

**2019 MUNICIPAL ANNUAL AUDIT
AND
FINANCIAL REPORT**

021023 EDGEWOOD BORO, ALLEGHENY COUNTY

Independent Auditor's Report

Members of Council Borough of Edgewood

We have audited the Modified Cash Balance Sheet, Statement of Revenues and Expenditures, Debt Statement, and Statements of Capital Expenditures and Employee Compensation – regulatory basis (Schedules) included in the 2019 Municipal Annual Audit and Financial Report of the Borough of Edgewood (Borough).

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these Schedules in accordance with the financial reporting provisions as described in the instructions provided by the Commonwealth of Pennsylvania Department of Community and Economic Development (DCED) to meet filing requirements in Pennsylvania. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

To meet the financial reporting requirements of the Commonwealth of Pennsylvania, the Schedules are prepared by the Borough on the basis of the instructions provided by DCED, which is a basis of accounting other than accounting principles generally accepted in the United States of America. These

requirements permit the Schedules to be prepared on the modified cash basis of accounting, without financial statement disclosures, without cash flows, without component unit financial information, without government-wide financial statements, without Management's Discussion and Analysis, without budgetary comparisons and historical pension and post-employment benefit information, and require all funds to be aggregated by fund type on the Schedules.

The effects on the Schedules of the variances between the regulatory basis of accounting described above and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the Schedules referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2019 and the results of its operations for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the Schedules referred to above present fairly, in all material respects, the regulatory basis financial position of the Borough as of December 31, 2019, and the regulatory results of its operations for the year then ended in accordance with the financial reporting provisions described in the instructions provided by DCED.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Schedules that collectively comprise the Borough's Schedules as a whole. The other information on pages 1-15 is presented for purposes of additional analysis and is not a required part of the Schedules. The other information has not been subjected to the auditing procedures applied in the audit of the Schedules and, accordingly, we do not express an opinion or provide any assurance on it.

Mahe Duessel

Pittsburgh, Pennsylvania
March 23, 2020

EDGEWOOD BORO, ALLEGHENY County

BALANCE SHEET

December 31, 2019

		Governmental Funds				Proprietary Funds		Fid. Fund	Account Groups		Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	Memorandum Only
Liabilities and Other Credits											
260-269	Long-Term-Liabilities									505,179	505,179
240-259	Current Portion of Long-Term Debt and Other Credits									169,316	169,316
Total Liabilities and Other Credits		30,250	14,316							674,495	719,061

Fund and Account Group Equity											
281-284	Contributed Capital										
290.00	Investment in General Fixed Assets										
270-289	Fund Balance / Retained Earnings on 12/31	4,871,395	1,952,499					3,831,653			10,655,547
291-299	Other Equity										
Total Fund and Account Group Equity		4,871,395	1,952,499					3,831,653			10,655,547

TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY											11,374,608
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EDGEWOOD BORO, ALLEGHENY County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2019

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

REVENUES

Taxes

301.00	Real Estate Taxes	1,845,429						1,845,429
305.00	Occupation Taxes (levied under municipal code)							
308.00	Residence Taxes (levied by cities of the 3rd Class)							
309.00	Regional Asset District Sales Tax (Allegheny County municipalities only)	109,337						109,337
310.00	Per Capita Taxes							
310.10	Real Estate Transfer Taxes	127,484						127,484
310.20	Earned Income Taxes / Wage Taxes	864,809						864,809
310.30	Business Gross Receipts Taxes							
310.40	Occupation Taxes (levied under Act 511)							
310.50	Local Services Tax **	49,079						49,079
310.60	Amusement / Admission Taxes							
310.70	Mechanical Device Taxes	18,250						18,250
310.90	Other: _____							
	Other: _____							
Total Taxes		3,014,388						3,014,388

Licenses and Permits

320-322	All Other Licenses and Permits	5,395						5,395
321.80	Cable Television Franchise Fees	61,900						61,900
Total Licenses and Permits		67,295						67,295

Fines and Forfeits

330-332	Fines and Forfeits	63,260						63,260
Total Fines and Forfeits		63,260						63,260

EDGEWOOD BORO, ALLEGHENY County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2019

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

REVENUES

Interest, Rents and Royalties									
341.00	Interest Earnings	6,560	12,130					631,794	650,484
342.00	Rents and Royalties	13,663							13,663
Total Interest, Rents and Royalties		20,223	12,130					631,794	664,147

