

CITY OF FARRELL

MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CITY OF FARRELL

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of Council
City of Farrell
Farrell, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farrell, Pennsylvania, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Farrell, Pennsylvania's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farrell, Pennsylvania, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As more fully discussed in Note "14", the City of Farrell is still currently considered a distressed community under the provisions of the "Municipalities Financial Recovery Act" (Act 47) of the Commonwealth of Pennsylvania and continues to operate under a financial recovery plan. Our opinion is not modified with respect to this matter.

OTHER MATTERS

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan information, and retiree health plan information on pages 4 to 10, 62 to 65, 66 to 67, and 68, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Farrell, Pennsylvania's basic financial statements. The accompanying supplementary schedules identified in the table of contents as supplementary information, such as the combining and individual non-major funds, agency funds, and private purpose trust funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major funds, agency funds, and private purpose trust funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for the employees' pension plan information on pages 66 to 67, and general fund and revolving loan community development fund budget and actual on pages 62 to 65, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial

City of Farrell

statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major funds, agency funds, and private purpose trust funds financial statements are fairly stated in all material respects in relation to the financial statements taken as a whole.

The information on pages 62 to 65 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Black, Bashor & Porsch, LLP

Sharon, Pennsylvania
June 20, 2018

CITY OF FARRELL

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2017

UNAUDITED

The management's discussion and analysis of the City of Farrell's (City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. The intent of the management's discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the financial statements and related footnotes to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 are as follows:

- In total, net position increased \$ 363 thousand. Net position of governmental activities increased by \$ 213 thousand and business-type activities increased by \$ 150 thousand. The increase in governmental activities is primarily the result of increases in property taxes, earned income tax, local service tax, and other taxes and expense reduction efforts. The increase in business-type activities is primarily the result of less transfers to the general fund.
- Total revenues and other sources were \$ 5.6 million. General revenues accounted for \$ 3.4 million of revenue or 61 percent of all revenues. Program revenues in the form of charges for services, fees, fines and forfeitures, and grants accounted for \$ 2.2 million or 39 percent of total revenues. Governmental activities revenue totalled \$ 4.4 million.
- The City had \$ 4.2 million in expenses related to governmental activities, \$ 1 million of these expenses were offset by program revenues consisting of program charges for services and both operating and capital grants and contributions. General revenues (primarily taxes) of \$ 3.4 million were sufficient to cover the remainder of the expenses; and there was an increase in net position of \$ 213 thousand.
- At the end of the current fiscal year, the unassigned fund balance of the general fund was \$ 1,228 thousand.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements and related footnotes to those statements. These statements are organized so the reader can understand City of Farrell, Pennsylvania, as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole city, presenting both an aggregate view of the City's finances and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the City's most significant funds. In the case of the City of Farrell, the general fund is by far the most significant fund.

CITY OF FARRELL

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2017

UNAUDITED

REPORTING THE CITY AS A WHOLE

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position and the Statement of Activities -

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position and the statement of activities answer that question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector entities. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two (2) statements report the City's net position and changes in that position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base and other factors.

In the statement of net position and the statement of activities, the City is divided into two (2) kinds of activities:

- Governmental Activities - Most of the City's programs and services are reported here including operations and support services.
- Business-Type Activities - These services are provided on a charge for goods or services basis to recover the expenses of the goods or services provided. The City's sewer capital and sewer operation are reported as business activities.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

FUND FINANCIAL STATEMENTS

The analysis of the City's major funds begins on page 14. Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the General, Redevelopment Authority, E.D.P., Capital Projects, and Revolving Loan Community Development.

GOVERNMENTAL FUNDS

Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balance left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures

CITY OF FARRELL

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2017

UNAUDITED

cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationships (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 on pages 15 to 16, and 19 to 20, respectively.

PROPRIETARY FUNDS

Proprietary funds use the same basis of accounting as business-type activities; therefore, these fund financial statements will essentially match the government-wide financial statements.

THE CITY AS A WHOLE

The statement of net position provides the perspective of the City as a whole.

A comparison of the City's net position for 2017 compared to 2016 is as follows:

CITY OF FARRELL

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2017

UNAUDITED

| | NET POSITION (IN THOUSANDS) | | | | | |
|--|-----------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
| | GOVERNMENTAL ACTIVITIES | | BUSINESS-TYPE ACTIVITIES | | TOTAL | |
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| <u>ASSETS:-</u> | | | | | | |
| Current and Other Assets | \$ 4,399 | \$ 4,374 | \$ 263 | \$ 210 | \$ 4,662 | \$ 4,584 |
| Capital Assets | 1,509 | 1,668 | 2,445 | 2,548 | 3,954 | 4,216 |
| <u>TOTAL ASSETS:-</u> | <u>\$ 5,908</u> | <u>\$ 6,042</u> | <u>\$ 2,708</u> | <u>\$ 2,758</u> | <u>\$ 8,616</u> | <u>\$ 8,800</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES:-</u> | | | | | | |
| Pension | \$ 887 | \$ 369 | \$ - | \$ - | \$ 887 | \$ 369 |
| <u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</u> | <u>\$ 6,795</u> | <u>\$ 6,411</u> | <u>\$ 2,708</u> | <u>\$ 2,758</u> | <u>\$ 9,503</u> | <u>\$ 9,169</u> |
| <u>LIABILITIES:-</u> | | | | | | |
| Current and Other Liabilities | \$ 280 | \$ 488 | \$ 150 | \$ 225 | \$ 430 | \$ 713 |
| Long-Term Liabilities | 3,191 | 2,779 | 478 | 602 | 3,669 | 3,381 |
| <u>TOTAL LIABILITIES:-</u> | <u>\$ 3,471</u> | <u>\$ 3,267</u> | <u>\$ 628</u> | <u>\$ 827</u> | <u>\$ 4,099</u> | <u>\$ 4,094</u> |
| <u>DEFERRED INFLOWS OF RESOURCES:-</u> | | | | | | |
| Pensions | \$ 203 | \$ 236 | \$ - | \$ - | \$ 203 | \$ 236 |
| <u>NET POSITION:-</u> | | | | | | |
| Net Investment in Capital Assets | \$ 1,347 | \$ 1,476 | \$ 1,899 | \$ 1,815 | \$ 3,246 | \$ 3,291 |
| Restricted for Specific Use | 624 | 1,559 | 86 | 9 | 710 | 1,568 |
| Unrestricted | 1,150 | (127) | 95 | 107 | 1,245 | (20) |
| <u>TOTAL NET POSITION:-</u> | <u>\$ 3,121</u> | <u>\$ 2,908</u> | <u>\$ 2,080</u> | <u>\$ 1,931</u> | <u>\$ 5,201</u> | <u>\$ 4,839</u> |
| <u>TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION:-</u> | <u>\$ 6,795</u> | <u>\$ 6,411</u> | <u>\$ 2,708</u> | <u>\$ 2,758</u> | <u>\$ 9,503</u> | <u>\$ 9,169</u> |

Total assets and deferred outflows of resources increased \$ 334 thousand, primarily the result of increases in current assets of \$ 78 thousand, a decrease in capital assets of \$ 262 thousand, and an increase in deferred outflow of resources of \$ 518 thousand.

Total liabilities and deferred inflow of resources decreased \$ 28 thousand, primarily as a result of the decrease in long-term debt of \$ 348 thousand, a decrease in current liabilities of \$ 208 thousand, and a decrease in deferred outflows related to pensions of \$ 33 thousand, and an increase in net pension liability of \$ 555, and an increase in other long-term liabilities of \$ 62 thousand.

A comparison of the City's revenues, expenses, and changes in net position for 2017 compared to 2016 is as follows:

CITY OF FARRELL

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2017

UNAUDITED

STATEMENT OF ACTIVITIES (IN THOUSANDS)

| | GOVERNMENTAL ACTIVITIES | | BUSINESS-TYPE ACTIVITIES | | TOTAL | |
|---|-------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| <u>REVENUES AND OTHER SOURCES:-</u> | | | | | | |
| <u>Program Revenues -</u> | | | | | | |
| Operating Grants and Contributions | \$ 930 | \$ 830 | \$ - | \$ - | \$ 930 | \$ 830 |
| Charges for Services | 108 | 95 | 1,155 | 1,124 | 1,263 | 1,219 |
| <u>General Revenues -</u> | | | | | | |
| Property Taxes, Earned, Local Service, and Other Taxes | 3,140 | 2,177 | - | - | 3,140 | 2,177 |
| License and Permits | 121 | 131 | - | - | 121 | 131 |
| Unrestricted Investment Earnings | 41 | 53 | - | - | 41 | 53 |
| Rents | 14 | 22 | - | - | 14 | 22 |
| Miscellaneous | 51 | 83 | - | - | 51 | 83 |
| Police Fines & Violations | 62 | 45 | - | - | 62 | 45 |
| Sale or Disposal of Assets | (138) | 143 | - | - | (138) | 143 |
| <u>TOTAL REVENUES:-</u> | <u>\$ 4,329</u> | <u>\$ 3,579</u> | <u>\$ 1,155</u> | <u>\$ 1,124</u> | <u>\$ 5,484</u> | <u>\$ 4,703</u> |
| <u>PROGRAM EXPENSES AND OTHER USES:-</u> | | | | | | |
| <u>Operations -</u> | | | | | | |
| General Government | \$ 933 | \$ 831 | \$ - | \$ - | \$ 933 | \$ 831 |
| Public Safety - Police | 1,245 | 1,141 | - | - | 1,245 | 1,141 |
| Public Safety - Fire | 318 | 340 | - | - | 318 | 340 |
| Health and Human Services | 94 | 69 | - | - | 94 | 69 |
| <u>Public Works -</u> | | | | | | |
| Maintenance and Sanitation | 25 | 26 | - | - | 25 | 26 |
| Highways and Streets | 636 | 615 | - | - | 636 | 615 |
| Sewer Services | - | - | 904 | 851 | 904 | 851 |
| <u>Support Services -</u> | | | | | | |
| Culture and Recreation | 64 | 62 | - | - | 64 | 62 |
| Library | 66 | 74 | - | - | 66 | 74 |
| Community Development | 555 | 435 | - | - | 555 | 435 |
| Intergovernmental Community | 25 | 24 | - | - | 25 | 24 |
| Interest on Long - Term Debt | 37 | 38 | - | - | 37 | 38 |
| Depreciation | 217 | 186 | - | - | 217 | 186 |
| <u>TOTAL EXPENSES:-</u> | <u>\$ 4,215</u> | <u>\$ 3,841</u> | <u>\$ 904</u> | <u>\$ 851</u> | <u>\$ 5,119</u> | <u>\$ 4,692</u> |
| Changes in Net Position Before Transfers | \$ 114 | \$ (262) | \$ 251 | \$ 273 | \$ 365 | \$ 11 |
| Transfers | 99 | 210 | (100) | (225) | (1) | (15) |
| Change in Net Position After Transfers | <u>\$ 213</u> | <u>\$ (52)</u> | <u>\$ 151</u> | <u>\$ 48</u> | <u>\$ 364</u> | <u>\$ (4)</u> |

CITY OF FARRELL

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2017

UNAUDITED

GOVERNMENTAL ACTIVITIES

Governmental activities for 2017 resulted in an increase in net position of \$ 213 thousand. The increase is primarily the result of increases in public safety - police and community development expenses, offset by an increase in property taxes, and a decrease in transfers and proceeds from sale of assets.

The City's revenues consist of: local (taxes and other) 84 percent; grants and contributions 14 percent; charges for services (general government) 2 percent.

The City's program expenses are 77 percent for operations and public works, 23 percent for support services.

The City's reliance on state, federal, and local revenues is apparent. A decrease in state and federal funding in subsidies and grants would have a severe impact on the City. A decrease would require a substantial increase in local revenue to meet the City's needs.

BUSINESS-TYPE ACTIVITIES

Business-type activities are the sewer operation and sewer capital fund. The sewer operation and sewer capital fund had revenues of \$ 1.2 million and expenses of \$ 1.07 million (including transfers out of \$ 100 thousand). The program does not receive local support from tax revenues.

THE CITY'S FUNDS

Financial information related to the City's governmental funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 4.56 million and expenditures of \$ 4.43 million. The total net other financing sources was \$ 100 thousand. The net increase of \$ 230 thousand in fund balances was primarily due to an operating excess for the year for the General, E.D.P., and Capital Projects Funds offset by a deficit in the Revolving Loan Community Development, Redevelopment Authority, and various non-major funds.

GENERAL FUND BUDGET HIGHLIGHTS

The City is required to pass a budget by December 31 of each year for the upcoming calendar year. The most significant fund is the general fund. The revenue and other financing sources budget for the general fund was \$ 3.4 million. Actual revenue and other sources were over budgeted by \$ 536 thousand. This was primarily the result of taxes, licenses and permit and other revenues over budget by \$ 681 thousand.

The expenditure and other financing uses budget was \$ 3.4 million. Actual expenditures and other financing sources were over budgeted by \$ 281 thousand.

CITY OF FARRELL

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2017

UNAUDITED

This was primarily the result of public safety police and fire, health and human services, public works, culture and recreation, library, and transfers being over budget by \$ 404 thousand, offset by general government being under budget \$ 117 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2017, the City's governmental activities reported \$ 1.5 million invested in land, buildings, and equipment (cost \$ 4.8 million, less accumulated depreciation of \$ 3.3 million). During 2017, capital asset additions amounted to \$ 235 thousand.

At the end of 2017, the City's business-type activities reported \$ 2.4 million invested in land, buildings, and equipment (cost \$ 7.8 million, less accumulated depreciation of \$ 5.4 million). The business-type activities receive low interest loans from PENNVEST to install capital improvements. The total outstanding loan balance at December 31, 2017, was \$ 545 thousand. No new capital investment purchases were made in 2017.

DEBT ADMINISTRATION

At December 31, 2017, the City's governmental activities had \$ 668 thousand in bonds outstanding; \$ 54 thousand is due within one (1) year. Also, at December 31, 2017, the City's governmental activities had \$ 162 thousand in notes outstanding, \$ 56 thousand is due within one (1) year.

At December 31, 2017, the City's business-type activities had \$ 545 thousand in notes outstanding; \$ 118 thousand is due within one (1) year.

FOR THE FUTURE

The financial outlook for the City is a concern. The City was able to add to the general fund balance only in two (2) of the last five (5) years. The City relies heavily on the local taxpayers and on state and federal subsidies and grants.

The City of Farrell's economy continues to be challenged by recession and volatility; like the majority of the cities in Mercer County and across the country.

The cost of operations is anticipated to increase, which will be funded by local, state, and federal revenue. Any excess revenue will be used to increase the fund balance to enable the City to maintain operations in future years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Farrell, Administrative Office, 500 Roemer Boulevard, Farrell, Pennsylvania 16121.

