

Borough of Franklin Park

Modified Cash Basis Financial Statements and Supplementary Information

**Year Ended December 31, 2019
with Independent Auditor's Report**

MaherDuessel

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BOROUGH OF FRANKLIN PARK

YEAR ENDED DECEMBER 31, 2019

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BOROUGH OF FRANKLIN PARK

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Independent Auditor's Report

Borough Council
Borough of Franklin Park

We have audited the accompanying modified cash basis financial statements (financial statements) of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Franklin Park (Borough) as of and for the year ended December 31, 2019, and the related notes to the financial statements (modified cash basis), which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough, as of December 31, 2019, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maher Duessel

Pittsburgh, Pennsylvania
March 24, 2020

BOROUGH OF FRANKLIN PARK

STATEMENT OF NET POSITION (MODIFIED CASH BASIS)

DECEMBER 31, 2019

Assets	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents - unrestricted	\$ 5,200,173	\$ 45,316	\$ 5,245,489
Cash and cash equivalents - restricted	813,254	-	813,254
Internal balances	322,862	(322,862)	-
Total Assets	\$ 6,336,289	\$ (277,546)	\$ 6,058,743
Liabilities and Net Position			
Liabilities:			
Payroll liabilities	\$ 622	\$ -	\$ 622
Escrow deposits	810,498	-	810,498
Total Liabilities	811,120	-	811,120
Net Position:			
Restricted	2,756	-	2,756
Unrestricted - internal balances	322,862	(322,862)	-
Unrestricted - other	5,199,551	45,316	5,244,867
Total Net Position	5,525,169	(277,546)	5,247,623
Total Liabilities and Net Position	\$ 6,336,289	\$ (277,546)	\$ 6,058,743

The notes to financial statements (modified cash basis) are an integral part of this statement.

BOROUGH OF FRANKLIN PARK
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
 YEAR ENDED DECEMBER 31, 2019

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:						
General government	\$ 1,326,403	\$ 211,491	\$ 270,373	\$ (844,539)	\$ -	\$ (844,539)
Public safety	3,255,473	513,464	4,939	(2,737,070)	-	(2,737,070)
Health and sanitation	37,223	290	29,216	(7,717)	-	(7,717)
Public works	3,099,483	107,349	469,683	(2,522,451)	-	(2,522,451)
Culture and recreation	1,367,934	89,134	164,000	(1,114,800)	-	(1,114,800)
Debt service	315,759	-	-	(315,759)	-	(315,759)
Total governmental activities	<u>9,402,275</u>	<u>921,728</u>	<u>938,211</u>	<u>(7,542,336)</u>	<u>-</u>	<u>(7,542,336)</u>
Business-type activities:						
Golf course	529,246	375,124	-	-	(154,122)	(154,122)
Total primary government	<u>\$ 9,931,521</u>	<u>\$ 1,296,852</u>	<u>\$ 938,211</u>	<u>(7,542,336)</u>	<u>(154,122)</u>	<u>(7,696,458)</u>
General revenues:						
Taxes:						
Real estate				2,275,978	-	2,275,978
Earned income				4,502,358	-	4,502,358
Real estate transfer				662,877	-	662,877
Local service				179,098	-	179,098
Regional asset district				193,093	-	193,093
Interest and rents				114,848	793	115,641
Miscellaneous				160,377	-	160,377
Total general revenues				<u>8,088,629</u>	<u>793</u>	<u>8,089,422</u>
				Change in Net Position	(153,329)	392,964
				Net Position:		
				Beginning of year	(124,217)	4,854,659
				End of year	<u>\$ (277,546)</u>	<u>\$ 5,247,623</u>
				<u>\$ 5,525,169</u>		

The notes to financial statements (modified cash basis) are an integral part of this statement.

