

Borough of Franklin Park

Financial Statements and Required Supplementary and Supplementary Information

Year Ended December 31, 2022
with Independent Auditor's Report

MaherDuessel

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BOROUGH OF FRANKLIN PARK

YEAR ENDED DECEMBER 31, 2022

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BOROUGH OF FRANKLIN PARK

YEAR ENDED DECEMBER 31, 2022

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Independent Auditor's Report

**Borough Council
Borough of Franklin Park**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, 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, 2022, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Borough, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Borough elected to change its basis of accounting from the modified cash basis of accounting to the modified accrual (government funds) and accrual (business-type activities and government-wide) basis of accounting. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair

presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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
September 26, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2022

INTRODUCTION

This discussion and analysis of the Borough of Franklin Park's (Borough) financial performance provides an overall review of the Borough's financial activities for the year ended December 31, 2022. The intent of the Management's Discussion and Analysis (MD&A) is to provide readers with an appreciation for the financial status of the Borough, the challenges faced, and accomplishments achieved. The reader should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Borough's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2022 are as follows:

- In 2022, the Borough changed its basis of accounting from modified cash basis of accounting to modified accrual and accrual basis, which is in accordance with generally accepted accounting principles (GAAP).
- The Borough's governmental activities net position decreased \$873,174 in 2022 to \$8,595,922. The Borough's business-type activities (Clover Hill Golf Fund) net position decreased \$54,853 in 2022 to \$586,147.
- Unrestricted net position for the Borough's governmental and business-type activities was \$5,088,289 and \$153,509, respectively, as of December 31, 2022.
- The Borough's governmental funds fund balance decreased from \$5,835,199 at December 31, 2021 to \$5,499,269 at December 31, 2022 (4%).

USING THE ANNUAL FINANCIAL REPORT

The Annual Financial Report consists of the MD&A (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the Borough as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are the government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the Borough's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Borough's operations in more detail than the government-wide statements. The governmental funds statements tell how general Borough services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about financial

relationships where the Borough acts solely as a trustee or agent for the benefit of others to whom the resources in question belong. The police pension and general employees' pension funds comprise the Borough's fiduciary funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

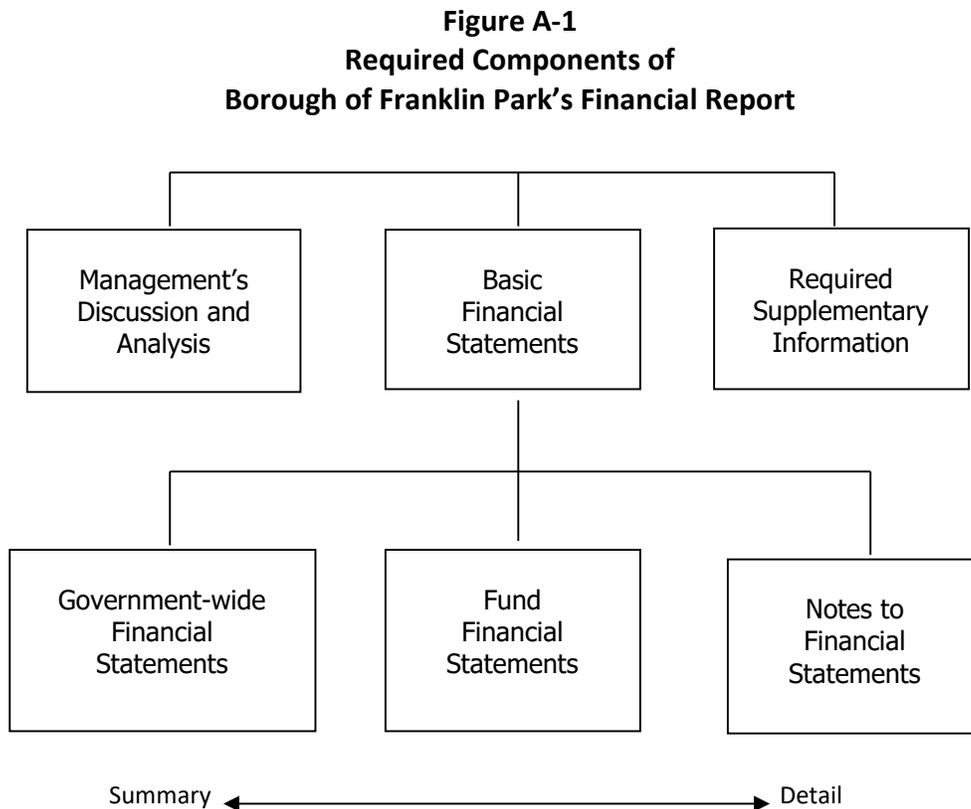


Figure A-2 summarizes the major features of the Borough's financial statements, including the portion of the Borough they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2:
Major Features of the Borough of Franklin Park
Government-Wide and Fund Financial Statements**

	Government-wide Financial Statements	<u>Fund Financial Statements</u>	
		<u>Governmental</u>	<u>Fiduciary</u>
Scope	Entire Borough (except fiduciary funds)	The activities of the Borough that are not proprietary or fiduciary, such as public safety, public works, and general administration.	Instances in which the Borough is the trustee or agent to someone else's resources – Pension Funds
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 accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and 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

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide statements report information about the Borough as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the Borough's net position and how it has changed. Net position, the difference between the Borough's assets and deferred outflows of resources and liabilities and deferred inflows of resources, are one way to measure the Borough's financial health. Over time, increases or decreases in the Borough's net position is an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Borough, you need to consider additional non-financial factors, such as changes in the Borough's property tax base and the condition of the Borough's infrastructure (roads and sewers).

The government-wide financial statements of the Borough consist of the following categories:

- Governmental activities – All of the Borough's basic services are included here, such as general administration, public safety, and public works. Property and Act 511 taxes and state grants finance most of these activities.
- Business-type activities – The Borough operates a golf course and charges user fees to cover the costs of operating the Clover Hill Golf Course.

Fund Financial Statements

The Borough's fund financial statements, which begin on page 3, provide detailed information about the most significant funds – not the Borough as a whole. The general and highway aid funds are required by state law.

The Borough has three kinds of funds:

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

activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

- *Proprietary Funds* – The Borough operates a 9-hole golf course, Clover Hill.
- *Fiduciary Funds* – The Borough is the trustee, or fiduciary, for the police and general employees’ pension funds. All of the Borough’s fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on Pages 10 and 11. The Borough excludes these activities from the other financial statements because the Borough cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE

The Borough’s net position as of December 31, 2022 is presented below:

**Table A-1
Summary of Statement of Net Position
Year Ended December 31, 2022**

	December 31, 2022		
	Governmental Activities	Business-Type Activities	2022 Total
Current assets	\$ 7,411,360	\$ 162,649	\$ 7,574,009
Capital assets	7,954,724	442,051	8,396,775
Deferred outflows	1,954,922	-	1,954,922
Total Assets and Deferred Outflows	17,321,006	604,700	17,925,706
Current liabilities	1,377,443	18,553	1,395,996
Noncurrent liabilities	6,910,717	-	6,910,717
Deferred inflows	436,924	-	436,924
Total Liabilities and Deferred Inflows	8,725,084	18,553	8,743,637
Net Position:			
Net investment in capital assets	3,507,633	442,051	3,949,684
Unrestricted	5,088,289	144,096	5,232,385
Total Net Position	\$ 8,595,922	\$ 586,147	\$ 9,182,069

The results of this year’s operations as a whole are reported in the Statement of Activities on Page 2. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the Borough’s activities that are supported by other general revenues. The largest general revenues are local taxes assessed to and derived from community taxpayers.

