial assumptions made to the Pension Plan. Public Safety expenses decreased by approximately \$638,000 due to actuarial assumption changes made to the Pension Plan valuation. Highways, roads, and streets expenses decreased

by approximately \$1.3 million due to the reduction in the Road Program in the Revised 2020 Budget. Sanitation expenses increased by approximately \$758,000 due to mandated ALCOSAN rate increase for sewer user fees. Parks and recreation expenses decreased by approximately \$220,000 due to Summer Camp and Programs being cancelled during the lockdown.

Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2020, taxes brought in \$15,891,501.

Net Cost of Governmental Activities

| | 2020 Total Cost of Services | 2019 Total Cost of Services | 2020 Net Cost of Services | 2019 Net Cost of Services |
|------------------------------|--|--|--|--|
| Program: | | | | |
| General government | \$ 1,786,888 | \$ 2,499,923 | \$ 638,008 | \$ 1,728,465 |
| Public safety | 7,219,374 | 7,857,815 | 5,982,963 | 6,672,315 |
| Fire and building inspection | 1,921,332 | 1,764,311 | 1,470,683 | 1,066,422 |
| Highways, roads, and streets | 7,186,557 | 8,502,731 | 6,179,235 | 7,453,382 |
| Sanitation | 10,176,597 | 9,418,773 | (552,465) | (875,460) |
| Parks and recreation | 717,891 | 938,245 | 481,063 | 744,097 |
| Library | 528,604 | 505,628 | 528,604 | 505,628 |
| Senior citizen services | 45,000 | 45,000 | 45,000 | 45,000 |
| Interest | 277,033 | 206,003 | 277,033 | 206,003 |
| Total | \$ 29,859,276 | \$ 31,738,429 | \$ 15,050,124 | \$ 17,545,852 |

Capital Assets

The Township's investment in capital assets at December 31, 2020, net of accumulated depreciation, was \$25,466,515. Capital assets consist primarily of land, buildings, and equipment. The following is a summary of capital assets at December 31,

| | | Capital Assets | |
|-------------------------------|--|-------------------------|-------------------------|
| | | 2020 | 2019 |
| | | Governmental Activities | Governmental Activities |
| Land | | \$ 7,719,337 | \$ 7,719,337 |
| Building | | 15,018,089 | 14,949,197 |
| Machinery and equipment | | 6,174,367 | 5,931,929 |
| Vehicles | | 5,375,172 | 4,290,986 |
| Infrastructure | | <u>10,511,347</u> | <u>10,298,722</u> |
| | | 44,798,312 | 43,190,171 |
| Less accumulated depreciation | | <u>19,331,797</u> | <u>17,548,376</u> |
| Total net capital assets | | <u>\$ 25,466,515</u> | <u>\$ 25,641,795</u> |

Detailed information about the Township's capital assets can be found in Note 4 of the notes to financial statements.

Debt Administration

At December 31, 2020, the Township had \$7,401,357 of bonds outstanding as compared to \$7,770,000 as of December 31, 2019. The following is a summary of long-term liabilities for the 2020 year:

| | Balance at | | | | Balance at | Due Within |
|------------------------------------|---------------------|---------------------|-----------------------|---------------------|-------------------|------------|
| | December 31, | Additions | Reductions | December 31, | One Year | |
| | 2019 | | | 2020 | | |
| Governmental Activities: | | | | | | |
| Bonds payable | \$ 7,770,000 | \$ 7,160,000 | \$ (7,780,000) | \$ 7,150,000 | \$ 85,000 | |
| Capital lease payable | 212,680 | 503,594 | (253,229) | 463,045 | 145,868 | |
| Compensated absences | 434,661 | 26,270 | - | 460,931 | - | |
| Premium | - | 269,311 | (17,954) | 251,357 | - | |
| Total long-term liabilities | \$ 8,417,341 | \$ 7,959,175 | \$ (8,051,183) | \$ 8,325,333 | \$ 230,868 | |

See Note 7 for more information regarding long-term debt.

The Township has an unfunded Other Post-employment Liability (OPEB) of \$384,844 at December 31, 2020, an increase of \$24,691 from December 31, 2019. The liability results from health insurance payments that will be made on behalf of police officers after retirement.

FIDUCIARY FUNDS

Pension Trust Funds

The Township maintains two defined benefit pension plans, the General Employees Plan and the Police Plan, for the benefit of its full-time employees. The Township remits the required employee contribution withholdings and the annual actuarially calculated contributions directly to the respective Plan Trust. Employee benefit calculations are determined by a contracted actuary for the defined benefit plans and monthly benefit payments are handled by a disbursing agent.

The General Employees Plan has a net pension asset of \$1,924,474 and the Police Plan has a net pension liability of \$1,988,308 at December 31, 2020. In addition, more detailed information regarding municipal pension plans can be found in Note 8 of the notes to financial statements section of this report.

GOVERNMENTAL FUNDS

The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of the Township's net resources available for spending at the end of the year.

The Township's governmental funds include the General Fund and various special revenue funds. The General Fund is the chief operating fund for the Township. Special revenue funds are restricted to specific legislated use. The major funds are shown on the statement of revenues, expenditures, and changes in fund balance in the financial statements.

GOVERNMENTAL FUND REVENUES

Governmental fund revenues and other financing uses by source at December 31, were as follows:

| | 2020 | 2019 |
|--------------------------------|-----------------------------|-----------------------------|
| Revenues: | | |
| Taxes | \$ 15,785,394 | \$ 16,087,738 |
| Licenses and permits | 1,037,431 | 1,307,234 |
| Fines and forfeits | 106,319 | 97,569 |
| Interest, rent, and royalties | 65,024 | 181,241 |
| Intergovernmental | 2,271,271 | 1,818,303 |
| Charges for services | 11,322,608 | 11,081,068 |
| Miscellaneous | 454,524 | 404,516 |
| Operating transfer in | 3,183,055 | 4,228,331 |
| Proceeds from capital lease | 503,594 | - |
| Proceeds from issuance of bond | <u>7,429,311</u> | <u>-</u> |
| Total | <u>\$ 42,158,531</u> | <u>\$ 35,206,000</u> |

The Township saw an increase of approximately \$242,000 in Charges for Services in 2020 due to increased Sewer User Fees from Alcosan's Consent Decree. Intergovernmental revenues increased by approximately \$453,000 due to the Allegheny County Cares Act disbursement and a lawsuit settlement. Operating Transfers decreased approximately \$1,045,000 as the General Fund transferred less monies in 2020 to fund Capital Projects scheduled for 2020 due to the budget cuts made to large Capital Projects due to the unknown effects of the shutdown. Proceeds from capital leases increased by approximately \$504,000 due to several large trucks financed in 2020, whereas no vehicles were financed in 2019. Proceeds from issuance of bond increased by \$7,400,000 due to the Township refinancing the 2015 Bond to lock in the benefits of a decreased interest rate.

GOVERNMENTAL FUND EXPENDITURES

Governmental fund expenditures and other financing uses by function at December 31, were as follows:

| | 2020 | 2019 |
|------------------------------|-----------------------------|-----------------------------|
| Expenditures: | | |
| General government | \$ 1,894,635 | \$ 1,923,318 |
| Public safety | 8,151,773 | 8,137,071 |
| Fire and building inspection | 1,913,515 | 1,757,961 |
| Highways, roads, and streets | 7,159,926 | 8,197,766 |
| Sanitation | 10,176,597 | 9,418,773 |
| Parks and recreation | 916,761 | 1,431,430 |
| Library | 528,604 | 505,628 |
| Senior citizen services | 5,000 | 45,000 |
| Miscellaneous | 301,378 | 406,261 |
| Debt service | 8,074,987 | 656,003 |
| Operating transfer out | 3,183,055 | 4,228,331 |
| Total | <u>\$ 42,306,231</u> | <u>\$ 36,707,542</u> |

Fire and building inspection expenditures increased by approximately \$155,000 due to increases in the annual contribution to Ross West View EMS. Highways, roads, and streets expenditures decreased by approximately \$1,038,000 due to decreasing the Road Program in the Revised Budget to compensate for expected Revenue shortfalls due to the state mandated shutdowns and business restrictions. Sanitation expenditures increased by approximately \$758,000 due to the mandated ALCOSAN sewer user fee increase. Parks and recreation expenditures decreased by approximately \$515,000 due to fewer Capital Park improvements projects in 2020, as well as fewer Recreation Programs and cancelled Summer Camp. Debt service expenditures increased by approximately \$7,419,000 due to the refinancing of the 2015 Bond Issue. Operating Transfers decreased approximately \$1,045,000 as the General Fund transferred less monies to fund Capital Projects, as the Revised budget included reductions to Capital Fund projects.

GOVERNMENTAL FUND BALANCES

Ending fund balances for governmental funds at December 31, were as follows:

| Fund | 2020 | 2019 |
|----------------------|-----------------------------|-----------------------------|
| Fund | Governmental | Governmental |
| General | \$ 8,271,723 | \$ 8,455,813 |
| Sewer | 6,270,820 | 6,352,008 |
| Capital improvements | (119,028) | (38,160) |
| Highways and streets | 393,142 | 234,696 |
| Total | <u>\$ 14,816,657</u> | <u>\$ 15,004,357</u> |

The reasons for the changes in governmental fund balances are explained above in the governmental funds revenues and expenditures sections.

BUDGETARY HIGHLIGHTS

The Township adopts an annual appropriated budget for its General Fund and Sewer Fund. Detailed information about the Township's 2020 General Fund and Sewer Fund budget can be found in Required Supplementary Information.

Overall, the Township had a favorable variance of \$2,222,040 for actual results in comparison to budget for the General Fund. Numerous factors went into these results. The Township received unbudgeted revenue in the form of a \$250,000 grant Allegheny County for the Cares Act as well as a lawsuit settlement of approximately \$250,000. Due to the uncertain financial impact of the state mandated business restrictions, the Township also made approximately \$2.1M in cuts to the initial 2020 budget in a 2020 Revised Budget. Fortunately, the Township's revenues were not affected as negatively as the initial forecast.