CITY OF FARRELL
STATEMENT OF NET POSITION
DECEMBER 31, 2017

| | <u>GOVERNMENTAL ACTIVITIES</u> | <u>BUSINESS-TYPE ACTIVITIES</u> | <u>TOTAL</u> | | <u>GOVERNMENTAL ACTIVITIES</u> | <u>BUSINESS-TYPE ACTIVITIES</u> | <u>TOTAL</u> |
|---|------------------------------------|-------------------------------------|---------------------|---|------------------------------------|-------------------------------------|---------------------|
| <u>ASSETS:-</u> | | | | <u>LIABILITIES:-</u> | | | |
| <u>CURRENT ASSETS:-</u> | | | | <u>CURRENT LIABILITIES:-</u> | | | |
| Cash and Cash Equivalents | \$ 1,352,077 | \$ 183,110 | \$ 1,535,187 | Bond and Notes Payable | \$ 109,754 | \$ 118,058 | \$ 227,812 |
| Grant Receivable | 15,233 | - | 15,233 | Accrued Payroll and Withholdings | 105,861 | 6,923 | 112,784 |
| Other Receivables | 72,971 | - | 72,971 | Accounts Payable | 51,711 | 25,283 | 76,994 |
| Sewer Fees Receivable, Net | - | 186,770 | 186,770 | Accrued Interest Expense | 12,456 | - | 12,456 |
| Taxes Receivable, Net of Allowances | 551,158 | - | 551,158 | | | | |
| Prepaid Expenses | 28,383 | - | 28,383 | <u>TOTAL CURRENT LIABILITIES:-</u> | <u>\$ 279,782</u> | <u>\$ 150,264</u> | <u>\$ 430,046</u> |
| Due from (to) Other Funds | 106,373 | (106,373) | - | | | | |
| Notes Receivable | 320,806 | - | 320,806 | <u>NON-CURRENT LIABILITIES:-</u> | | | |
| | | | | Reserve for Restricted Cash and Cash Equivalents | \$ 613 | \$ - | \$ 613 |
| <u>TOTAL CURRENT ASSETS:-</u> | <u>\$ 2,447,001</u> | <u>\$ 263,507</u> | <u>\$ 2,710,508</u> | Compensated Absences | 80,027 | 31,845 | 111,872 |
| <u>NON-CURRENT ASSETS:-</u> | | | | Post-Employment Benefits Other Than Pension | 396,068 | 18,564 | 414,632 |
| Cash and Cash Equivalents - Restricted | \$ 35,147 | - | \$ 35,147 | Notes Payable | 106,579 | 427,477 | 534,056 |
| <u>Non-Depreciable Capital Assets -</u> | | | | Bond Payable | 514,000 | - | 514,000 |
| Land | \$ 134,015 | \$ 123,800 | \$ 257,815 | Net Pension Liability | 2,094,190 | - | 2,094,190 |
| <u>Capital Assets Net of Accumulated Depreciation -</u> | | | | <u>TOTAL NON-CURRENT LIABILITIES:-</u> | <u>\$ 3,191,477</u> | <u>\$ 477,886</u> | <u>\$ 3,669,363</u> |
| Buildings and Improvements | 786,153 | 2,318,174 | 3,104,327 | | | | |
| Vehicles | 530,033 | - | 530,033 | <u>TOTAL LIABILITIES:-</u> | <u>\$ 3,471,259</u> | <u>\$ 628,150</u> | <u>\$ 4,099,409</u> |
| Furniture, Equipment, and Other Fixed Assets | 59,009 | 2,981 | 61,990 | <u>DEFERRED INFLOWS OF RESOURCES:-</u> | | | |
| | | | | Pensions | \$ 202,367 | \$ - | \$ 202,367 |
| <u>TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION):-</u> | <u>\$ 1,509,210</u> | <u>\$ 2,444,955</u> | <u>\$ 3,954,165</u> | | | | |
| <u>OTHER ASSETS -</u> | | | | <u>NET POSITION:-</u> | | | |
| Notes Receivable, Net of Current Portion and Allowances for Uncollectable Accounts | \$ 1,916,543 | - | \$ 1,916,543 | Net Investment in Capital Assets | \$ 1,346,877 | \$ 1,899,420 | \$ 3,246,297 |
| | | | | Restricted for Specific Use | 624,452 | 85,444 | 709,896 |
| <u>TOTAL NON-CURRENT ASSETS:-</u> | <u>\$ 3,460,900</u> | <u>\$ 2,444,955</u> | <u>\$ 5,905,855</u> | Unrestricted | 1,150,106 | 95,448 | 1,245,554 |
| <u>TOTAL ASSETS:-</u> | <u>\$ 5,907,901</u> | <u>\$ 2,708,462</u> | <u>\$ 8,616,363</u> | <u>TOTAL NET POSITION:-</u> | <u>\$ 3,121,435</u> | <u>\$ 2,080,312</u> | <u>\$ 5,201,747</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES:-</u> | | | | <u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:-</u> | <u>\$ 6,795,061</u> | <u>\$ 2,708,462</u> | <u>\$ 9,503,523</u> |
| Pension | \$ 887,160 | - | \$ 887,160 | | | | |
| <u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</u> | <u>\$ 6,795,061</u> | <u>\$ 2,708,462</u> | <u>\$ 9,503,523</u> | | | | |

The Accompanying Notes are an Integral Part of These Statements

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

| | PROGRAM REVENUES | | | NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION | | | |
|--|---------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|-----------------------|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| <u>GOVERNMENTAL ACTIVITIES:-</u> | | | | | | | |
| <u>OPERATIONS -</u> | | | | | | | |
| General Government | \$ 932,690 | \$ 107,715 | \$ 264,718 | \$ - | \$ (560,257) | \$ - | \$ (560,257) |
| Public Safety - Police | 1,244,619 | - | - | - | (1,244,619) | - | (1,244,619) |
| Public Safety - Fire | 318,059 | - | - | - | (318,059) | - | (318,059) |
| Health and Human Services | 93,984 | - | - | - | (93,984) | - | (93,984) |
| <u>Public Works -</u> | | | | | | | |
| Maintenance and Sanitation | 25,284 | - | - | - | (25,284) | - | (25,284) |
| Highways and Streets | 636,415 | - | 194,604 | - | (441,811) | - | (441,811) |
| <u>TOTAL OPERATIONS:-</u> | <u>\$ 3,251,051</u> | <u>\$ 107,715</u> | <u>\$ 459,322</u> | <u>\$ -</u> | <u>\$ (2,684,014)</u> | <u>\$ -</u> | <u>\$ (2,684,014)</u> |
| <u>SUPPORT SERVICES -</u> | | | | | | | |
| Culture and Recreation | \$ 63,871 | \$ - | \$ 28,125 | \$ - | \$ (35,746) | \$ - | \$ (35,746) |
| Library | 66,374 | - | - | - | (66,374) | - | (66,374) |
| Community Development | 555,138 | - | 442,174 | - | (112,964) | - | (112,964) |
| Intergovernmental Community | 24,736 | - | - | - | (24,736) | - | (24,736) |
| <u>TOTAL SUPPORT SERVICES:-</u> | <u>\$ 710,119</u> | <u>\$ -</u> | <u>\$ 470,299</u> | <u>\$ -</u> | <u>\$ (239,820)</u> | <u>\$ -</u> | <u>\$ (239,820)</u> |
| <u>UNALLOCATED EXPENSES -</u> | | | | | | | |
| Interest on Long-Term Debt | \$ 36,664 | \$ - | \$ - | \$ - | \$ (36,664) | \$ - | \$ (36,664) |
| Depreciation | 216,639 | - | - | - | (216,639) | - | (216,639) |
| <u>TOTAL UNALLOCATED EXPENSES:-</u> | <u>\$ 253,303</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (253,303)</u> | <u>\$ -</u> | <u>\$ (253,303)</u> |
| <u>TOTAL GOVERNMENTAL ACTIVITIES:-</u> | <u>\$ 4,214,473</u> | <u>\$ 107,715</u> | <u>\$ 929,621</u> | <u>\$ -</u> | <u>\$ (3,177,137)</u> | <u>\$ -</u> | <u>\$ (3,177,137)</u> |
| <u>BUSINESS-TYPE ACTIVITIES:-</u> | | | | | | | |
| Sewer Services | \$ 904,318 | \$ 1,154,555 | \$ - | \$ - | \$ - | \$ 250,237 | \$ 250,237 |
| <u>TOTAL PRIMARY GOVERNMENT:-</u> | <u>\$ 5,118,791</u> | <u>\$ 1,262,270</u> | <u>\$ 929,621</u> | <u>\$ -</u> | <u>\$ (3,177,137)</u> | <u>\$ 250,237</u> | <u>\$ (2,926,900)</u> |

The Accompanying Notes are an Integral Part of These Statements

STATEMENT OF ACTIVITIESYEAR ENDED DECEMBER 31, 2017

| | <u>NET (EXPENSES) REVENUES AND CHANGES IN</u> | | |
|---|---|----------------------|---------------------|
| | <u>NET POSITION</u> | | |
| | <u>GOVERNMENTAL</u> | <u>BUSINESS-TYPE</u> | <u>TOTAL</u> |
| <u>TAXES -</u> | | | |
| Property Taxes, Levied for General Purposes | \$ 1,105,575 | \$ - | \$ 1,105,575 |
| Earned Income | 1,868,003 | - | 1,868,003 |
| Local Services Tax | 93,332 | - | 93,332 |
| Real Estate Transfer Taxes | 73,301 | - | 73,301 |
| Licenses and Permits | 121,487 | - | 121,487 |
| Unrestricted Investment Earnings | 41,031 | - | 41,031 |
| Rents | 13,750 | - | 13,750 |
| Miscellaneous | 51,162 | - | 51,162 |
| Police Fines & Violations | 61,955 | - | 61,955 |
| Loss on Sale or Disposal of Property | (138,111) | - | (138,111) |
| Transfers | 98,900 | (100,000) | (1,100) |
| | <u>\$ 3,390,385</u> | <u>\$ (100,000)</u> | <u>\$ 3,290,385</u> |
| <u>TOTAL GENERAL REVENUES AND TRANSFERS:-</u> | | | |
| | \$ 213,248 | \$ 150,237 | \$ 363,485 |
| <u>CHANGES IN NET POSITION:-</u> | | | |
| | <u>2,908,187</u> | <u>1,930,075</u> | <u>4,838,262</u> |
| <u>NET POSITION - BEGINNING OF YEAR (AS RESTATED):-</u> | | | |
| | <u>\$ 3,121,435</u> | <u>\$ 2,080,312</u> | <u>\$ 5,201,747</u> |
| <u>NET POSITION - END OF YEAR:-</u> | | | |

The Accompanying Notes are an Integral Part of These Statements

CITY OF FARRELL
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

| | MAJOR FUNDS | | | | | | TOTAL GOVERNMENTAL FUNDS |
|--|---------------------|---|---------------------|---------------------|--|--------------------|--------------------------------|
| | GENERAL FUND | REDEVELOPMENT AUTHORITY - LITTLE LEAGUE | E.D.P. | CAPITAL PROJECTS | REVOLVING LOAN COMMUNITY DEVELOPMENT | NON-MAJOR FUNDS | |
| ASSETS:- | | | | | | | |
| Cash and Cash Equivalents | \$ 314,217 | \$ 2,416 | \$ 108,288 | \$ 477,116 | \$ 383,940 | \$ 66,100 | \$ 1,352,077 |
| Cash and Cash Equivalents - Restricted | - | - | - | - | - | 35,147 | 35,147 |
| Taxes Receivable | 1,359,458 | - | - | - | - | - | 1,359,458 |
| Grant Receivables | - | - | - | - | - | 15,233 | 15,233 |
| Other Receivable | 62,432 | - | - | - | - | 10,539 | 72,971 |
| Notes Receivable | - | - | 1,992,349 | - | 245,000 | - | 2,237,349 |
| Prepaid Expenses | 28,383 | - | - | - | - | - | 28,383 |
| Due from Other Funds | 596,986 | - | 986,744 | - | 70,723 | - | 1,654,453 |
| TOTAL ASSETS:- | \$ 2,361,476 | \$ 2,416 | \$ 3,087,381 | \$ 477,116 | \$ 699,663 | \$ 127,019 | \$ 6,755,071 |
| LIABILITIES:- | | | | | | | |
| Accrued Payroll and Withholdings | \$ 105,861 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 105,861 |
| Accounts Payable | 30,620 | - | - | - | 243 | 20,848 | 51,711 |
| Due to Other Funds | 36,599 | 863,000 | - | 505,351 | 123,744 | 19,386 | 1,548,080 |
| Restricted Cash and Cash Equivalents | - | - | - | - | - | 613 | 613 |
| TOTAL LIABILITIES:- | \$ 173,080 | \$ 863,000 | \$ - | \$ 505,351 | \$ 123,987 | \$ 40,847 | \$ 1,706,265 |
| DEFERRED INFLOWS OF RESOURCES:- | | | | | | | |
| Unavailable Revenue - Real Estate Taxes | \$ 931,827 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 931,827 |
| TOTAL DEFERRED INFLOWS OF RESOURCES:- | \$ 931,827 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 931,827 |
| FUND BALANCE (DEFICIT):- | | | | | | | |
| Non-Spendable - | | | | | | | |
| Not In Spendable Form | \$ 28,383 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 28,383 |
| Legally or Contractual Required to be Maintained Intact | - | - | 3,087,381 | - | - | - | 3,087,381 |
| Restricted - | | | | | | | |
| Home Façade | - | - | - | - | - | 582 | 582 |
| Library | - | - | - | - | - | 263 | 263 |
| Revolving Loan Community Development | - | - | - | - | 575,676 | - | 575,676 |
| Farrell Recreation | - | - | - | - | - | 19,690 | 19,690 |
| Revolving Loan Rehabilitation | - | - | - | - | - | 6,002 | 6,002 |
| Gasoline Program | - | - | - | - | - | 41,287 | 41,287 |
| Special Highway | - | - | - | - | - | (19,048) | (19,048) |
| Unassigned | 1,228,186 | (860,584) | - | (28,235) | - | 37,396 | 376,763 |
| TOTAL FUND BALANCES (DEFICIT):- | \$ 1,256,569 | \$ (860,584) | \$ 3,087,381 | \$ (28,235) | \$ 575,676 | \$ 86,172 | \$ 4,116,979 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:- | \$ 2,361,476 | \$ 2,416 | \$ 3,087,381 | \$ 477,116 | \$ 699,663 | \$ 127,019 | \$ 6,755,071 |

The Accompanying Notes are an Integral Part of These Statements

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

DECEMBER 31, 2017

| | |
|--|--------------|
| <u>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS:</u> | \$ 4,116,979 |
| <p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</p> | |
| <p>Real Estate Transfer, Earned Income, and Local Service Taxes Receivable will be Collected Next Year, but are Not "Available" Soon Enough to Pay for the Current Period's Expenditures.</p> | (808,300) |
| <p>Capital Assets Used in Governmental Activities are Not Financial Resources and, Therefore, are Not Reported as Assets in Governmental Funds. The Cost of the Governmental Capital Assets was \$ 4,803,513 and Accumulated Depreciation is \$ 3,294,303.</p> | 1,509,210 |
| <p>Deferred Outflows of Resources Related to Pensions are Applicable to Future Periods and Therefore, are not Reported in the Funds.</p> | 887,160 |
| <p>Current Liabilities from Long-Term Debt, Including Bonds Payable, are Not Due and Payable in the Current Period and, Therefore, are Not Reported as Liabilities in Governmental Funds Financial Statements. Current Liabilities from Long-Term Debt at Year-End Consist of:</p> | |
| Accrued Interest | \$ (12,456) |
| Bonds and Notes Payable | (109,754) |
| | (122,210) |
| <p>Deferred Inflow of Resources Related to Unavailable Revenue for Real Estate Taxes Not Recognized in the Governmental Activities Financial Statements.</p> | 931,827 |

The Accompanying Notes are an Integral Part of These Statements

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

DECEMBER 31, 2017

Long-Term Liabilities are Not Due and Payable in the Current Period and, Therefore, are Not Reported as Liabilities in the Funds. Long-Term Liabilities at Year-End Consist of:

| | | |
|---|--------------------|-------------------------|
| Deferred Inflows of Resource | | |
| Related to Pensions | \$ (202,367) | |
| Other Post-Employment | | |
| Benefits | (396,068) | |
| Bond and Notes | | |
| Payable | (620,579) | |
| Compensated Absences | (80,027) | |
| Net Pension Liability | <u>(2,094,190)</u> | <u>(3,393,231)</u> |
| <u>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES:-</u> | | <u>\$ 3,121,435</u> |