Federal									
351.03	Highways and Streets								
351.09	Community Development								
351.00	All Other Federal Capital and Operating Grants								
352.01	National Forest								
352.00	All Other Federal Shared Revenue and Entitlements								
353.00	Federal Payments in Lieu of Taxes								
Total Federal									

State									
354.03	Highways and Streets								
354.09	Community Development		10,559						10,559
354.15	Recycling / Act 101	3,554							3,554
354.00	All Other State Capital and Operating Grants								
355.01	Public Utility Realty Tax (PURTA)	2,555							2,555
355.02- 355.03	Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road Turnback		98,114						98,114
355.04	Alcoholic Beverage Licenses	1,000							1,000
355.05	General Municipal Pension System State Aid	107,531							107,531
355.07	Foreign Fire Insurance Tax Distribution	19,269							19,269
355.08	Local Share Assessment/Gaming Proceeds								
355.09	Marcellus Shale Impact Fee Distribution	587							587

EDGEWOOD BORO, ALLEGHENY County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2019

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

REVENUES

State								
356.00	State Payments in Lieu of Taxes							
355.00	All Other State Shared Revenues and Entitlements	13,385						13,385
Total State		147,881	108,673					256,554

Local Government Units								
357.03	Highways and Streets							
357.00	All Other Local Governmental Units Capital and Operating Grants							
358.00	Local Government Unit Shared Payments for Contracted Intergovernmental Services							
359.00	Local Governmental Units and Authorities Payments in Lieu of Taxes							
Total Local Government Units								

Charges for Service								
361.00	General Government	9,288						9,288
362.00	Public Safety	158,526						158,526
363.20	Parking	33,561						33,561
363.00	All Other Charges for Highway & Street Services							
364.10	Wastewater / Sewage (including connection / tapping fees, sewer usage charges, reserve capacity fee, etc.)	5,071	963,273					968,344
364.30	Solid Waste Collection and Disposal Charge (trash)	1,570						1,570
364.60	Host Municipality Benefit Fee for Solid Waste Facility							
364.00	All Other Charges for Sanitation Services							
365.00	Health							
366.00	Human Services							
367.00	Culture and Recreation	23,866						23,866
368.00	Airports							
369.00	Bars							

EDGEWOOD BORO, ALLEGHENY County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2019

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

REVENUES

Charges for Service								
370.00	Cemeteries							
372.00	Electric System							
373.00	Gas System							
374.00	Housing System							
375.00	Markets							
377.00	Transit Systems							
378.00	Water System							
379.00	All Other Charges for Service							
Total Charges for Service		231,882	963,273					1,195,155

Unclassified Operating Revenues								
383.00	Special Assessments							
386.00	Escheats (sale of personal property)							
387.00	Contributions and Donations from Private Sectors	1,200						1,200
388.00	Fiduciary Fund Pension Contributions					205,002		205,002
389.00	All Other Unclassified Operating Revenues	8,423				583		9,006
Total Unclassified Operating Revenues		9,623				205,585		215,208

Other Financing Sources								
391.00	Proceeds of General Fixed Asset Disposition	6,632						6,632
392.00	Interfund Operating Transfers	76,778						76,778
393.00	Proceeds of General Long-Term Debt							
394.00	Proceeds of Short Term-Debt							
395.00	Refunds of Prior Year Expenditures	59,256						59,256
Total Other Financing Sources		142,666						142,666

EDGEWOOD BORO, ALLEGHENY County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2019

	Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
TOTAL REVENUES	3,697,218	1,084,076					837,379	5,618,673

EXPENDITURES

General Government								
400.00	Legislative (Governing) Body	12,016	5,449					17,465
401.00	Executive (Manager or Mayor)	211,978						211,978
402.00	Auditing Services / Financial Administration	14,037						14,037
403.00	Tax Collection	16,428						16,428
404.00	Solicitor / Legal Services	33,773						33,773
405.00	Secretary / Clerk	10,587						10,587
406.00	Other General Government Administration							
407.00	IT-Networking Services-Data Processing	1,493						1,493
408.00	Engineering Services							
409.00	General Government Buildings and Plant	123,626						123,626
Total General Government		423,938	5,449					429,387