ECONOMIC CONDITIONS AND NEXT YEAR'S BUDGET

Ross Township is very fortunate, in that a large portion of our revenue stream is from our business taxes related to the Township's high-end retail district. In general, Allegheny County seems to have been insulated from the large swings in the economy and has seen steady growth to the area. The Township has continued to implement programs to reduce costs whenever possible and will continue to work toward reducing overall expenditures. While the economic impact of the shutdown in 2020 is uncertain, the Township believes that the future economic outlook, as it affects the Township residents, remains positive.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability. Questions concerning this financial information or requests for additional information should be directed to:

Ross Township Finance Department
1000 Ross Municipal Drive
Pittsburgh, PA 15237

ROSS TOWNSHIP, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2020

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 15,828,220 |
| Receivables, net of allowance for uncollectibles: | |
| Taxes | 2,102,085 |
| Sewer charges | 2,725,409 |
| Other | 424,824 |
| Net pension asset | 1,924,474 |
| Net investment in joint venture | 1,839,967 |
| Capital assets, not being depreciated | 7,719,337 |
| Capital assets, net of accumulated depreciation | <u>17,747,178</u> |
| Total Assets | <u>50,311,494</u> |
| Deferred Outflows of Resources | |
| Deferred outflows of resources for pension | 7,084,102 |
| Deferred outflows of resources for other post-employment benefits | <u>48,969</u> |
| Total Deferred Outflows of Resources | <u>7,133,071</u> |
| Liabilities | |
| Accounts payable | 3,983,699 |
| Accrued payroll and related benefits | 300,700 |
| Returnable deposits | 308,122 |
| Other liabilities | 5,196 |
| Long-term liabilities due within one year: | |
| Capital lease payable | 145,868 |
| Bonds payable | 85,000 |
| Long-term liabilities due in more than one year: | |
| Net pension liability | 1,988,308 |
| Other post-employment benefits liability | 384,844 |
| Compensated absences | 460,931 |
| Capital lease payable | 317,177 |
| Bonds payable | <u>7,316,357</u> |
| Total Liabilities | <u>15,296,202</u> |
| Deferred Inflows of Resources | |
| Deferred inflows of resources for pension | 7,288,851 |
| Deferred inflows of resources for other post-employment benefits | <u>21,166</u> |
| Total Deferred Inflows of Resources | <u>7,310,017</u> |
| Net Position | |
| Net investment in capital assets | 17,602,113 |
| Restricted for: | |
| Highways and streets | 393,142 |
| Sidewalks | 63,493 |
| Traffic impact | 9,029 |
| Pension | 1,924,474 |
| Unrestricted | <u>14,846,095</u> |
| Total Net Position | <u>\$ 34,838,346</u> |

See accompanying notes to financial statements.

ROSS TOWNSHIP, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position |
|----------------------------------|----------------------|-------------------------|--|--|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| | | | | | Total |
| Governmental activities: | | | | | |
| General government | \$ 1,786,888 | \$ 869,372 | \$ 279,508 | \$ - | \$ (638,008) |
| Public safety | 7,219,374 | 586,465 | 649,946 | - | (5,982,963) |
| Fire and building inspection | 1,921,332 | 258,214 | 192,435 | - | (1,470,683) |
| Highways, roads, and streets | 7,186,557 | 63,060 | 944,262 | - | (6,179,235) |
| Sanitation | 10,176,597 | 10,729,062 | - | - | 552,465 |
| Parks and recreation | 717,891 | 31,708 | - | 205,120 | (481,063) |
| Library | 528,604 | - | - | - | (528,604) |
| Senior citizen services | 45,000 | - | - | - | (45,000) |
| Interest | 277,033 | - | - | - | (277,033) |
| Total governmental activities | <u>\$ 29,859,276</u> | <u>\$ 12,537,881</u> | <u>\$ 2,066,151</u> | <u>\$ 205,120</u> | <u>(15,050,124)</u> |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Real estate | | | | | 7,815,975 |
| Earned income | | | | | 5,526,673 |
| Business and mercantile | | | | | 1,221,884 |
| Other | | | | | 1,326,969 |
| Interest income | | | | | 65,024 |
| Miscellaneous | | | | | 473,861 |
| Total general revenues | | | | | <u>16,430,386</u> |
| Change in Net Position | | | | | 1,380,262 |
| Net position - beginning of year | | | | | <u>33,458,084</u> |
| Net position - end of year | | | | | <u>\$ 34,838,346</u> |

See accompanying notes to financial statements.

ROSS TOWNSHIP, PENNSYLVANIA

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2020

| | General Fund | Capital Improvements | Sewer Fund | Non-Major Fund Liquid Fuels | | Total Governmental Funds |
|---|----------------------|----------------------|---------------------|-----------------------------|--|--------------------------|
| | | | | | | |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 8,027,278 | \$ 196,694 | \$ 7,211,106 | \$ 393,142 | | \$ 15,828,220 |
| Accounts receivable, net: | | | | | | |
| Taxes | 2,102,085 | - | - | - | | 2,102,085 |
| Sewer charges | - | - | 2,725,409 | - | | 2,725,409 |
| Other | 424,824 | - | - | - | | 424,824 |
| Due from other funds | 537 | - | - | - | | 537 |
| Total Assets | \$ 10,554,724 | \$ 196,694 | \$ 9,936,515 | \$ 393,142 | | \$ 21,081,075 |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 578,514 | \$ 315,185 | \$ 3,090,000 | \$ - | | \$ 3,983,699 |
| Accrued payroll and related benefits | 300,700 | - | - | - | | 300,700 |
| Returnable deposits | 302,462 | - | 5,660 | - | | 308,122 |
| Other liabilities | 5,196 | - | - | - | | 5,196 |
| Due to other funds | - | 537 | - | - | | 537 |
| Total Liabilities | 1,186,872 | 315,722 | 3,095,660 | - | | 4,598,254 |
| Deferred Inflows of Resources: | | | | | | |
| Unavailable revenue - taxes | 1,096,129 | - | - | - | | 1,096,129 |
| Unavailable revenue - sewer charges | - | - | 570,035 | - | | 570,035 |
| Total Deferred Inflows of Resources | 1,096,129 | - | 570,035 | - | | 1,666,164 |
| Fund Balance: | | | | | | |
| Restricted: | | | | | | |
| Highways and streets | - | - | - | 393,142 | | 393,142 |
| Sidewalks | 63,493 | - | - | - | | 63,493 |
| Traffic impact | 9,029 | - | - | - | | 9,029 |
| Assigned | - | - | 6,270,820 | - | | 6,270,820 |
| Unassigned | 8,199,201 | (119,028) | - | - | | 8,080,173 |
| Total Fund Balance | 8,271,723 | (119,028) | 6,270,820 | 393,142 | | 14,816,657 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ 10,554,724 | \$ 196,694 | \$ 9,936,515 | \$ 393,142 | | \$ 21,081,075 |

See accompanying notes to financial statements.

ROSS TOWNSHIP, PENNSYLVANIA

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2020

| | |
|--|---------------|
| Total Fund Balance - Governmental Funds | \$ 14,816,657 |
|--|---------------|

Amounts reported for governmental activities in the statement of net position are different because:

| | |
|--|-----------------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds. | 25,466,515 |
| Certain taxes and sewer charges are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. | 1,666,164 |
| Net pension asset and liability, as well as deferred inflows and outflows of resources for pensions are reflected on the statement of financial position, but are not recorded in the fund statements. | (268,583) |
| The total OPEB liability, as well as deferred inflows and outflows of resources for OPEBs are reflected on the statement of financial position, but are not recorded in the fund statements. | (357,041) |
| The Township's net investment in joint venture does not represent a financial asset that would be recorded as an asset in the governmental funds. | 1,839,967 |
| Long-term liabilities, including compensated absences, capital leases payable, and bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(8,325,333)</u> |
| Net Position - Governmental Activities | <u><u>\$ 34,838,346</u></u> |

See accompanying notes to financial statements.

ROSS TOWNSHIP, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2020

| | General Fund | Capital Improvements | Sewer Fund | Non-Major Fund Liquid Fuels | Total Governmental Funds |
|---|---------------------|----------------------|---------------------|-----------------------------|--------------------------|
| Revenues: | | | | | |
| Taxes | \$ 15,785,394 | \$ - | \$ - | \$ - | \$ 15,785,394 |
| Licenses and permits | 1,037,431 | - | - | - | 1,037,431 |
| Fines and forfeits | 106,319 | - | - | - | 106,319 |
| Interest, rent, and royalties | 42,667 | 924 | 19,064 | 2,369 | 65,024 |
| Intergovernmental | 1,127,019 | 205,120 | - | 939,132 | 2,271,271 |
| Charges for services | 673,452 | - | 10,649,156 | - | 11,322,608 |
| Miscellaneous | 454,524 | - | - | - | 454,524 |
| Total revenues | 19,226,806 | 206,044 | 10,668,220 | 941,501 | 31,042,571 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 1,789,713 | 104,922 | - | - | 1,894,635 |
| Public safety | 7,917,265 | 234,508 | - | - | 8,151,773 |
| Fire and building inspection | 1,913,515 | - | - | - | 1,913,515 |
| Highways, roads, and streets | 5,852,186 | 1,307,740 | - | - | 7,159,926 |
| Sanitation | 27,189 | - | 10,149,408 | - | 10,176,597 |
| Parks and recreation | 477,019 | 439,742 | - | - | 916,761 |
| Library | 528,604 | - | - | - | 528,604 |
| Senior citizen services | 45,000 | - | - | - | 45,000 |
| Miscellaneous | 301,378 | - | - | - | 301,378 |
| Debt service: | | | | | |
| Principal | 7,780,000 | - | - | - | 7,780,000 |
| Interest | 192,724 | - | - | - | 192,724 |
| Bond issuance costs | 102,263 | - | - | - | 102,263 |
| Total expenditures | 26,926,856 | 2,086,912 | 10,149,408 | - | 39,163,176 |
| Excess (Deficiency) of Revenues | | | | | |
| Over (Under) Expenditures | (7,700,050) | (1,880,868) | 518,812 | 941,501 | (8,120,605) |
| Other Financing Sources (Uses): | | | | | |
| Proceeds from capital lease | 503,594 | - | - | - | 503,594 |
| Proceeds from issuance of bond | 7,160,000 | - | - | - | 7,160,000 |
| Premium on refunding bonds issued | 269,311 | - | - | - | 269,311 |
| Transfers in | 1,383,055 | 1,800,000 | - | - | 3,183,055 |
| Transfers out | (1,800,000) | - | (600,000) | (783,055) | (3,183,055) |
| Total other financing sources (uses) | 7,515,960 | 1,800,000 | (600,000) | (783,055) | 7,932,905 |
| Net Change in Fund Balance | (184,090) | (80,868) | (81,188) | 158,446 | (187,700) |
| Fund Balance: | | | | | |
| Beginning of year | 8,455,813 | (38,160) | 6,352,008 | 234,696 | 15,004,357 |
| End of year | \$ 8,271,723 | \$ (119,028) | \$ 6,270,820 | \$ 393,142 | \$ 14,816,657 |

See accompanying notes to financial statements.

ROSS TOWNSHIP, PENNSYLVANIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

| | |
|--|--------------|
| Net Change in Fund Balance - Governmental Funds | \$ (187,700) |
|--|--------------|

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the difference between depreciation and capital outlays in the current period.

| | |
|----------------------|--------------------|
| Capital additions | \$ 1,676,227 |
| Depreciation expense | <u>(1,851,507)</u> |
| | (175,280) |

The other post-employment benefit (OPEB) liability is not recorded on the fund financial statements as they are not considered a current expenditure for the fund statements.

(9,138)

Changes in the net pension asset and liability and related deferred outflows of resources, and deferred inflows of resources do not affect current financial resources and, therefore, are not reflected on the fund statements.

1,463,405

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

177,630

The issuance of long-term obligations (bonds and capital leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term obligations consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of the long-term debt and related items.

118,278

The Township's increase in the value of the net investment in joint venture does not represent a revenue that would be recorded in the governmental funds.

19,337

In the statement of activities, compensated absences 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.