The Accompanying Notes are an Integral Part of These Statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2017

| | MAJOR FUNDS | | | | | | TOTAL GOVERNMENTAL FUNDS |
|--|---------------------|---|------------------|---------------------|---|--------------------|--------------------------------|
| | GENERAL FUND | REDEVELOPMENT AUTHORITY - LITTLE LEAGUE | E.D.P. | CAPITAL PROJECTS | REVOLVING LOAN COMMUNITY DEVELOPMENT | NON-MAJOR FUNDS | |
| <u>REVENUES:-</u> | | | | | | | |
| Real Estate and Other Local Taxes | \$ 3,140,085 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,140,085 |
| Business Licenses and Permits | 121,488 | - | - | - | - | - | 121,488 |
| Intergovernmental Revenues | 197,349 | - | - | - | - | 634,971 | 832,320 |
| Interest | 1,677 | 2 | 32,566 | 151 | 6,460 | 442 | 41,298 |
| Charges for Services | 48,313 | - | - | - | - | 59,402 | 107,715 |
| Rents | 13,750 | - | - | - | - | - | 13,750 |
| Payments in Lieu of Taxes and Contributions | 58,038 | 1,807 | - | 9,331 | - | 28,128 | 97,304 |
| Fines, Fees, and Special Police Services | 61,955 | - | - | - | - | - | 61,955 |
| Other Revenues | 66,343 | - | - | - | 77,841 | 4,490 | 148,674 |
| <u>TOTAL REVENUES:-</u> | <u>\$ 3,708,998</u> | <u>\$ 1,809</u> | <u>\$ 32,566</u> | <u>\$ 9,482</u> | <u>\$ 84,301</u> | <u>\$ 727,433</u> | <u>\$ 4,564,589</u> |
| <u>EXPENDITURES:-</u> | | | | | | | |
| <u>Operations -</u> | | | | | | | |
| General Government | \$ 849,107 | \$ - | \$ - | \$ 30,270 | \$ 3,600 | \$ 54,147 | \$ 937,124 |
| Public Safety - Police | 1,170,658 | - | - | 31,418 | 148,419 | - | 1,350,495 |
| Public Safety - Fire | 318,059 | - | - | - | - | - | 318,059 |
| Health and Human Services | 93,984 | - | - | - | - | - | 93,984 |
| <u>Public Works -</u> | | | | | | | |
| Maintenance and Sanitation | 25,284 | - | - | - | - | - | 25,284 |
| Highways and Streets | 358,655 | - | - | 110,850 | - | 277,760 | 747,265 |
| Culture and Recreation | 44,239 | - | - | - | - | 19,632 | 63,871 |
| Library | 66,374 | - | - | - | - | - | 66,374 |
| Community Development | - | 131,506 | 23,310 | - | 171,692 | 228,631 | 555,139 |
| Intergovernmental Community | 24,736 | - | - | - | - | - | 24,736 |
| <u>Debt Service -</u> | | | | | | | |
| Principal | - | - | - | 157,404 | - | 54,000 | 211,404 |
| Interest and Fiscal Charges | 217 | - | - | 6,285 | - | 31,557 | 38,059 |
| <u>TOTAL EXPENDITURES:-</u> | <u>\$ 2,951,313</u> | <u>\$ 131,506</u> | <u>\$ 23,310</u> | <u>\$ 336,227</u> | <u>\$ 323,711</u> | <u>\$ 665,727</u> | <u>\$ 4,431,794</u> |
| <u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:-</u> | <u>\$ 757,685</u> | <u>\$ (129,697)</u> | <u>\$ 9,256</u> | <u>\$ (326,745)</u> | <u>\$ (239,410)</u> | <u>\$ 61,706</u> | <u>\$ 132,795</u> |

The Accompanying Notes are an Integral Part of These Statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)

GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2017

| | MAJOR FUNDS | | | | | | |
|--|-------------------------------|--|---------------------|-----------------------------------|---|----------------------------------|---|
| | <u>GENERAL</u> <u>FUND</u> | <u>REDEVELOPMENT</u> <u>AUTHORITY -</u> <u>LITTLE LEAGUE</u> | <u>E.D.P.</u> | <u>CAPITAL</u> <u>PROJECTS</u> | <u>REVOLVING</u> <u>LOAN</u> <u>COMMUNITY</u> <u>DEVELOPMENT</u> | <u>NON-MAJOR</u> <u>FUNDS</u> | <u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u> |
| <u>OTHER FINANCING SOURCES (USES):-</u> | | | | | | | |
| Operating Transfers - In | \$ 198,565 | \$ - | \$ - | \$ 667,661 | \$ 100 | \$ - | \$ 866,326 |
| Operating Transfers - Out | (701,791) | - | - | - | - | (65,735) | (767,526) |
| <u>TOTAL OTHER FINANCING SOURCES (USES):-</u> | <u>\$ (503,226)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 667,661</u> | <u>\$ 100</u> | <u>\$ (65,735)</u> | <u>\$ 98,800</u> |
| <u>CHANGE IN FUND BALANCES:-</u> | \$ 254,459 | \$ (129,697) | \$ 9,256 | \$ 340,916 | \$ (239,310) | \$ (4,029) | \$ 231,595 |
| <u>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR:-</u> | <u>1,002,110</u> | <u>(730,887)</u> | <u>3,078,125</u> | <u>(369,151)</u> | <u>814,986</u> | <u>90,201</u> | <u>3,885,384</u> |
| <u>FUND BALANCES (DEFICIT) - END OF YEAR:-</u> | <u>\$ 1,256,569</u> | <u>\$ (860,584)</u> | <u>\$ 3,087,381</u> | <u>\$ (28,235)</u> | <u>\$ 575,676</u> | <u>\$ 86,172</u> | <u>\$ 4,116,979</u> |

The Accompanying Notes are an Integral Part of These Statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

TOTAL CHANGES IN FUND BALANCES (DEFICITS) -
GOVERNMENTAL FUNDS:-

\$ 231,595

Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:

Capital Outlays are Reported in Governmental Funds
as Expenditures. However, in the Statement of
Activities, the Cost of Those Assets is Allocated Over
Their Estimated Useful Lives as Depreciation Expense.

| | | |
|-------------------------------|------------------|--------|
| Capital Outlays in 2017 | \$ 234,726 | |
| Depreciation Expense for 2017 | <u>(216,639)</u> | 18,087 |

Capital Retirements are Not Reported in Governmental Funds.
However, in the Statement of Activities,
the Difference between the Historical Cost and the
Accumulated Depreciation is Expensed.

| | | |
|--|----------------|-----------|
| Capital Retirements in 2017 | \$ (359,438) | |
| Retirement of Accumulated Depreciation in 2017 | <u>182,517</u> | (176,921) |

Because Some Real Estate and Real Estate Transfer, Earned
Income, and Local Service Taxes will Not be Collected for
Several Months After the City's Year End, They are Not
Considered "Available" Revenues and are Unrecognized
Revenue in the Governmental Funds. The Change in Taxes
to be Collected in the Statement of Net Position.

125

Repayments of Notes Payable Principal is an Expenditure
in the Governmental Funds, but the Principal Repayments
Made Reduce Non-current Liabilities in the Statement of
Net Position.

160,784

Amounts Accrued for Interest Expense Payable is Not Recorded
in the Governmental Funds, but the Expense is Recorded as
a Liability in the Statement of Net Position. Decrease in
Accrued Interest Expense.

1,127

Termination Benefits are Measured by the Amounts Earned
During the Year. In the Governmental Funds, However,
Expenditures for these Items are Measured by the
Amount of Financial Resources Used (Essentially, the
Amounts Actually Paid). Decrease in Compensated
Absences.

12,274

The Accompanying Notes are an Integral Part of These Statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

is not Recorded in the Governmental Funds, but the Cost
 is Recorded as a Liability in the Statement of Net
 Position. Decrease in Other Post-Employment Benefits. 47,221

Proceeds of Long-Term Debt is a Revenue in the Governmental
 Funds, but the Issuance Increases Long-Term Liabilities in the
 Statement of Activities. (76,692)

In the Statement of Activities, Pension Benefits are
 Measured by the Amounts Earned During the Year. In the
 Governmental Funds, However, Expenditures for this Item
 are Measured by the Amount of Financial Resources Used.
 This Amount Represents the Difference Between the Amount
 Earned Versus the Amount Used. (4,352)

CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES:- \$ 213,248

The Accompanying Notes are an Integral Part of These Statements

CITY OF FARRELL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

| | <u>BUSINESS-TYPE ACTIVITIES</u> | | | | <u>BUSINESS-TYPE ACTIVITIES</u> | | |
|--|---------------------------------|----------------------|---------------------|---|---------------------------------|----------------------|---------------------|
| | <u>ENTERPRISE FUNDS</u> | | | | <u>ENTERPRISE FUNDS</u> | | |
| | <u>SEWER SYSTEM</u> | <u>SEWER CAPITAL</u> | <u>TOTALS</u> | | <u>SEWER SYSTEM</u> | <u>SEWER CAPITAL</u> | <u>TOTALS</u> |
| <u>ASSETS:-</u> | | | | <u>LIABILITIES:-</u> | | | |
| <u>CURRENT ASSETS:-</u> | | | | <u>CURRENT LIABILITIES:-</u> | | | |
| Cash and Cash Equivalents | \$ 97,666 | \$ 85,444 | \$ 183,110 | Accounts Payable | \$ 25,283 | \$ - | \$ 25,283 |
| Sewer Fees Receivable, Net | 186,770 | - | 186,770 | Accrued Payroll and Withholdings | 6,923 | - | 6,923 |
| | | | | Due to Other Funds | 106,373 | - | 106,373 |
| <u>TOTAL CURRENT ASSETS:-</u> | <u>\$ 284,436</u> | <u>\$ 85,444</u> | <u>\$ 369,880</u> | Notes Payable | 118,058 | - | 118,058 |
| | | | | <u>TOTAL CURRENT LIABILITIES:-</u> | <u>\$ 256,637</u> | <u>\$ -</u> | <u>\$ 256,637</u> |
| <u>NON-CURRENT ASSETS:-</u> | | | | <u>NON-CURRENT LIABILITIES:-</u> | | | |
| <u>Capital Assets Non-Depreciable -</u> | | | | Notes Payable | \$ 427,477 | \$ - | \$ 427,477 |
| Land | \$ 123,800 | \$ - | \$ 123,800 | Post-Employment Benefits Other Than Pension | 18,564 | - | 18,564 |
| <u>Capital Assets Depreciable, Net -</u> | | | | Compensated Absences | 31,845 | - | 31,845 |
| Buildings and Improvements | 2,318,174 | - | 2,318,174 | <u>TOTAL NON-CURRENT LIABILITIES:-</u> | <u>\$ 477,886</u> | <u>\$ -</u> | <u>\$ 477,886</u> |
| Furniture, Equipment, and Other Fixed Assets | 2,981 | - | 2,981 | <u>TOTAL LIABILITIES:-</u> | <u>\$ 734,523</u> | <u>\$ -</u> | <u>\$ 734,523</u> |
| <u>TOTAL NON-CURRENT ASSETS:-</u> | <u>\$ 2,444,955</u> | <u>\$ -</u> | <u>\$ 2,444,955</u> | <u>NET POSITION:-</u> | | | |
| | | | | Net Investment in Capital Assets | \$ 1,899,420 | \$ - | \$ 1,899,420 |
| <u>TOTAL ASSETS:-</u> | <u>\$ 2,729,391</u> | <u>\$ 85,444</u> | <u>\$ 2,814,835</u> | Restricted for Sewer Capital Improvements | - | 85,444 | 85,444 |
| | | | | Unrestricted | 95,448 | - | 95,448 |
| | | | | <u>TOTAL NET POSITION:-</u> | <u>\$ 1,994,868</u> | <u>\$ 85,444</u> | <u>\$ 2,080,312</u> |
| | | | | <u>TOTAL LIABILITIES AND NET POSITION:-</u> | <u>\$ 2,729,391</u> | <u>\$ 85,444</u> | <u>\$ 2,814,835</u> |

The Accompanying Notes are an Integral Part of These Statements

CITY OF FARRELL
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2017

| | <u>BUSINESS-TYPE ACTIVITIES</u> | | <u>TOTALS</u> |
|--|---------------------------------|----------------------|---------------------|
| | <u>ENTERPRISE FUNDS</u> | | |
| | <u>SEWER SYSTEM</u> | <u>SEWER CAPITAL</u> | |
| <u>OPERATING REVENUES:-</u> | | | |
| Sewer Fees, Net of Allowances for Doubtful Accounts, Pledged as Security for Revenue Bonds | \$ 1,154,555 | \$ - | \$ 1,154,555 |
| <u>OPERATING EXPENSES:-</u> | | | |
| Salaries | \$ 197,320 | \$ - | \$ 197,320 |
| Employee Benefits | 82,893 | - | 82,893 |
| Utilities and Telephone | 120,292 | - | 120,292 |
| Supplies | 9,425 | - | 9,425 |
| Plant Operations | 281,930 | 22,961 | 304,891 |
| Contracted Services | 67,130 | - | 67,130 |
| Depreciation | 103,126 | - | 103,126 |
| <u>TOTAL OPERATING EXPENSES:-</u> | <u>\$ 862,116</u> | <u>\$ 22,961</u> | <u>\$ 885,077</u> |
| <u>OPERATING INCOME (LOSS):-</u> | <u>\$ 292,439</u> | <u>\$ (22,961)</u> | <u>\$ 269,478</u> |
| <u>NON-OPERATING (EXPENSES):-</u> | | | |
| Interest Expense | \$ (19,241) | \$ - | \$ (19,241) |
| <u>TOTAL NON-OPERATING (EXPENSES):-</u> | <u>\$ (19,241)</u> | <u>\$ -</u> | <u>\$ (19,241)</u> |
| <u>INCOME (LOSS) BEFORE TRANSFERS:-</u> | <u>\$ 273,198</u> | <u>\$ (22,961)</u> | <u>\$ 250,237</u> |
| <u>TRANSFERS FROM (TO) OTHER FUNDS:-</u> | <u>(200,000)</u> | <u>100,000</u> | <u>(100,000)</u> |
| <u>CHANGE IN NET POSITION:-</u> | <u>\$ 73,198</u> | <u>\$ 77,039</u> | <u>\$ 150,237</u> |
| <u>NET POSITION - BEGINNING OF YEAR (AS RESTATEd):-</u> | <u>1,921,670</u> | <u>8,405</u> | <u>1,930,075</u> |
| <u>NET POSITION - END OF YEAR:-</u> | <u>\$ 1,994,868</u> | <u>\$ 85,444</u> | <u>\$ 2,080,312</u> |

The Accompanying Notes are an Integral Part of These Statements

STATEMENT OF CASH FLOWSPROPRIETARY FUNDSYEAR ENDED DECEMBER 31, 2017

| | <u>BUSINESS-TYPE ACTIVITIES</u> | | <u>TOTALS</u> |
|---|---------------------------------|----------------------|---------------------|
| | <u>ENTERPRISE FUNDS</u> | | |
| | <u>SEWER SYSTEM</u> | <u>SEWER CAPITAL</u> | |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:-</u> | | | |
| Cash Received from Customers, Sewer Fees | \$ 1,126,799 | \$ - | \$ 1,126,799 |
| Cash Payments to Employees for Wages and Benefits | (290,620) | - | (290,620) |
| Cash Payments to Suppliers for Goods and Services | (435,005) | (22,961) | (457,966) |
| <u>NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES:-</u> | <u>\$ 401,174</u> | <u>\$ (22,961)</u> | <u>\$ 378,213</u> |
| <u>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:-</u> | | | |
| Transfers Out | \$ (200,000) | \$ - | \$ (200,000) |
| Transfers In | - | 100,000 | 100,000 |
| <u>NET CASH PROVIDED (USED) IN NON-CAPITAL AND RELATED FINANCING ACTIVITIES:-</u> | <u>\$ (200,000)</u> | <u>\$ 100,000</u> | <u>\$ (100,000)</u> |
| <u>CASH FLOWS FROM IN CAPITAL AND RELATED FINANCING ACTIVITIES:-</u> | | | |
| Repayments of Notes Payable | \$ (187,408) | \$ - | \$ (187,408) |
| Payments of Interest Expense | (19,241) | - | (19,241) |
| <u>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES:-</u> | <u>\$ (206,649)</u> | <u>\$ -</u> | <u>\$ (206,649)</u> |
| <u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:-</u> | <u>\$ (5,475)</u> | <u>\$ 77,039</u> | <u>\$ 71,564</u> |
| <u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR:-</u> | <u>103,141</u> | <u>8,405</u> | <u>111,546</u> |
| <u>CASH AND CASH EQUIVALENTS - END OF YEAR:-</u> | <u>\$ 97,666</u> | <u>\$ 85,444</u> | <u>\$ 183,110</u> |