BOROUGH OF FRANKLIN PARK

BALANCE SHEET (MODIFIED CASH BASIS)

GOVERNMENTAL FUNDS

DECEMBER 31, 2019

	General Fund	Capital Reserve Fund	Other Governmental Fund	Total Governmental Funds
Assets				
Cash and cash equivalents - unrestricted	\$ 3,904,191	\$ 1,295,982	\$ -	\$ 5,200,173
Cash and cash equivalents - restricted	810,498	-	2,756	813,254
Interfund advances	322,862	-	-	322,862
Total Assets	\$ 5,037,551	\$ 1,295,982	\$ 2,756	\$ 6,336,289
Liabilities and Fund Balance				
Liabilities:				
Payroll liabilities	\$ 622	\$ -	\$ -	\$ 622
Escrow deposits	810,498	-	-	810,498
Total Liabilities	811,120	-	-	811,120
Fund Balance:				
Nonspendable for:				
Interfund advances	322,862	-	-	322,862
Restricted for:				
Highways, roads, and streets	-	-	2,756	2,756
Assigned for:				
Capital projects	-	1,295,982	-	1,295,982
Fire equipment	981,196	-	-	981,196
Unassigned	2,922,373	-	-	2,922,373
Total Fund Balance	4,226,431	1,295,982	2,756	5,525,169
Total Liabilities and Fund Balance	\$ 5,037,551	\$ 1,295,982	\$ 2,756	\$ 6,336,289

The notes to financial statements (modified cash basis) are an integral part of this statement.

BOROUGH OF FRANKLIN PARK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)

GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2019

	General Fund	Capital Reserve Fund	Other Governmental Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 7,813,404	\$ -	\$ -	\$ 7,813,404
Licenses and permits	182,334	-	-	182,334
Fines and forfeitures	45,042	-	-	45,042
Interest and rents	92,417	21,056	1,375	114,848
Intergovernmental	410,733	-	469,683	880,416
Charges for services	752,147	-	-	752,147
Miscellaneous	92,175	-	-	92,175
Total revenues	<u>9,388,252</u>	<u>21,056</u>	<u>471,058</u>	<u>9,880,366</u>
Expenditures:				
General government	1,162,459	163,944	-	1,326,403
Public safety	3,137,286	118,187	-	3,255,473
Health and sanitation	37,223	-	-	37,223
Public works	2,412,898	218,033	468,552	3,099,483
Culture and recreation	1,225,399	142,535	-	1,367,934
Debt service	315,759	-	-	315,759
Total expenditures	<u>8,291,024</u>	<u>642,699</u>	<u>468,552</u>	<u>9,402,275</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,097,228</u>	<u>(621,643)</u>	<u>2,506</u>	<u>478,091</u>
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	65,399	-	-	65,399
Refund of prior year revenues	(1,310)	-	-	(1,310)
Refund of prior year expenditures	4,113	-	-	4,113
Transfers in	-	1,326,487	-	1,326,487
Transfers out	(1,326,487)	-	-	(1,326,487)
Total other financing sources (uses)	<u>(1,258,285)</u>	<u>1,326,487</u>	<u>-</u>	<u>68,202</u>
Net Change in Fund Balance	<u>(161,057)</u>	<u>704,844</u>	<u>2,506</u>	<u>546,293</u>
Fund Balance:				
Beginning of year	<u>4,387,488</u>	<u>591,138</u>	<u>250</u>	<u>4,978,876</u>
End of year	<u>\$ 4,226,431</u>	<u>\$ 1,295,982</u>	<u>\$ 2,756</u>	<u>\$ 5,525,169</u>

The notes to financial statements (modified cash basis) are an integral part of this statement.

BOROUGH OF FRANKLIN PARK

STATEMENT OF NET POSITION (MODIFIED CASH BASIS)

PROPRIETARY FUND

DECEMBER 31, 2019

	Clover Hill Golf Fund
<hr/>	
Assets	
<hr/>	
Cash and cash equivalents	\$ 45,316
	<hr/>
Liabilities and Net Position	
<hr/>	
Liabilities:	
<hr/>	
Interfund advances	\$ 322,862
	<hr/>
Net Position:	
<hr/>	
Unrestricted	(277,546)
	<hr/>
Total Liabilities and Net Position	\$ 45,316
	<hr/>

The notes to financial statements (modified cash basis) are an integral part of this statement.

BOROUGH OF FRANKLIN PARK

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (MODIFIED CASH BASIS)

PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2019

	Clover Hill Golf Fund
Operating Revenues:	
<u>Green fees and cart rentals</u>	<u>\$ 375,124</u>
Operating Expenses:	
Salaries and benefits	205,750
Administrative	21,134
Utilities	27,536
Materials and supplies	38,196
Repairs and maintenance	16,334
Equipment rental and purchases	1,188
Total operating expenses	<u>310,138</u>
Operating Income (Loss)	64,986
Nonoperating Revenues (Expenses):	
Interest income	793
Capital purchases and construction	<u>(219,108)</u>
Total nonoperating revenues (expenses)	<u>(218,315)</u>
Change in Net Position	(153,329)
Net Position:	
<u>Beginning of year</u>	<u>(124,217)</u>
End of year	<u><u>\$ (277,546)</u></u>

The notes to financial statements (modified cash basis) are an integral part of this statement.