(26,270)

| | |
|--|--------------|
| Change in Net Position of Governmental Activities | \$ 1,380,262 |
|--|--------------|

See accompanying notes to financial statements.

ROSS TOWNSHIP, PENNSYLVANIA

STATEMENT OF NET POSITION FIDUCIARY FUNDS - TRUST FUNDS

DECEMBER 31, 2020

| | Pension Trust Funds |
|------------------------------------|------------------------|
| Assets | |
| Cash and cash equivalents | \$ 1,461,831 |
| Investments: | |
| U.S. Treasury bonds | 2,543,059 |
| Agency bonds | 2,174,192 |
| Corporate bonds | 2,951,448 |
| Mortgages | 1,323,303 |
| Asset backed securities | 652,476 |
| Other fixed income investments | 347,799 |
| Equity mutual funds | 27,748,982 |
| ETF equities | 5,981,856 |
| Alternative investments | 964,611 |
| Other investments | 5,765,969 |
| Accrued interest receivable | <u>36,561</u> |
| Total Assets | <u>51,952,087</u> |
| Liabilities | |
| Benefits payable | <u>28,121</u> |
| Net Position Restricted For | |
| Pension benefits | <u>\$ 51,923,966</u> |

See accompanying notes to financial statements.

ROSS TOWNSHIP, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS - TRUST FUNDS

YEAR ENDED DECEMBER 31, 2020

| | Pension Trust Funds |
|--|------------------------|
| Additions: | |
| Contributions: | |
| Employer, including state aid | \$ 1,051,581 |
| Employee | <u>319,108</u> |
| Total contributions | <u>1,370,689</u> |
| Investment income (loss): | |
| Net increase (decrease) in fair value of investments | 5,838,904 |
| Interest and dividends | <u>975,991</u> |
| Total investment income (loss) | 6,814,895 |
| Less investment expense | <u>(85,890)</u> |
| Net investment income (loss) | <u>6,729,005</u> |
| Total additions | <u>8,099,694</u> |
| Deductions: | |
| Benefits | 2,886,283 |
| Administrative expense | <u>43,583</u> |
| Total deductions | <u>2,929,866</u> |
| Net Increase (Decrease) in Net Position | 5,169,828 |
| Net Position: | |
| Beginning of year | <u>46,754,138</u> |
| End of year | <u>\$ 51,923,966</u> |

See accompanying notes to financial statements.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

1. Reporting Entity

Ross Township, Pennsylvania (Township) operates under the First Class Township Code (Code). In accordance with the Code, the Township is governed by an elected Board of nine Commissioners (Commissioners) and a Manager who is appointed by the Commissioners. The Township provides services in many areas to its residents, including various general government services, public safety, highway maintenance, sanitation, and health and welfare.

No potential component units meet the criteria for inclusion in the Township reporting entity.

Please refer to Note 10 for a description of joint ventures, a jointly governed organization, and a related organization of the Township.

2. Summary of Significant Accounting Policies

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information on all of the non-fiduciary activities of the Township. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from any business-type activities or component units for which the primary government is financially accountable. As a general rule, any effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property, earned income, local services, and franchise taxes, as well as sanitation, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service, pension, and OPEB expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Improvements Fund* is used to account for financial resources to be used for the acquisition, construction, or improvement of major capital projects and facilities.

The *Sewer Fund*, a special revenue fund, is used to account for resources derived from sewer billings to Township residents and related disbursements. Sewer treatment

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

services are provided by the Allegheny County Sanitary Authority (ALCOSAN). The Township bills customers based on ALCOSAN rates plus the Township surcharge (\$4.50 per 1,000 gallons of water consumed). The Township then pays ALCOSAN for providing services.

The Township also reports one other nonmajor fund, which is the Liquid Fuels Fund.

Additionally, the Township reports the following fiduciary funds:

The *Pension Trust Funds* are used to account for the assets held by the Township in a trustee capacity for future payment of retirement benefits to employees or former employees. The Township has two separate pension trust funds: The General Employees Plan and the Police Plan.

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Fair Value Measurements

The Township categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

Capital Assets

Capital assets, which include buildings, machinery and equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the Township as assets with an

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at estimated historical cost or historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price what would have been paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the Township chose to include all such items regardless of their acquisition date or amount. The Township was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

| | |
|-------------------------------------|------------|
| Buildings | 40 years |
| Building improvements | 20 years |
| Infrastructure – bridges and sewers | 50 years |
| Infrastructure – roads | 20 years |
| Vehicles | 2-8 years |
| Machinery, equipment, and fixtures | 5-20 years |

Compensated Absences

Calculation of the liability is determined by the vacation and sick-day payments that would be made if employees were to leave or retire from the Township. Compensated absences accrue when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability for compensated absences has typically been liquidated by the General Fund in prior years.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Employees earn vacation, based upon their anniversary date, for use during the current calendar year. The number of days earned each month varies depending upon length of service and union contracts. Vacation pay cannot be carried over; therefore, it is not recorded as a liability.

Employees earn sick days based upon their contract. General employees (those other than police officers) are not paid sick leave upon termination, therefore, no liability is accrued. Police officers earn sick leave at the rate of 10 sick days in the first year, 15 sick days in the second year, and 18 sick days in each of the following years. Unused sick days may be accumulated, up to a maximum of 250 days. Upon retirement, officers are entitled to sell back one sick day for every four days of accumulated sick time. Using the vesting method, all officers with 10 years of service or more are presumed to stay until retirement and $\frac{1}{4}$ of sick leave is accrued.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of any applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures/expenses.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet 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 and/or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The items that qualify for reporting in this category are in conjunction with pension and other post-employment benefits accounting requirements. The net difference between expected and actual experience, expected and actual earnings on pension plan investments and changes in

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

assumptions is recorded as deferred outflows of resources related to pensions on the government-wide financial statements. This amount is determined based on an actuarial valuation performed for the plan. Note 8 presents additional information about the pension plan. The net difference between expected and actual non-investment experience on other post-employment benefits and changes of assumptions is recorded as deferred outflows of resources related to other post-employment benefits on the government-wide financial statements. This amount is determined based on an actuarial valuation performed for the plan. Note 9 presents additional information about the other post-employment benefits.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The items that qualify for reporting in this category: unavailable revenue is reported only on the balance sheet and represents property and other taxes and sewer charges which will not be collected within the available period. This amount will be recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources also include the differences between expected and actual experience, assumption changes, and differences between expected and actual earnings. In addition, the net difference between expected and actual experience on other post-employment benefits and changes of assumptions is recorded as deferred inflows of resources related to other post-employment benefits.

Pension

For purposes of measuring the net pension liability (asset), deferred outflows and inflows of resources related to pensions, and pension expense, employer contributions are recognized as a reduction (addition) of the net pension liability (asset) upon payment into the pension trust. Investments are reported at fair value.

Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. These levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form. The Township did not have any nonspendable fund balance as of December 31, 2020.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Township's highest level of decision-making authority. The Commissioners are the highest level of decision-making authority for the Township and can make such commitment via an ordinance or resolution prior to the end of the fiscal year. A commitment can only be modified or removed by an equal action of the Commissioners. The Township did not have any committed fund balance as of December 31, 2020.
- Assigned – This category represents intentions of the Township to use the funds for specific purposes but do not meet the criteria to be classified as committed. The Commissioners have authorized the Township's management to assign fund balance. This category includes amounts set aside for sewer expenditures.
- Unassigned – This category includes the residual classification for the Township's General Fund and includes all spendable amounts not contained in other classifications.

The Township would typically use restricted fund balance first, followed by committed fund balance, and then assigned fund balance, as appropriate opportunities arise; however, the Township reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Net Position

Accounting standards require the classification of net position into these components – net investment in capital assets; restricted; and unrestricted. These classifications are defined below:

- Net investment in capital assets – The net investment in capital assets component of net position consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

- Restricted – The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted – The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

An annual appropriated budget was adopted for 2020 for the General Fund and the Sewer Fund on the same basis of accounting described above for governmental fund types. Management control over the other Special Revenue Fund is exercised through either their relationship with the General Fund or the terms of grant awards. The Township uses the following procedures in establishing the budgetary data reflected in the financial statements:

- The proposed budget is published or made available for public inspection at least twenty days prior to the date set for the adoption of the budget.
- Final action is not taken on the proposed budget until after at least ten days of public notice.
- The Commissioners legally adopt the budget prior to December 31 of each preceding year.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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Appropriations may be transferred between departments only if approved by a Commissioner's resolution. Department heads, in consultation with the Township Manager, may transfer funds within departments. The Commissioners also have the authority to enact supplemental appropriations and emergency appropriations. No emergency or supplemental appropriations were necessary during the year. The budget and actual financial statements presented for the General Fund and Sewer Fund display departmental information as the Township defines departments for budgetary purposes. For the year ended December 31, 2020, General Fund expenditures for general government, highways, roads and streets, sanitation, parks and recreation, library, and debt service exceeded their budget. Budgetary amounts reflected in the statement of revenues, expenditures, and changes in fund balance - budget and actual incorporate any budgetary transfers approved by the Commissioners throughout the year. Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

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.

Encumbrances

The Township uses encumbrances accounting for budgetary reporting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Funding for all encumbrances lapses at year-end and re-appropriation is required by the Commissioners. As of December 31, 2020, the Township had no outstanding encumbrances.

Pending Pronouncements

The Governmental Accounting Standards Board (GASB) has issued statements that will become effective in future years, including Statement Nos. 87 (Leases), 89 (Accounting for Interest Cost), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 93 (Interbank Offered Rates), 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), and 97 (Deferred Compensation Plans). Management has not yet determined the impact of these statements on the financial statements.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

3. Deposits and Investments

Pennsylvania statutes provide for investment of governmental funds into certain authorized investments including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, short-term commercial paper issued by a public corporation, banker's acceptances, insured or collateralized time deposits, and certificates of deposit. The statutes also allow pooling of governmental funds for investment purposes. The deposit and investment policy of the Township adheres to state statutes. Governmental funds are either maintained in demand deposits or invested with the Pennsylvania Local Government Investment Trust (PLGIT). There were no deposit or investment transactions during the year that were in violation of either the state statutes or the Township's policy.

Deposits

The following is a description of the Township's deposit risk:

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 to it. The Township does not have a formal deposit policy for custodial credit risk.

As of December 31, 2020, \$250,000 of the Township's \$13,817,350 governmental funds bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balance was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$13,723,131 as of December 31, 2020.

Cash Equivalent Investments

The fair value of the Township's position in the external investment pool is the same as the value of the pool shares. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania.

The Township can withdraw funds from the external investment pools. However, there are certain limitations placed on these withdrawals. For PLGIT-Class accounts, there is a one-day holding period. For PLGIT/PRIME accounts, there is a one-day holding period and a penalty for more than two withdrawals in a calendar month. PLGIT is audited annually by independent auditors. PLGIT uses amortized cost to report net assets to compute share

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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prices. It is PLGIT's policy to maintain a net asset value of \$1 per share. Accordingly, the fair value of the position of PLGIT is the same as the value of PLGIT shares.