Table A-2 takes the information from the Statement of Activities, rearranges it slightly, so you can see the Borough's total revenues, expenses, and change to the net position for 2022.

Table A-2
Condensed Statements of Activities
Year Ended December 31, 2022

	December 31, 2022		
	Governmental Activities	Business-Type Activities	2022 Total
Revenues:			
Program revenues:			
Charges for services	\$ 953,341	\$ 560,440	\$ 1,513,781
Grants and contributions	1,812,872	-	1,812,872
General revenues:			
Real estate taxes	2,337,121	-	2,337,121
Other taxes	6,148,281	-	6,148,281
Interest	44,890	1,486	46,376
Miscellaneous	208,350	-	208,350
Total revenues	11,504,855	561,926	12,066,781
Expenses:			
Program expenses:			
General government	1,769,464	-	1,769,464
Public safety	4,218,091	-	4,218,091
Health and sanitation	18,579	-	18,579
Public works	4,598,900	-	4,598,900
Culture and recreation	1,676,494	-	1,676,494
Debt service	96,501	-	96,501
Transfers (in) out	-	-	-
Clover Hill Golf Course	-	507,073	507,073
Total expenses	12,378,029	507,073	12,885,102
Change in net position	(873,174)	54,853	(818,321)
Net position - beginning	9,469,096	531,294	10,000,390
Net position - ending	<u>\$ 8,595,922</u>	<u>\$ 586,147</u>	<u>\$ 9,182,069</u>

Total governmental activities revenues of \$11,504,855 were derived primarily from other taxes representing 53%. Real Estate taxes made up the next largest source of revenue at 20%.

Table A-3
Year ended December 31, 2022
Net Cost of Governmental Activities

	2022	
	Total Cost of Services	Net Cost of Services
Program:		
General government	\$ 1,769,464	\$ 248,648
Public safety	4,218,091	3,873,972
Health and sanitation	18,579	(22,208)
Public works	4,598,900	4,040,487
Culture and recreation	1,676,494	1,374,416
Debt service	96,501	96,501
Total	\$ 12,378,029	\$ 9,611,816

Table A-4 reflects the activities of the Clover Hill Golf Course Fund, the business-type activities of the Borough for the year 2022:

Table A-4
Year ended December 31, 2022
Net Cost of Business-Type Activities

	2022	
	Total Cost of Services	Net Cost of Services
Program:		
Golf course operations	\$ 507,073	\$ 53,367

THE BOROUGH FUNDS

The following table depicts the revenues, expenditures, and changes in fund balance of the Borough's General Fund for the year 2022:

	<u>2022</u>
Revenues:	
Taxes	\$ 8,701,933
Licenses and permits	172,833
Fines and forfeits	42,544
Interest and rents	64,719
Intergovernmental	1,235,634
Charges for services	587,618
Miscellaneous	214,311
Total revenues:	<u>\$ 11,019,592</u>
Expenses:	
General government	\$ 1,545,316
Public safety	3,848,106
Health and sanitation	18,579
Public works	3,380,628
Culture and recreation	1,393,674
Debt service	306,293
Total expenses:	<u>\$ 10,492,596</u>
Other Financing sources (uses):	
Proceeds from issuance of debt	700,000
Refund of prior year revenues	(5,961)
Transfers in	-
Transfers out	(725,000)
Total other financing sources (uses)	<u>\$ (30,961)</u>
Net change in fund balance:	<u>\$ 496,035</u>

PROPRIETARY FUND (CLOVER HILL GOLF COURSE FUND)

The following table depicts the revenues, expenses, and change in net position of the Borough’s Proprietary Fund for the years 2022:

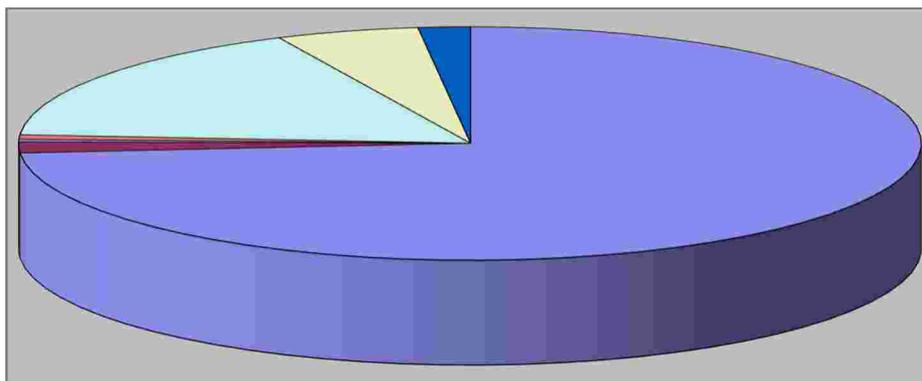
CLOVER HILL GOLF COURSE FUND	
	2022
Operating revenues	\$ 560,440
Operating expenses	(507,073)
Operating income (loss)	\$ 53,367
Nonoperating revenues (expenses)	1,486
Change in net position	\$ 54,853

GOVERNMENTAL ACTIVITIES REVENUE

The following charts graphically depicts the governmental activities fund revenues and expenses for the fiscal year ended December 31, 2022.

Total revenues for all governmental activities in 2022 were \$11,489,731. Taxes account for 74% of the annual revenue. Taxes include real estate taxes, earned income tax, real estate transfer tax, local services tax, and regional asset district tax.

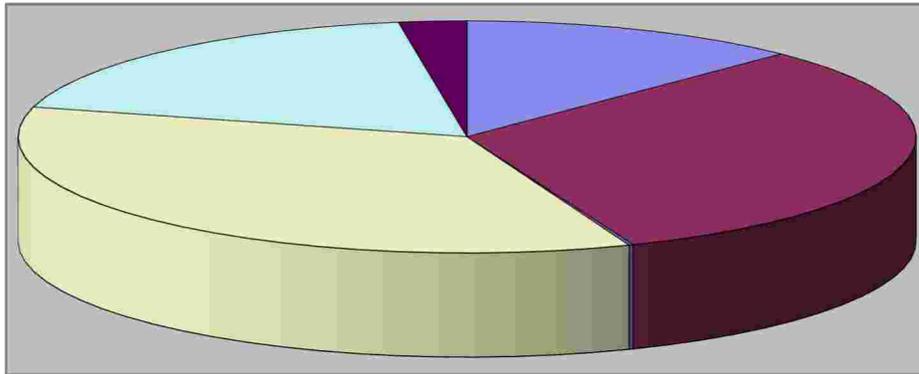
TOTAL GOVERNMENTAL ACTIVITIES REVENUES: \$11,489,731



GOVERNMENTAL ACTIVITIES EXPENSES

Total expenses for all governmental activities in 2022 were \$12,519,700. The expenses reflect the delivery of a wide range of services, with the two largest areas being public works at 35% and public safety at 32%. General government expenses were 12% of total expenses.

TOTAL GOVERNMENTAL ACTIVITIES EXPENSES: \$12,519,700



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2022, the Borough had \$7,954,724 invested in capital assets, including land, infrastructure, buildings, machinery and equipment and vehicles net of depreciation. The Borough had \$424,515 in capital additions during the 2022 year which is comprised of land, machinery and equipment.

Long Term Debt

During calendar year 2022, the Borough issued a General Obligation Note, totaling \$700,000 at an interest rate of 3.8% for the purchase of property. The outstanding balance due on all of the Borough's long-term indebtedness (bonds, notes, capital leases) totaled \$4,447,091 on December 31, 2022.