BOROUGH OF FRANKLIN PARK

STATEMENT OF FIDUCIARY NET POSITION (MODIFIED CASH BASIS)

FIDUCIARY FUNDS

DECEMBER 31, 2019

<u>Assets</u>	<u>Pension Trust Funds</u>
Cash and cash equivalents	\$ 48,113
Investments	9,250,143
Total Assets	\$ 9,298,256
<hr/>	
<u>Net Position</u>	
Restricted for pension benefits	<u>\$ 9,298,256</u>

The notes to financial statements (modified cash basis) are an integral part of this statement.

BOROUGH OF FRANKLIN PARK

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (MODIFIED CASH BASIS)

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2019

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
State aid - contributed by Borough	\$ 250,904
Employer	93,954
Employee	<u>62,517</u>
Total contributions	<u>407,375</u>
Net investment income (loss):	
Net increase (decrease) in fair value of investments	942,056
Interest and dividends	<u>266,492</u>
Total investment income (loss)	1,208,548
Less: investment expense	<u>55,752</u>
Net investment income (loss)	<u>1,152,796</u>
Total additions (deductions)	<u>1,560,171</u>
Deductions:	
Benefits/withdrawals	<u>411,110</u>
Change in Net Position	1,149,061
Net Position:	
Beginning of year	<u>8,149,195</u>
End of year	<u><u>\$ 9,298,256</u></u>

The notes to financial statements (modified cash basis) are an integral part of this statement.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2019

1. The Reporting Entity

The Borough of Franklin Park (Borough), Pennsylvania, was incorporated as a Borough in August 1961. The Borough covers approximately 13.5 square miles and has a population of approximately 15,000.

Members of Borough Council are elected from each ward by the voting public. Borough Council establishes policies and regulations in order to maintain the health, safety, and welfare of the residents. A full-time professional staff implements these policies and regulations, which is under the direction of an appointed Borough Manager. The Mayor is elected at large and serves for a four-year term. The Mayor oversees the operation of the police department to ensure its integrity and ability to provide public safety to the residents. The major functions of the Borough include public safety, health and sanitation, public works, culture and recreation, and other general administrative functions to facilitate the needs of the Borough residents.

In evaluating the Borough as a primary government, management has addressed all potential component units. Consistent with applicable guidance, the criteria used by the Borough to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. No component units meet the criteria for inclusion.

2. Summary of Significant Accounting Policies

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position (modified cash basis) and the statement of activities (modified cash basis)) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities (modified cash basis) demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2019

directly benefit from services or privileges provided by a given function or segment and 2) grants that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to the timing of the recognition of amounts in the financial statements. The Borough maintains its financial statements on the modified cash basis, which is a basis other than accounting principles generally accepted in the United States of America. Accordingly, amounts are generally recognized when received rather than when earned and when paid rather than when obligations were incurred, as under the cash basis of accounting. Additionally, the basis of accounting has been modified from the cash basis of accounting to present liabilities related to payroll, escrow deposits held on behalf of others and interfund advances, as well as unrealized gains and losses on investments.

The accounts of the Borough are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, fund equity, revenues, and expenditures or expenses, as appropriate.

The Borough reports the following major governmental funds:

The *General Fund* is the principal operating fund of the Borough, which is used to account for all financial transactions except those accounted for in other funds. The Borough internally accounts for fire protection activity within the *Fire Protection Fund*. For financial reporting the Fire Protection Fund is combined with the General Fund.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital assets. The Borough's Capital Project Fund is used to account for the *Capital Reserve Fund*.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2019

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The Borough reports the following major proprietary fund:

The *Clover Hill Golf Fund* is used to account for the operations of the golf course owned by the Borough.

Additionally, the Borough reports the following other governmental fund:

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted to expenditures for specified purposes. The Borough's Special Revenue Fund is used to account for the *Highway Aid Fund*. Funding is received from the Commonwealth of Pennsylvania and is restricted in use for the maintenance, repair, and construction of roads, streets, and bridges for which the Borough is responsible.