As of December 31, 2020, the entire PLGIT book balance of \$2,105,089 (bank balance of \$2,105,086) is considered to be a cash equivalent for presentation on the statement of net position and governmental funds balance sheet.

The following is a description of the Township's investment risks:

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. As of December 31, 2020, investments in PLGIT have received an AAAm rating from Standard & Poor's.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside entity. The Township does not have a formal investment policy for custodial credit risk. The Township's investments in PLGIT cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk – The Township places no limit on the amount the Township may invest in any one issuer. The Township has no investments of greater than 5% with one issuer.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the Township's investments. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments have an average maturity of less than one year.

Pension Trust Funds

The Pension Trust Funds' investments are held separately from those of other Township funds. Assets in the Pension Trust Funds are stated at fair value. The Commissioners determine the investment managers of the General Employees' Pension Plan and the Police Pension Committee determines the investment managers of the Police Pension Plan. The Commissioners and investment managers meet periodically with the trustees to discuss the

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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general categories of investments to be made. Currently, the investments agreed upon are equities, fixed income, and alternatives. Investments were consistent with those authorized.

As of December 31, 2020, pension trust fund investments consisted of the following:

| Deposit or Investment Type | Fair Value | Investment Maturities from December 31, 2020 | | | | |
|---|----------------------|--|---------------------|---------------------|-----------------------|--|
| | | Less than 1 year | 1-5 Years | 6-10 Years | More than 10 years | |
| U.S. Treasury bonds | \$ 2,543,059 | \$ 371,099 | \$ 1,008,451 | \$ 1,163,509 | \$ - | |
| Agency bonds | 2,174,192 | - | 312,574 | 206,692 | 1,654,926 | |
| Corporate bonds | 2,951,448 | - | 1,776,481 | 1,053,592 | 121,375 | |
| Mortgage bonds | 1,323,303 | 8,091 | 217,740 | 20,948 | 1,076,524 | |
| Asset backed securities | 652,476 | - | 572,094 | 80,382 | - | |
| Other fixed income investments | 347,799 | - | 347,799 | - | - | |
| Total debt securities | 9,992,277 | \$ 379,190 | \$ 4,235,139 | \$ 2,525,123 | \$ 2,852,825 | |
| Cash and cash equivalents | 1,461,831 | | | | | |
| Equity mutual funds | 27,748,982 | | | | | |
| ETF equities | 5,981,856 | | | | | |
| Alternative investments | 964,611 | | | | | |
| Other investments | 5,765,969 | | | | | |
| Total cash, cash equivalents, and investments | 41,923,249 | | | | | |
| Accrued interest receivable | 36,561 | | | | | |
| Total assets reported on statement of net position - fiduciary funds | \$ 51,952,087 | | | | | |

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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The Township's Pension Trust Funds categorize its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The Pension Trust Funds have the following recurring fair value measurements at December 31, 2020:

| Investments by Fair Value Level | Total | Fair Value Measurements | | |
|--|---------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | | | | |
| Fixed income: | | | | |
| Corporate bonds | \$ 2,951,448 | \$ - | \$ 2,951,448 | \$ - |
| U.S. Treasury bonds | 2,543,059 | 2,543,059 | - | - |
| Agency bonds | 2,174,192 | - | 2,174,192 | - |
| Mortgage bonds | 1,323,303 | - | 1,314,187 | 9,116 |
| Asset backed securities | 652,476 | - | 645,028 | 7,448 |
| Other fixed income investments | 347,799 | - | 347,799 | - |
| Total fixed income | 9,992,277 | 2,543,059 | 7,432,654 | 16,564 |
| Equity mutual funds: | | | | |
| Small blend | 6,491,697 | 6,491,697 | - | - |
| Large growth | 13,941,752 | 13,941,752 | - | - |
| Foreign large growth | 3,905,071 | 3,905,071 | - | - |
| Foreign large value | 3,410,462 | 3,410,462 | - | - |
| Total equity mutual funds | 27,748,982 | 27,748,982 | - | - |
| ETF equities | 5,981,856 | 5,981,856 | - | - |
| Money market mutual funds | 1,461,831 | 1,461,831 | - | - |
| Principal U.S. Property Separate Account | 5,765,969 | - | - | 5,765,969 |
| Alternative investments | 964,611 | - | - | 964,611 |
| Total Investments by Fair Value Level | \$ 51,915,526 | \$ 37,735,728 | \$ 7,432,654 | \$ 6,747,144 |

Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using a matrix pricing model, or by using third-party pricing services using observable market data. Level 3 alternative investments are invested in a portfolio of investments which are valued at estimated fair values using present value and other subjective valuation techniques (these may include market multiples, valuations for comparable companies, and public market or private transactions). Level 3 Principal U.S.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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Property Separate Account investments are based upon independent appraisals or internally prepared valuations for real estate.

The following is a description of the Pension Trust Funds' deposit and investment risks:

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Pension Trust Funds have no formal deposit or investment policy that would limit their investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2020, the pension trust funds' investments had the following rates:

| Investment Type | Standard & Poor's Rating | Percentage of Debt Securities |
|-------------------------|--------------------------|-------------------------------|
| Bonds | AA | 13% |
| Bonds | A | 52% |
| Bonds | BAA | 35% |
| | | <hr/> <hr/> <hr/> 100% |
| Mortgages | AAA | 39% |
| Mortgages | A | 1% |
| Mortgages | Not Rated | 60% |
| | | <hr/> <hr/> <hr/> 100% |
| Asset backed securities | AAA | 22% |
| Asset backed securities | AA | 6% |
| Asset backed securities | A | 1% |
| Asset backed securities | Not Rated | 71% |
| | | <hr/> <hr/> <hr/> 100% |

Custodial Credit Risk – For investments, custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the Pension Trust Funds will not be able to recover the value of their investments or collateral securities that are in the possession of an outside entity. The Pension Trust Funds do not have a formal investment policy for custodial credit risk. The Township's investments in mutual funds cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. As of December 31, 2020, the Township's entire pension cash balance of \$1,461,831 (bank and book balance) was exposed to custodial credit risk.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the Pension Trust Funds' investments. The Pension Trust Funds do not have a formal deposit or investment policy that limits investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. The average maturities of the various investments are disclosed above.

4. Capital Assets

A summary of changes in capital assets during 2020 is as follows:

| | Balance at January 1, 2020 | Additions | Deletions | Balance at December 31, 2020 |
|---|----------------------------------|---------------------|-----------------|------------------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 7,719,337 | \$ - | \$ - | \$ 7,719,337 |
| Total capital assets, not being depreciated | <u>7,719,337</u> | <u>-</u> | <u>-</u> | <u>7,719,337</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 14,949,197 | 68,892 | - | 15,018,089 |
| Machinery and equipment | 5,931,929 | 310,524 | (68,086) | 6,174,367 |
| Vehicles | 4,290,986 | 1,084,186 | - | 5,375,172 |
| Infrastructure | <u>10,298,722</u> | <u>212,625</u> | <u>-</u> | <u>10,511,347</u> |
| Total capital assets, being depreciated | <u>35,470,834</u> | <u>1,676,227</u> | <u>(68,086)</u> | <u>37,078,975</u> |
| Less: accumulated depreciation for: | | | | |
| Buildings | (4,686,758) | (364,459) | - | (5,051,217) |
| Machinery and equipment | (3,738,457) | (402,874) | 68,086 | (4,073,245) |
| Vehicles | (2,595,742) | (667,152) | - | (3,262,894) |
| Infrastructure | <u>(6,527,419)</u> | <u>(417,022)</u> | <u>-</u> | <u>(6,944,441)</u> |
| Total accumulated depreciation | <u>(17,548,376)</u> | <u>(1,851,507)</u> | <u>68,086</u> | <u>(19,331,797)</u> |
| Total capital assets, being depreciated net | <u>17,922,458</u> | <u>(175,280)</u> | <u>-</u> | <u>17,747,178</u> |
| Governmental activities, capital assets, net | <u>\$ 25,641,795</u> | <u>\$ (175,280)</u> | <u>\$ -</u> | <u>\$ 25,466,515</u> |

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NOTES TO FINANCIAL STATEMENTS

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

| Governmental activities: | |
|--------------------------------|-------------------------|
| General government | \$ 144,480 |
| Public safety | 253,111 |
| Highways, roads, and streets | 1,328,784 |
| Fire and building inspection | 7,817 |
| Parks and recreation | <u>117,315</u> |
| Total depreciation expense | <u>\$ 1,851,507</u> |

5. Real Estate Taxes

Real estate taxes are an enforceable lien on property as of January 1 and are levied on July 1. These taxes are billed and collected by an outside tax collection agency. Taxes paid through August 31 are given a 2% discount. Amounts paid after October 31 are assessed a 10% penalty.

The Township is permitted by the First Class Township Code of Pennsylvania to levy real estate taxes up to 30 mills on every dollar of assessed valuation for general Township purposes. Additional taxes may be levied for certain specified purposes. For 2020, Township real estate taxes were levied at the rate of 2.7 mills for general purposes. The millage is applied to assessed market valuation as determined periodically by Allegheny County, Pennsylvania.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

6. Interfund Receivables, Payables, and Transfers

Interfund receivables, payables, and transfers at December 31, 2020 were as follows:

| Fund | Interfund Receivable | Interfund Payable | Transfers In | Transfers Out |
|----------------------------------|----------------------|-------------------|---------------------|---------------------|
| Major Funds: | | | | |
| General | \$ 537 | \$ - | \$ 1,383,055 | \$ 1,800,000 |
| Capital Improvements | - | 537 | 1,800,000 | - |
| Sewer | - | - | - | 600,000 |
| Other Governmental Funds: | | | | |
| Liquid Fuels | - | - | - | 783,055 |
| Total | \$ 537 | \$ 537 | \$ 3,183,055 | \$ 3,183,055 |

Transactions between funds which are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected within the next fiscal year, the transactions are accounted for through the various due from and due to accounts. The transfer from the Sewer Fund represents reimbursements made to the General Fund for expenditures on behalf of the Sewer Fund. The transfer from the General Fund to the Capital Improvements Fund represents reimbursements made to the Capital Improvements Fund for expenditures on behalf of the General Fund. The transfer from the Liquid Fuels Fund to the General Fund represents reimbursements made to the General Fund for expenditures on behalf of the Liquid Fuels Fund.