Public Safety								
410.00	Police	1,315,940						1,315,940
411.00	Fire	46,426						46,426
412.00	Ambulance / Rescue	51,684						51,684
413.00	UCC and Code Enforcement							
414.00	Planning and Zoning	47,595						47,595
415.00	Emergency Management and Communications							
416.00	Militia and Armories							
417.00	Examination of Licensed Occupations							
418.00	Public Scales (weights and measures)							
419.00	Other Public Safety	121,168						121,168
Total Public Safety		1,582,813						1,582,813

EDGEWOOD BORO, ALLEGHENY County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2019

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

EXPENDITURES

Health and Human Services								
420.00- 425.00	Health and Human Services							
Total Health and Human Services								

Public Works - Sanitation								
426.00	Recycling Collection and Disposal							
427.00	Solid Waste Collection and Disposal (garbage)							
428.00	Weed Control							
429.00	Wastewater / Sewage Treatment and Collection		747,728					747,728
Total Public Works - Sanitation			747,728					747,728

Public Works - Highways and Streets								
430.00	General Services - Administration	211,633						211,633
431.00	Cleaning of Streets and Gutters							
432.00	Winter Maintenance – Snow Removal	23,820						23,820
433.00	Traffic Control Devices	35,070						35,070
434.00	Street Lighting							
435.00	Sidewalks and Crosswalks							
436.00	Storm Sewers and Drains	14,912	82,415					97,327
437.00	Repairs of Tools and Machinery	33,674						33,674
438.00	Maintenance and Repairs of Roads and Bridges	252,537						252,537
439.00	Highway Construction and Rebuilding Projects							
Total Public Works - Highways and Streets		571,646	82,415					654,061

EDGEWOOD BORO, ALLEGHENY County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2019

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

EXPENDITURES

Other Public Works Enterprises								
440.00	Airports							
441.00	Cemeteries							
442.00	Electric System							
443.00	Gas System							
444.00	Markets							
445.00	Parking							
446.00	Storm Water and Flood Control							
447.00	Transit System							
448.00	Water System							
449.00	Water Transport and Terminals							
Total Other Public Works Enterprises								

Culture and Recreation								
451.00	Culture-Recreation Administration	12,437						12,437
452.00	Participant Recreation							
453.00	Spectator Recreation							
454.00	Parks	41,395						41,395
455.00	Shade Trees							
456.00	Libraries	38,500						38,500
457.00	Civil and Military Celebrations	18,305						18,305
458.00	Senior Citizens' Centers							
459.00	All Other Culture and Recreation							
Total Culture and Recreation		110,637						110,637

Community Development								
461.00	Conservation of Natural Resources							

EDGEWOOD BORO, ALLEGHENY County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2019

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

EXPENDITURES

Community Development								
462.00	Community Development and Housing							
463.00	Economic Development							
464.00	Economic Opportunity							
465-469	All Other Community Development							
Total Community Development								

Debt Service								
471.00	Debt Principal (short-term and long-term)	136,222	27,838					164,060
472.00	Debt Interest (short-term and long-term)	17,471	6,021					23,492
475.00	Fiscal Agent Fees							
Total Debt Service		153,693	33,859					187,552

Employer Paid Benefits and Withholding Items								
481.00	Employer Paid Withholding Taxes and Unemployment Compensation							
482.00	Judgments and Losses							
483.00	Pension / Retirement Fund Contributions	160,778						160,778
484.00	Worker Compensation Insurance	76,861						76,861
487.00	Other Group Insurance Benefits							
Total Employer Paid Benefits and Withholding Items		237,639						237,639

Insurance								
486.00	Insurance, Casualty, and Surety	69,445						69,445
Total Insurance		69,445						69,445

EDGEWOOD BORO, ALLEGHENY County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2019

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

EXPENDITURES

Unclassified Operating Expenditures									
488.00	Fiduciary Fund Benefits and Refunds Paid							163,195	163,195
489.00	All Other Unclassified Expenditures							26,932	26,932
Total Unclassified Operating Expenditures								190,127	190,127

Other Financing Uses									
491.00	Refund of Prior Year Revenues	275							275
492.00	Interfund Operating Transfers		76,778						76,778
493.00	All Other Financing Uses								
Total Other Financing Uses		275	76,778						77,053

TOTAL EXPENDITURES	3,150,086	946,229						190,127	4,286,442
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EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES	547,132	137,847						647,252	1,332,231
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EDGEWOOD BORO

December 31, 2019

DEBT STATEMENT

OUTSTANDING BONDS AND NOTES

Listed below are all currently outstanding bond and note issues according to our files, excluding bond issues redeemed or refunded and defeased. Please show the principal payments and make any other necessary corrections and additions.