PENSION TRUST FUNDS

The Borough of Franklin Park has two pension plans – police and general employees. On December 31, 2022, the assets of the plans were \$10,560,048. An actuarial valuation of both plans determined that the net pension (asset) liability for the police and general employee pension plans was \$1,111,976 and \$1,237,007, respectively, as of December 31, 2022.

2023 BUDGET HIGHLIGHTS

The Borough's present financial position allows Franklin Park to fund the current level of services provided, the initiatives established by Council and Mayor and many of the additional services and projects proposed by the department directors without any change in the tax rate in 2023. The 2023 Budget prioritizes the maintenance of infrastructure, IT upgrades, and upgrades to Acorn Park. In determining which projects to approve, the Borough Council and Mayor had to balance competing interests of all departments. The need to maintain local roads, stormwater systems, recreation facilities, public safety and other services were fully evaluated during the budget process.

The 2023 General Fund budget represents an 8% increase in expenditures and provides a reasonable fiscal approach to address the public service and capital investment needs of the Borough. Specific significant projects for 2023 include the paving of over four miles of roads, stream bank restoration and storm water detention facility retrofitting as required under the MS4 program, Acorn Park improvements, partially financed through a DCNR grant, and various machinery and equipment upgrades. The Borough continues to make investments in infrastructure and assets including sewer, water, roads, stormwater, and recreational amenities.

Finally, the Borough will continue to pursue all funding opportunities and long-term capital planning efforts. Ongoing projects such as the Comprehensive Recreation, Parks and Open Space Plan, the continued submission of grant applications for various infrastructure projects, and the stream water work demonstrate the Borough's commitment to a sustainable future and continued asset management.

CONTACTING THE BOROUGH

This financial report is designed to provide our residents, taxpayers, customers, investors, and creditors with a general overview of the Borough's finances and to demonstrate the Borough's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Borough of Franklin Park
Cindy Crain, Finance Director
ccrain@franklinparkborough.us
412-364-4115 ext. 303

BOROUGH OF FRANKLIN PARK

STATEMENT OF NET POSITION

DECEMBER 31, 2022

Assets	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 6,015,639	\$ 164,708	\$ 6,180,347
Taxes receivable, net	774,089	-	774,089
Lease receivable	508,804	-	508,804
Other receivables	110,769	-	110,769
Internal balances	2,059	(2,059)	-
Total current assets:	7,411,360	162,649	7,574,009
Noncurrent assets:			
Capital assets, not being depreciated	1,356,935	9,413	1,366,348
Capital assets, net of accumulated depreciation	6,597,789	432,638	7,030,427
Total noncurrent assets:	7,954,724	442,051	8,396,775
Total Assets	15,366,084	604,700	15,970,784
Deferred Outflows of Resources			
Pension related	1,954,922	-	1,954,922
Total deferred outflows of resources:	1,954,922	-	1,954,922
Liabilities			
Current liabilities:			
Accounts payable	106,464	3,242	109,706
Accrued payroll and related benefits	179,681	1,894	181,575
Unearned revenue	745,839	12,879	758,718
Other current liabilities	459	538	997
Bonds payable, current	205,000	-	205,000
Notes payable, current	140,000	-	140,000
Total current liabilities	1,377,443	18,553	1,395,996
Noncurrent liabilities:			
Bonds payable, non-current	3,542,091	-	3,542,091
Notes payable, non-current	560,000	-	560,000
Escrow deposits	421,639	-	421,639
Compensated absences	38,004	-	38,004
Net pension liability	2,348,983	-	2,348,983
Total noncurrent liabilities	6,910,717	-	6,910,717
Total Liabilities	8,288,160	18,553	8,306,713
Deferred Inflows of Resources			
Lease related	436,924	-	436,924
Total deferred inflows of resources:	436,924	-	436,924
Net Position			
Net investment in capital assets	3,507,633	442,051	3,949,684
Unrestricted	5,088,289	144,096	5,232,385
Total Net Position	\$ 8,595,922	\$ 586,147	\$ 9,182,069

See accompanying notes to financial statements.

BOROUGH OF FRANKLIN PARK

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2022

	General Fund	Capital Reserve Fund	Other Governmental Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,615,664	\$ 393,177	6,798	\$ 6,015,639
Taxes receivable, net	774,089	-	-	774,089
Lease receivable	508,804	-	-	508,804
Due from other funds	1,160,039	1,300	-	1,161,339
Other receivables	110,769	-	-	110,769
Total Assets	\$ 8,169,365	\$ 394,477	\$ 6,798	\$ 8,570,640
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ 57,814	\$ 202	\$ 48,448	\$ 106,464
Accrued payroll and related benefits	179,681	-	-	179,681
Due to other funds	9,724	1,149,556	-	1,159,280
Unearned revenue	745,839	-	-	745,839
Escrow deposits	421,639	-	-	421,639
Other liabilities	459	-	-	459
Total Liabilities	1,415,156	1,149,758	48,448	2,613,362
Deferred Inflows of Resources:				
Unavailable revenue - taxes	21,085	-	-	21,085
Lease related	436,924	-	-	436,924
Total Deferred Inflows of Resources	458,009	-	-	458,009
Fund Balance:				
Assigned for:				
Fire equipment	980,352	-	-	980,352
Unassigned	5,315,848	(755,281)	(41,650)	4,518,917
Total Fund Balance	6,296,200	(755,281)	(41,650)	5,499,269
Total Deferred Inflows of Resources Liabilities and Fund Balance	\$ 8,169,365	\$ 394,477	\$ 6,798	\$ 8,570,640

See accompanying notes to financial statements.

BOROUGH OF FRANKLIN PARK

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

YEAR ENDED DECEMBER 31, 2022

Total Fund Balance - Governmental Funds				\$	5,499,269
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 governmental funds.					7,954,724
Property and other taxes receivable are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.					21,085
The net pension liability and deferred inflows and outflows of resources for pension are not recorded on the fund financial statements.					(394,061)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:					
	Notes payable	(700,000)			
	Bonds payable	(3,747,091)			
	Compensated absences	(38,004)			
					<u>(4,485,095)</u>
Total Net Position - Governmental Activities				\$	<u>8,595,922</u>

See accompanying notes to financial statements.

BOROUGH OF FRANKLIN PARK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2022

	General Fund	Capital Reserve Fund	Other Governmental Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 8,464,317	\$ -	\$ -	\$ 8,464,317
Licenses and permits	172,833	-	-	172,833
Fines and forfeitures	42,544	-	-	42,544
Interest and rents	64,719	4,688	1,056	70,463
Intergovernmental	1,473,250	-	464,395	1,937,645
Charges for services	587,618	-	-	587,618
Miscellaneous	214,311	-	-	214,311
Total revenues	11,019,592	4,688	465,451	11,489,731
Expenditures:				
General government	1,545,316	-	-	1,545,316
Public safety	3,848,106	112,889	-	3,960,995
Health and sanitation	18,579	-	-	18,579
Public works	3,380,628	487,371	511,109	4,379,108
Culture and recreation	1,393,674	915,735	-	2,309,409
Debt service	306,293	-	-	306,293
Total expenditures	10,492,596	1,515,995	511,109	12,519,700
Excess (Deficiency) of Revenues over (under) Expenditures	526,996	(1,511,307)	(45,658)	(1,029,969)
Other Financing Sources (Uses):				
Proceeds from issuance of debt	700,000	-	-	700,000
Refund of prior year revenues	(5,961)	-	-	(5,961)
Transfers in	-	725,000	-	725,000
Transfers out	(725,000)	-	-	(725,000)
Total other financing sources (uses)	(30,961)	725,000	-	694,039
Net Change in Fund Balance	496,035	(786,307)	(45,658)	(335,930)
Fund Balance:				
Beginning of year, as restated	5,800,165	31,026	4,008	5,835,199
End of year	<u>\$ 6,296,200</u>	<u>\$ (755,281)</u>	<u>\$ (41,650)</u>	<u>\$ 5,499,269</u>

See accompanying notes to financial statements.