7. Long-Term Debt

General Obligation Bonds

In 2020, the Township issued General Obligation Bonds (Series 2020 Bonds) in the amount of \$7,160,000 to refund \$7,315,000 of outstanding Series 2015 Bonds. The Series 2020 Bonds bear interest at rates ranging from 0.75% to 2.12% and are scheduled to mature annually through December 2034. The Bonds are general obligations of the Township for which it pledges its full faith, credit, and taxing power. Upon the occurrence of any event of default, any holder of the Bonds will have the right to bring suit for the amount due in the Court of Common Pleas of Allegheny County, Pennsylvania.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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Annual debt service requirements to maturity related to the above-discussed bonds are as follows:

| | Governmental Activities | |
|-----------|--------------------------|---------------------|
| | General Obligation Bonds | |
| | Principal | Interest |
| 2021 | \$ 85,000 | \$ 178,600 |
| 2022 | 480,000 | 176,900 |
| 2023 | 495,000 | 162,500 |
| 2024 | 510,000 | 142,700 |
| 2025 | 535,000 | 122,300 |
| 2026-2030 | 2,880,000 | 391,200 |
| 2031-2034 | 2,165,000 | 99,100 |
| | <u>\$ 7,150,000</u> | <u>\$ 1,273,300</u> |

Capital Leases

The Township has entered into direct borrowing lease agreements for financing the acquisitions of vehicles and road equipment. These lease agreements qualify as capital leases for accounting purposes. As of December 31, 2020, \$1,345,096 of the leased assets have been recorded as capital assets in the statement of net position. Reductions to the capital lease liabilities are recorded to expenses in which they relate on the statement of revenues, expenditures, and changes in fund balance – governmental funds. The leases are secured by the assets pledged as collateral. Upon the occurrence of any event of default, the lessor(s) may retain the right, title, and interest in the leased assets.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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The future minimum lease obligations are as follows:

| Year | Amount |
|------|------------|
| 2021 | \$ 145,868 |
| 2022 | 106,456 |
| 2023 | 106,456 |
| 2024 | 88,894 |
| 2025 | 15,371 |
| | <hr/> |
| | \$ 463,045 |

Long-term liability activity for the year ended December 31, 2020 was as follows:

| | Balance at December 31, 2019 | Additions | Reductions | Balance at December 31, 2020 | Due Within One Year |
|------------------------------------|------------------------------------|---------------------|-----------------------|------------------------------------|------------------------|
| Governmental Activities: | | | | | |
| Bonds payable | \$ 7,770,000 | \$ 7,160,000 | \$ (7,780,000) | \$ 7,150,000 | \$ 85,000 |
| Capital lease payable | 212,680 | 503,594 | (253,229) | 463,045 | 145,868 |
| Compensated absences | 434,661 | 26,270 | - | 460,931 | - |
| Premium | - | 269,311 | (17,954) | 251,357 | - |
| Total long-term liabilities | \$ 8,417,341 | \$ 7,959,175 | \$ (8,051,183) | \$ 8,325,333 | \$ 230,868 |

8. Pension Plans

Summary of Significant Accounting Policies

Financial information of the pension plans (Plans) is presented on the accrual basis of accounting.

Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. Employer contributions to the Plans are recognized when due as required by applicable law.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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Plan Descriptions

The Township administers two single-employer, defined benefit pension plans established under the provisions of Act 205 of 1984 of the Commonwealth of Pennsylvania (Act). The Plans cover substantially all full-time employees. The Plans are governed by the Township's Board, which has delegated the authority to manage certain Plan assets to the Township Manager. Plan provisions and contribution requirements are established and may be amended by the Township. The activity of the Plans is reported as the Pension Trust Funds in the accompanying financial statements. Separate plan financial statements are not available.

At December 31, 2020, Plan membership consisted of the following:

| | General Employees | Police |
|---|----------------------|--------|
| Inactive plan members or beneficiaries currently receiving benefits | 37 | 43 |
| Inactive plan members entitled to but not yet receiving benefits | 7 | 1 |
| Active plan members | 30 | 38 |
| Total plan members | 74 | 82 |

Benefits Provided – General Employees Plan

Retirement Benefit - A participant is entitled to begin receiving retirement benefits after completing 25 years of service and attaining age 55 for employment that began after November 1, 1998. Public works employees hired before November 1, 1998 are entitled to receive benefits after completing 20 years of service and attaining age 60. This plan is closed to new public works employees hired on or after January 1, 2016 and clerical employees hired on or after January 1, 2017. The scheduled monthly retirement benefit is 55% of the participant's final average salary earned during the highest three years of employment for office employees or the last 36 months of employment out of the last five years for public works employees, plus an additional monthly benefit of \$25 for each completed year of service in excess of 25 years.

Survivor Benefit - If a participant's death occurs before retirement eligibility, the participant's estate receives a refund of contributions made by the participant, plus interest. If a participant's death occurs after the participant has qualified for retirement,

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NOTES TO FINANCIAL STATEMENTS

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the survivor annuity is based on 50% of the pension the participant was receiving or entitled to receive on the date of death.

Disability Benefit - If a participant becomes totally and permanently disabled as a result of a service-related accident or sickness, the participant is entitled to receive a monthly disability benefit. The scheduled benefit is 25% of the participant's average compensation at the time the disability was incurred.

Benefits Provided – Police Plan

Retirement Benefit – A participant is entitled to begin receiving retirement benefits after completing 25 years of service and attaining age 50 for employment. The scheduled monthly retirement benefit is 50% of the participant's final average monthly compensation earned during the last 36 months of employment, plus a service increment to participants who retire after the completion of 26 years of service of \$100 per month. Compensation if hired prior to January 1, 2005 is total compensation. For those employees hired after January 1, 2005, compensation is the basic rate of pay, including longevity.

Survivor Benefit – If a participant's death occurs before retirement eligibility, the participant's estate receives a refund of contributions made by the participant, plus interest. If a participant's death occurs after the participant has qualified for retirement and the participant is survived by an eligible spouse, the benefit payable is 50% of the amount the participant was receiving or entitled to receive on the date of death, for life. In the event of the spouse's death, the participant's children under age 18 (age 23 if attending college) will share the benefit.

Disability Benefit – If a participant becomes totally and permanently disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive a monthly disability benefit. The scheduled benefit is 50% of the participant's salary at the time the disability was incurred, offset by Social Security disability benefits as a result of the same injury.

Cost-of-Living Adjustments – Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. On the anniversary of the participant's retirement, a retiree will receive an increase in the monthly benefit equal to the percentage change in the Consumer Price Index during the last year. The total increase of all increases may not exceed 30% of the original benefit, nor can the benefit ever exceed 75% of the final average monthly compensation used to compute the original benefit. Participants who retire on or after January 1, 2007 will receive cost-of-

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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living adjustments on January 1 following the date which is 12 months after the date of retirement.

Contributions

The Plans are funded by the Township on an annual basis pursuant to the provisions of the Act. The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). Employees are not required to contribute under the Act; such contributions are subject to collective bargaining. For the year ended December 31, 2020, participating employees in the General Employees and Police Plans were required to contribute 3% and 5% of their compensation, respectively. During the year, the Township made its required contributions of \$148,630 and \$902,951 to the General Employees and Police Pension Plans, respectively, based upon the MMO.

Net Pension Liability (Asset)

Measurement Date and Actuarial Assumptions – The Township's net pension liability (asset) was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of January 1, 2019.

The components of the net pension liability (asset) of the Plans at December 31, 2020 were as follows:

| | General Employees | Police |
|---|------------------------------|----------------------------|
| Total pension liability | \$ 14,167,355 | \$ 37,820,445 |
| Plan fiduciary net position | <u>16,091,829</u> | <u>35,832,137</u> |
| Net pension liability (asset) | <u><u>\$ (1,924,474)</u></u> | <u><u>\$ 1,988,308</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u><u>114%</u></u> | <u><u>95%</u></u> |

ROSS TOWNSHIP, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2020

Changes in the Net Pension Liability (Asset) – The changes in the net pension liability (asset) of the Township for the General Employees Plan for the year ended December 31, 2020 were as follows:

| | Increases / Decreases | | |
|--|-------------------------|-----------------------------|-------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Balances at December 31, 2019 | \$ 13,131,169 | \$ 14,714,241 | \$ (1,583,072) |
| Changes for the year: | | | |
| Service cost | 249,455 | - | 249,455 |
| Interest | 864,061 | - | 864,061 |
| Differences between expected and actual experience | (429,958) | - | (429,958) |
| Changes of assumptions | 1,261,660 | - | 1,261,660 |
| Contributions - employer | - | 148,630 | (148,630) |
| Contributions - employee | - | 61,539 | (61,539) |
| Net investment income (loss) | - | 2,092,294 | (2,092,294) |
| Benefit payments, including refunds | (909,032) | (909,032) | - |
| Administrative expense | - | (15,843) | 15,843 |
| Net changes | 1,036,186 | 1,377,588 | (341,402) |
| Balances at December 31, 2020 | <u>\$ 14,167,355</u> | <u>\$ 16,091,829</u> | <u>\$ (1,924,474)</u> |
| Plan fiduciary net position as a percentage of the total pension liability | | | <u>113.58%</u> |

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

The changes in the net pension liability (asset) of the Township for the Police Plan for the year ended December 31, 2020 were as follows:

| | Increases / Decreases | | |
|--|-------------------------|-----------------------------|-------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Balances at December 31, 2019 | \$ 33,933,316 | \$ 32,039,897 | \$ 1,893,419 |
| Changes for the year: | | | |
| Service cost | 740,676 | - | 740,676 |
| Interest | 2,316,812 | - | 2,316,812 |
| Differences between expected and actual experience | 967,472 | - | 967,472 |
| Changes of assumptions | 1,839,420 | - | 1,839,420 |
| Contributions - employer | - | 902,951 | (902,951) |
| Contributions - employee | - | 257,569 | (257,569) |
| Net investment income (loss) | - | 4,636,711 | (4,636,711) |
| Benefit payments, including refunds | (1,977,251) | (1,977,251) | - |
| Administrative expense | - | (27,740) | 27,740 |
| Net changes | 3,887,129 | 3,792,240 | 94,889 |
| Balances at December 31, 2020 | \$ 37,820,445 | \$ 35,832,137 | \$ 1,988,308 |
| Plan fiduciary net position as a percentage of the total pension liability | | | 94.74% |

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation performed on January 1, 2019 using the following actuarial assumptions, applied to all periods in the measurement:

| | General Employees | Police |
|-------------------------------------|-------------------|--------|
| Actuarial assumptions: | | |
| Investment rate of return | 7.00% | 7.00% |
| Projected salary increases | 4.50% | 4.50% |
| Underlying inflation rate | 2.25% | 2.25% |
| Cost-of-living adjustments increase | 2.50% | 2.50% |

Mortality rates were based on RP-2014 Mortality Table with rates set forward 2 years (5 years for disabled lives for male and 7 years for female)

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Changes in Actuarial Assumptions – The following changes were made to the actuarial assumptions used in the January 1, 2019 valuation compared to the previous actuarial valuation on January 1, 2017. The interest rate for discounting future benefit payments was reduced from 7.125% to 7.00%. The underlying inflation rate decreased from 2.50% to 2.25%. In addition, the mortality table was updated by adding an assumption for future mortality improvement (Scale MP-2018). In order to lessen the impact of the mortality improvement assumption, the base mortality rates have been set forward two years.

Investment Policy – The Plans' policies in regard to the allocation of invested assets are established and may be amended by the Board. It is the policy of the Board to pursue an overall asset allocation strategy that identifies a portfolio structure and sets a long-term percentage target for the amount of the Plans' market value that is to be invested in each asset class. Numerous asset classes are considered to provide the Plans with a diversified investment portfolio.

Long-Term Expected Rate of Return – The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) 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.