The Accompanying Notes are an Integral Part of These Statements

STATEMENT OF CASH FLOWSPROPRIETARY FUNDSYEAR ENDED DECEMBER 31, 2017

| | <u>BUSINESS-TYPE ACTIVITIES</u> | | <u>TOTALS</u> |
|--|---------------------------------|----------------------|-------------------|
| | <u>ENTERPRISE FUNDS</u> | | |
| | <u>SEWER SYSTEM</u> | <u>SEWER CAPITAL</u> | |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS)</u> | | | |
| <u>TO NET CASH PROVIDED (USED) IN OPERATING</u> | | | |
| <u>ACTIVITIES:-</u> | | | |
| Operating Income (Loss) | \$ 292,439 | \$ (22,961) | \$ 269,478 |
| <u>Adjustments to Reconcile Operating Income</u> | | | |
| <u>(Loss) to Net Cash Provided (Used) in</u> | | | |
| <u>Operating Activities -</u> | | | |
| Depreciation | 103,126 | - | 103,126 |
| <u>Increase In -</u> | | | |
| Accounts Receivable, Net of Allowances | (27,756) | - | (27,756) |
| <u>Increase (Decrease) In -</u> | | | |
| Accrued Payroll and Benefits | (5,637) | - | (5,637) |
| Accounts Payable | (1,587) | - | (1,587) |
| Interfund Payables | 45,359 | - | 45,359 |
| Compensated Absences | (4,770) | - | (4,770) |
| | <u>401,174</u> | <u>(22,961)</u> | <u>378,213</u> |
| <u>NET CASH PROVIDED (USED IN) OPERATING</u> | | | |
| <u>ACTIVITIES:-</u> | <u>\$ 401,174</u> | <u>\$ (22,961)</u> | <u>\$ 378,213</u> |

The Accompanying Notes are an Integral Part of These Statements

CITY OF FARRELL
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017

| | <u>PRIVATE PURPOSE TRUST FUNDS</u> | <u>AGENCY FUNDS</u> |
|---|--|-------------------------|
| <u>ASSETS:-</u> | | |
| Cash and Cash Equivalents | \$ 33,164 | \$ 12,612 |
| <u>LIABILITIES:-</u> | | |
| Due to Other Governmental Entities | \$ - | \$ 12,612 |
| <u>NET POSITION:-</u> | | |
| Held in Trust for Future Expenditures | \$ 33,164 | \$ - |
| <u>TOTAL LIABILITIES AND NET POSITION:-</u> | \$ 33,164 | \$ 12,612 |

The Accompanying Notes are an Integral Part of These Statements

CITY OF FARRELL
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2017

| | <u>PRIVATE PURPOSE TRUST FUNDS</u> |
|---|--|
| <u>ADDITIONS:-</u> | |
| Contributions and Donations | \$ 12,122 |
| Other | <u>35,042</u> |
| <u>TOTAL ADDITIONS:-</u> | <u>\$ 47,164</u> |
| <u>DEDUCTIONS:-</u> | |
| Program Expenses | <u>\$ 17,687</u> |
| <u>CHANGE IN NET POSITION:-</u> | \$ 29,477 |
| <u>OTHER FINANCING SOURCES (USES):-</u> | |
| Operating Transfer - In | 1,200 |
| Operating Transfer - Out | <u>-</u> |
| <u>NET CHANGE IN FUND BALANCES:-</u> | \$ 30,677 |
| <u>NET POSITION - BEGINNING OF YEAR:-</u> | <u>2,487</u> |
| <u>NET POSITION - END OF YEAR:-</u> | <u>\$ 33,164</u> |

The Accompanying Notes are an Integral Part of These Statements

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. NATURE OF ORGANIZATION AND OPERATIONS

REPORTING ENTITY

The City of Farrell, Pennsylvania (City) was incorporated in 1930. The City operates under the Home Rule Charter form of government. The City's major services include Police, Fire, Streets, Sanitation, Health, Planning and Zoning, and General Administrative Services. As required by accounting principles generally accepted in the United States of America (U.S. GAAP), the financial statements of the reporting entity include those of the City (the primary government). There are no component units that are to be included in the City's financial statements.

The City's Council (Council) is the basic level of government which has oversight responsibility and control over all activities related to the City. The Council receives funding from state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Council is not included in any other governmental "reporting entity" as defined in the Governmental Accounting Standards Board (GASB) pronouncements, since Council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three categories: governmental; proprietary; and fiduciary.

The emphasis in fund financial statements is on the major funds in the governmental category. Nonmajor funds are summarized in a single column. The nonmajor funds are combined in a column in the fund financial statements.

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and change in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports these major governmental funds and fund types:

General Fund - The general fund, classified as a major fund, is the general operating fund of the City and accounts for all revenues and expenditures of the City not encompassed within the other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the general fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Included within this classification of funds are the Redevelopment Authority - Little League, Revolving Loan Community Development Program, and E.D.P. Fund. A large portion of the City's operations comes from the various special revenue funds.

Capital Projects Fund - The capital projects fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction, and remodeling of facilities, and procurement of equipment for the City.

Non-major Governmental Funds - These funds include all other non-major governmental funds.

Fiduciary Funds - The City handles various fiduciary funds for city and county government collections, revenues, and expenditures.

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The City reports the following proprietary fund type:

Enterprise Funds - Are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

sewer and sewer capital funds account for the revenues, purchases, and other costs and expenses for providing waste water treatment services to residence during the year.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and are therefore not available to support the City. The reporting focus is on net position and changes in net position. The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose, or agency). The City reports the following fiduciary fund types:

Private Purpose Trust Funds - Are used to account for resources of monies contributed to the City for various special functions and events.

Agency Funds - Represent collections of taxes for other governmental units by the City. These funds primarily represent real estate taxes collected by the City on behalf of Mercer County. These funds are custodian in nature and do not involve measurement of results of operations.

Fiduciary funds are not incorporated into the government-wide financial statements.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and 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, net of any uncollectable amounts, are recognized as revenues in the year for which they are levied. Earned income taxes are recognized as revenue in the

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

year they are assessed which is generally the year the taxpayer earns taxable income. 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 collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes levied but collected beyond 60 days after year end are recorded as unavailable revenue to be recognized as revenue when the taxes are collected. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, earned income taxes, intergovernmental revenues, investment income, rent and certain miscellaneous revenues 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. In applying the susceptible to accrual concept to intergovernmental revenues (state and federal sources), the legal and contractual requirements of the individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure. All other revenue items are considered to be measurable and available only when cash is received by the government.

BUDGET ADOPTION AND PROCEDURES

The Pennsylvania Municipal Code dictates specific procedures relative to the adoption of the City's budget. The City is required to prepare an operating budget for the succeeding calendar year before levying annual taxes. The City publishes a notice by advertisement after their approval thirty days prior to adoption of the annual budget and is available for public inspection at the administrative office of the City.

An annual operating budget is adopted each fiscal year through the passage of an annual budget resolution and amended as required. The budget is presented on the modified accrual basis of accounting, which is consistent with U.S. GAAP. Budgetary control is exercised at the sub-function/major object level. The general fund is the only fund for which a budget is legally required. The Council may make budget transfers appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania Code. Management may amend the budget at the sub-function/sub-object level with Council approval. All budget appropriations lapse at the end of each fiscal year. The final budget reported includes all necessary expenditure transfers approved by resolution of the Council as permitted by the Pennsylvania Municipal Code.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

COMPARATIVE DATA AND RECLASSIFICATIONS

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

CASH AND CASH EQUIVALENTS

The City's policy is to maintain cash balances in checking, savings, and money market deposit accounts. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Federal Deposit Insurance Corporation (FDIC) insures all deposit accounts, including checking and savings accounts, money market deposit accounts, and certificates of deposit. The standard insurance amount is \$ 250,000 per depositor, per insured bank, per ownership category. In the normal course of business, the City may have deposits in excess of federal insured coverage. As of December 31, 2017, the City had approximately \$ 1,402,579 in excess of FDIC insured limits. See Note "3" for additional information.

TAXES RECEIVABLE

Local wage taxes and other miscellaneous City taxes are recorded in the City's accounts as taxpayer assessed receivables and revenue at the time of the underlying transactions. In the governmental funds statements, taxes for which there is an enforceable legal claim as of December 31, 2017, which were levied to finance fiscal year 2017 operations have been recorded as deferred outflow of resources until such time as the taxes become due on a modified accrual basis. Local wage taxes are collected by a third party in accordance with PA Act 32.

NOTES RECEIVABLE

The City has established loan funds to provide financing to qualifying businesses in the Shenango Valley area. Notes receivable under the loan programs are for various terms up to 15 years at interest rates ranging from one (1) to three (3) percent. The loans are secured by a first or second mortgage on real estate, and a lien on property and/or equipment. It is the City's policy to provide for future losses on loans based on an evaluation of the current loan portfolio, current economic conditions, and such other factors which, in the City's judgment, may impact collectability. At December 31, 2017, the total allowance for uncollectable loans amounted to \$ 334,432.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

DUE FROM (TO) OTHER FUNDS

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from (to) other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and land improvements are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$ 1,500 and an estimated useful life in excess of one (1) year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from their respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives are as follows:

| <u>ASSET CLASS -</u> | <u>YEARS</u> |
|--|--------------|
| Buildings and Improvements | 40 years |
| Sewer Facility | 40 years |
| Equipment, Furniture, and Other Assets | 5 - 20 years |
| Vehicles | 5 - 10 years |

LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premium and discount are amortized over the term of the related debt.

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

COMPENSATED ABSENCES

The City's policies regarding compensated absences varies by contract and provides for employees to accumulate sick days which they are paid for upon retirement or termination of service. The amount the employee is compensated and the number of days varies based on their contract and their years of service.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of Pension Plans (Plans), and additions to/deductions from the Plans fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPERATING REVENUES AND EXPENSES

The City's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the City's sewer fund consist of charges for waste water treatment services and the costs of providing those services, including depreciation. All other revenues and expenses are reported as nonoperating.

USE OF RESTRICTED RESOURCES

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

INTERFUND ACTIVITY

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one (1) item that qualifies for reporting in this category in the government-wide financial statements. The City reports no deferred outflows of resources in the fund financial statements.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

The City reports a deferred outflow of resources as it relates to the participation in the cost sharing defined benefit pension plan for contributions to the pension plan subsequent to the pension liability measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City also has one item which arises under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The City also has one item reported in the government-wide statement of net position relating to the cost sharing defined benefit pension plan.

EQUITY CLASSIFICATIONS

In the basic financial statements - Government-Wide equity is classified as net position and displayed in three components:

Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provisions or enabling legislation.

Unrestricted Net Position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

In the basic fund financial statements, the City classified governmental fund balances as follows:

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or legally or contractually required to remain intact.

Restricted - The part of fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payments and includes a legally enforceable requirement on the use of these funds.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council - the City's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes but are neither restricted nor committed. The City's Manager has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned - This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds. The general fund is the only fund permitted to have a positive unassigned fund balance.

DEFICIT FUND BALANCE

At December 31, 2017, the City had three (3) separate funds that recorded a fund deficit (negative fund balance). The three (3) funds are the Special Highway, Capital Projects, and Redevelopment Authority - Little League funds. It is the City's intention to offset these deficits in the future with operating transfers from other funds, or from proceeds through additional grants.

3. DEPOSITS

The City's cash and investments, except for the pension trust fund investments, consist of various checking and savings accounts and money market funds, which are fully collateralized or guaranteed as to principal and interest via collateral arrangements or federal insurance. For these types of investments, cost is equal to market value. The carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents.

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2017, \$ 1,652,579 was the carrying amount of cash and cash equivalents. Also, at December 31, 2017, \$ 1,402,579 of the City's bank balance was exposed to custodial credit risk as noted below:

Collateral is required for demand deposits and at 100 percent of all amounts not covered by federal deposit insurance as required by Pennsylvania Pledge Act 72 (72 P.S. 3836-1 Et Seq of 1971). Obligations that may be pledged as collateral are obligations of the United States and its agencies.

CITY OF FARRELL

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Uninsured and Collateral Held by or for
Pledging Bank, Not in the City's Name (But
Subject to the Pennsylvania Pledge Act 72) \$ 1,402,579

4. TAXES RECEIVABLE, NET OF ALLOWANCE

REAL ESTATE TAXES

The City has the power to levy and collect ad valorem taxes on all taxable real estate within its boundaries. Property is assessed by the City at 100 percent of fair market value. The assessed value for 2017 was \$ 41,600,150. City real estate taxes (property taxes) are based on the assessed value of the property as determined by Mercer County. The assessed value of a property is broken down by land value and building value. For 2017, the City's tax rate was 27.67 Mills based on the assessed value of the property.

A unified tax levy for land and buildings is made annually on January 1 and collected by the City. The tax is payable at a two (2) percent discount through April 30, at face value through June 30, and at a ten (10) percent penalty after June 30. All uncollected real estate taxes on January 1 of the subsequent year are considered delinquent and are filed by the elected tax collector with the County for collection. Outstanding tax levies are offset on the governmental funds balance sheet as unavailable revenues so as not to be included in the City's general fund balance.

The Commonwealth of Pennsylvania provides a tax abatement program that the City participates in called the Keystone Opportunity Zone (KOZ). The program provides a tax abatement for 12 years on state and local taxes, including real estate taxes, on commercial and residential property located on land designated as part of the KOZ. The abatement concludes in 2019.

Property taxes receivable as of December 31, 2017, are as follows:

| <u>YEAR OF LEVY</u> | <u>AMOUNT</u> |
|---------------------|-------------------|
| 2017 | \$ 155,633 |
| 2016 | 137,306 |
| 2015 | 65,028 |
| 2014 | 53,678 |
| 2013 and Prior | <u>539,332</u> |
| <u>TOTAL:-</u> | <u>\$ 950,977</u> |

OTHER TAXES

The City also levies taxes under Act 511 of 1965 (Local Tax Enabling Act): 2.5 percent earned income tax for residents and 1.8 percent for non-residents working in Farrell, one-half (½) of one (1) percent realty transfer tax, and an annual Local Services Tax of \$ 52 for all wage-earners employed in Farrell.

Tax receivables of governmental activities in the entity-wide statement of net position consist of the following:

CITY OF FARRELL

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| | |
|---|--------------------|
| Wage Taxes | \$ 408,481 |
| Real Estate Taxes | 950,977 |
| <u>LESS:</u> Allowance for Uncollectable Amount | (<u>808,300</u>) |
| <u>NET TOTAL:-</u> | <u>\$ 551,158</u> |

SEWER FEES RECEIVABLE

Sewer fees receivable represent billed, uncollected amounts at December 31, 2017, due from users of the City's sewer system. Receivable balances at December 31, 2017, have been reduced by an allowance for uncollectable sewer fees. The allowance as of December 31, 2017, is \$ 14,400. The users are residential and commercial entities located in the Farrell area.

5. NOTES RECEIVABLE

E.D.P. PROGRAM

The E.D.P. Program of the City was initiated in 1995 from a grant of \$ 4,000,000 received from the Commonwealth of Pennsylvania's Department of Commerce.