BOROUGH OF FRANKLIN PARK

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

YEAR ENDED DECEMBER 31, 2022

Net Change in Fund Balance - Governmental Funds \$ (335,930)

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 these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

296,799

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

21,085

Changes in the net pension liability/asset and related deferred outflows and inflows of resources do not affect current financial resources and, therefore, are not reflected on the fund statements. The value of these items changed by this amount during the year.

(326,916)

The issuance of long-term debt (e.g. notes, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

(490,208)

Changes in the long-term portion of the compensated absence liability are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements.

(38,004)

Change in Net Position of Governmental Activities

\$ (873,174)

See accompanying notes to financial statements.

BOROUGH OF FRANKLIN PARK

STATEMENT OF NET POSITION

PROPRIETARY FUND

DECEMBER 31, 2022

	Clover Hill Golf Fund
Assets	
<hr/>	
Current assets:	
Cash and cash equivalents	\$ 164,708
Due from other funds	8,424
	<hr/>
Total current assets	173,132
	<hr/>
Noncurrent assets:	
Capital assets, not being depreciated	9,413
Capital assets, net of accumulated depreciation	432,638
	<hr/>
Total noncurrent assets	442,051
	<hr/>
Total Assets	\$ 615,183
	<hr/> <hr/>
Liabilities and Net Position	
<hr/>	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 3,242
Accrued payroll and related benefits	1,894
Other payables	538
Unearned revenue	12,879
Due to other funds	10,483
	<hr/>
Total liabilities	29,036
	<hr/>
Net Position:	
Net investment in capital assets	442,051
Unrestricted	144,096
	<hr/>
Total Net Position	586,147
	<hr/>
Total Liabilities and Net Position	\$ 615,183
	<hr/> <hr/>

See accompanying notes to financial statements.

BOROUGH OF FRANKLIN PARK

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2022

	Clover Hill Golf Fund
Operating Revenues:	
<hr/>	
Green fees and cart rentals	<u>\$ 560,440</u>
Operating Expenses:	
<hr/>	
Salaries and benefits	253,270
Administrative	28,876
Utilities	30,410
Materials and supplies	64,773
Repairs and maintenance	16,695
Equipment rental and purchases	5,844
Depreciation	<u>107,205</u>
Total operating expenses	<u>507,073</u>
Operating Income (Loss)	53,367
Nonoperating Revenues (Expenses):	
<hr/>	
Interest income	<u>1,486</u>
Change in Net Position	54,853
Net Position:	
<hr/>	
Beginning of year, as restated	<u>531,294</u>
End of year	<u><u>\$ 586,147</u></u>

See accompanying notes to financial statements.

BOROUGH OF FRANKLIN PARK

STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2022

	Clover Hill Golf Fund
Cash Flows From Operating Activities:	
Cash received from customers	\$ 560,440
Cash paid to employees for wages and benefits	(253,281)
Cash paid to vendors for goods and services	(142,398)
	164,761
Cash Flows From Noncapital Financing Activities:	
Transfers to and from other funds	(24,366)
	(24,366)
Cash Flows From Capital and Related Financing Activities:	
Transfers to and from other funds	(101,652)
Purchases of capital assets	(71,900)
	(173,552)
Cash Flows From Investing Activities:	
Interest income	1,486
	1,486
Net Increase (Decrease) in Cash and Cash Equivalents	(31,671)
Cash and Cash Equivalents:	
Beginning of year	196,379
End of year	\$ 164,708
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:	
Operating income (loss)	\$ 53,367
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	107,205
Changes in operating assets and liabilities:	
Accounts payable	1,923
Accrued payroll and related benefits	(11)
Other payables	538
Unearned revenue	1,739
	1,739
Net cash provided by (used in) operating activities	\$ 164,761

See accompanying notes to financial statements.

BOROUGH OF FRANKLIN PARK

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2022

	<u>Pension Trust Funds</u>
<hr/>	
Assets	
<hr/>	
Cash and cash equivalents	\$ 252,592
Investments	<u>10,307,456</u>
Total Assets	<u><u>\$ 10,560,048</u></u>
<hr/>	
Net Position	
<hr/>	
Restricted for pension benefits	<u><u>\$ 10,560,048</u></u>

See accompanying notes to financial statements.

BOROUGH OF FRANKLIN PARK

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2022

	<u>Pension Trust Funds</u>
Additions:	
<hr/>	
Contributions:	
State aid - contributed by Borough	\$ 310,828
Employer	285,704
Employee	<u>73,028</u>
Total contributions	<u>669,560</u>
Net investment income (loss):	
Net increase (decrease) in fair value of investments	(2,015,586)
Interest and dividends	<u>334,468</u>
Total investment income (loss)	(1,681,118)
Less: investment expense	<u>(75,120)</u>
Net investment income (loss)	<u>(1,756,238)</u>
Total additions	<u>(1,086,678)</u>
Deductions:	
<hr/>	
Benefits/withdrawals	<u>289,086</u>
Change in Net Position	(1,375,764)
Net Position:	
<hr/>	
Beginning of year	<u>11,935,812</u>
End of year	<u><u>\$ 10,560,048</u></u>

See accompanying notes to financial statements.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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.

The Borough is involved with related parties, as described in Note 12.

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 Borough. 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

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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 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 Borough 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 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 Borough. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service, financed purchases, and pension expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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*.

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 accrual 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.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Budgets

In December 2021, the Borough adopted its 2022 annual budget for its General Fund in accordance with the provisions of the Borough Code. The General Fund budget was prepared utilizing the modified accrual 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 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, 2022.

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.

Fair Value Measurement

The Borough 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.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Escrow Deposits

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

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 that have been acquired for general government purposes are recorded as expenditures in the governmental funds and are capitalized in the government-wide statement of net position. All capital assets are recorded at cost, if known, or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value on the date of donation. The Borough uses a threshold of \$5,000 for recording capital assets.

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 Borough are depreciated using the straight-line method over the following estimated useful lives:

Vehicles	3-10 years
Buildings and Land Improvements	10-40 years
Furniture, Fixtures and Equipment	3-15 years
Infrastructure	20-60 years

Leases

The Borough is a lessor for a noncancellable lease of Borough property. The Borough recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

At the commencement of a lease, the Borough initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow or resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow or resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Borough determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Borough uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Borough monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Unearned Revenues

Unearned revenues reported in the government-wide financial statements will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent revenues that are measurable but not available, and in accordance with the modified accrual basis of accounting are reported as unearned revenues.

Compensated Absences

Calculation of the liability is determined by the vacation payments that would be made if employees were to leave or retire from the Borough. 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.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Employees earn vacation, based upon their contract, for use during the current calendar year and may be carried over for a period of time as defined by their contract. The number of days earned varies depending upon length of service and union contracts.

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/liabilities, the statement of net position and/or balance sheet will sometimes report separate sections for deferred outflows/inflows of resources. This separate financial statement element, deferred outflows/inflows of resources, represents a consumption of net position and/or fund balance that applies to a future period and so will not be recognized as an outflow/inflow of resources (expense/expenditure or revenue) until then. The Borough has the following items that qualify for reporting in these categories:

Certain amounts determined in connection with pension accounting requirements are reported as deferred inflows/outflows of resources on the government-wide financial statements. These amounts are determined based on the actuarial valuations performed for the plans. Note 9 presents additional information about the pension plans.