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Plans' target asset allocation as of December 31, 2020:

| Asset Class | Target Allocation | | Long-Term Expected Real Rate of Return | |
|---------------------------|-------------------|----------------|--|--------|
| | General Employees | Police | General Employees | Police |
| Domestic large cap equity | 48.00% | 48.00% | 8.30% | 8.30% |
| International equity | 12.00% | 12.00% | 9.00% | 9.00% |
| Fixed income - core | 25.00% | 25.00% | 3.40% | 3.40% |
| Real estate - core | 10.00% | 10.00% | 7.00% | 7.00% |
| Private debt | 5.00% | 5.00% | 9.30% | 9.30% |
| | <u>100.00%</u> | <u>100.00%</u> | | |

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2020, the annual money-weighted rate of return on the General Employees and Police Plan investments, net of investment expense, was 14.62% and 14.81%, respectively.

Concentrations – At December 31, 2020, the Plans had no investments (other than mutual funds or other pooled investments) in any one issuer that represented 5% or more of either Plan's fiduciary net position.

Discount Rate – The discount rates used to measure the total pension liability for the General Employees Plan and Police Plan were 7.00% and 7.00%, respectively. 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's contributions will be made based on the yearly MMO calculation. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the net pension liability (asset) of the Plans calculated using the discount rates described above, as well as what the Plans' net pension liabilities (assets) would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|------------------------|------------------------|----------------------------------|------------------------|
| General Employees Plan | \$ (507,870) | \$ (1,924,474) | \$ (3,140,043) |
| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
| Police Plan | \$ 6,699,655 | \$ 1,988,308 | \$ (1,928,348) |

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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

For the year ended December 31, 2020, the Township recognized pension expense of (\$411,841). At December 31, 2020, the Township reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

| | General Employees | Police | Total |
|---|-----------------------|-----------------------|-----------------------|
| Deferred Outflows of Resources: | | | |
| Differences between expected and actual experience | \$ - | \$ 1,043,798 | \$ 1,043,798 |
| Assumption changes | 1,509,376 | 2,549,341 | 4,058,717 |
| Net difference between expected and actual earnings | - | - | - |
| Total deferred outflows of resources | \$ 1,509,376 | \$ 3,593,139 | \$ 5,102,515 |
| Deferred Inflows of Resources: | | | |
| Differences between expected and actual experience | \$ (728,778) | \$ - | \$ (728,778) |
| Assumption changes | - | - | - |
| Net difference between expected and actual earnings | (1,427,403) | (3,151,083) | (4,578,486) |
| Total deferred inflows of resources | \$ (2,156,181) | \$ (3,151,083) | \$ (5,307,264) |

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

| Year ending December 31, | Outflows | Inflows |
|--------------------------|---------------------|-----------------------|
| 2021 | 1,500,713 | (2,466,929) |
| 2022 | 1,500,714 | (1,807,013) |
| 2023 | 509,920 | (1,807,010) |
| 2024 | 509,920 | (783,045) |
| 2025 | 509,920 | (75,981) |
| Thereafter | 2,552,915 | (348,873) |
| | \$ 7,084,102 | \$ (7,288,851) |

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Deferred Retirement Option Program (DROP)

The Police Plan includes a DROP. Active participants who have attained normal retirement age are eligible to participate for a period of three years beginning on the first day of any calendar month coinciding with or next following the date the individual attains normal retirement age. Participation shall automatically end on the third anniversary of the effective date of participation in the DROP, or if earlier, on the date of their death or the date his covered employment terminates. Distribution of a DROP account to a DROP participant is made after the later of the date participation ends for any reason other than death or the date the participant files the application for distribution. At December 31, 2020, there were six employees participating in the DROP Plan. The amount held by the Police Plan pursuant to the DROP at December 31, 2020 was \$819,784.

Defined Contribution Plan

All full-time public service non-police employees hired after January 1, 2016 are participants in a defined contribution plan. The Township administers the plan with ICMA acting as the agent for the funds. All plan provisions were established by Township ordinance and any changes to those provisions are required to be made via ordinance.

Administrative employees contribute 3% of gross salary with an 8% Township match, and public service employees contribute 3% of gross salary with an 8% Township match. All amounts contributed vest immediately to the employee. All amounts forfeited by terminated participants shall be allocated to a suspense account and used to reduce dollar for dollar employer contributions required under the Plan.

There were nineteen participants in the plan as of December 31, 2020. During 2020, employees contributed \$46,234 and the Township contributed \$66,341.

9. Other Post-Employment Benefits (OPEBs)

Plan Description

In addition to the pension benefits described in Note 8, the Township provides post-employment health care benefits to all retired police officers, in accordance with collective bargaining agreements between the Township and the Township Police. Effective for retirees during 1996 and subsequent years, the Township pays \$200 per month towards the retiree's own health care costs until the officer is eligible for Medicare. Retirees not eligible

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

for Medicare shall be paid this monthly stipend for life. Effective January 1, 2012, no other post-employment benefits will be provided to newly hired police employees. No assets are accumulated in a trust to pay related benefits.

Employees Covered by Benefit Terms

As of December 31, 2020, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

| | |
|--|-----------------------|
| Current retired participants receiving OPEB benefits | 7 |
| Active participants | 34 |
| | <hr/> <u>41</u> <hr/> |

Contributions

The Township's contribution is based on projected pay-as-you-go financing requirements, which are based on requirements set forth in the Police union contract. For the year ended 2020, total cash disbursements for healthcare benefits for current retirees were \$15,600.

Total OPEB Liability

The Township's total OPEB liability of \$384,844 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020 using the following actuarial assumptions, applied to all periods including the measurement:

| | |
|------------------------|---|
| Discount rate | 2.00% |
| Mortality: | |
| Non-disabled | Public Plan, Safety, head-count |
| Disabled | No setforward |
| Improvement | Scale MP-2020 |
| Assumed retirement age | Normal retirement age, or end of 3-year DROP |
| Normal retirement age | Later of age 50 and 25 years of service |
| Benefit commitment | \$200 per month until Medicare eligibility (employees hired after 2011 are not eligible for this benefit) |

Changes in Total OPEB Liability

| | Total OPEB Liability |
|--|-------------------------|
| Balance at January 1, 2020 | \$ 360,153 |
| Changes for the year: | |
| Service cost | 10,761 |
| Interest | 10,659 |
| Changes of assumptions | 28,188 |
| Differences between expected and actual experience | (9,317) |
| Benefit payments | (15,600) |
| Net changes | <u>24,691</u> |
| Balance at December 31, 2020 | <u>\$ 384,844</u> |

There were no changes of benefit terms.

Discount Rate – The discount rate was based on the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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 one-percentage-point lower or one-percentage-point higher than the current discount rate as of December 31, 2020:

| | 1% Decrease (1.00%) | Current Discount Rate (2.00%) | 1% Increase (3.00%) |
|----------------------|------------------------|----------------------------------|------------------------|
| Total OPEB Liability | \$ 409,423 | \$ 384,844 | \$ 362,002 |

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 that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates as of December 31, 2020:

| | 1% Decrease | Cost Trend Rate | 1% Increase |
|----------------------|-------------|-----------------|-------------|
| Total OPEB Liability | \$ 409,423 | \$ 384,844 | \$ 362,002 |

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

For the year ended December 31, 2020, the Township recognized OPEB expense of \$24,738. At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 5,219 | \$ (21,166) |
| Changes of assumptions | 43,750 | - |
| | <u>\$ 48,969</u> | <u>\$ (21,166)</u> |

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Other amounts reported as deferred outflows of resources and deferred inflows of resources as a result of the contribution will be recognized in expense as follows:

| <u>Year ending December 31,</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---------------------------------|---|--|
| 2021 | \$ 5,524 | \$ (2,206) |
| 2022 | 5,524 | (2,206) |
| 2023 | 5,524 | (2,206) |
| 2024 | 5,524 | (2,206) |
| 2025 | 5,524 | (2,206) |
| Thereafter | 21,349 | (10,136) |
| | <u>\$ 48,969</u> | <u>\$ (21,166)</u> |

10. Joint Ventures and Related Organizations

Joint Ventures

Northland Public Library

Northland Public Library (Library) is a public library that is considered to be a municipal authority by the Commonwealth of Pennsylvania. The governing body of the Library is its Board of Trustees, which is comprised of seven members appointed by the elected officials of its five supporting municipalities (one of which is the Township). Since no individual municipality has control, the Library is not considered a component unit of any one member community.

The Library meets the criteria for a joint venture as it is an organization that results from a contractual arrangement that is owned by two or more participants as a separate and specific activity subject to joint control, in which participants retain an ongoing financial responsibility.

The Township, per contractual agreement, is obligated to pay a share of the budgeted expenses of operation annually. The Township's contribution is based upon circulation, population, and assessed valuation. Such payments amounted to \$528,604 for the year ended December 31, 2020.

The Township has no equity interest in the Library.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

The Library issues separate financial statements, which are available at the Northland Public Library, 300 Cumberland Road, Pittsburgh, PA 15237.

Lowries Run Joint Owned Sewer

Lowries Run Joint Owned Sewer (Lowries Run) is a jointure formed to handle the sewer activity in a particular area of the northern suburbs of Pittsburgh. The governing body of Lowries Run is its Board of Directors, which is comprised of representatives from its two member entities (the Township and the McCandless Township Sanitary Authority). Since no individual entity has control, Lowries Run is not considered a component unit of any one member.

Lowries Run meets the criteria for a joint venture, as it is an organization that results from a contractual arrangement that is owned by two or more participants as a separate and specific activity subject to joint control, in which participants retain an ongoing financial responsibility.

The Township is responsible for a pro rata share of net expenses incurred by this entity which could not be met with existing resources. The Township's contribution for 2020 was \$4,496. The Township maintains a 50% equity interest in Lowries Run, and if Lowries Run were to be liquidated, the Township would receive 50% of the assets. The Township holds an equity interest in Lowries Run valued at \$1,839,967 as of December 31, 2020.

Lowries Run issues separate financial statements, which are available at the McCandless Township Sanitary Authority, 418 Arcadia Drive, Pittsburgh, PA 15237.

Jointly Governed Organization

Girty's Run Joint Sewer Authority

The Township, in conjunction with three other neighboring municipalities, created the Girty's Run Joint Sewer Authority (Authority) to handle the sewer systems and the main trunk line within the Girty's Run Watershed. The governing Board of the Authority is comprised of two representatives from each of the member municipalities. Except for user fees related to the sewer system usage based on the volume of water consumed by individual residents and commercial enterprises within the watershed for each respective municipality, no participant has any obligation, entitlement, or residual interest. The Township's user charges related to the Authority for the year ended December 31, 2020

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

approximated \$1.40 million. Separate financial statements for the Authority are available at their office.

Related Organization

Ross/West View EMS

Ross/West View EMS (EMS) is a related organization in that a majority of its governing Board is appointed by the Commissioners, without the Township being financially accountable for the organization. The EMS Board is appointed by the Township and operates independently of any ongoing involvement of the Commissioners. Separate financial statements for EMS are available at their office.

11. Commitments and Contingencies

Various claims and lawsuits are pending against the Township. In the opinion of the Township management and solicitor, the outcome of these claims and lawsuits will not have a material adverse effect on the accompanying financial statements.