The City was permitted and has established a revolving loan fund to encourage industrial development on property in the Shenango Valley area. The E.D.P. Fund notes receivable from local industries amounted to \$ 1,992,349 at December 31, 2017.

REVOLVING LOAN COMMUNITY DEVELOPMENT PROGRAM

The City's Revolving Loan Community Development Program (Program) provides low interest loans for local businesses for improvements and expansion to promote economic development for the City. These low interest notes are then repaid by the businesses to the City, generally over a 15-year period. The total outstanding notes' balances for local businesses at December 31, 2017, were \$ 245,000.

THE REDEVELOPMENT AUTHORITY OF THE CITY OF FARRELL

The City, in March 2007, loaned the Redevelopment Authority of the City of Farrell (Authority) \$ 135,000. The loan was used to assist the Authority in constructing a Little League Field Complex with attending structures. The terms of the note required repayment of the loan over 15 years at an annual fixed interest rate of three (3) percent. The note requires that the Authority pay interest only for the first 36 months. Then, at month 37, begin paying principal and interest payments totaling \$ 932. In addition, the Authority may forego the payment of any interest installment in the first 36 months. Any such unpaid interest will be added to principal obligation and, as such, will increase the principal obligation and the monthly installments of principal and interest to be determined at the time of the first monthly principal and interest installment. As of December 31, 2017, no payments were received from this loan.

The City expects that the Authority will not be able to repay the amount of the loan. As such, an allowance for uncollectable amount of \$ 135,000 was created.

CITY OF FARRELL

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The following is a summary of the City's notes receivable as of December 31, 2017:

| | |
|--|---------------------|
| E.D.P. Program | \$ 1,992,349 |
| Revolving Loan Community Development Program | 444,432 |
| The Redevelopment Authority of the City of Farrell | <u>135,000</u> |
| <u>TOTAL NOTES RECEIVABLE:-</u> | \$ 2,571,781 |
| LESS: Allowance for Uncollectable | (<u>334,432</u>) |
| <u>TOTAL NET NOTES RECEIVABLE:-</u> | <u>\$ 2,237,349</u> |

In the City's fund accounting, loan repayments reduce outstanding balances. Loans made increase outstanding balances. The only income recognized as revenue is interest income.

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2017, is as follows:

| <u>RECEIVABLE</u> | <u>PAYABLE</u> | <u>AMOUNT</u> |
|---|---|---------------------|
| Revolving Loan Community Development Fund | General Fund | \$ 36,599 |
| Revolving Loan Community Development Fund | Capital Projects Fund | 19,334 |
| Revolving Loan Community Development Fund | Community Development Block Grant Fund | 14,790 |
| E.D.P Fund | Revolving Loan Community Development Fund | 123,744 |
| General Fund | Community Development Block Grant Fund | 2,061 |
| General Fund | Capital Projects Fund | 486,017 |
| General Fund | Recreation Fund | 547 |
| General Fund | Sewer Fund | 106,373 |
| General Fund | Special Highway Fund | 1,988 |
| E.D.P. Fund | Redevelopment Authority | <u>863,000</u> |
| <u>TOTAL:-</u> | | <u>\$ 1,654,453</u> |

Some amounts above are netted with the other funds for reporting purposes on the balance sheet for governmental funds.

Also, the general fund pays for a portion of the Revolving Loan Community Development, sewer, capital projects, and special highway funds operating expenses. The general fund is reimbursed as funding becomes available. The other funds interfund balances are due to these advances. The advance from the E.D.P. Fund to the Redevelopment Authority of \$ 863,000 is not expected to be repaid within a year.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

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Interfund transfers:

| <u>TRANSFERS IN</u> | <u>TRANSFERS OUT</u> | <u>AMOUNT</u> |
|--|---|-------------------------|
| General Fund | Sewer Fund | \$ 100,000 |
| General Fund | Community Development Block Grant Fund | 98,565 |
| Capital Projects Fund | General Fund | 667,661 |
| Revolving Loan Community Development Fund | DCNR | 100 |
| Sewer Capital Fund | Sewer Fund | 100,000 |
| Special Highway Fund | General Fund | 32,930 |
| Centennial Fund | General Fund | <u>1,200</u> |
| <u>TOTAL:-</u> | | <u>\$ 1,000,456</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Some amounts above are netted with the other fund for reporting purposes on the statement of revenues, expenditures, and changes in fund balances for proprietary funds.

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

| | <u>BALANCE</u> <u>DECEMBER 31,</u> <u>2016</u> | <u>ADDITIONS</u> | <u>DELETIONS</u> | <u>BALANCE</u> <u>DECEMBER 31,</u> <u>2017</u> |
|---|--|-------------------------|-------------------------|--|
| <u>Governmental Activities -</u> | | | | |
| <u>Capital Asset Not Being</u> | | | | |
| <u>Depreciated -</u> | | | | |
| Land | \$ 144,968 | \$ - | (\$ 10,953) | \$ 134,015 |
| <u>Capital Assets Being Depreciated -</u> | | | | |
| Buildings and Improvements | 3,421,848 | - | (157,233) | 3,264,615 |
| Vehicles | 1,040,062 | 215,809 | (145,471) | 1,110,400 |
| Equipment, Furniture, and Other Assets | <u>321,348</u> | <u>18,917</u> | <u>(45,782)</u> | <u>294,483</u> |
| <u>TOTALS:-</u> | <u>\$ 4,928,226</u> | <u>\$ 234,726</u> | <u>(\$ 359,439)</u> | <u>\$ 4,803,513</u> |
| <u>Accumulated Depreciation for -</u> | | | | |
| Buildings and Improvements | (\$ 2,408,077) | (\$ 94,030) | \$ 23,645 | (\$ 2,478,462) |
| Vehicles | (604,792) | (104,285) | 128,710 | (580,367) |
| Equipment, Furniture, and Other Assets | <u>(247,312)</u> | <u>(18,324)</u> | <u>30,162</u> | <u>(235,474)</u> |
| <u>TOTAL ACCUMULATED</u> <u>DEPRECIATION:-</u> | <u>(\$ 3,260,181)</u> | <u>(\$ 216,639)</u> | <u>\$ 182,517</u> | <u>(\$ 3,294,303)</u> |

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

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| | <u>BALANCE</u> <u>DECEMBER 31,</u> <u>2016</u> | <u>ADDITIONS</u> | <u>DELETIONS</u> | <u>BALANCE</u> <u>DECEMBER 31,</u> <u>2017</u> |
|--|--|------------------|------------------|--|
| <u>Governmental Activities Capital</u> <u>Assets, Net -</u> | \$ 1,668,045 | \$ 18,087 | (\$ 176,922) | \$ 1,509,210 |

Depreciation expense is included in the statement of activities as follows:

Unallocated \$ 216,639

| | <u>BALANCE</u> <u>DECEMBER 31,</u> <u>2016</u> | <u>ADDITIONS</u> | <u>DELETIONS</u> | <u>BALANCE</u> <u>DECEMBER 31,</u> <u>2017</u> |
|--|--|------------------|------------------|--|
| <u>Business-Type Activities -</u> | | | | |
| <u>Capital Asset Not Being</u> <u>Depreciated -</u> | | | | |
| Land | \$ 123,800 | \$ - | \$ - | \$ 123,800 |
| <u>Capital Assets Being Depreciated -</u> | | | | |
| Building and Improvements | 7,518,956 | - | - | 7,518,956 |
| Vehicles | 21,000 | - | - | 21,000 |
| Equipment, Furniture, and Other Assets | <u>149,029</u> | <u>-</u> | <u>-</u> | <u>149,029</u> |
| <u>TOTALS:-</u> | <u>\$ 7,812,785</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,812,785</u> |

| | | | | |
|---|-----------------------|---------------------|-------------|-----------------------|
| <u>Accumulated Depreciation for -</u> | | | | |
| Buildings and Improvements | (\$ 5,101,856) | (\$ 98,926) | \$ - | (\$ 5,200,782) |
| Vehicles | (16,800) | (4,200) | - | (21,000) |
| Equipment, Furniture, and Other Assets | <u>(146,048)</u> | <u>-</u> | <u>-</u> | <u>(146,048)</u> |
| <u>TOTAL ACCUMULATED</u> <u>DEPRECIATION:-</u> | <u>(\$ 5,264,704)</u> | <u>(\$ 103,126)</u> | <u>\$ -</u> | <u>(\$ 5,367,830)</u> |

| | | | | |
|---|---------------------|---------------------|-------------|---------------------|
| <u>Business-Type Activities Capital</u> <u>Assets, Net -</u> | <u>\$ 2,548,081</u> | <u>(\$ 103,126)</u> | <u>\$ -</u> | <u>\$ 2,444,955</u> |
|---|---------------------|---------------------|-------------|---------------------|

Depreciation expense is included in the statement of activities as follows:

Sewer Services \$ 103,126

8. NON-CURRENT LIABILITIES

Non-current liabilities as of December 31, 2017, consisted of the following:

GOVERNMENTAL ACTIVITIES:-

Serial coupon bonds, Series A-2008, that mature through August 2027, at fixed various interest rates. The bonds are secured by the City's annual Community Development Block Grant proceeds and the City's Community Development Revolving Loan Fund's cash and cash equivalents and investments. \$ 568,000

CITY OF FARRELL

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Note payable to a local bank with monthly payments of \$ 1,577, including interest at 2.55 percent, due May 2020, secured by vehicle. 42,651

Note payable to a local bank with monthly payments of \$ 1,690, including interest at 2.75 percent, due November 2020, secured by vehicle. 56,721

Note payable to a local bank with monthly payments of \$ 1,793, including interest at 2.95 percent, due March 2021, secured by vehicle. 62,961

TOTAL NOTES AND BONDS PAYABLE:- \$ 730,333

Compensated Absences (Note "10") 80,027

Post-Employment Benefits Other than Pension (Note "11") 396,068

Reserve for Restricted Cash and Cash Equivalents 613

Net Pension Liability 2,094,190

TOTAL:- \$ 3,301,231

CURRENT PORTION:- (109,754)

TOTAL NON-CURRENT LIABILITIES - GOVERNMENTAL ACTIVITIES:- \$ 3,191,477

Governmental activities liability activity for the year ended December 31, 2017, was as follows:

| | <u>BALANCE</u> <u>DECEMBER 31,</u> <u>2016</u> | <u>ADDITIONS</u> | <u>DELETIONS</u> | <u>BALANCE</u> <u>DECEMBER 31,</u> <u>2017</u> | <u>DUE</u> <u>WITHIN</u> <u>ONE YEAR</u> |
|--|--|------------------|----------------------|--|--|
| 2016 Note Payable | \$ 60,224 | \$ - | (\$ 17,573) | \$ 42,651 | \$ 18,048 |
| 2016 Note Payable | 75,138 | - | (18,417) | 56,721 | 18,957 |
| 2017 Note Payable | - | 76,692 | (13,731) | 62,961 | 18,749 |
| 2014 Note Payable | 57,063 | - | (57,063) | - | - |
| 2008 Guaranteed Serial Coupon Bond Series 2008-A | <u>622,000</u> | <u>-</u> | <u>(54,000)</u> | <u>568,000</u> | <u>54,000</u> |
| <u>SUBTOTAL - NOTES</u> <u>AND BOND</u> <u>PAYABLE:-</u> | <u>\$ 814,425</u> | <u>\$ 76,692</u> | <u>(\$ 160,784)</u> | <u>\$ 730,333</u> | <u>\$ 109,754</u> |
| <u>COMPENSATED</u> <u>ABSENCES:-</u> | <u>\$ 92,301</u> | <u>\$ -</u> | <u>(\$ 12,274)</u> | <u>\$ 80,027</u> | <u>\$ -</u> |
| <u>POST-EMPLOYMENT</u> <u>BENEFITS OTHER THAN</u> <u>PENSION (AS</u> <u>RESTATED):-</u> | <u>\$ 443,288</u> | <u>\$ 19,562</u> | <u>(\$ 66,782)</u> | <u>\$ 396,068</u> | <u>\$ -</u> |

CITY OF FARRELL

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| | <u>BALANCE</u> <u>DECEMBER 31,</u> <u>2016</u> | <u>ADDITIONS</u> | <u>DELETIONS</u> | <u>BALANCE</u> <u>DECEMBER 31,</u> <u>2017</u> | <u>DUE</u> <u>WITHIN</u> <u>ONE YEAR</u> |
|---|--|------------------|------------------|--|--|
| <u>RESERVE FOR</u> <u>RESTRICTED CASH AND</u> <u>CASH EQUIVALENTS:-</u> | \$ 613 | \$ - | \$ - | \$ 613 | \$ - |
| <u>NET PENSION</u> <u>LIABILITY:-</u> | \$ 1,538,486 | \$ 555,704 | \$ - | \$ 2,094,190 | \$ - |
| <u>TOTAL GOVERNMENTAL</u> <u>ACTIVITIES:-</u> | \$ 2,889,113 | \$ 651,958 | (\$ 239,840) | \$ 3,301,231 | \$ 109,754 |

The above notes are generally paid through general fund expenditures. The bonds are being paid from the City's annual Community Development Block Grant and by the Revolving Loan Community Development funds.

Interest expense incurred by the City for governmental activities totalled \$ 36,664 for the year ended December 31, 2017.

The following is a schedule of approximate annual debt service requirements to retire the governmental activities notes and bond payable as of December 31, 2017:

| <u>YEARS ENDING</u> <u>DECEMBER 31,</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>PAYMENTS</u> |
|--|-------------------|-------------------|-------------------|
| 2018 | \$ 109,754 | \$ 32,898 | \$ 142,652 |
| 2019 | 111,308 | 28,849 | 140,157 |
| 2020 | 98,256 | 24,718 | 122,974 |
| 2021 | 59,015 | 21,316 | 80,331 |
| 2022 | 54,000 | 18,525 | 72,525 |
| 2023 - 2027 | <u>298,000</u> | <u>50,651</u> | <u>348,651</u> |
| <u>TOTAL:-</u> | <u>\$ 730,333</u> | <u>\$ 176,957</u> | <u>\$ 907,290</u> |

BUSINESS-TYPE ACTIVITIES:-

The non-current liabilities of the enterprise fund for the year ended December 31, 2017, consisted of the following:

| | |
|---|-------------------|
| Guaranteed Sewer Revenue Series Note of 1998, principal amount of \$ 2,100,000, with monthly payments of \$ 12,551, including interest at 3.62 percent to maturity at June 2018, collateralized by gross sewer receipts and the City of Farrell. | \$ 74,519 |
| Guaranteed Sewer Revenue Series of 2006, principal amount of \$ 889,294, with monthly payments of \$ 4,669 to PENNVEST, including interest at 2.77 percent to maturity at May 2027, collateralized by gross sewer receipts and the City of Farrell. | <u>471,016</u> |
| <u>TOTAL NOTES PAYABLE:-</u> | <u>\$ 545,535</u> |

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

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| | |
|--|---------------------------|
| Compensated Absences (Note "10") | 31,845 |
| Post-Employment Benefits Other Than Pension (Note "11") | <u>18,564</u> |
| <u>TOTAL:-</u> | \$ 595,944 |
| <u>CURRENT PORTION:-</u> | (<u>118,058</u>) |
| <u>TOTAL NON-CURRENT LIABILITIES - BUSINESS-TYPE ACTIVITIES:-</u> | <u>\$ 477,886</u> |

Business-type activities liability activity for the year ended December 31, 2017, was as follows:

| | <u>BALANCE</u> <u>DECEMBER 31,</u> <u>2016</u> | <u>ADDITIONS</u> | <u>DELETIONS</u> | <u>BALANCE</u> <u>DECEMBER 31,</u> <u>2017</u> | <u>DUE</u> <u>WITHIN</u> <u>ONE YEAR</u> |
|---|--|----------------------|------------------------------|--|--|
| Guaranteed Sewer Revenue Series of 1998, Principal Amount of \$ 2,100,000 | \$ 219,576 | \$ - | (\$ 145,057) | \$ 74,519 | \$ 74,519 |
| Guaranteed Sewer Revenue Series of 2006, Principal Amount of \$ 889,294 | <u>513,367</u> | <u>-</u> | <u>(42,351)</u> | <u>471,016</u> | <u>43,539</u> |
| <u>SUBTOTAL - NOTES PAYABLE:-</u> | \$ 732,943 | \$ - | (\$ 187,408) | \$ 545,535 | \$ 118,058 |
| Compensated Absences | 36,615 | - | (4,770) | 31,845 | - |
| Post-Employment Benefits Other Than Pension (as Restated) | <u>20,777</u> | <u>917</u> | <u>(3,130)</u> | <u>18,564</u> | <u>-</u> |
| <u>TOTAL BUSINESS-TYPE ACTIVITIES:-</u> | <u>\$ 790,335</u> | <u>\$ 917</u> | <u>(\$ 195,308)</u> | <u>\$ 595,944</u> | <u>\$ 118,058</u> |

The above liabilities are paid through sewer fund appropriations.