Purpose	Bond (B) Capital Lease (C) Lease Rental (L) Note (N)	Issue Year (yyyy)	Maturity Year (yyyy)	Original Amount of Issue	Outstanding Beginning of Year (1)	Principal Incurred This Year	Principal Paid This Year	Current Year Accretion on Compound Interest Bonds	Outstanding at Year End (1)	Plus (less) Unamortized Premium (Discount)	Total Balance
General Obligation Bonds and Notes											
Fire Truck	Note	2006	2021	289,283	76,210		24,154		52,056		52,056
2013 General Obligation Note	Note	2013	2023	1,000,000	534,129		101,131		432,998		432,998
Revenue Bonds and Notes											
Lease Rental Debt											
Other											
Pennvest	Note	2004	2025	158,520	56,341		8,216		48,125		48,125
Pennvest	Note	2004	2025	359,880	134,553		19,622		114,931		114,931
PEMA Loan	Note	2007	2022	150,000	37,322		10,937		26,385		26,385

(1) - excludes unamortized premium/discount

Total bonds and notes outstanding

674,495

Capitalized lease obligations

0

Net debt

674,495

EDGEWOOD BORO, ALLEGHENY County
STATEMENT OF CAPITAL EXPENDITURES

December 31, 2019

Category	Capital Purchases	Capital Construction	Total
Community Development			
Electric			
Fire			
Gas System			
General Government		75,993	75,993
Health			
Housing			
Libraries			
Mass Transit			
Parks			
Police	40,470		40,470
Recreation			
Sewer			
Solid Waste			
Streets / Highways		30,795	30,795
Water			
Other: _____			
TOTAL CAPITAL EXPENDITURES	40,470	106,788	147,258

EMPLOYEE COMPENSATION

Total salaries, wages, commissions, etc. paid this year (including all employees and elected officials)

1,352,241

Independent Public Accountant/Certified Public Accountant Submission Page
Opinion page was provided in lieu of signature page.

SIGNATURE AND VERIFICATION

Signed:

See Attached Appointed Auditor/CPA

December 31, 2019

NOTES / COMMENTS

OTHER INFORMATION

BOROUGH OF EDGEWOOD

NOTES TO DCED SCHEDULES

YEAR ENDED DECEMBER 31, 2019

1. Basis of Accounting and Presentation

The Borough of Edgewood (Borough) was incorporated in 1888 under the provisions of Article 9, Section 1, of the Constitution of the Commonwealth of Pennsylvania as amended. The Borough operates under a Mayor/Council form of government.

These Schedules have been prepared in accordance with Pennsylvania state law, under the terms of the Borough Code. The Schedules have been prepared on forms supplied by the Pennsylvania Department of Community and Economic Development (DCED) to fulfill the Borough's statutory reporting requirements and include only the financial activity of the Borough.

The Borough maintains its accounts on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when received rather than when earned and expenditures are recognized when paid rather than when obligations are incurred with the exception of certain payroll related liabilities. Basis of accounting refers to when the revenues and expenditures, or expenses, are recognized in the accounts and reported in the Schedules and relates to the timing of the measurement made, regardless of the measurement focus applied.

The historical costs of fixed assets are not accumulated; therefore, a General Fixed Asset Account Group is not presented in this report.

The General Long-Term Debt Account Group is concerned only with the measurement of financial position and is not involved with measurement of results of operations. Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

Differences Between Regulatory Basis and Accounting Principles Generally Accepted in the United States of America (GAAP)

These Schedules are prepared on the modified cash basis as described above, as prescribed or permitted by the DCED. The significant differences between this basis of accounting and GAAP are outlined below:

- ◆ Full accrual government-wide financial statements and modified accrual fund financial statements are not presented.

BOROUGH OF EDGEWOOD

NOTES TO DCED SCHEDULES

YEAR ENDED DECEMBER 31, 2019

- ◆ Budget to actual fund financial statements are not presented as supplementary information.
- ◆ Management's Discussion and Analysis and other required supplementary information is not presented.
- ◆ Requires the use of fund types and account groups.
- ◆ Permits the omitting of the fixed asset account group since the Borough operates on a modified cash basis.
- ◆ Full footnote disclosures are not presented.
- ◆ Historical pension and post-employment benefit information are not presented.