12. Risk Financing

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

For its workers' compensation insurance coverage, the Township participates in the Municipal Risk Management Worker's Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of 239 cities, municipalities, boroughs, townships, and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1993 (Act 44). All Trust participants may be subject to a supplemental assessment/dividend based on the overall experience of the participants, pursuant to Act 44. Dividends received in 2020 were \$96,600. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Worker's Compensation Act and Occupational Disease Act of

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

each and every participant of the Trust. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years the Trust purchased excess insurance coverage with statutory limits. The retention for this excess coverage is \$750,000 per occurrence. There were no significant reductions in insurance coverage from coverage in the prior year. Political subdivisions joining the Trust must remain members for a minimum of four years; a member may withdraw from the Trust after that time by giving ninety days' notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdrawal, the participant is responsible for their share of assessments but has no claim on any other assets of the Trust. Estimates of any additional assessments are unknown.

13. COVID-19

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Township's financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Township operates, which is highly uncertain.

**REQUIRED SUPPLEMENTARY
INFORMATION – PENSION
PLAN**

ROSS TOWNSHIP, PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN

SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

GENERAL EMPLOYEES PLAN

YEAR ENDED DECEMBER 31,
LAST TEN YEARS*

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-----------------------|-----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability: | | | | | | | |
| Service cost | \$ 249,455 | \$ 294,179 | \$ 231,976 | \$ 277,674 | \$ 263,372 | \$ 251,813 | \$ 227,147 |
| Interest | 864,061 | 957,986 | 888,337 | 706,956 | 620,108 | 851,485 | 634,166 |
| Differences between expected and actual experience | (429,958) | - | (389,638) | (63,375) | - | - | (273,994) |
| Changes of assumptions | 1,261,660 | - | 317,154 | 172,800 | - | - | 193,321 |
| Benefit payments, including refunds of member contributions | (909,032) | (781,945) | (767,320) | (777,688) | (739,659) | (729,226) | (743,393) |
| Net Changes in Total Pension Liability | 1,036,186 | 470,220 | 280,509 | 316,367 | 143,821 | 374,072 | 37,247 |
| Total Pension Liability - Beginning | 13,131,169 | 12,660,949 | 12,380,440 | 12,064,073 | 11,920,252 | 11,546,180 | 11,508,933 |
| Total Pension Liability - Ending (a) | \$ 14,167,355 | \$ 13,131,169 | \$ 12,660,949 | \$ 12,380,440 | \$ 12,064,073 | \$ 11,920,252 | \$ 11,546,180 |
| Plan Fiduciary Net Position: | | | | | | | |
| Contributions - employer | \$ 148,630 | \$ 158,915 | \$ 150,380 | \$ 127,937 | \$ 116,216 | \$ 136,014 | \$ 137,596 |
| Contributions - employee | 61,539 | 71,279 | 71,429 | 71,898 | 70,689 | 71,032 | 64,626 |
| Net investment income (loss) | 2,092,294 | 2,494,503 | (611,502) | 1,945,080 | 1,094,530 | 256,082 | 728,928 |
| Benefit payments, including refunds of member contributions | (909,032) | (781,945) | (767,320) | (777,688) | (739,659) | (729,226) | (743,393) |
| Administrative expense | (15,843) | (19,376) | (12,650) | (16,455) | (13,736) | (16,452) | (14,165) |
| Net Change in Plan Fiduciary Net Position | 1,377,588 | 1,923,376 | (1,169,663) | 1,350,772 | 528,040 | (282,550) | 173,592 |
| Plan Fiduciary Net Position - Beginning | 14,714,241 | 12,790,865 | 13,960,528 | 12,609,756 | 12,081,716 | 12,364,266 | 12,190,674 |
| Plan Fiduciary Net Position - Ending (b) | \$ 16,091,829 | \$ 14,714,241 | \$ 12,790,865 | \$ 13,960,528 | \$ 12,609,756 | \$ 12,081,716 | \$ 12,364,266 |
| Net Pension Liability (Asset) - Ending (a-b) | \$ (1,924,474) | \$ (1,583,072) | \$ (129,916) | \$ (1,580,088) | \$ (545,683) | \$ (161,464) | \$ (818,086) |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 113.58% | 112.06% | 101.03% | 112.76% | 104.52% | 101.35% | 107.09% |
| Covered Payroll | \$ 2,094,609 | \$ 2,366,105 | \$ 2,416,443 | \$ 2,396,584 | \$ 2,407,760 | \$ 2,436,936 | \$ 2,173,878 |
| Net Pension Liability (Asset) as a Percentage of Covered Payroll | -91.88% | -66.91% | -5.38% | -65.93% | -22.66% | -6.63% | -37.63% |

* Until a full 10-year-trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to schedules of
required supplementary information - pension plan.

ROSS TOWNSHIP, PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN

SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY AND RELATED RATIOS

POLICE PLAN

YEAR ENDED DECEMBER 31,
LAST TEN YEARS*

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability: | | | | | | | |
| Service cost | \$ 740,676 | \$ 738,891 | \$ 680,477 | \$ 670,332 | \$ 639,929 | \$ 660,409 | \$ 622,437 |
| Interest | 2,316,812 | 2,313,284 | 2,125,762 | 2,103,443 | 1,842,212 | 2,001,996 | 1,841,562 |
| Differences between expected and actual experience | 967,472 | - | 154,976 | 63,392 | - | - | 953,980 |
| Changes of assumptions | 1,839,420 | - | 862,818 | 337,734 | - | - | 495,132 |
| Benefit payments, including refunds of member contributions | (1,977,251) | (1,762,543) | (1,682,324) | (1,634,440) | (1,591,000) | (1,397,538) | (1,336,336) |
| Net Changes in Total Pension Liability | 3,887,129 | 1,289,632 | 2,141,709 | 1,540,461 | 891,141 | 1,264,867 | 2,576,775 |
| Total Pension Liability - Beginning | 33,933,316 | 32,643,684 | 30,501,975 | 28,961,514 | 28,070,373 | 26,805,506 | 24,228,731 |
| Total Pension Liability - Ending (a) | \$ 37,820,445 | \$ 33,933,316 | \$ 32,643,684 | \$ 30,501,975 | \$ 28,961,514 | \$ 28,070,373 | \$ 26,805,506 |
| Plan Fiduciary Net Position: | | | | | | | |
| Contributions - employer | \$ 902,951 | \$ 857,762 | \$ 833,718 | \$ 683,268 | \$ 697,406 | \$ 515,830 | \$ 481,920 |
| Contributions - employee | 257,569 | 227,372 | 231,446 | 190,998 | 179,918 | 203,943 | 188,318 |
| Net investment income (loss) | 4,636,711 | 5,368,629 | (1,323,364) | 4,043,078 | 2,234,305 | 510,698 | 1,486,313 |
| Benefit payments, including refunds of member contributions | (1,977,251) | (1,762,543) | (1,682,324) | (1,634,440) | (1,591,000) | (1,397,538) | (1,336,336) |
| Administrative expense | (27,740) | (27,218) | (24,127) | (29,112) | (22,969) | (25,670) | (24,291) |
| Net Change in Plan Fiduciary Net Position | 3,792,240 | 4,664,002 | (1,964,651) | 3,253,792 | 1,497,660 | (192,737) | 795,924 |
| Plan Fiduciary Net Position - Beginning | 32,039,897 | 27,375,895 | 29,340,546 | 26,086,754 | 24,589,094 | 24,781,831 | 23,985,907 |
| Plan Fiduciary Net Position - Ending (b) | \$ 35,832,137 | \$ 32,039,897 | \$ 27,375,895 | \$ 29,340,546 | \$ 26,086,754 | \$ 24,589,094 | \$ 24,781,831 |
| Net Pension Liability - Ending (a-b) | \$ 1,988,308 | \$ 1,893,419 | \$ 5,267,789 | \$ 1,161,429 | \$ 2,874,760 | \$ 3,481,279 | \$ 2,023,675 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 94.74% | 94.42% | 83.86% | 96.19% | 90.07% | 87.60% | 92.45% |
| Covered Payroll | \$ 4,481,900 | \$ 4,851,656 | \$ 4,405,970 | \$ 3,819,958 | \$ 3,960,935 | \$ 4,520,503 | \$ 4,082,778 |
| Net Pension Liability as a Percentage of Covered Payroll | 44.36% | 39.03% | 119.56% | 30.40% | 72.58% | 77.01% | 49.57% |

* Until a full 10-year-trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to schedules
of required supplementary information - pension plan.

ROSS TOWNSHIP, PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION -
PENSION PLAN

SCHEDULES OF TOWNSHIP CONTRIBUTIONS
AND INVESTMENT RETURNS

YEAR ENDED DECEMBER 31,
LAST TEN YEARS

GENERAL EMPLOYEES PLAN:

| Schedule of Township Contributions | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
| Actuarially determined contribution | \$ 148,630 | \$ 158,915 | \$ 150,380 | \$ 127,937 | \$ 116,216 | \$ 136,014 | \$ 137,596 | \$ 124,764 | \$ 126,243 | \$ 19,722 |
| Contributions in relation to the actuarially determined contribution | <u>148,630</u> | <u>158,915</u> | <u>150,380</u> | <u>127,937</u> | <u>116,216</u> | <u>136,014</u> | <u>137,596</u> | <u>124,764</u> | <u>126,243</u> | <u>19,722</u> |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 2,094,609 | \$ 2,366,105 | \$ 2,416,443 | \$ 2,396,584 | \$ 2,407,760 | \$ 2,436,936 | \$ 2,173,878 | \$ 2,176,208 | \$ 1,799,171 | \$ 2,049,070 |
| Contributions as a percentage of covered payroll | 7.10% | 6.72% | 6.22% | 5.34% | 4.83% | 5.58% | 6.33% | 5.73% | 7.02% | 0.96% |
| Investment Returns | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Annual money-weighted rate of return, net of investment expense | 14.62% | 20.03% | -4.49% | 15.86% | 9.31% | 2.13% | 6.14% | 19.43% | 10.73% | 1.37% |

POLICE PLAN:

| Schedule of Township Contributions | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Actuarially determined contribution | \$ 902,951 | \$ 857,762 | \$ 833,718 | \$ 683,268 | \$ 697,406 | \$ 515,830 | \$ 481,920 | \$ 438,037 | \$ 408,387 | \$ 331,892 |
| Contributions in relation to the actuarially determined contribution | <u>902,951</u> | <u>857,762</u> | <u>833,718</u> | <u>683,268</u> | <u>697,406</u> | <u>515,830</u> | <u>481,920</u> | <u>438,037</u> | <u>408,387</u> | <u>331,892</u> |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 4,481,900 | \$ 4,851,656 | \$ 4,405,970 | \$ 3,819,958 | \$ 3,960,935 | \$ 4,520,503 | \$ 4,082,778 | \$ 3,876,727 | \$ 3,661,016 | \$ 3,381,245 |
| Contributions as a percentage of covered payroll | 20.15% | 17.68% | 18.92% | 17.89% | 17.61% | 11.41% | 11.80% | 11.30% | 11.16% | 9.82% |
| Investment Returns | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Annual money-weighted rate of return, net of investment expense | 14.81% | 20.08% | -4.61% | 15.88% | 9.31% | 2.11% | 6.33% | 19.46% | 10.71% | 1.46% |

See accompanying notes to schedules of
required supplementary information - pension plan.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN

YEAR ENDED DECEMBER 31, 2020

Actuarial Methods and Assumptions

The information presented in the required supplementary information – pension plan was determined as part of the actuarial valuations at the dates indicated. Methods and assumptions used to determine contribution rates are as follows:

| | General Employees | Police |
|----------------------------|--|--|
| Actuarial valuation date | 1/1/2019 | 1/1/2019 |
| Actuarial cost method | Entry Age Normal | Entry Age Normal |
| Amortization method | Level Dollar Open | Level Dollar Open |
| Asset valuation method | Method described in Act 205, Section 210(a), Asset corridor +/- 20% | Method described in Act 205, Section 210(a), Asset corridor +/- 20% |
| Amortization period | 13 years | 12 years |
| Actuarial assumptions: | | |
| Investment rate of return | 7.00% | 7.00% |
| Projected salary increases | 4.50% | 4.50% |
| Underlying inflation rate | 2.25% | 2.25% |
| Cost-of-living adjustments | 2.50% | 2.50% |

Benefit Changes

No benefit terms were modified.