Interest expense incurred by the City for business-type activities totalled \$ 19,241 for the year ended December 31, 2017.

The following is a schedule of approximate annual debt service requirements to retire the business-type activities notes payable as of December 31, 2017:

| <u>YEARS ENDING</u> <u>DECEMBER 31,</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>PAYMENTS</u> |
|--|------------------|-----------------|-----------------|
| 2018 | \$ 118,058 | \$ 13,707 | \$ 131,765 |
| 2019 | 44,760 | 11,274 | 56,034 |
| 2020 | 46,016 | 10,018 | 56,034 |
| 2021 | 47,307 | 8,727 | 56,034 |

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| <u>YEARS ENDING</u> <u>DECEMBER 31,</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>PAYMENTS</u> |
|--|-------------------|------------------|-------------------|
| 2022 | 48,634 | 7,400 | 56,034 |
| 2023 - 2027 | <u>240,760</u> | <u>15,862</u> | <u>256,622</u> |
| <u>TOTAL:-</u> | <u>\$ 545,535</u> | <u>\$ 66,988</u> | <u>\$ 612,523</u> |

OTHER FINANCING

The City's general fund borrows an amount equivalent to a tax anticipation note from the Revolving Loan Community Development Fund. City Council annually approves this borrowing. Total amount borrowed and repaid in 2017 amount to \$ 200,000 and \$ 217 in interest for a total of \$ 200,217.

9. DEFINED BENEFIT PENSIONS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Pennsylvania Municipal Retirement System (PMRS Pension Plan) and additions to/deductions from PMRS's fiduciary net position have been determined on the same basis as they are reported by PMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GENERAL INFORMATION ABOUT THE PENSION PLAN

PLAN DESCRIPTION

The City's Non-Uniform pension plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 0-8-2005 adopted pursuant to Act 15 of 1974. The City's firefighter pension plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance Number 0-1-2010, adopted pursuant to Act 15 of 1974. The City's police pension plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance Number 0-2-2010 adopted pursuant to Act 15 of 1974 (collectively "Plans"). The Plans are administered by PMRS, which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. The Plan shall be governed by and interpreted and enforced in accordance with the Pennsylvania Municipal Retirement Law (PMRL). The PMRL grants authority to establish and amend the benefit terms to the Authority and the PMRS Board (Board).

BENEFIT PROVISIONS

POLICE PENSION PLAN

The City provides retirement, disability, and death benefits. Participants are eligible for monthly retirement benefits upon reaching the normal retirement criteria of age 50 with at least 12 years of credited service or

CITY OF FARRELL

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early retirement criteria of age 45 with 20 years of credited service. Participants are 100 percent vested after ten (10) years of credited service if hired prior to January 1, 2016 and after 12 years of credited service if hired subsequent to January 1, 2016. Benefits are generally equal to two (2) percent final average salary as defined by the plan.

Participants are eligible for disability retirement benefits for both service related and non-service related disabilities. For service related disabilities, a participant is eligible for benefits if they are unable to perform gainful employment regardless of age or service. Benefits are limited to 50 percent of the final average salary, as defined in the plan, if hired on or after January 1, 2016 and will be offset by any worker compensation benefits. For participants hired prior to January 1, 2016, the maximum benefit is limited to 45 percent of the final average salary, as defined in the plan. For non-service related disabilities, a participant is eligible for benefits if they are unable to perform gainful employment. Benefits are limited to 30 percent of the final average salary, as defined in the plan, if hired on or after January 1, 2016 and require a minimum of ten (10) years of service. For participants hired prior to January 1, 2016, the maximum benefit is limited to 45 percent of the final average salary, as defined in the plan, and requires a minimum of 25 years of service.

For participant hired prior to January 1, 2016, death benefits are payable at 100 percent upon the death of a member who is eligible to retire or retired at the time of death. For participants hired subsequent to January 1, 2016, death benefits are payable at 50 percent upon the death of a member who is eligible to retire or retired at the time of death.

NON-UNIFORM PLAN

The City provides retirement, disability, and death benefits. Participants are eligible for monthly retirement benefits upon reaching the normal retirement criteria of age 60 with at least ten (10) years of credited service. Participants are 100 percent vested after ten (10) years of credited service. Benefits are generally equal to two and one-half (2½) percent final average salary as defined by the plan.

Participants are eligible for unreduced accrued disability retirement benefits upon completion of 15 years of credited service.

Death benefits are payable at 100 percent upon the death of a member who is eligible to retire at the time of death.

FIREFIGHTERS PLAN

The City provides retirement, disability, and death benefits. Participants are eligible for monthly retirement benefits upon reaching the normal retirement criteria of age 50 with at least ten (10) years of credited service if hired prior to January 24, 2001 or age 50 with 12 years of service if hired after January 24, 2001. Participants are eligible for monthly retirement benefits upon reaching early retirement criteria of age 45 with 20 years of credited service if hired prior to January 24, 2001. Participants are 100 percent vested after 12 years of credited service. Benefits are generally equal to two (2) percent final average salary as defined by the plan.

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Participants are eligible for disability retirement benefits for both service related and non-service related disabilities. A service related disability benefit is provided to a member who is unable to perform gainful employment regardless of age of service. Benefits are 50 percent of monthly salary, reduced by five (5) percent of monthly salary for each year before normal retirement age; increased by five (5) percent of monthly salary per years of service in excess of 25 years with a maximum benefit of 45 percent on monthly salary. A non-service related disability benefit is provided only to participants hired prior to January 24, 2001 with at least 25 years of credit service and who are unable to perform gainful employment. Benefits are 50 percent of monthly salary, reduced by five (5) percent of monthly salary for each year before normal retirement age; increased by five (5) percent of monthly salary per years of service in excess of 25 years with a maximum benefit of 45 percent on monthly salary.

For participants hired prior to January 1, 2016, death benefits are payable at 100 percent upon the death of a member who is eligible to retire or retired at the time of death. For participants hired subsequent to January 1, 2016, death benefits are payable at 50 percent upon the death of a member who is eligible to retire or retired at the time of death.

Death benefits are payable at 100 percent upon the death of a member who is eligible to retire or is retired at the time of death.

EMPLOYEES COVERED BY BENEFIT TERMS

At December 31, 2017, the following employees were covered by the benefit terms:

| | <u>NON- UNIFORM</u> | <u>FIRE FIGHTERS</u> | <u>POLICE</u> | <u>TOTAL</u> |
|--|-------------------------|--------------------------|---------------|---------------|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 17 | 12 | 18 | 47 |
| Inactive Employees Entitled to, But Not Yet Receiving Benefits | 0 | 0 | 6 | 6 |
| Active Employees | <u>14</u> | <u>0</u> | <u>11</u> | <u>25</u> |
| <u>TOTAL:-</u> | <u>31</u> | <u>12</u> | <u>35</u> | <u>78</u> |

CONTRIBUTIONS

Act 205 requires that annual contributions be based upon the Plan's Minimum Municipal Obligation (MMO). The MMO is based upon the Plan's biennial actuarial valuation. In accordance with the Plan's governing ordinance, non-uniform members contribute 3.00 percent, police and firemen members are required to contribute 5.00 percent of compensation to the Plan. Employer contributions to the Plan amounted to \$ 409,288 for the year ended December 31, 2016.

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The plans may also be eligible to receive an allocation of State aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and State aid must be paid by the municipality under Act 205.

NET PENSION LIABILITY

The City's net pension liability was measured as of December 31, 2016. The total pension liability is measured as of December 31, 2016, based upon the actuarial valuation of the same date. The total pension liability reflects the assumption changes as passed by the Board of Trustee of PMRS effective for actuarial valuations as of December 31, 2016. The beginning of year total pension liability as of December 31, 2015, is based upon the actuarial valuation one (1) year prior and then projected to this date.

ACTUARIAL ASSUMPTIONS

The total pension liability was determined by an actuarial valuation on January 1, 2017, using the following actuarial assumptions:

| | <u>Non-Uniform</u> | <u>Firefighters</u> | <u>Police</u> |
|----------------------------|--------------------|---------------------|-----------------|
| Actuarial valuation date | January 1, 2017 | January 1, 2017 | January 1, 2017 |
| Actuarial cost method | Entry Age | Entry Age | Entry Age |
| | Normal | Normal | Normal |
| Actuarial Assumptions: | | | |
| Investment rate of return | 5.25% | 5.25% | 5.25% |
| Projected salary increases | 3.3% | 3.3% | 3.3% |
| Underlying inflation rate | 2.8% | 2.8% | 2.8% |

Health Life Mortality - Pre-Retirement:

Male - RP-2000 Non-Annuitant Table Projected 15 Year with Scale AA
Female - RP-2000 Non-Annuitant Table Projected 15 Years With Scale AA and
Then Setback 5 Years

Health Life Mortality - Post-Retirement:

Male - RP-2000 Non-Annuitant Table Projected 5 Year with Scale AA
Female - RP-2000 Non-Annuitant Table Projected 10 Years With Scale AA

The actuarial assumptions are based on the PMRS experience study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015.

Change in Actuarial Assumption - Investment Return Assumption for municipal assets decreased from 5.5 percent to 5.25 percent.

Long-Term Expected Rate of Return - The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to

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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, 2016:

| | <u>TARGET ASSET ALLOCATION</u> | <u>LONG-TERM EXPECTED REAL RATE OF RETURN</u> |
|--|--|---|
| Domestic Equities (Large Capitalized Firms) | 25% | 6.4% |
| Domestic Equities (Small Capitalized Firms) | 15% | 7.0% |
| International Equities (International Developed Markets) | 15% | 3.7% |
| International Equities (Emerging Markets) | 10% | 7.9% |
| Real Estate | 20% | 7.0% |
| Fixed Income | <u>15%</u> | <u>2.4%</u> |
| <u>TOTAL PORTFOLIO:-</u> | <u>100%</u> | <u>5.8%</u> |

Based on the four-part analysis, the Board established the System's Long-Term Expected Rate of Return at 7.5 percent.

In addition to determining the System's Long-Term Expected Rate of Return, PMRS also develops a Long-Term Expected Rate of Return for individual participating municipalities. The Long-Term Expected Rate of Return for individual participating municipalities is also referred to as the Regular Interest Rate. Under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), the Board is obligated to apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. Therefore, under the law, the Long-Term Expected Rate of Return for individual participating municipalities is equal to the Regular Interest Rate. The rationale for the difference between the System's long-term expected rate of return and the individual participating municipalities' regular interest rate is described in the following section "Discount Rate". As of December 31, 2016, this rate is equal to 5.25 percent.

The System's policy in regard to the investment income allocation on invested assets is established and may be amended by the PMRS Board. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of PMRS.

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DISCOUNT RATE

While it is often common practice to establish an actuarial Discount Rate that is equal to the Long-Term Expected Rate of Return, PMRS is required by law (Act 15 of 1974) to establish a Discount Rate equal to the Regular Interest Rate. The PMRS Board establishes the Regular Interest Rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. The Board considered the following five (5) quantitative factors in establishing the Regular Interest Rate:

1. Retiree Plan liability as a percentage of total Plan liability,
2. Active Plan participant liability as a percentage of total Plan liability,
3. Smoothed Pension Benefit Guarantee Corporation (PBGC) annuity rates,
4. PMRS System Long-Term Expected Rate of Return, and
5. PMRS administrative expenses

The Board may then adjust the Regular Interest Rate derived from the formula due to a variety of qualitative factors such as the desire to minimize Regular Interest Rate volatility, trending of PBGC annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System's investment and actuarial consultants. The Discount Rate adopted by the Board and used to measure the individual participating municipalities' total pension liability was 5.25 percent as of December 31, 2016.

The Regular Interest Rate/Discount Rate will likely be less than the System Long-Term Expected Rate of Return. Should the System experience a prolonged period of investment returns in excess of the Regular Interest Rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with the Board policies in the form of Excess Interest as provide for in the law.

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the Discount Rate was required ("depletion testing"), used the following assumptions: 1) member contributions will be made at the current contribution rate; 2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate; and 3) the System's Long-Term Expected Rate of Return will be used in the depletion testing of projected cash flows. Based on those assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

CHANGE IN NET PENSION LIABILITY

The change in net pension liability during the year ended December 31, 2016, was as follows:

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| | INCREASE (DECREASE) | | |
|--|----------------------|----------------------|---------------------|
| | <u>TOTAL</u> | <u>PLAN</u> | |
| | <u>PENSION</u> | <u>FIDUCIARY</u> | <u>NET PENSION</u> |
| | <u>LIABILITY</u> | <u>NET POSITION</u> | <u>LIABILITY</u> |
| | <u>(a)</u> | <u>(b)</u> | <u>(a) - (b)</u> |
| <u>BALANCES AT DECEMBER 31, 2015:-</u> | \$ 6,008,239 | \$ 4,469,753 | \$ 1,538,486 |
| <u>CHANGES FOR THE YEAR:-</u> | | | |
| Service Cost | \$ 89,916 | \$ - | \$ 89,916 |
| Interest | 372,252 | - | 372,252 |
| Changes of Benefits | - | - | - |
| Changes of Assumptions * | 334,142 | - | 334,142 |
| Differences Between Expected and Actual Experience | 216,984 | - | 216,984 |
| Contributions - Employer | - | 409,288 | (409,288) |
| Contributions - PMRS Assessment | - | 1,720 | (1,720) |
| Contributions - Employee | - | 31,316 | (31,316) |
| PMRS Investment Income | - | 338,833 | (338,833) |
| Market Value Investment Income ** | - | (199,286) | 199,286 |
| Transfers | 6,407,933 | 6,301,273 | 106,660 |
| Benefit Payments | (596,936) | (596,936) | - |
| PMRS Administrative Expense | - | (1,020) | 1,020 |
| Additional Administrative Expenses | - | (16,601) | 16,601 |
| <u>NET CHANGES:-</u> | \$ 6,824,291 | \$ 6,268,587 | \$ 555,704 |
| <u>BALANCES AT DECEMBER 31, 2016:-</u> | \$ 12,832,530 | \$ 10,738,340 | \$ 2,094,190 |

* Assumption changes reflect the liability impact of the Board of Trustees approved changes as of December 31, 2016.

** Reflects the net investment income (loss) of \$ 135,664 and the income (loss) due to the difference between expected and actual asset values of (\$ 334,950) which includes the impact from allocation of assets in support of the underlying retiree liabilities.

The 2017 change in net pension liability does not reflect changes in benefits or assumptions after January 1, 2017. Because the beginning and end of year Total Pension Liability (TPL) is based upon the different actuarial valuation dates, there is a difference between expected and actual experience reported this year. The beginning of year TPL is based upon the January 1, 2015 actuarial valuation, with liabilities measured at December 31, 2014, rolled forward to December 31, 2015 and reflecting the impact of assumption changes and plan changes, if applicable. The end of year TPL is based upon the January 1, 2017 actuarial valuation with liabilities measured at December 31, 2016.