As such, this presentation does not, and is not intended to, present the Borough's Schedules in accordance with GAAP.

2. Summary of Significant Accounting Policies

Fund Accounting

The accounts of the Borough are organized on the basis of funds or group of accounts, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds in the Schedules are grouped into two broad fund categories.

Governmental Funds

General Fund

The General Fund is the general operating fund of the Borough. It is used to account for all financial resources except those required to be accounted for in another fund.

BOROUGH OF EDGEWOOD

NOTES TO DCED SCHEDULES

YEAR ENDED DECEMBER 31, 2019

Special Revenue Funds

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 maintains two individual funds that comprise this generic group: the Highway Aid Fund and the Sewer Fund.

Fiduciary Fund Type

Trust Fund

Fiduciary Funds are used to account for assets held by the Borough in a trustee capacity as an agent for the future payment of retirement benefits to employees.

Account Group

In addition to the aforementioned funds, the Borough presents the General Long-Term Debt Account Group. The account group is used to account for long-term liabilities to be financed by governmental funds. This account group reports only the unmatured principal of the debt issued.

Total Columns on DCED Schedules

Total columns on the combined schedules are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Budgets and Budgetary Accounting

Annual appropriated budgets are adopted, on a modified cash basis of accounting, for all funds except the Pension Trust Funds. Budgetary control for the Pension Trust Funds is maintained by the provisions of the funds as implemented by their respective governing boards.

BOROUGH OF EDGEWOOD

NOTES TO DCED SCHEDULES

YEAR ENDED DECEMBER 31, 2019

The Borough uses the following procedures in establishing the budgetary data reflected in the financial statements as prescribed in the Borough's Code:

1. The budget is prepared on the cash basis of accounting.
2. The Borough must prepare the budget not less than thirty days before adoption.
3. Notice that the proposed budget is available for inspection must be published by the secretary in a newspaper of general circulation, and the proposed budget must be kept on file with and made available for public inspection by the secretary for a period of ten days after the notice and prior to adoption.
4. On or before December 31, the Council must finally adopt the budget. Upon completion of the budget, the Council shall adopt the real estate tax ordinance.

Adoption of the budget by the Council constitutes approximations of the expenditures for the fiscal year and the budget is employed as a management control device during the year. Under the Borough Code, the expenditure budget may be amended by the Council after a public hearing. Within the General Fund accounts, the Borough manager is authorized to transfer budgeted amounts between operating departments, provided that such transfers do not alter total expenditures approved by the Council. Therefore, in the General Fund, as in all other funds that have legally adopted budgets, the measurement level of control over expenditures is the surplus or deficit of the funds as a whole. Operating departments are charged with the maintenance of the budget for the department as a whole; however, operating departments may exceed the appropriation with the approval of the Borough's manager. Any excess appropriations at the end of the fiscal year are not carried forward but lapse instead.

Fund Balance

As of December 31, 2019, the General Fund fund balance of \$4,871,395 includes \$112,000 reserved for future capital purchases of a fire truck, public works equipment and vehicle, and construction.

BOROUGH OF EDGEWOOD

NOTES TO DCED SCHEDULES

YEAR ENDED DECEMBER 31, 2019

3. Long-Term Debt

During 2019, general long-term debt changed as follows:

Beginning of year	\$	838,555
Principal issuance		-
Principal retirement		<u>(164,060)</u>
	\$	<u>674,495</u>

In February 2004, the Borough received a PennVest loan in the amount of \$158,520 for the purpose of constructing a stormwater system. Monthly payments beginning April 1, 2010 and ending March 1, 2025 are \$837 including interest at an annual rate of 3.465%. The outstanding balance as of December 31, 2019 is \$48,125.

In February 2004, the Borough received a PennVest loan in the amount of \$359,880 for the purpose of constructing and replacing a sewer system. Monthly payments beginning April 1, 2010 and ending March 1, 2025 are \$1,998 including interest at an annual rate of 3.465%. The outstanding balance as of December 31, 2019 is \$114,931.

In 2006, the Borough entered into a general obligation note for the partial purchase of a new fire truck. The lease payments for the fire truck are due quarterly beginning on March 12, 2007 and will end in December of 2021. The outstanding balance as of December 31, 2019 is \$52,056.