Change in Actuarial Assumptions

The following changes were made to the actuarial assumptions used in the January 1, 2015 valuation compared to the previous actuarial valuation on January 1, 2013. The interest rate for discounting future benefit payments was reduced from 7.50% to 7.25% based on the recommendation of the Plan's investment advisor. The rate of future salary increase was reduced from 5% to 4.50%. The rate of future cost-of-living was reduced to 2.5% from 2.75%.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN

YEAR ENDED DECEMBER 31, 2020

The following changes were made to the actuarial assumptions used in the January 1, 2017 valuation compared to the previous actuarial valuation on January 1, 2015. The interest rate for discounting future benefit payments was reduced from 7.25% to 7.125% based on the recommendation of the Plan's investment advisor. In addition, the mortality table was updated from the UP-1994 Mortality Table to the RP-2014 Mortality Table with the blue-collar adjustment with no assumption at this time for mortality improvement.

The following changes were made to the actuarial assumptions used in the January 1, 2019 valuation compared to the previous actuarial valuation on January 1, 2017. The investment return assumption was lowered from 7.125% to 7.00%. The underlying inflation rate decreased from 2.50% to 2.25%. In addition, the mortality table was updated by adding an assumption for future mortality improvement (Scale MP-2018). In order to lessen the impact of the mortality improvement assumption, the base mortality rates have been set forward two years.

**REQUIRED SUPPLEMENTARY
INFORMATION – OTHER POST EMPLOYMENT BENEFITS
(OPEBS) DISCLOSURES**

ROSS TOWNSHIP

SCHEDULE OF CHANGES IN THE TOWNSHIP'S TOTAL OPEB LIABILITY AND RELATED RATIOS

YEARS ENDED DECEMBER 31
LAST TEN YEARS*

| | 2020 | 2019 | 2018 |
|--|-------------------|-------------------|-------------------|
| Total OPEB Liability: | | | |
| Service cost | \$ 10,761 | \$ 10,395 | \$ 11,621 |
| Interest | 10,659 | 11,141 | 19,276 |
| Differences between expected and actual experience | (9,317) | (15,226) | 6,785 |
| Changes of assumptions | 28,188 | - | 24,304 |
| Benefit payments | (15,600) | (14,226) | (20,490) |
| Net Changes in Total OPEB Liability | 24,691 | (7,916) | 41,496 |
| Total OPEB Liability - Beginning | 360,153 | 368,069 | 326,573 |
| Total OPEB Liability - Ending (a) | \$ 384,844 | \$ 360,153 | \$ 368,069 |
| Plan Fiduciary Net Position: | | | |
| Contributions - employer | \$ 15,600 | \$ 14,226 | \$ 20,490 |
| Benefit payments | (15,600) | (14,226) | (20,490) |
| Net Change in Plan Fiduciary Net Position | - | - | - |
| Plan Fiduciary Net Position - Beginning | - | - | - |
| Plan Fiduciary Net Position - Ending (b) | \$ - | \$ - | \$ - |
| Net OPEB Liability - Ending (a-b) | \$ 384,844 | \$ 360,153 | \$ 368,069 |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 0.0% | 0.0% | 0.0% |

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to schedules of required supplementary information - OPEBs.

ROSS TOWNSHIP

SCHEDULE OF TOWNSHIP CONTRIBUTIONS AND INVESTMENT RETURNS

YEARS ENDED DECEMBER 31
LAST TEN YEARS*

| | 2020 | 2019 | 2018 |
|--|------------------|------------------|------------------|
| Actuarially determined contribution | \$ 40,695 | \$ 40,329 | \$ 39,864 |
| Contributions in relation to the actuarially determined contribution | 15,600 | 14,226 | 20,490 |
| Contribution deficiency (excess) | <u>\$ 25,095</u> | <u>\$ 26,103</u> | <u>\$ 19,374</u> |
| <hr/> Investment Returns <hr/> | | | |
| | 2020 | 2019 | 2018 |
| Annual money-weighted rate of return, net of investment expense | n/a | n/a | n/a |

* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to schedules of required supplementary information - OPEBs.

ROSS TOWNSHIP, PENNSYLVANIA

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – OPEBS

YEAR ENDED DECEMBER 31, 2020

Actuarial Methods and Assumptions under GASB Statement No. 75

The methods and assumptions used to determine contribution rates are as follows:

| | |
|-----------------------------|---|
| Actuarial valuation date | 12/31/2020 |
| Actuarial cost method | Entry Age Normal |
| Discount rate | 2.00% |
| Mortality: | |
| Non-disabled | Public Plan, Safety, head-count |
| Disabled | No set forward |
| Improvement | Scale MP-2020 |
| Turnover | T-1 |
| Inflation | n/a |
| Healthcare cost trend rates | n/a |
| Retirement age | Later of age 50 or 25 years of service |
| Benefit commitment | \$200 per month until Medicare eligibility (employees hired after 2011 are not eligible for this benefit) |

Benefit Changes

No benefit terms were modified.

Change in Actuarial Assumptions

The following changes were made to the actuarial assumptions used in the December 31, 2020 valuation compared to the previous actuarial valuation on December 31, 2019. The interest rate was reduced from 3.00% to 2.00% based on the survey of 20 year AA municipal bond quarterly rates published by Bartel Associates, LLC. The mortality assumption was updated in two ways. First, the base mortality rates were updated to the Public Plan Mortality rates published by the Society of Actuaries for Safety employees (from the RP-2014 Mortality Table with the blue collar adjustment). Second, the mortality improvement scale was updated to MP-2020 (from MP-2018).

ROSS TOWNSHIP, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

YEAR ENDED DECEMBER 31, 2020

| | Budgeted Amounts | | | Variance with Final Budget |
|--|-----------------------|-----------------------|---------------------|-------------------------------|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Taxes | \$ 15,460,000 | \$ 14,705,000 | \$ 15,785,394 | \$ 1,080,394 |
| Licenses and permits | 1,224,300 | 1,035,300 | 1,037,431 | 2,131 |
| Fines and forfeits | 105,350 | 105,350 | 106,319 | 969 |
| Interest, rent, and royalties | 80,000 | 75,000 | 42,667 | (32,333) |
| Intergovernmental | 1,028,288 | 825,288 | 1,127,019 | 301,731 |
| Charges for services | 750,110 | 645,395 | 673,452 | 28,057 |
| Miscellaneous | 220,500 | 218,180 | 454,524 | 236,344 |
| Total revenues | <u>18,868,548</u> | <u>17,609,513</u> | <u>19,226,806</u> | <u>1,617,293</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,893,142 | 1,722,602 | 1,789,713 | (67,111) |
| Public safety | 8,413,567 | 8,243,221 | 7,917,265 | 325,956 |
| Fire and building inspection | 2,030,232 | 1,939,789 | 1,913,515 | 26,274 |
| Highways, roads, and streets | 5,523,931 | 5,437,774 | 5,852,186 | (414,412) |
| Sanitation | 10,000 | 10,000 | 27,189 | (17,189) |
| Parks and recreation | 635,583 | 427,808 | 477,019 | (49,211) |
| Library | 525,841 | 525,841 | 528,604 | (2,763) |
| Senior citizen services | 60,000 | 60,000 | 45,000 | 15,000 |
| Miscellaneous | 318,950 | 345,930 | 301,378 | 44,552 |
| Debt service | 652,678 | 652,678 | 8,074,987 | (7,422,309) |
| Total expenditures | <u>20,063,924</u> | <u>19,365,643</u> | <u>26,926,856</u> | <u>(7,561,213)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(1,195,376)</u> | <u>(1,756,130)</u> | <u>(7,700,050)</u> | <u>(5,943,920)</u> |
| Other Financing Sources (Uses): | | | | |
| Proceeds from capital lease | - | - | 503,594 | 503,594 |
| Proceeds from issuance of bond | - | - | 7,160,000 | 7,160,000 |
| Premium on refunding bonds issued | - | - | 269,311 | 269,311 |
| Transfers in | 1,560,000 | 1,200,000 | 1,383,055 | 183,055 |
| Transfers out | (3,350,000) | (1,850,000) | (1,800,000) | 50,000 |
| Total other financing sources (uses) | <u>(1,790,000)</u> | <u>(650,000)</u> | <u>7,515,960</u> | <u>8,165,960</u> |
| Net Change in Fund Balance | <u>\$ (2,985,376)</u> | <u>\$ (2,406,130)</u> | <u>(184,090)</u> | <u>\$ 2,222,040</u> |
| Fund Balance: | | | | |
| Beginning of year | | | 8,455,813 | |
| End of year | | | <u>\$ 8,271,723</u> | |

ROSS TOWNSHIP, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SEWER FUND

YEAR ENDED DECEMBER 31, 2020

| | Budgeted Amounts | | Variance with Final Budget | |
|--|-----------------------|-----------------------|-------------------------------|---------------------|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Interest, rent, and royalties | \$ 25,000 | \$ 25,000 | \$ 19,064 | \$ (5,936) |
| Charges for services | 10,274,000 | 10,274,000 | 10,649,156 | 375,156 |
| Total revenues | 10,299,000 | 10,299,000 | 10,668,220 | 369,220 |
| Expenditures: | | | | |
| Sanitation | 11,695,304 | 11,695,304 | 10,149,408 | 1,545,896 |
| Total expenditures | 11,695,304 | 11,695,304 | 10,149,408 | 1,545,896 |
| Excess (Deficiency) of Revenues over Expenditures | (1,396,304) | (1,396,304) | 518,812 | 1,915,116 |
| Other Financing Sources (Uses): | | | | |
| Transfers out | (600,000) | (600,000) | (600,000) | - |
| Net Change in Fund Balance | \$ (1,996,304) | \$ (1,996,304) | (81,188) | \$ 1,915,116 |
| Fund Balance: | | | | |
| Beginning of year | | | 6,352,008 | |
| End of year | | | \$ 6,270,820 | |