Unavailable revenue is reported only on the balance sheet and represents taxes, which will not be collected within the available period. These amounts will be recognized as an inflow of resources in the period the amounts become available.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Net Position

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

- 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 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 – 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:

- 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.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

- 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.

Adopted Pronouncements

GASB Statement No. 87, “Leases,” requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. As a result of this implementation, net position as of January 1, 2022 was restated and is included in the restatement note below.

The following GASB Statements were also adopted for the year ended December 31, 2022: Statement Nos. 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 97 (Deferred Compensation Plans), and 99 (Omnibus 2022 – paragraphs 26 through 32). These statements had no significant impact on the Borough’s financial statements for the year ended December 31, 2022.

Pending Pronouncements

GASB has issued statements that will become effective in future years including 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), 99 (Omnibus 2022), 100 (Accounting Changes and Error Corrections), and 101 (Compensated Absences). Management has not yet determined the impact of these statements on the financial statements.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Restatement

As of January 1, 2022, the Borough changed its basis of accounting from modified cash basis to modified accrual basis (governmental funds) and accrual basis (government-wide and enterprise fund).

This change in basis of accounting resulted in a restatement to fund balance on the fund financial statement and related to the following:

Government Activities:

Accrued payroll	\$ (178,791)
Taxes receivable	766,467
Deferred revenue	(551,564)
Other	<u>77,705</u>
Total	<u>\$ 113,817</u>

Business-type Activities:

Capital assets	\$ 477,356
Other	<u>(14,364)</u>
Total	<u>\$ 462,992</u>

This change in basis of accounting resulted in a restatement to net position on the government-wide financial statement and related to the following:

Government Activities:

Capital assets	\$ 7,657,925
Long-term debt	(3,956,883)
Pension liability	(67,145)
Accrued payroll	(178,791)
Taxes receivable	766,467
Deferred revenue	(551,564)
Other	<u>77,705</u>
Total	<u>\$ 3,747,714</u>

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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, 2022, \$4,947,731 of the Borough's bank balance of \$5,203,590 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 had a carrying amount of \$4,899,836 (governmental funds) and \$164,708 (proprietary funds) as of December 31, 2022.

In addition to the deposits noted above, cash and cash equivalents on the statement of net position include funds with INVEST. As of December 31, 2022, the fair value of the INVEST funds was \$409,164.

The fair value of the Authority's investments is the same as their carrying amount. The Authority's investment in INVEST cannot be classified because they are not evidenced by securities that exist in physical or book entry form. The fair value of the Authority's position in the INVEST 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. The Authority can withdraw funds from INVEST without limitations or fees.

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

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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, 2022, the entire fair value of the investments in PLGIT of \$706,639 is considered to be a cash equivalent on the statement of net position and the governmental funds balance sheet. These deposits have a carrying amount of \$706,639 as of December 31, 2022. 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, 2022, 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.

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.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

The fair value of the Borough's Pension Trust Funds' investments at December 31, 2022 is as follows:

<u>Cash or Investment Type</u>	<u>Fair Market Value</u>
Cash and cash equivalents	\$ 252,592
Mutual funds	8,794,975
ETFs	<u>1,512,481</u>
Total cash and other investments	<u>10,560,048</u>
Total cash, cash equivalents, and investments reported on statement of fiduciary net position	<u>\$ 10,560,048</u>

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 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 recognized statistical rating organizations. As of December 31, 2022, the investment in mutual funds is unrated.

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 and ETFs are not exposed to custodial credit risk, because their existence is not evidenced by securities that exist in physical or book entry form.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

4. Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2022 is as follows:

	Balance at January 1, 2022	Additions	Deletions	Balance at December 31, 2022
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 481,935	\$ 875,000	\$ -	\$ 1,356,935
Total capital assets, not being depreciated	481,935	875,000	-	1,356,935
Capital assets, being depreciated				
Buildings and improvements	6,427,793	7,570	-	6,435,363
Machinery and equipment	2,657,690	144,200	-	2,801,890
Vehicles	2,474,106	272,745	-	2,746,851
Infrastructure	17,526,812	-	-	17,526,812
Total capital assets, being depreciated	29,086,401	424,515	-	29,510,916
Less: accumulated depreciation for:				
Buildings and improvements	(14,295,059)	(221,799)	-	(14,516,858)
Machinery and equipment	(4,456,692)	(401,132)	-	(4,857,824)
Vehicles	(1,525,689)	(192,179)	-	(1,717,868)
Infrastructure	(1,632,970)	(187,607)	-	(1,820,577)
Total accumulated depreciation	(21,910,410)	(1,002,717)	-	(22,913,127)
Total capital assets, being depreciated, net	7,175,991	(578,202)	-	6,597,789
Governmental activities, capital assets, net	\$ 7,657,926	\$ 296,798	\$ -	\$ 7,954,724

Depreciation expense was charged to the function/programs of the Borough as follows:

Governmental activities:	
General government	\$ 168,545
Public safety	82,763
Highways, roads, and streets	489,187
Culture and recreation	262,222
Total depreciation expense	\$ 1,002,717

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Capital asset activity for business-type activities for the year ended December 31, 2022 is as follows:

	Balance at January 1, 2022	Additions	Deletions	Balance at December 31, 2022
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 9,413	\$ -	\$ -	\$ 9,413
Total capital assets, not being depreciated	9,413	-	-	9,413
Capital assets, being depreciated				
Buildings and improvements	1,201,275	-	-	1,201,275
Machinery and equipment	374,366	71,900	-	446,266
Total capital assets, being depreciated	1,575,641	71,900	-	1,647,541
Less: accumulated depreciation for:				
Buildings and improvements	(871,743)	(64,496)	-	(936,239)
Machinery and equipment	(235,955)	(42,709)	-	(278,664)
Total accumulated depreciation	(1,107,698)	(107,205)	-	(1,214,903)
Total capital assets, being depreciated, net	467,943	(35,305)	-	432,638
Business-type activities, capital assets, net	\$ 477,356	\$ (35,305)	\$ -	\$ 442,051

5. 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)

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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 lien.

The tax millage assessment for the 2022 calendar year is 1.29 mills on the assessed value of land and buildings of approximately \$1.8 billion. The Borough recognizes property tax revenue when received.

6. Interfund Receivables, Payables, and Transfers

Due To/Due From and transfers as of and for the year ended December 31, 2022 were as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Fund:				
General Fund	\$ 1,160,039	\$ 9,724	\$ -	\$ 725,000
Capital Reserve	1,300	1,149,556	725,000	-
Major Enterprise Fund:				
Clover Hill Golf Fund	<u>8,424</u>	<u>10,483</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,169,763</u>	<u>\$ 1,169,763</u>	<u>\$ 725,000</u>	<u>\$ 725,000</u>

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.

The Due To the General Fund from the Capital Reserve Fund and the Clover Hill Golf Fund represents expenses funded by the General Fund. The transfer from the General Fund to the Capital Reserve fund was made to fund the purchase of land.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

7. Leases

During 2009 the Borough entered into a non-cancelable lease as the lessor of land for a cell tower. The lease had an initial term of 5 years with 14 automatic renewal terms of 5 years each ending in 2092. Base rent of the lease is \$1,739 per month with 3% increases each year beginning on the 7th year of the lease.