In 2007, the Borough entered into a fifteen-year PEMA loan in the amount of \$150,000. The loan is payable in monthly principal and interest installments of approximately \$965. The loan bears interest at a rate of 2.0%. The proceeds of the loan were used to finance the remaining balance on the 2006 fire truck purchase. The outstanding balance as of December 31, 2019 is \$26,385.

In 2013, the Borough entered into a general obligation note in the amount of \$1,000,000 for various road improvements. Monthly payments beginning January 1, 2014 and ending December 1, 2023 are \$9,550 including interest at an annual rate of 2.76%. The outstanding balance as of December 31, 2019 is \$432,998.

BOROUGH OF EDGEWOOD

NOTES TO DCED SCHEDULES

YEAR ENDED DECEMBER 31, 2019

The future annual payments required on all debt outstanding as of December 31, 2019 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 169,316	\$ 18,390	\$ 187,706
2021	174,754	12,955	187,709
2022	144,579	7,895	152,474
2023	144,295	3,722	148,017
2024	33,096	918	34,014
Thereafter	<u>8,455</u>	<u>48</u>	<u>8,503</u>
	<u>\$ 674,495</u>	<u>\$ 43,928</u>	<u>\$ 718,423</u>

4. Pension Plan

Plan Description

The Borough administers two single employer defined benefit pension plans (plans) for the police and non-uniformed employees, respectively. These plans cover substantially all full-time employees. The plans provide retirement benefits to plan members. Plan provisions are established by municipal ordinance with the authority for municipal contributions required by Act 205 of the Commonwealth (Act 205). The plans do not issue separate reports.

Summary of Significant Accounting Policies

Financial information of the Borough's plans is presented on the modified cash basis of accounting. Employer contributions to each plan are recognized when cash is received. Benefits and refunds are recognized when cash is disbursed. Investments of the plans are reported at fair value.

At December 31, 2019, there were no individual investments that constituted more than 5% of plan net assets available for benefits that were required to be reported. In addition, the plans did not have any investment transactions with related parties during the year.

BOROUGH OF EDGEWOOD

NOTES TO DCED SCHEDULES

YEAR ENDED DECEMBER 31, 2019

Contributions and Funding Policy

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

Under the terms of the plans, police employees are required to contribute 5% of base wages; the non-uniformed employees are required to contribute 2.75% of base wages.

For the year ended December 31, 2019, the required MMOs for the police plan and non-uniformed employees' plan were \$145,089 and \$15,689, respectively. The required MMOs were contributed during 2019. The MMOs were calculated based on the January 1, 2017 valuations.

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

Funding Status

The following is funded status information for each plan as of January 1, 2019:

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<u>Police:</u>	\$2,248,705	\$ 2,843,191	\$ (594,486)	79.09%	\$ 779,800	-76.24%
<u>Non-Uniformed:</u>	1,127,785	975,709	152,076	115.59%	224,919	67.61%

BOROUGH OF EDGEWOOD

NOTES TO DCED SCHEDULES

YEAR ENDED DECEMBER 31, 2019

5. Other Post-Employment Benefits (OPEBs)

Plan Description

In addition to the pension benefits described in Note 4, the Borough provides and administers varying levels of medical, dental, and vision insurance coverage to full-time officers of the Borough. The Borough pays 100% of the premium for individual coverage of the retired officer. An officer who chooses to cover his or her spouse must pay the difference between husband and wife and individual premiums. The benefit limits and employee and employer contributions are established through employee contracts and past practices. The plan is not accounted for as a Trust Fund as an irrevocable trust has not been established, the plan does not issue a separate report, and activity of the plan does not appear on the financial statements.

All full-time officers of the Borough who were hired before January 1, 2007 and retire at age 55 or older and have at least 25 years of full-time service are eligible for full individual coverage by the Borough. Benefits will continue until eligibility for Medicare or age 65 or death, whichever comes first.

Funding Policy

These benefits are expensed when incurred and are financed on a pay-as-you-go basis. Currently there are no retired and three active employees eligible for OPEBs.

Defined Contribution Plan

The Borough sponsors a defined contribution plan (plan) for officers not eligible for the benefits above. All full-time officers of the Borough who were hired after January 1, 2007 are provided with an ICMA health savings account sponsored by the Borough. Borough contributions per the current Police union contract are \$575 per eligible officers. Actual contributions totaled \$2,875 for the year ended December 31, 2019 for the eligible officers in the plan.