Fiduciary Funds are used to report assets held in a trust, therefore, are not available to support Borough programs. The reporting focus is on net position and changes in net position and is reported using the modified cash basis of accounting. The Borough reports on the following fiduciary funds:

The *Pension Trust Funds* are used to account for activities related to the General Employees and Police Pension Plans. These funds are held by the Borough in a trustee capacity.

Budgets

In December 2018, the Borough adopted its 2019 annual budget for its General Fund in accordance with the provisions of the Borough Code. The General Fund budget was prepared utilizing the modified cash basis of accounting. The proposed budget includes the General Fund and Fire Protection Fund. All annual appropriations of the General Fund lapse at calendar year-end.

The Borough uses the following procedures in establishing this budgetary data:

- a. In accordance with the Borough Code, beginning at least 30 days prior to the adoption of the budget, which shall not be later than December 31, a proposed budget for the

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2019

ensuing year shall be prepared. The proposed budget shall be kept on file with the Borough secretary and made available for public inspection for a period of ten days. Notice that the proposed budget is available for inspection is published in a newspaper of general circulation. After expiration of the ten days, Council makes such revisions in the budget as deemed advisable and shall adopt the budget by motion.

- b. Transfers of budget amounts are authorized between departments within any fund. However, any revisions that alter the total appropriations of any fund must be approved by the Council.
- c. The budget amounts shown as supplementary information are the original and final amounts for the year ended December 31, 2019.

Cash and Cash Equivalents

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.

Investments – Pension Funds

The Pension Trust Funds' deposits and investments are held separately from those of the Borough and are stated at fair value.

Escrow Deposits

Escrow deposits include monies held in escrow related to deposits payable to developers and other organizations.

Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt or capital lease proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2019

Net Position

The government-wide fund financial statements of the Borough report the following components of net position:

- Restricted - This component of net position consists of constraints placed on assets through external restrictions.
- Unrestricted - This component of net position consists of assets that do not meet the definition of "restricted."

The Borough applies restricted resources first, when available, before using unrestricted resources, to pay expenses that can be paid from either source.

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 that are applicable to the Borough are:

- Nonspendable – This category represents funds that are not in spendable form or are legally or contractually required to be maintained intact. This category includes long-term interfund advances.
- 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.
- Assigned – This category represents intentions of the Borough to use the funds for specific purposes. The Council has delegated the authority to assign amounts to be used for specific purposes to the Borough Manager.
- Unassigned – This category includes the residual classification for the Borough's General Fund and includes all spendable amounts not contained in other classifications.

The Borough's policy is to use funds in the order of the most restrictive to the least restrictive.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2019

The Clover Hill Golf Fund had a deficit net position balance at December 31, 2019 of \$277,546. This deficit will be financed through future revenues of the fund and through transfers from the General Fund.

Adoption of Pronouncements

The following Governmental Accounting Standards Board (GASB) statements were adopted for the year ended December 31, 2019: Statement Nos. 84 (Fiduciary Activities) and 88 (Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements). These statements had no significant impact on the Borough's financial statements for the year ended December 31, 2019.

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 Incurred Before the End of a Construction Period), 91 (Conduit Debt Obligations), and 92 (Omnibus 2020). Management has not yet determined the impact of these statements on the financial statements.

3. Cash, Cash Equivalents, and Investments

Governmental and Proprietary Funds

The following is a description of the Borough's risks related to cash and cash equivalents:

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough's deposit policy requires deposits to be held in institutions that are insured by one of the federal deposit insurance organizations and when the value of the Borough's deposits exceeds the insurable limits, the additional sums must be secured by collateral pledged by the depository.

As of December 31, 2019, \$2,343,435 of the Borough's bank balance of \$3,245,663 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

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2019

institution's name. These deposits had a carrying amount of \$3,149,104 (governmental funds) and \$45,316 (proprietary funds) as of December 31, 2019.

The Borough's investments in Pennsylvania Local Government Investment Trust (PLGIT) are "pooled" with other local governments and school districts in an effort to maximize return and minimize costs associated with investing. PLGIT invests in two basic types of federal securities: obligations backed by the full faith and credit of the United States Government and short-term obligations of the United States Government or its agencies or instrumentalities (which may or may not be backed by the full faith and credit of the United States Government). The PLGIT Trust may also invest in full faith and credit obligations of the Commonwealth of Pennsylvania and its agencies and may also have repurchase agreements. Finally, the trust is also authorized to invest in certificates of deposit which are insured by the FDIC or which are collateralized as provided by law. PLGIT investments are subject to oversight by the Commonwealth of Pennsylvania.