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According to Governmental Accounting Standards Board (GASB) Statements No. 67 and 68, PMRS is required to allocate/distribute all funds to the respective participating employers for financial reporting purposes, to determine the respective employer "plan fiduciary net position".

PMRS has determined that net investment income or loss and administrative expenses will be allocated to the employer/municipality accounts pro-rata based on their beginning Fiduciary Net Position balance adjusted for cash flows throughout the year. The "Additional Administrative Expenses" are the expenses in excess of the "PMRS Administrative Expense" (i.e., \$ 20 per participant expense paid by each plan). The "PMRS Investment Income" is based upon the regular and excess interest used to credit accounts annually. The "Market Value Investment Income" reflects the investment income/loss during the year net of PMRS investment income and the income/loss due to the difference between expected and actual asset values, including the impact from allocation of assets in support of the underlying retiree liabilities.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the change in the Net Pension Liability (NPL) can be very significant for the relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate with two (2) additional measures, plus and minus one (1) percent from the rate used for disclosure.

| | | <u>1%</u> <u>DECREASE</u> <u>4.25%</u> | <u>DISCOUNT</u> <u>RATE</u> <u>5.25%</u> | <u>1%</u> <u>INCREASE</u> <u>6.25%</u> | |
|--|-------------------|--|--|--|--------------|
| Non-Uniform | | \$ 996,018 | \$ 606,688 | \$ 272,329 | |
| Firefighters | | 957,029 | 768,567 | 609,615 | |
| Police | | <u>1,638,431</u> | <u>718,935</u> | <u>(41,506)</u> | |
| <u>TOTAL:-</u> | | <u>\$ 3,591,478</u> | <u>\$ 2,094,190</u> | <u>\$ 840,438</u> | |
| | | <u>NON-UNIFORM</u> | <u>FIREFIGHTERS</u> | <u>POLICE</u> | <u>TOTAL</u> |
| Total Pension Liability | \$ 3,632,115 | \$ 1,917,235 | \$ 7,283,180 | \$ 12,832,530 | |
| Plan Fiduciary Net Position | <u>3,025,427</u> | <u>1,148,668</u> | <u>6,564,245</u> | <u>10,738,340</u> | |
| <u>NET PENSION LIABILITY:-</u> | <u>\$ 606,688</u> | <u>\$ 768,567</u> | <u>\$ 718,935</u> | <u>\$ 2,094,190</u> | |
| <u>PLAN FIDUCIARY NET POSITION</u> | | | | | |
| <u>AS A PERCENTAGE OF THE TOTAL</u> | | | | | |
| <u>PENSION LIABILITY:-</u> | <u>83.30%</u> | <u>59.91%</u> | <u>90.13%</u> | <u>83.68%</u> | |

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RESOURCES RELATED TO PENSIONS

The impact of investment gains or losses for expensing is recognized over a period of five (5) years. The impact of experience gains or losses and assumption changes on the TPL are recognized in pension expense over the average expected remaining service life of all active and inactive members of the Plan, as provided below.

There were experience gains or losses between the beginning of year and end of year liabilities because the liabilities are based upon two (2) different actuarial valuation dates. Also, assumption changes as of the Measurement Date have been reflected.

For the year ended December 31, 2017, the City recognized pension expense of \$ 217,695. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>NON-UNIFORM</u> | <u>FIREFIGHTERS</u> | <u>POLICE</u> | <u>TOTAL</u> |
|---|--------------------|---------------------|-------------------|-------------------|
| Deferred Outflows of Resources: | | | | |
| Net Differences Between Projected and Actual | | | | |
| Earnings on Pension Plan Investments | \$ 15,822 | \$ - | \$ 242,339 | \$ 258,161 |
| Change in Assumptions | 82,918 | - | 135,689 | 218,607 |
| Difference Between Expected and Actual | | | | |
| Experience | 196,824 | - | - | 196,824 |
| Contributions Made Subsequent to Measurement Date | 83,653 | 114,227 | 15,688 | 213,568 |
| <u>TOTAL DEFERRED OUTFLOWS OF RESOURCES:-</u> | <u>\$ 379,217</u> | <u>\$ 114,227</u> | <u>\$ 393,716</u> | <u>\$ 887,160</u> |
| Deferred Inflows of Resources: | | | | |
| Net Differences Between Projected and Actual | | | | |
| Earnings on Pension Plan Investments | \$ - | \$ 89,796 | \$ - | \$ 89,796 |
| Difference Between Expected and Actual | | | | |
| Experience | 108,202 | - | 4,369 | 112,571 |
| <u>TOTAL INFLOWS OF RESOURCES:-</u> | <u>\$ 108,202</u> | <u>\$ 89,796</u> | <u>\$ 4,369</u> | <u>\$ 202,367</u> |

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

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| <u>YEAR ENDING DECEMBER 31:-</u> | <u>NON-UNIFORM</u> | <u>FIREFIGHTERS</u> | <u>POLICE</u> | <u>TOTAL</u> |
|----------------------------------|--------------------|---------------------|-------------------|-------------------|
| 2017 | \$ 41,816 | \$ (32,404) | \$ 120,376 | \$ 129,788 |
| 2018 | 41,817 | (32,403) | 120,376 | 129,790 |
| 2019 | 47,205 | (11,920) | 66,567 | 101,852 |
| 2020 | 56,524 | (13,069) | 66,340 | 109,795 |
| | <u>\$ 187,362</u> | <u>\$ (89,796)</u> | <u>\$ 373,659</u> | <u>\$ 471,225</u> |

The recognition period for experience and assumption change gains/losses is as follows:

| | |
|--------------|---------|
| Non-Uniform | 5 Years |
| Firefighters | 1 Year |
| Police | 3 Years |

10. COMPENSATED ABSENCES

Employees of the City are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. Employees are represented by a number of labor unions and each contract contains different provisions for such employee-compensated absences. In addition, management and other non-union employees also have agreements with the City that provide for compensated absences. In the fund financial statements, the City recognizes the costs of compensated absences when actually paid to employees.

As of December 31, 2017, the accumulated sick leave special retirement compensation of the various employee groups amounted to \$ 111,872 and is recorded in the entity-wide financial statements. \$ 80,027 of this amount is recorded as non-current liabilities for the governmental activities. The remaining \$ 31,845 is recorded as non-current liabilities in the business-type activities.

11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

PLAN DESCRIPTION

The City of Farrell administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The Plan provides medical insurance (including prescriptions) until retirees are Medicare eligible and life insurance death benefit for eligible retirees for three (3) groups of employees: Firefighters, Police, and Non-Uniformed employees. The benefits are provided for the eligible retirees and their spouses through the City's health insurance plan which covers both active and inactive members. Benefit provisions are established through negotiations between the City and the unions or group representing City employees and are renegotiated each bargaining period. In addition, coverage is provided for management and elected officials. The Retiree Health Plan does not issue a publicly available financial report.

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BENEFITS PROVIDED - MEDICAL BENEFITS

FIREFIGHTERS - No future retirees are eligible. Current eligible retirees and covered spouses will continue with medical and prescription drug coverage until each participant and spouse reaches age 65. Upon reaching age 65 retirees and spouses may continue to participate at their own expense subject to regulations of the City's health insurance company. The Plan does not require any retiree contributions for medical benefits.

POLICE - No future retirees are eligible. In the event that an officer is killed in the line of duty, his/her surviving spouse will be eligible for medical and prescription drug coverage for 10 years or until Medicare eligibility if earlier. Dependent children of those killed in service are entitled to medical and prescription drug coverage until the age specified in the Affordable Care Act, or until they obtain healthcare from another source if earlier. Current eligible retirees and covered spouses will continue with medical coverage until each participant and spouse reaches age 65. The Plan does not require any retiree contributions for medical benefits.

NON-UNIFORMED - Employees hired before January 1, 1992 who retire either after age 60 and completion of 10 years of service or who become totally and permanently disabled after completing 15 years of service, and their spouse, will receive medical and prescription drug coverage until each individual attains age 65. Upon reaching age 65 retirees and spouses may continue to participate at their own expense subject to regulations of the City's health insurance company. The Plan does not require any retiree contribution for medical benefits.

BENEFITS PROVIDED - LIFE INSURANCE DEATH BENEFITS

FIREFIGHTERS - Life insurance in the amount of \$ 15,000 is provided to employees who retire after age 50 and completion of 25 years of service or who incur a total and permanent disablement in the line of duty. Some current retirees' life insurance amounts are less than \$ 15,000 based upon the arrangement in place at the time of their retirement.

POLICE - Life insurance in the amount of \$ 15,000 is provided to employees who retire or are permanently disabled. Two (2) current retirees have life insurance in the amount of \$ 10,000.

Normal Retirement Eligibility: Age 50 with 12 years of service

Early Retirement Eligibility: Age 45 with 20 years of service

NON-UNIFORMED - Life insurance in the amount of \$ 15,000 is provided to employees who retire after age 60 and completion of 10 years of service or are permanently disabled. Some current retirees' life insurance amounts are less than \$ 15,000 based upon the arrangement in place at the time of their retirement.

EMPLOYEES COVERED BY BENEFIT TERMS

At January 1, 2017, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

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| | <u>MEDICAL</u> <u>INSURANCE</u> | <u>LIFE</u> <u>INSURANCE</u> |
|--|------------------------------------|---------------------------------|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 4 | 23 |
| Active Employee | <u>1</u> | <u>19</u> |
| <u>TOTAL:-</u> | <u><u>5</u></u> | <u><u>42</u></u> |

TOTAL OPEB LIABILITY

The City's total OPEB liability of \$ 414,632 was measured as of January 1, 2017, and was determined by an actuarial valuation as of the that date rolled forward to December 31, 2017.

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

| | | |
|--|------------------|----------------|
| Actuarial Valuation Date | January 1, 2017 | |
| Actuarial Cost Method | Entry Age Normal | |
| Actuarial Assumptions: | | |
| Inflation | 2.75% | |
| Discount Rate | 3.75% per year | |
| Salary Increases | 3.75% per year | |
| Healthcare Trend Rates: | 6.00% | 2018 |
| | 5.75% | 2019 |
| | 5.75% | 2020 |
| | 5.50% | 2021 |
| | 5.50% | 2022 |
| | 5.25% | 2023 |
| | 5.25% | 2024 |
| | 5.00% | 2025 and Later |
| Retirees Share of Benefit - Related Costs | None | |
| Change in Assumptions and Other Inputs | None | |
| Change in Benefit Terms | None | |

As of the valuation date, no assets were set aside to fund the OPEB Plan. For unfunded plans, GASB No. 75 requires a selection of a discount rate that is

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dependent on the index rate of 20 year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The interest rate assumption used is 3.75 percent which corresponds more closely to a high quality long-term municipal bond rate published by the Federal Reserve as of the valuation date.

The mortality rates were based on the RP-2014 Mortality Table with 50 percent Blue Collar Adjustment and improvement based on rates from the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report.

CHANGES IN THE TOTAL OPEB LIABILITY

The change in the total OPEB liability during the year ended December 31, 2017, was as follows:

| | <u>TOTAL OPEB LIABILITY</u> |
|---|---------------------------------|
| <u>BALANCE AT JANUARY 1, 2017:-</u> | <u>\$ 464,065</u> |
| <u>CHANGES FOR THE YEAR:-</u> | |
| Service Cost | \$ 4,217 |
| Interest | 16,262 |
| Changes of Benefits Terms | - |
| Changes of Assumptions and Other Inputs | - |
| Differences Between Expected and Actual Experience | - |
| Benefit Payments | <u>(69,912)</u> |
| <u>NET CHANGES:-</u> | <u>\$ (49,433)</u> |
| <u>BALANCE AT DECEMBER 31, 2017:-</u> | <u><u>\$ 414,632</u></u> |

SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the total OPEB liability of the city, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one (1) percentage point lower (2.75%) or one (1) percentage point higher (4.75%) than the current discount rate:

| | <u>1% DECREASE</u> | <u>DISCOUNT RATE 3.75%</u> | <u>1% INCREASE</u> |
|-------------------------------|------------------------|--------------------------------|------------------------|
| <u>TOTAL OPEB LIABILITY:-</u> | <u>\$ 455,014</u> | <u>\$ 414,632</u> | <u>\$ 381,150</u> |

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SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATE

The following presents the total OPEB liability of the city, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one (1) percentage point lower (4.85%) or one (1) percentage point higher (6.85%) than the current discount rate:

| | <u>1%</u> <u>DECREASE</u> | <u>HEALTHCARE</u> <u>COST TREND</u> <u>RATES</u> | <u>1%</u> <u>INCREASE</u> |
|-------------------------------|------------------------------|--|------------------------------|
| | 4.85% | 5.85% | 6.85% |
| <u>TOTAL OPEB LIABILITY:-</u> | <u>\$ 404,126</u> | <u>\$ 414,632</u> | <u>\$ 381,150</u> |

OPEB EXPENSE

For the year ended December 31, 2017, the City recognized OPEB expense of (\$ 153,009).

12. COMMITTED FUNDING

COMMUNITY DEVELOPMENT BLOCK GRANT AGREEMENT

The City, in 2007, entered into an agreement with the Department of Housing and Urban Development for a Community Development Block Grant Section 108 Loan Guarantee Agreement to borrow \$ 1,000,000 to provide funding for street paving, curbs, and catch basin improvements. The City borrowed \$ 500,000 in both 2007 and 2008. The total cost that was incurred through December 31, 2008, was \$ 1,000,000. The City has pledged annual Community Development Block Grant funding and funds from the Revolving Loan Community Development Fund (See Note "7").

13. OTHER COMMITMENTS AND CONTINGENCIES

CONCENTRATION OF SOURCE OF SUPPLY OF LABOR

Certain employees of the City are members of a labor union. The contract with A.F.S.C.M.E. for non-uniform employees is effective January 1, 2015 to December 31, 2017. The City entered into a new contract with A.F.S.C.M.E. for nonuniform employees effective January 1, 2018. The contract terminates December 31, 2021.

14. SIGNIFICANT EVENTS

FINANCIALLY DISTRESSED MUNICIPALITY DESIGNATION

The City, since November 1987, has been designated a financially distressed municipality by the Pennsylvania Department of Community and Economic Development (DCED) under Act 47 of 1987, the Municipalities Financial Recovery Act. The major features of this legislation are:

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

- Development and implementation of a financial recovery plan which is periodically amended and updated;
- Eligibility for a variety of technical assistance from DCED;
- Eligibility for interest-free loans and recovery-oriented grants from DCED;
- Eligibility (with court approval) for a Non-Resident Earned Income Tax; and preferential treatment for certain Commonwealth of Pennsylvania economic development programs

In October 2014, Pennsylvania signed into law House Bill 1773, which limits the amount of time the municipalities have in Act 47 to three (3) or five (5) years. For municipalities in their last year of a recovery plan on the effective date of the section, the date for the termination of distressed status will be three (3) years from the termination date of the current plan. For municipalities emerging from receivership, the five (5) year period will begin to run from the termination of the receivership. The City last adopted their recovery plan in 2013 with plans to move out of the Act 47 program in four (4) to five (5) years. The final year in which the City will have to exit Act 47 and forego the extra nonresident earned income is in 2018.

The Act 47 Coordinator has prepared a Financial Condition report and finds that financial conditions within the City of Farrell are strong and that the City is poised to exit distressed status; however, it is recommended that the City's duration in Act 47 be extended an additional seven (7) months through December 31, 2018, so that Act 47 enabled revenue can be accrued to address capital infrastructure investment needs; economic development projects; and the further development of an Emergency Reserve fund. This extension will strengthen the City's financial condition, grow its tax base, and offer a more sustainable Act 47 exit plan at the close of 2018.