6. Deferred Compensation Plan

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to all full-time employees, permits them to defer a portion of their salary until future years.

BOROUGH OF EDGEWOOD

NOTES TO DCED SCHEDULES

YEAR ENDED DECEMBER 31, 2019

Participation in the deferred compensation plan is optional. The deferred compensation plan funds are not available to employees until termination, retirement, death, or unforeseeable emergency. At December 31, 2019, all amounts of compensation deferred under the deferred compensation plan were held in trust solely for the benefit of the participants. Investments are managed by the deferred compensation plan's trustee under several investment options selected by the participant. Deferred compensation plan assets at December 31, 2019 totaled \$371,426 including an outstanding loan balance of \$26,462. Employee contributions to the deferred compensation plan for the year ended December 31, 2019 were \$17,746. The Borough also contributes to the deferred compensation plan for management employees based upon a contracted percentage. The Borough's contributions to the deferred compensation plan during the year ended December 31, 2019 were \$9,935. The deferred compensation plan is not required to be included in the Borough's financial statements.

7. Contingent Liabilities/Liabilities

During 2016, the Borough entered into a Consent Order and Agreement (COA) with the Allegheny County Health Department (ACHD). By December 1, 2017, the Borough was required to submit to ACHD a Source Reduction Study (SRD) that identifies the types of projects or combinations of projects that would most effectively reduce flows within areas of the Borough's Sewer System with high flows, eliminate the Borough's sanitary sewer overflows, and reduce flows downstream from the Borough's sewer system and/or its connection with the ALCOSAN Interceptor System. The SRD included at least one flow reduction demonstration project that was completed by August 1, 2017. As of December 1, 2017, as part of the SRD submitted, the Borough submitted a report detailing completion of the demonstration project and to the extent feasible, quantify its effectiveness at reducing flows. By December 1, 2016, the Borough submitted a progress report to the ACHD documenting its efforts to comply with its obligations under the COA. In the event the Borough fails to comply in a timely manner with any terms or provisions of this COA, the Borough shall pay \$100 per day per violation. The Borough is potentially liable for all expenditures that may be disallowed pursuant to the terms of grant programs. Certain grants require the fulfillment of conditions, as set forth in the instrument of the grant, and failure to fulfill the conditions could result in the return of the funds to the grantor. The amount of funds required to be returned, if any, cannot be determined at this time. The original COA was terminated on June 1, 2018, and an Interim Corrective Action Plan with all of the same stipulations is currently in place until a new agreement is formed for 2020.

BOROUGH OF EDGEWOOD

NOTES TO DCED SCHEDULES

YEAR ENDED DECEMBER 31, 2019

8. Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Borough carries commercial insurance. There have been no significant changes in insurance coverage since the prior year.

For its workers' compensation insurance coverage, the Borough participates in the Municipal Risk Management Worker's Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of approximately 200 cities, municipalities, boroughs, and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1993 (Act 44). All Trust participants may be subject to a supplemental assessment/dividend based on the overall experience of the participants, pursuant to Act 44. Dividends received in 2019 were \$44,287. 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.

BOROUGH OF EDGEWOOD

BUDGETARY COMPARISON SCHEDULE (MODIFIED CASH BASIS) GENERAL FUND

YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 2,815,966	\$ 2,815,966	\$ 3,014,388	\$ 198,422
Licenses and permits	77,750	77,750	67,295	(10,455)
Fines and forfeits	62,650	62,650	63,260	610
Interest, rent, and royalties	20,540	20,540	20,223	(317)
Intergovernmental	132,642	132,642	147,881	15,239
Charges for services	220,837	220,837	231,882	11,045
Unclassified operating revenues	8,900	8,900	9,623	723
Total revenues	<u>3,339,285</u>	<u>3,339,285</u>	<u>3,554,552</u>	<u>215,267</u>
Expenditures:				
Current:				
General government	489,183	489,183	423,938	65,245
Public safety	1,568,895	1,568,895	1,582,813	(13,918)
Public works - highways and streets	784,060	784,060	571,646	212,414
Culture and recreation	167,600	167,600	110,637	56,963
Debt service	168,693	168,693	153,693	15,000
Employer paid benefits and withholding items	233,254	233,254	237,639	(4,385)
Insurance	65,000	65,000	69,445	(4,445)
Total expenditures	<u>3,476,685</u>	<u>3,476,685</u>	<u>3,149,811</u>	<u>326,874</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(137,400)</u>	<u>(137,400)</u>	<u>404,741</u>	<u>542,141</u>
Other Financing Sources (Uses):				
Proceeds of General Fixed Asset Disposition	2,000	2,000	6,632	4,632
Interfund operating transfers in	93,400	93,400	76,778	(16,622)
Refunds of prior year's revenues	(4,000)	(4,000)	(275)	3,725
Refunds of prior year's expenditures	46,000	46,000	59,256	13,256
Total other financing sources (uses)	<u>137,400</u>	<u>137,400</u>	<u>142,391</u>	<u>4,991</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 547,132</u>	<u>\$ 547,132</u>