The Borough 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 PLUS accounts, there is a 30-day holding period for each deposit and a penalty for early withdrawal. For PLGIT/I-Class accounts, there is a one-day holding period and a penalty for more than two withdrawals in a calendar month.

As of December 31, 2019, the entire fair value of the investments in PLGIT of \$2,864,323 is considered to be a cash equivalent on the statement of net position (modified cash basis) and the governmental funds balance sheet (modified cash basis). These deposits have a carrying amount of \$2,864,323 as of December 31, 2019. The Borough's investments in PLGIT cannot be classified by risk category, because the investment is not evidenced by securities that exist in physical or book entry form.

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Borough utilizes investments allowable under Pennsylvania Borough Code of which limits its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2019, investments in PLGIT received an AAA rating.

Interest Rate Risk – The Borough utilizes investments allowable under Pennsylvania Borough Code of which limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All PLGIT investments have an average maturity of less than one year.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2019

Investments – Pension Trust Funds

The Borough has an investment policy to establish asset allocation guidelines between investment types, and also to evaluate investment income results. The investment policy of both pension plans is to invest seventy percent in equity securities, twenty-eight percent in fixed income securities, and two percent in cash and cash equivalents.

The fair value of the Borough’s Pension Trust Funds’ investments at December 31, 2019 is as follows:

Cash or Investment Type	Fair Market Value	Investment Maturities from December 31, 2019			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Corporate bonds	\$ 84,429	\$ -	\$ -	\$ 84,429	\$ -
Cash and cash equivalents	48,113				
Mutual funds	7,618,705				
ETFs	1,547,009				
Total cash and other investments	9,213,827				
Total cash, cash equivalents, and investments reported on statement of net position - fiduciary funds (modified cash basis)	\$ 9,298,256				

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Borough’s investments in corporate bonds are determined to be measured at Level 2 inputs. The Borough’s investments in mutual funds and ETFs are determined to be measured at Level 1 inputs.

The following is a description of the Pension Trust Funds’ investments 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 investment policy that would limit investment choices based on credit ratings by nationally

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2019

recognized statistical rating organizations. As of December 31, 2019, the investment in mutual funds is unrated, and the investments in corporate bonds received the following ratings from Standard & Poor's:

Credit Quality Distribution for Securities with Credit Exposure

Standard & Poor's Rating	Percentage of Total Pension Trust Fund Corporate Bonds
BBB	43%
BBB+	57%
	<u>100%</u>

Custodial Credit Risk - For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Borough's fiduciary fund investments in mutual funds are not exposed to custodial credit risk, because their existence is not evidenced by securities that exist in physical or book entry form.

4. Property Taxes

The Borough levies property taxes each calendar year. The calendar dates for payment of these taxes are as follows:

May 1 – June 30	(Discount Period)
July 1 – August 31	(Face Period)
September 1 – December 31	(Penalty Period)
January 15 of next year	(Lien Date)

Taxpayers are entitled to a 2% discount if taxes are paid prior to July 1st. Collections after August 31st are assessed a 10% penalty. Taxes unpaid as of the end of the year may be liened.

The tax millage assessment for the 2019 calendar year is 1.29 mills on the assessed value of land and buildings. The Borough recognizes property tax revenue when received.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2019

5. Interfund Advances and Transfers

Interfund advances and transfers as of and for the year ended December 31, 2019 were as follows:

Fund	Interfund Advance Receivable	Interfund Advance Payable
Major Governmental Fund:		
General Fund	\$ 322,862	\$ -
Major Enterprise Fund:		
Clover Hill Golf Fund	-	322,862
Total	\$ 322,862	\$ 322,862
Fund	Transfer In	Transfer Out
Major Governmental Funds:		
General Fund	\$ -	\$ 1,326,487
Capital Reserve Fund	1,326,487	-
Total	\$ 1,326,487	\$ 1,326,487

Transactions between funds that are not expected to be repaid are accounted for as transfers. In cases where repayment is expected within the next fiscal year, the transactions are accounted for through due to and due from accounts. If payment is not expected within the next fiscal year, the transactions are accounted for as advances.