As of and for the year ended December 31, the lease includes the following:

Discount Rate	Lease Receivable	Deferred Inflow of Resources	Lease Revenue	Lease Interest
3.80%	\$ 508,804	\$ 436,924	\$ 20,868	\$ 19,391

8. Long-Term Liabilities

General Obligation Bonds

In 2016, the Borough issued General Obligation Bonds (Series 2016 Bonds) in the amount of \$4,820,000 for capital projects, including the construction of a fire station on behalf of the Franklin Park Volunteer Company. In 2021, the Borough issued General Obligation Bonds (Series 2021 Bonds) in the amount of \$3,955,000 to refund \$4,045,000 of outstanding Series 2016 Bonds. The Series 2021 Bonds bear interest at rates ranging from 2.000% to 5.000% and are scheduled to mature annually through September 2036. The bonds are secured by a pledge of full faith, credit, and taxing power of the 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.

General Obligation Notes

In 2022, the Borough issued a General Obligation Note, Series of 2022 totaling \$700,000 with an interest rate of 3.80% for the purchase of property. The Series 2022 Note is due in October 2027. The note is secured by a pledge of full faith, credit, and taxing power of the Borough.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

The annual debt service requirements to maturity for the General Obligation Bonds and General Obligation Notes are as follows:

	Governmental Activities			
	General Obligation Bonds		General Obligation Notes	
	Principal	Interest	Principal	Interest
2023	\$ 205,000	\$ 94,850	\$ 140,000	\$ 24,945
2024	210,000	86,650	140,000	19,607
2025	220,000	76,150	140,000	14,157
2026	235,000	65,150	140,000	8,763
2027	240,000	53,400	140,000	3,369
2028-2032	1,300,000	192,000	-	-
2033-2036	1,130,000	85,300	-	-
	\$ 3,540,000	\$ 653,500	\$ 700,000	\$ 70,841

Long-term liability activity for the year ended December 31, 2022 was as follows:

	Balance at January 1, 2022	Additions	Deletions	Balance at December 31, 2022	Due Within One Year
Governmental Activities:					
General obligation bonds payable	\$ 3,735,000	\$ -	\$ (195,000)	\$ 3,540,000	\$ 205,000
Bond premium	221,883	-	(14,792)	207,091	-
Direct borrowing - notes payable	-	700,000	-	700,000	140,000
Compensated absences	-	38,004	-	38,004	-
	\$ 3,956,883	\$ 738,004	\$ (209,792)	\$ 4,485,095	\$ 345,000

9. Pension Plans

Defined Benefit 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.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Plan Descriptions

The Borough 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 are governed by Borough Council, who are responsible for the management of Plan assets. Plan provisions and contribution requirements are established and may be amended by the Borough. 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, 2022, Plan membership consisted of the following:

	<u>Police</u>	<u>General Employees</u>
Active employees	15	29
Retirees and beneficiaries currently receiving benefits	6	7
Terminated employees entitled to benefits but not yet receiving them	0	2
Total plan members	<u>21</u>	<u>38</u>

Benefits Provided – Police Plan

Retirement Benefit – A participant is entitled to begin receiving retirement benefits after completing 25 years of service and attaining age 55 for employment, or 20 years of service for early retirement. A participant is fully vested after 12 years of service. The scheduled monthly retirement benefit is 50% of the participant’s pension pay averaged over the final 36 months of employment.

Survivor Benefit – *Survivor Benefit* – For a participant after retirement eligibility, the participant’s beneficiary will receive a distribution of 50% of the participant’s accrued benefit that would have been payable of the participant’s Normal Retirement 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 of 50% of the participant's salary at the time the disability was incurred, less Social Security disability benefits.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

DROP Benefit – Employees may receive the *Retirement Benefit* as of DROP participation. The DROP Plan provides an alternative method of payment for retirement benefits for a special and limited period of time for member of the Plan under this Plan, employees stop earning service credit toward a future benefit and the calculated retirement benefit at the time the DROP Plan period begins, is deposited into another investment vehicle that offers both substantial security and some level of guaranteed interest.

Benefits Provided – General Employees Plan

Retirement Benefit – A participant is entitled to begin receiving retirement benefits after completing ten years of service and attaining age 62. For Union participants the benefit is the greater of a lump sum payment equal to Average Final Compensation multiplied by the sum of the applicable percentage for each year of credited service or a monthly benefit equal to \$30 per year of credited service. For non-union participants hired before May 1, 2017 the benefit is the greater of a lump sum payment equal to Average Final Compensation multiplied by the sum of the applicable percentage for each year of credited service, a monthly benefit equal to \$30 per year of credited service, or a monthly benefit equal to 1.0% of Average Final Compensation divided by 12, multiplied by years of credited service. For non-union participants hired on or after May 1, 2017 the benefit is equal to the sum of 1.0% of Compensation during each year of credited service divided by 12.

Survivor Benefit – For a participant after retirement eligibility, the participant’s beneficiary will receive a distribution of 50% of the participant’s accrued benefit that would have been payable of the participant’s Normal Retirement Benefit.

Termination Benefit – If a participant’s employment is terminated, the participant is entitled to a vested deferred benefit after ten years of service. A participant who terminates before ten years of service is entitled to a return of prior employee contribution plus interest.

Contributions

The Plans are funded by the Borough 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, 2022, participating employees in the Police Plan contributed 2% of covered payroll. Union employees in the General Employees Plan were required to contribute 2.5% until the attainment of age 60 with 30 years of service when contributions are no longer required. Non-Union employees in the General Employees Plan were required to contribute

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

2% of cover payroll for the year ended December 31, 2022. During the year, the Borough made its required contributions of \$310,511 and \$286,021 to the Police and General Employees Plans, respectively, based upon the MMO.

Net Pension Liability (Asset)

Measurement Date and Actuarial Assumptions – The Borough’s net pension liability (asset) was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by actuarial valuations as of January 1, 2021 and rolled forward to December 31, 2022.

Changes in the Net Pension Liability (Asset) – The changes in the net pension liability (asset) of the Borough for the Police Plan for the year ended December 31, 2022 were as follows:

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2021	\$ 7,620,013	\$ 8,126,861	\$ (506,848)
Changes for the year:			
Service cost	263,777	-	263,777
Interest	509,805	-	509,805
Differences between expected and actual experience	-	-	-
Contributions - employer	-	310,511	(310,511)
Contributions - employee	-	34,671	(34,671)
Net investment income (loss)	-	(1,148,254)	1,148,254
Benefit payments, including refunds	(188,918)	(188,918)	-
Administrative expense	-	(42,170)	42,170
Net changes	584,664	(1,034,160)	1,618,824
Balances at December 31, 2022	\$ 8,204,677	\$ 7,092,701	\$ 1,111,976

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

The changes in the net pension liability (asset) of the Borough for the General Employees Plan for the year ended December 31, 2022 were as follows:

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2021	\$ 4,381,156	\$ 3,808,951	\$ 572,205
Changes for the year:			
Service cost	155,619	-	155,619
Interest	267,747	-	267,747
Differences between expected and actual experience	-	-	-
Contributions - employer	-	286,021	(286,021)
Contributions - employee	-	38,357	(38,357)
Net investment income (loss)	-	(532,864)	532,864
Benefit payments, including refunds	(100,168)	(100,168)	-
Administrative expense	-	(32,950)	32,950
Net changes	323,198	(341,604)	664,802
Balances at December 31, 2022	\$ 4,704,354	\$ 3,467,347	\$ 1,237,007

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation performed on January 1, 2021, and rolled forward to December 31, 2022, using the following actuarial assumptions, applied to all periods in the measurement:

	Police	General Employees
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 rates were based on the PubS-2010 Public Safety Employees Mortality Table for the Police Plan and the PubG-2010 General Employees Mortality Table for the General Employees Plan.