BOROUGH OF EDGEWOOD

BUDGETARY COMPARISON SCHEDULE (MODIFIED CASH BASIS) SEWER FUND

YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Interest, rent, and royalties	\$ 7,500	\$ 7,500	\$ 9,376	\$ 1,876
Intergovernmental	-	-	10,559	10,559
Charges for services	903,500	903,500	963,273	59,773
Total revenues	<u>911,000</u>	<u>911,000</u>	<u>983,208</u>	<u>72,208</u>
Expenditures:				
Current:				
General government	5,433	5,433	5,449	(16)
Public works - sanitation	780,724	780,724	747,728	32,996
Public works - highways and streets	210,500	210,500	82,415	128,085
Debt service	36,014	36,014	33,859	2,155
Total expenditures	<u>1,032,671</u>	<u>1,032,671</u>	<u>869,451</u>	<u>163,220</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(121,671)</u>	<u>(121,671)</u>	<u>113,757</u>	<u>235,428</u>
Other Financing Sources (Uses):				
Refunds of prior year's expenditures	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (121,671)</u>	<u>\$ (121,671)</u>	<u>\$ 113,757</u>	<u>\$ 235,428</u>

BOROUGH OF EDGEWOOD

BUDGETARY COMPARISON SCHEDULE (MODIFIED CASH BASIS) HIGHWAY AID FUND

YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Interest, rent, and royalties	\$ 700	\$ 700	\$ 2,754	\$ 2,054
Intergovernmental	95,480	95,480	98,114	2,634
Total revenues	96,180	96,180	100,868	4,688
Other Financing Sources (Uses):				
Interfund operating transfers out	(96,180)	(96,180)	(76,778)	19,402
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,090</u>	<u>\$ 24,090</u>

BOROUGH OF EDGEWOOD

STATEMENT OF FIDUCIARY FUND (MODIFIED CASH BASIS) PENSION TRUST FUNDS

DECEMBER 31, 2019

	<u>Police</u>	<u>Non-Uniformed Employees</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 47,642	\$ 21,944	\$ 69,586
Mutual funds	<u>2,537,063</u>	<u>1,225,004</u>	<u>3,762,067</u>
Total Assets	<u>2,584,705</u>	<u>1,246,948</u>	<u>3,831,653</u>
Liabilities			
	<u>-</u>	<u>-</u>	<u>-</u>
Fund and Account Group Equity	<u><u>\$ 2,584,705</u></u>	<u><u>\$ 1,246,948</u></u>	<u><u>\$ 3,831,653</u></u>

BOROUGH OF EDGEWOOD

STATEMENT OF FIDUCIARY FUND (MODIFIED CASH BASIS) PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2019

	Police	Non-Uniformed Employees	Total
Revenues:			
<u>Contributions:</u>			
Employer (including state aid)	\$ 145,089	\$ 15,689	\$ 160,778
Employee	38,028	6,196	44,224
Miscellaneous	368	215	583
Total contributions	183,485	22,100	205,585
 Investment income:			
Net increase (decrease) in fair value of investments	420,881	210,913	631,794
Total revenues	604,366	233,013	837,379
 Expenditures:			
<u>Benefit payments</u>			
Administrative expenses	121,698	41,497	163,195
	18,628	8,304	26,932
Total expenditures	140,326	49,801	190,127
Excess (Deficiency) of Revenues over Expenditures	464,040	183,212	647,252
 Fund and Account Group Equity:			
<u>Beginning of year</u>			
	2,120,665	1,063,736	3,184,401
End of year	\$ 2,584,705	\$ 1,246,948	\$ 3,831,653