The advance from the General Fund to the Clover Hill Golf Fund is primarily for amounts loaned to cover operating shortfalls in this fund and for amounts loaned for the purchase of equipment.

The transfer from the General Fund to the Capital Reserve Fund was used for various capital improvements and purchases.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2019

6. Debt

The following summarizes the changes in the Borough's long-term obligations during the year ended December 31, 2019:

	Balance at January 1, 2019	Additions	Deletions	Balance at December 31, 2019	Due Within One Year
G.O. Bond	\$ 4,440,000	\$ -	\$ 195,000	\$ 4,245,000	\$ 200,000

Bonds Payable

During March 2016, the Borough issued \$4,820,000 of General Obligation Bonds (2016 Bonds) for capital projects, including the construction of a fire station on behalf of the Franklin Park Volunteer Fire Company. The bonds are secured by a pledge of full faith, credit, and taxing power of Borough. In the event of failure to pay principal and interest when due that exceeds thirty days, any bond holder may bring suit for the amount due. The 2016 Bonds bear interest at rates ranging from 0.7% to 3.0% and mature in 2036. Future debt service payments on the 2016 Bonds are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 200,000	\$ 114,690	\$ 314,690
2021	210,000	108,690	318,690
2022	215,000	102,390	317,390
2023	220,000	98,090	318,090
2024	225,000	93,690	318,690
2025-2029	1,195,000	394,468	1,589,468
2030-2034	1,370,000	217,050	1,587,050
2035-2036	610,000	27,600	637,600
	\$ 4,245,000	\$ 1,156,668	\$ 5,401,668

7. Pension Plans

Plan Descriptions

The Borough administers two single-employer defined benefit pension plans covering substantially all full-time employees: Police Pension Plan (Police Plan) and General Employees' Pension Plan (General Employees' Plan). Both plans provide retirement benefits

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2019

and special provisions for death benefits to Plan members. The plans do not issue separate reports.

Contributions and Funding Policy

Act 205 of 1984 of the Commonwealth of Pennsylvania (Act) requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. Employees are not required to contribute under the Act; such contributions are subject to collective bargaining. The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirement established by the MMO, which exceeds the Commonwealth of Pennsylvania allocation, must be funded by the Borough (and could include employee contributions). The 2019 MMO for the Police Plan and General Employees' Plan were based on the January 1, 2017 actuarial valuation.

During 2019, the police and general employees' contribution rate was 2% of their annual covered salary. The Borough contributed the funds necessary to meet the MMO for the Police Plan and the General Employees' Plan in the amount of \$179,507 and \$165,351, respectively.

Administrative costs, including investment, custodial trustee, and actuarial services are charged to the appropriate plan and funded from investment earnings.

The Borough's funded status and related information for the Plans as of the latest actuarial valuation date, January 1, 2019, is as follows:

Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
Police:					
\$ 5,899,842	\$ 6,029,052	\$ (129,210)	97.9%	\$ 1,178,359	-10.97%
General Employees':					
\$ 2,661,819	\$ 3,643,630	\$ (981,811)	73.1%	\$ 1,628,988	-60.27%

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2019

Actuarial Assumptions – The Actuarial Accrued Liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods in the measurement:

	Police	General Employees'
Actuarial valuation date	1/1/2019	1/1/2019
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return	6.50%	6.00%
Projected salary increases	4.50%	4.00%
Underlying inflation rate	2.50%	2.50%
Mortality	RP-2014 Mortality Table with 50% of the Blue Collar adjustment, rates set forward 5 years	RP-2014 Mortality Table

Changes in Actuarial Assumptions – One assumption change relating to Plan benefits was made for the General Employees' Plan. The Borough amended plan benefits for non-union employees to add an alternate benefit formula for current employees and one new single formula that will apply to new hires. The benefit changes increased the Actuarial Accrued Liability by \$173,174. No significant changes were made to the actuarial assumptions since the previous actuarial valuation for the Police Plan.

Investment Policy

The following is the asset allocation policy for each major asset class included in the Plans' target asset allocation as of December 31, 2019:

Asset Class	Target Allocation	
	Police	General Employees
Equities	70%	70%
Fixed-Income/Cash	28%	28%
Alternative Investments	2%	2%
	100%	100%

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2019

Defined Contribution Plan

Additionally, the Borough administers a 401(a) defined contribution plan that is available to all full-time and permanent part-time non-uniform employees hired prior to May 1, 2017, with an exception for Teamster members, who are eligible after one year of service regardless of hire date. Eligible employees are not permitted to contribute. The plan was created to supplement the General Employees' Plan. During 2019, the Borough contributed \$32,564 to the plan.