Changes in Actuarial Assumptions – For the Police Plan, the mortality was updated from the RP-2014 Mortality Table to the Pub-2010 Public Safety Mortality Table. For the General Employees Plan, the mortality was updated from the RP-2014 Mortality Table to the Pub-

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

2010 General Employees Mortality Table. Additionally, for both plans, the mortality improvement assumption was updated from being based on the 2015 Social Security Administration’s Trustee Report assumptions to the 2020 Social Security Administration’s Trustee Report assumptions.

Investment Policy – The Plans are authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The plans have no formally adopted investment policy.

Long-Term Expected Rate of Return – The long-term expected rate of return on Plans 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, 2022:

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	Police	General Employees	Police	General Employees
Fixed income	28.00%	28.00%	0.44%-4.76%	0.44%-4.76%
Equities	70.00%	70.00%	4.09%-10.49%	4.09%-10.49%
Cash and equivalents	2.00%	2.00%	0.07%-0.53%	0.07%-0.53%
	<u>100.00%</u>	<u>100.00%</u>		

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, 2022, the annual money-weighted rate of return on the Police Plan and General Employees and investments, net of investment expense, was (14.30)% and (14.17)%, respectively.

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Concentrations – At December 31, 2022, 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 rate used to measure the total pension liability for the Police Plan and General Employees Plan was 6.50% and 6.00%, 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, expenses would continue at their current level, and that the Borough would contribute the MMO in the future. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan. 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 (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Police Plan	\$ 2,162,791	\$ 1,111,976	\$ 240,451
	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
General Employees Plan	\$ 1,686,385	\$ 1,237,007	\$ 850,559

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

For the year ended December 31, 2022, the Borough recognized pension expense of \$921,853. At December 31, 2022, the Borough reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

	Police	General Employees	Total
Deferred Outflows of Resources:			
Net difference between expected and actual earnings	\$ 1,342,695	\$ 612,227	\$ 1,954,922
Total deferred outflows of resources	\$ 1,342,695	\$ 612,227	\$ 1,954,922

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

Year ending December 31,	Police	General Employees	Total
2023	\$ 335,674	\$ 153,057	\$ 488,731
2024	335,674	153,057	488,731
2025	335,674	153,057	488,731
2026	335,673	153,056	488,729
	\$ 1,342,695	\$ 612,227	\$ 1,954,922

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 2022, the Borough contributed \$35,886 to the plan.

10. 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 309 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,

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

participants may be issued a dividend/refund on the same basis. During 2022, the Borough received a dividend/refund in the amount of \$82,154. 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.

11. 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.

12. 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.

13. 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 2022, the Borough provided approximately \$127,000 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 \$100,000 to the Company for various operational and capital needs. As described

BOROUGH OF FRANKLIN PARK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

in Note 6, the Borough issued bonds in 2016 to fund the construction of a new fire station on behalf of the Company.

14. Joint Venture

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 Town). 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 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 \$344,861 for the year ended December 31, 2022.

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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

BOROUGH OF FRANKLIN PARK

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED DECEMBER 31, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 7,995,000	\$ 7,995,000	\$ 8,464,317	\$ 469,317
Licenses and permits	177,000	177,000	172,833	(4,167)
Fines and forfeitures	34,500	34,500	42,544	8,044
Interest and rents	37,900	37,900	64,719	26,819
Intergovernmental	1,412,700	1,412,700	1,473,250	60,550
Charges for services	602,200	602,200	587,618	(14,582)
Miscellaneous	104,800	104,800	214,311	109,511
Total revenues	10,364,100	10,364,100	11,019,592	655,492
Expenditures:				
General government	1,641,400	1,641,400	1,545,316	96,084
Public safety	3,868,900	3,868,900	3,848,106	20,794
Health and sanitation	36,000	36,000	18,579	17,421
Public works	3,164,200	3,164,200	3,380,628	(216,428)
Culture and recreation	1,702,100	1,702,100	1,393,674	308,426
Debt service	336,200	336,200	306,293	29,907
Total expenditures	10,748,800	10,748,800	10,492,596	256,204
Excess (Deficiency) of Revenues over Expenditures	(384,700)	(384,700)	526,996	911,696
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	37,000	37,000	-	(37,000)
Proceeds from issuance of debt	-	-	700,000	700,000
Refund of prior year revenues	(5,000)	(5,000)	(5,961)	(961)
Refund of prior year expenditures	3,000	3,000	-	(3,000)
Transfers in (out)	317,400	317,400	(725,000)	(1,042,400)
Total other financing sources (uses)	352,400	352,400	(30,961)	(383,361)
Net Change in Fund Balance	<u>\$ (32,300)</u>	<u>\$ (32,300)</u>	496,035	<u>\$ 528,335</u>
Fund Balance:				
Beginning of year, as restated			5,800,165	
End of year			<u>\$ 6,296,200</u>	

BOROUGH OF FRANKLIN PARK

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

POLICE PENSION PLAN

YEARS ENDED DECEMBER 31
LAST TEN YEARS*

	2022
Total Pension Liability:	
Service cost	\$ 263,777
Interest	509,805
Benefit payments, including refunds of employee contributions	(188,918)
Net Changes in Total Pension Liability	584,664
Total Pension Liability - Beginning	7,620,013
Total Pension Liability - Ending (a)	\$ 8,204,677
Plan Fiduciary Net Position:	
Contributions - employer	\$ 310,511
Contributions - employee	34,671
Net investment income	(1,148,254)
Benefit payments, including refunds of employee contributions	(188,918)
Administrative expense	(42,170)
Net Change in Plan Fiduciary Net Position	(1,034,160)
Plan Fiduciary Net Position - Beginning	8,126,861
Plan Fiduciary Net Position - Ending (b)	\$ 7,092,701
Net Pension Liability (Asset) - Ending (a-b)	\$ 1,111,976
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%
 Covered Payroll	 \$ 1,707,717
Net Pension Liability (Asset) as a Percentage of Covered Payroll	65.11%

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

See accompanying note to required supplementary pension schedules.

BOROUGH OF FRANKLIN PARK

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

GENERAL EMPLOYEES PENSION PLAN

YEARS ENDED DECEMBER 31
LAST TEN YEARS*

	2022
Total Pension Liability:	
Service cost	\$ 155,619
Interest	267,747
Benefit payments, including refunds of employee contributions	(100,168)
Net Changes in Total Pension Liability	323,198
Total Pension Liability - Beginning	4,381,156
Total Pension Liability - Ending (a)	\$ 4,704,354
Plan Fiduciary Net Position:	
Contributions - employer	\$ 286,021
Contributions - employee	38,357
Net investment income	(532,864)
Benefit payments, including refunds of employee contributions	(100,168)
Administrative expense	(32,950)
Net Change in Plan Fiduciary Net Position	(341,604)
Plan Fiduciary Net Position - Beginning	3,808,951
Plan Fiduciary Net Position - Ending (b)	\$ 3,467,347
Net Pension Liability (Asset) - Ending (a-b)	\$ 1,237,007
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.71%
Covered Payroll	\$ 2,083,131
Net Pension Liability (Asset) as a Percentage of Covered Payroll	59.38%

* 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 note to required supplementary pension schedules.

BOROUGH OF FRANKLIN PARK

SCHEDULE OF THE BOROUGH'S CONTRIBUTIONS
AND INVESTMENT RETURNS

POLICE PENSION PLAN

YEARS ENDED DECEMBER 31
LAST TEN YEARS*

POLICE PENSION PLAN:	<u>2022</u>
Schedule of Borough Contributions	
<hr/>	
Actuarially determined contribution	\$ 308,917
Contributions	<u>308,917</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	<u>\$ 1,707,717</u>
Contributions as a percentage of covered payroll	18.09%
Investment Returns	
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Annual money-weighted rate of return, net of investment expense	-14.30%

* 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 note to required supplementary pension schedules.