8. Workers' Compensation Trust

For its workers' compensation insurance coverage, the Borough participates in the Municipal Risk Management Workmen's Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of 216 municipal entities. 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. Similarly, participants may be issued a dividend/refund on the same basis. During 2019, the Borough received a dividend/refund in the amount of \$69,380. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Workers' Compensation Act and Occupational Disease Act of each and every participant of the Trust. 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.

9. Risk Management

The Borough is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2019

10. Commitments and Contingent Liabilities

The Borough is a party to various legal actions normally associated with municipalities, the aggregate effect of which, in management's and legal counsel's opinion, would not be material to the financial position of the Borough.

11. Related Party Transactions

Franklin Park Volunteer Fire Company and Relief Association

The Borough provides support to the Franklin Park Volunteer Fire Company (Company) and the Franklin Park Volunteer Fire Company Relief Association (Association). During 2019, the Borough provided approximately \$106,000 of foreign fire insurance tax distributions to the Association. The Borough receives the foreign fire insurance tax distributions directly from the Commonwealth of Pennsylvania under Act 205. Additionally, the Borough provided support of approximately \$99,000 to the Company for various operational and capital needs. As described in Note 6, the Borough issued bonds in 2016 to fund the construction of a new fire station on behalf of the Company.

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 Borough). Since no individual municipality has control, the Library is not considered a component unit of any one, member community.

The Borough, per contractual agreement, is responsible on a per capita basis for financing expenses of the Library, and to that end, is obligated to pay a share of the budgeted expenses of operation annually. Such payments amounted to \$ 354,521 for the year ended December 31, 2019.

The Borough has no equity interest in the Library. The Library issues separate financial statements, which are available at the Northland Public Library, 300 Cumberland Road, Pittsburgh, PA 15237.

SUPPLEMENTARY INFORMATION

BOROUGH OF FRANKLIN PARK

BUDGETARY COMPARISON SCHEDULE (MODIFIED CASH BASIS)

GENERAL FUND

YEAR ENDED DECEMBER 31, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 7,604,000	\$ 7,604,000	\$ 7,813,404	\$ 209,404
Licenses and permits	188,600	188,600	182,334	(6,266)
Fines and forfeitures	50,000	50,000	45,042	(4,958)
Interest and rents	78,315	78,315	92,417	14,102
Intergovernmental	363,695	363,695	410,733	47,038
Charges for services	681,295	681,295	752,147	70,852
Miscellaneous	92,385	92,385	92,175	(210)
Total revenues	9,058,290	9,058,290	9,388,252	329,962
Expenditures:				
General government	1,454,021	1,454,021	1,162,459	291,562
Public safety	3,193,177	3,193,177	3,137,286	55,891
Health and sanitation	27,000	27,000	37,223	(10,223)
Public works	2,677,472	2,677,472	2,412,898	264,574
Culture and recreation	1,487,322	1,487,322	1,225,399	261,923
Debt service	321,740	321,740	315,759	5,981
Total expenditures	9,160,732	9,160,732	8,291,024	869,708
Excess (Deficiency) of Revenues over Expenditures	(102,442)	(102,442)	1,097,228	1,199,670
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	31,600	31,600	65,399	33,799
Refund of prior year revenues	(1,500)	(1,500)	(1,310)	190
Refund of prior year expenditures	1,000	1,000	4,113	3,113
Transfers in (out)	(1,326,487)	(1,326,487)	(1,326,487)	-
Total other financing sources (uses)	(1,295,387)	(1,295,387)	(1,258,285)	37,102
Net Change in Fund Balance	\$ (1,397,829)	\$ (1,397,829)	(161,057)	\$ 1,236,772
Fund Balance:				
Beginning of year			4,387,488	
End of year			<u>\$ 4,226,431</u>	

BOROUGH OF FRANKLIN PARK

COMBINING BALANCE SHEET (MODIFIED CASH BASIS)

GENERAL FUND

DECEMBER 31, 2019

	General Fund	Fire Protection Fund	Total General Fund
Assets			
Cash and cash equivalents - unrestricted	\$ 2,922,995	\$ 981,196	\$ 3,904,191
Cash and cash equivalents - restricted	810,498	-	810,498
Interfund advances	322,862	-	322,862
Total Assets	\$ 4,056,355	\$ 981,196	\$ 5,037,551
Liabilities and Net Position			
Liabilities:			
Payroll liabilities	\$ 622	\$ -	\$ 622
Escrow deposits	810,498	-	810,498
Total Liabilities	811,120	-	811,120
Fund Balance:			
Nonspendable for:			
Interfund advances	322,862	-	322,862
Assigned for:			
Fire equipment	-	981,196	981,196
Unassigned	2,922,373	-	2,922,373
Total Fund Balance	3,245,235	981,196	4,226,431
Total Liabilities and Fund Balance	\$ 4,056,355	\$ 981,196	\$ 5,037,551

BOROUGH OF FRANKLIN PARK

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)

GENERAL FUND

YEAR ENDED DECEMBER 31, 2019

	General Fund	Fire Protection Fund	Total General Fund
Revenues:			
Taxes	\$ 7,813,404	\$ -	\$ 7,813,404
Licenses and permits	182,334	-	182,334
Fines and forfeitures	45,042	-	45,042
Interest and rents	76,855	15,562	92,417
Intergovernmental	410,733	-	410,733
Charges for services	752,147	-	752,147
Miscellaneous	92,175	-	92,175
Total revenues	9,372,690	15,562	9,388,252
Expenditures:			
General government	1,162,459	-	1,162,459
Public safety	2,804,859	332,427	3,137,286
Health and sanitation	37,223	-	37,223
Public works	2,412,898	-	2,412,898
Culture and recreation	1,225,399	-	1,225,399
Debt service	-	315,759	315,759
Total expenditures	7,642,838	648,186	8,291,024
Excess (Deficiency) of Revenues over Expenditures	1,729,852	(632,624)	1,097,228
Other Financing Sources (Uses):			
Proceeds from sale of capital assets	65,399	-	65,399
Refund of prior year revenues	(1,310)	-	(1,310)
Refund of prior year expenditures	4,113	-	4,113
Transfers in (out)	(2,070,825)	744,338	(1,326,487)
Total other financing sources (uses)	(2,002,623)	744,338	(1,258,285)
Net Change in Fund Balance	(272,771)	111,714	(161,057)
Fund Balance:			
Beginning of year	3,518,006	869,482	4,387,488
End of year	\$ 3,245,235	\$ 981,196	\$ 4,226,431

BOROUGH OF FRANKLIN PARK

COMBINING STATEMENT OF FIDUCIARY NET POSITION (MODIFIED CASH BASIS)

PENSION TRUST FUNDS

DECEMBER 31, 2019

	General Employees	Police	Total
<hr/> Assets <hr/>			
Cash and cash equivalents	\$ 13,016	\$ 35,097	\$ 48,113
Investments	<u>2,972,052</u>	<u>6,278,091</u>	<u>9,250,143</u>
Total Assets	<u>2,985,068</u>	<u>6,313,188</u>	<u>9,298,256</u>
<hr/> Net Position <hr/>			
Restricted for pension benefits	<u>\$ 2,985,068</u>	<u>\$ 6,313,188</u>	<u>\$ 9,298,256</u>

BOROUGH OF FRANKLIN PARK

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (MODIFIED CASH BASIS)

PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2019

	General Employees	Police	Total
Additions:			
<hr/>			
Contributions:			
State aid - contributed by the Borough	\$ 71,397	\$ 179,507	\$ 250,904
Employer	93,954	-	93,954
Employee	34,660	27,857	62,517
Total contributions	200,011	207,364	407,375
Net investment income (loss):			
Net increase (decrease) in fair value of investments	280,835	661,221	942,056
Interest and dividends	86,446	180,046	266,492
Total investment income (loss)	367,281	841,267	1,208,548
Less: investment expense	21,779	33,973	55,752
Net investment income (loss)	345,502	807,294	1,152,796
Total additions	545,513	1,014,658	1,560,171
Deductions:			
<hr/>			
Benefits/withdrawals	105,333	305,777	411,110
Change in Net Position	440,180	708,881	1,149,061
Net Position:			
<hr/>			
Beginning of year	2,544,888	5,604,307	8,149,195
End of year	\$ 2,985,068	\$ 6,313,188	\$ 9,298,256