BOROUGH OF FRANKLIN PARK

**SCHEDULE OF THE BOROUGH'S CONTRIBUTIONS
AND INVESTMENT RETURNS**

GENERAL EMPLOYEES PENSION PLAN

YEARS ENDED DECEMBER 31
LAST TEN YEARS*

GENERAL EMPLOYEE'S PENSION PLAN:	<u>2022</u>
Schedule of Borough Contributions	
<hr/>	
Actuarially determined contribution Contributions	\$ 286,020
	<u>286,020</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	<u>\$ 2,083,131</u>
Contributions as a percentage of covered payroll	13.73%
Investment Returns	
<hr/>	
Annual money-weighted rate of return, net of investment expense	-14.17%

* 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 note to required supplementary pension schedules.

BOROUGH OF FRANKLIN PARK

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2022

Actuarial Methods and Assumptions Used in Determining the Contribution Rate (MMO)

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

	Police	General Employees
Actuarial valuation date	1/1/2021	1/1/2021
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar, Closed	Level Dollar, Closed
Remaining amortization period	14 Years	8 Years (Aggregate)
Asset valuation method	4-year Smoothing	4-year Smoothing
Inflation	2.50%	2.50%
Salary increases	4.50% including inflation	4.00% including inflation
Investment Rate of Return	6.50% net of investment expenses not funding through the MMO, and including inflation	6.00% net of investment expenses not funding through the MMO, and including inflation
Mortality	2010 Public Retirement Plan - Public Safety mortality tables (PubS-2010) with improvement projected from year 2015 with rates derived from the Long- Range Demographic Assumptions for the 2020 Social Security Administration's Trustee Report	2010 Public Retirement Plan - General Employees mortality tables (PubG-2010) with improvement projected from year 2015 with rates derived from the Long-Range Demographic Assumptions for the 2020 Social Security Administration's Trustee Report
Retirement Age	Normal retirement age, or attained age, if currently eligible to retire	Normal retirement age, or attained age, if currently eligible to retire

BOROUGH OF FRANKLIN PARK

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2022

Changes in Benefit Terms

There were no changes in benefit terms.

Changes in Assumptions

12/31/22 - For the Police Plan, the mortality was updated from the RP-2014 Mortality Table to the Pub-2010 Public Safety Mortality Table. For the General Employees Plan, the mortality was updated from the RP-2014 Mortality Table to the Pub-2010 General Employees Mortality Table. Additionally, for both plans, the mortality improvement assumption was updated from being based on the 2015 Social Security Administration's Trustee Report assumptions to the 2020 Social Security Administration's Trustee Report assumptions.

SUPPLEMENTARY INFORMATION

BOROUGH OF FRANKLIN PARK

COMBINING BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2022

	General Fund	Fire Protection Fund	Total General Fund
Assets			
Cash and cash equivalents - unrestricted	\$ 4,591,439	\$ 1,024,225	\$ 5,615,664
Taxes receivable, net	774,089	-	774,089
Lease receivable	508,804	-	508,804
Interfunds	1,187,715	(27,676)	1,160,039
Other receivables	110,769	-	110,769
Total Assets	\$ 7,172,816	\$ 996,549	\$ 8,169,365
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Liabilities:			
Accounts Payable	\$ 41,617	\$ 16,197	\$ 57,814
Accrued payroll and related benefits	179,681	-	179,681
Interfund advance payable	9,724	-	9,724
Unearned revenue	745,839	-	745,839
Escrow deposits	421,639	-	421,639
Other liabilities	459	-	459
Total Liabilities	1,398,959	16,197	1,415,156
Deferred Inflows of Resources:			
Unavailable revenue - taxes	21,085	-	21,085
Lease related	436,924	-	436,924
Total Deferred Inflows of Resources	458,009	-	458,009
Fund Balance:			
Assigned for:			
Fire equipment	-	980,352	980,352
Unassigned	5,315,848	-	5,315,848
Total Fund Balance	5,315,848	980,352	6,296,200
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 7,172,816	\$ 996,549	\$ 8,169,365

BOROUGH OF FRANKLIN PARK

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GENERAL FUND

YEAR ENDED DECEMBER 31, 2022

	General Fund	Fire Protection Fund	Total General Fund
Revenues:			
Taxes	\$ 8,464,317	\$ -	\$ 8,464,317
Licenses and permits	172,833	-	172,833
Fines and forfeitures	42,544	-	42,544
Interest and rents	60,800	3,919	64,719
Intergovernmental	1,473,250	-	1,473,250
Charges for services	587,618	-	587,618
Miscellaneous	214,311	-	214,311
Total revenues	11,015,673	3,919	11,019,592
Expenditures:			
General government	1,545,316	-	1,545,316
Public safety	3,602,321	245,785	3,848,106
Health and sanitation	18,579	-	18,579
Public works	3,380,628	-	3,380,628
Culture and recreation	1,393,674	-	1,393,674
Debt service	10,000	296,293	306,293
Total expenditures	9,950,518	542,078	10,492,596
Excess (Deficiency) of Revenues over Expenditures	1,065,155	(538,159)	526,996
Other Financing Sources (Uses):			
Proceeds from issuance of debt	700,000	-	700,000
Refund of prior year revenues	(5,961)	-	(5,961)
Transfers in (out)	(1,225,000)	500,000	(725,000)
Total other financing sources (uses)	(530,961)	500,000	(30,961)
Net Change in Fund Balance	534,194	(38,159)	496,035
Fund Balance:			
Beginning of year, as restated	4,781,654	1,018,511	5,800,165
End of year	\$ 5,315,848	\$ 980,352	\$ 6,296,200

BOROUGH OF FRANKLIN PARK

COMBINING STATEMENT OF FIDUCIARY NET POSITION

PENSION TRUST FUNDS

DECEMBER 31, 2022

	General Employees	Police	Total
<hr/> Assets <hr/>			
Cash and cash equivalents	\$ 126,050	\$ 126,542	\$ 252,592
Investments	3,341,297	6,966,159	10,307,456
Total Assets	3,467,347	7,092,701	10,560,048
<hr/> Net Position <hr/>			
Restricted for pension benefits	<u>\$ 3,467,347</u>	<u>\$ 7,092,701</u>	<u>\$ 10,560,048</u>

BOROUGH OF FRANKLIN PARK

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2022

	General Employees	Police	Total
Additions:			
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Contributions:			
State aid - contributed by the Borough	\$ 155,414	\$ 155,414	\$ 310,828
Employer	130,607	155,097	285,704
Employee	38,357	34,671	73,028
Total contributions	324,378	345,182	669,560
Net investment income (loss):			
Net increase (decrease) in fair value of investments	(640,780)	(1,374,806)	(2,015,586)
Interest and dividends	107,916	226,552	334,468
Total investment income (loss)	(532,864)	(1,148,254)	(1,681,118)
Less: investment expense	32,950	42,170	75,120
Net investment income (loss)	(565,814)	(1,190,424)	(1,756,238)
Total additions	(241,436)	(845,242)	(1,086,678)
Deductions:			
<hr/>			
Benefits/withdrawals	100,168	188,918	289,086
Change in Net Position	(341,604)	(1,034,160)	(1,375,764)
Net Position:			
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Beginning of year	3,808,951	8,126,861	11,935,812
End of year	\$ 3,467,347	\$ 7,092,701	\$ 10,560,048