In summary, the Coordinator found: 1) operational deficits of the City have been eliminated and the financial conditions demonstrate a reasonable probability of future balanced budgets absent participation in Act 47 by the close of 2018; 2) obligations have been structured so that there is a reasonable probability of continued timely debt service absent participation in Act 47; 3) there are no claims or judgements that would place the City in imminent jeopardy of financial default; and 4) reasonably projected revenues of the City are sufficient to fund ongoing necessary expenditures, including pension and debt obligations, the continuation of collective bargaining agreements, and the provision of municipal services.

GRANT PROGRAMS

The City participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audit scopes of these program compliance audits are different than the scope of financial and compliance audits performed by an outside, independent certified public accounting firm. The City is

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

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potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of non-compliance, which would result in the disallowance of program expenditures.

LITIGATION

In the normal course of operations, the City is involved in various civil disputes. Management is of the opinion that these are primarily covered by the City's liability insurance and any unfavorable outcome resulting from these actions would not have a material effect on the City's financial position. Also, the City has a claim (\$ 450,000) against a local business. During 2015, a local court has terminated this claim and the City has appealed this matter to the Supreme Court. However, if unsuccessful, the City could have a potential counterclaim for legal expenses which management believes will not be material to the City's financial statements.

15. LEASES

COPIER LEASE

The City entered into an operating lease for two (2) copiers. The lease calls for 60 monthly payments of \$ 341 beginning January 2016 and ending December 2020. Total lease expense for the year ended December 31, 2017, was \$ 4,092.

Minimum future lease payments for the three (3) years subsequent to December 31, 2017, are as follows:

YEAR ENDING DECEMBER 31,

| | |
|----------------|------------------|
| 2018 | \$ 4,092 |
| 2019 | 4,092 |
| 2020 | <u>4,092</u> |
| <u>TOTAL:-</u> | <u>\$ 12,276</u> |

In 2013, the City entered into a lease agreement on a building where the City will receive a total of \$ 427,291 over a 15-year period. The City will receive \$ 851 per month for the first 12 months and the sum of \$ 2,483 per month, commencing on the 13th consecutive month and continuing through the term.

Minimum future lease receipts under this lease agreement for years subsequent to December 31, 2017, are as follows:

YEAR ENDING DECEMBER 31,

| | |
|----------------|-------------------|
| 2018 | \$ 29,792 |
| 2019 | 29,792 |
| 2020 | 29,792 |
| 2021 | 29,792 |
| 2022 | 29,792 |
| There After | <u>178,752</u> |
| <u>TOTAL:-</u> | <u>\$ 327,712</u> |

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

16. NET INVESTMENT IN CAPITAL ASSETS

At December 31, 2017, net investment in capital assets is composed of the following:

| | <u>GOVERNMENTAL ACTIVITIES</u> | <u>BUSINESS-TYPE ACTIVITIES</u> | <u>TOTAL</u> |
|----------------------------|------------------------------------|-------------------------------------|---------------------|
| Net Capital Assets | \$ 1,509,210 | \$ 2,444,955 | \$ 3,954,165 |
| Capital Asset Related Debt | (162,333) | (545,535) | (707,868) |
| <u>TOTAL:-</u> | <u>\$ 1,346,877</u> | <u>\$ 1,899,420</u> | <u>\$ 3,246,297</u> |

17. RESTRICTED NET POSITION AND FUND BALANCES

RESTRICTED NET POSITION

The following is a schedule of restricted net position in the entity-wide financial statements.

GOVERNMENTAL ACTIVITIES:-

| | |
|--------------------------------|---------------|
| Highways | \$ 22,239 |
| Community Development Projects | 582,260 |
| Library | 263 |
| Recreation | <u>19,690</u> |

TOTAL RESTRICTED NET POSITION:- \$ 624,452

RESTRICTED FUND BALANCES:-

GOVERNMENTAL FUNDS:-

Restricted for Specific Use -

| | |
|--------------------------------------|------------|
| Revolving Loan Community Development | \$ 575,676 |
| <u>Non-Major Funds -</u> | |
| Library | 263 |
| Recreation | 19,690 |
| Revolving Loan Rehabilitation | 6,002 |
| Gasoline Program | 41,287 |
| Special Highway | (19,048) |
| Home Façade | <u>582</u> |

TOTAL RESTRICTED FUND BALANCES:- \$ 624,452

18. SUBSEQUENT EVENTS

The City has evaluated subsequent events through June 20, 2018, the date which the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements or notes.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

19. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

In 2017, the City adopted GASB Statement No. 75, Accounting and Financial Reporting for OPEB. This Statement provides guidance related to the accounting and financial reporting by state and local governments for OPEB. The following is a summary of the adjustment to beginning the net position as of December 31, 2016, as a result of the implementation of GASB No. 75:

| | <u>GOVERNMENTAL</u> <u>ACTIVITIES</u> | <u>BUSINESS-TYPE</u> <u>ACTIVITIES</u> | <u>TOTAL</u> |
|---|--|---|---------------------|
| <u>BEGINNING NET POSITION AS PREVIOUSLY</u> <u>REPORTED AT DECEMBER 31, 2016:-</u> | \$ 3,260,673 | \$ 1,946,596 | \$ 5,207,269 |
| <u>RESTATEMENT - IMPLEMENTATION OF GASB</u> <u>NO. 75:-</u> | | | |
| Net OPEB Liability | <u>(352,486)</u> | <u>(16,521)</u> | <u>(369,007)</u> |
| <u>BEGINNING NET POSITION AS RESTATED -</u> <u>JANUARY 1, 2017:-</u> | <u>\$ 2,908,187</u> | <u>\$ 1,930,075</u> | <u>\$ 4,838,262</u> |

CITY OF FARRELL

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

GENERAL FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2017

| | <u>BUDGETED</u> <u>AMOUNTS</u> <u>ORIGINAL</u> <u>AND FINAL</u> <u>(UNAUDITED)</u> | <u>ACTUAL</u> <u>AMOUNTS</u> | <u>VARIANCE</u> <u>WITH FINAL</u> <u>BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u> |
|---|--|---------------------------------|---|
| <u>REVENUES:-</u> | | | |
| Real Estate and Other Local Taxes | \$ 2,500,000 | \$ 3,140,085 | \$ 640,085 |
| Business Licenses and Permits | 96,800 | 121,488 | 24,688 |
| Intergovernmental Revenues | 195,000 | 197,349 | 2,349 |
| Interest | 200 | 1,677 | 1,477 |
| Charges for Services | 50,000 | 48,313 | (1,687) |
| Rents | 15,000 | 13,750 | (1,250) |
| Payments in Lieu of Taxes and Contributions | 55,118 | 58,038 | 2,920 |
| Fines, Fees, and Special Police Services | 54,000 | 61,955 | 7,955 |
| Other Revenues | 50,000 | 66,343 | 16,343 |
| | <u>\$ 3,016,118</u> | <u>\$ 3,708,998</u> | <u>\$ 692,880</u> |
| <u>EXPENDITURES:-</u> | | | |
| <u>Operations -</u> | | | |
| General Government | \$ 965,874 | \$ 849,107 | \$ 116,767 |
| Public Safety - Police | 1,154,537 | 1,170,658 | (16,121) |
| Public Safety - Fire | 299,750 | 318,059 | (18,309) |
| Health and Human Services | 68,622 | 93,984 | (25,362) |
| <u>Public Works -</u> | | | |
| Maintenance and Sanitation | 12,000 | 25,284 | (13,284) |
| Highways and Streets | 341,442 | 358,655 | (17,213) |
| Culture and Recreation | 16,500 | 44,239 | (27,739) |
| Library | 55,400 | 66,374 | (10,974) |
| Intergovernmental Community | 30,201 | 24,736 | 5,465 |
| <u>Debt Service -</u> | | | |
| Interest and Fiscal Charges | 200 | 217 | (17) |
| | <u>\$ 2,944,526</u> | <u>\$ 2,951,313</u> | <u>\$ (6,787)</u> |
| <u>EXCESS REVENUES OVER EXPENDITURES:-</u> | <u>\$ 71,592</u> | <u>\$ 757,685</u> | <u>\$ 686,093</u> |
| <u>OTHER FINANCING SOURCES (USES):-</u> | | | |
| Operating Transfers - In | 350,000 | 198,565 | (151,435) |
| Operating Transfers - Out | (426,592) | (701,791) | (275,199) |
| Sale of Land | 5,000 | - | (5,000) |
| | <u>\$ -</u> | <u>\$ 254,459</u> | <u>\$ 254,459</u> |
| <u>CHANGE IN FUND BALANCE:-</u> | <u>\$ -</u> | <u>\$ 254,459</u> | <u>\$ 254,459</u> |
| <u>FUND BALANCE - BEGINNING OF YEAR:-</u> | <u>-</u> | <u>1,002,110</u> | <u>1,002,110</u> |
| <u>FUND BALANCE - END OF YEAR:-</u> | <u>\$ -</u> | <u>\$ 1,256,569</u> | <u>\$ 1,256,569</u> |

NOTE: There were no budget transfers made during 2017.

CITY OF FARRELL

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

REVOLVING LOAN COMMUNITY DEVELOPMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

| | <u>BUDGETED</u> <u>AMOUNTS</u> <u>ORIGINAL</u> <u>AND FINAL</u> <u>(UNAUDITED)</u> | <u>ACTUAL</u> <u>AMOUNTS</u> | <u>VARIANCE</u> <u>WITH FINAL</u> <u>BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u> |
|--|--|---------------------------------|---|
| <u>REVENUES:-</u> | | | |
| Investment Income | \$ - | \$ 6,460 | \$ 6,460 |
| Other | - | 77,841 | 77,841 |
| | <hr/> | <hr/> | <hr/> |
| <u>TOTAL REVENUES:-</u> | <u>\$ -</u> | <u>\$ 84,301</u> | <u>\$ 84,301</u> |
| <u>EXPENDITURES:-</u> | | | |
| <u>Operations -</u> | | | |
| Public Safety - Police | \$ - | \$ 148,419 | \$ (148,419) |
| Consulting | 45,000 | 41,315 | 3,685 |
| Legal Fees | 10,000 | 3,600 | 6,400 |
| Supplies | 12,500 | 2,928 | 9,572 |
| Conference and Travel | 5,000 | 189 | 4,811 |
| Lot Maintenance | 15,000 | 10,770 | 4,230 |
| <u>Community Development -</u> | | | |
| Appraisals | 15,000 | - | 15,000 |
| Marketing | 15,000 | 7,006 | 7,994 |
| Environmental | 15,000 | - | 15,000 |
| Other Expense | - | 109,484 | (109,484) |
| | <hr/> | <hr/> | <hr/> |
| <u>TOTAL EXPENDITURES:-</u> | <u>\$ 132,500</u> | <u>\$ 323,711</u> | <u>\$ (191,211)</u> |
| <u>EXCESS OF REVENUES (UNDER) EXPENDITURES:-</u> | <u>\$ (132,500)</u> | <u>\$ (239,410)</u> | <u>\$ (106,910)</u> |
| <u>OTHER FINANCING SOURCES AND (USES):-</u> | | | |
| Transfers In | - | 100 | 100 |
| Transfers Out | (7,500) | - | 7,500 |
| | <hr/> | <hr/> | <hr/> |
| <u>NET CHANGE IN FUND BALANCE:-</u> | <u>\$ (140,000)</u> | <u>\$ (239,310)</u> | <u>\$ (99,310)</u> |
| <u>FUND BALANCE - BEGINNING OF YEAR:-</u> | <u>-</u> | <u>814,986</u> | <u>814,986</u> |
| | <hr/> | <hr/> | <hr/> |
| <u>FUND BALANCE - END OF YEAR:-</u> | <u>\$ (140,000)</u> | <u>\$ 575,676</u> | <u>\$ 715,676</u> |

NOTE: There were no budget transfers made during 2017.

SCHEDULE OF REVENUES - GENERAL FUND
BUDGET AND ACTUAL

FUND BASIS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2017

| | 2017 | | VARIANCE FAVORABLE (UNFAVORABLE) | 2016 ACTUAL |
|--|-----------------------|---------------------|--|---------------------|
| | BUDGET (UNAUDITED) | ACTUAL | | |
| <u>OPERATING REVENUES:-</u> | | | | |
| <u>REAL ESTATE TAXES:-</u> | | | | |
| Current Year's | \$ 1,000,000 | \$ 985,321 | \$ (14,679) | \$ 971,152 |
| Prior Years' | 110,000 | 120,129 | 10,129 | 119,079 |
| <u>TOTAL REAL ESTATE TAXES:-</u> | <u>\$ 1,110,000</u> | <u>\$ 1,105,450</u> | <u>\$ (4,550)</u> | <u>\$ 1,090,231</u> |
| <u>LOCAL ENABLING TAXES:-</u> | | | | |
| Real Estate Transfer Taxes | \$ 50,000 | \$ 73,301 | \$ 23,301 | \$ 44,758 |
| Earned Income Taxes | 1,250,000 | 1,868,002 | 618,002 | 2,040,438 |
| Local Services Tax | 90,000 | 93,332 | 3,332 | 94,564 |
| <u>TOTAL LOCAL ENABLING TAXES:-</u> | <u>\$ 1,390,000</u> | <u>\$ 2,034,635</u> | <u>\$ 644,635</u> | <u>\$ 2,179,760</u> |
| <u>BUSINESS LICENSES AND PERMITS:-</u> | | | | |
| Beverage Licenses | \$ 1,800 | \$ 2,100 | \$ 300 | \$ 2,000 |
| Cable TV Permits | 55,000 | 55,674 | 674 | 87,266 |
| Rental Licenses | 18,000 | 13,913 | (4,087) | 11,410 |
| Other Licenses and Permits | 20,000 | 44,237 | 24,237 | 29,874 |
| Prospective Inspection Fees | 500 | 4,589 | 4,089 | - |
| Amusements | 1,500 | 975 | (525) | 825 |
| <u>TOTAL BUSINESS LICENSES AND PERMITS:-</u> | <u>\$ 96,800</u> | <u>\$ 121,488</u> | <u>\$ 24,688</u> | <u>\$ 131,375</u> |
| <u>INTERGOVERNMENTAL REVENUES:-</u> | | | | |
| Public Utilities | \$ 5,000 | \$ 9,231 | \$ 4,231 | \$ 10,417 |
| Pension State Aid | 175,000 | 188,118 | 13,118 | 73,997 |
| Act 147 | - | - | - | 87,400 |
| Volunterr FD Grant | 15,000 | - | (15,000) | - |
| <u>TOTAL INTERGOVERNMENTAL REVENUES:-</u> | <u>\$ 195,000</u> | <u>\$ 197,349</u> | <u>\$ 2,349</u> | <u>\$ 171,814</u> |
| <u>INTEREST:-</u> | | | | |
| Interest - Temporary Investments | \$ 200 | \$ 1,677 | \$ 1,477 | \$ 336 |
| <u>TOTAL INTEREST:-</u> | <u>\$ 200</u> | <u>\$ 1,677</u> | <u>\$ 1,477</u> | <u>\$ 336</u> |
| <u>CHARGES FOR SERVICES:-</u> | | | | |
| Real Estate Tax Office - County | \$ 25,000 | \$ 24,408 | \$ (592) | \$ 25,285 |
| Real Estate Tax Office - School | 25,000 | 23,905 | (1,095) | 25,373 |
| <u>TOTAL CHARGES FOR SERVICES:-</u> | <u>\$ 50,000</u> | <u>\$ 48,313</u> | <u>\$ (1,687)</u> | <u>\$ 50,658</u> |

SCHEDULE OF REVENUES - GENERAL FUND
BUDGET AND ACTUAL

FUND BASIS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2017

| | <u>2017</u> | | | |
|--|---------------------|---------------------|----------------------|---------------------|
| | <u>BUDGET</u> | | <u>VARIANCE</u> | <u>2016</u> |
| | <u>(UNAUDITED)</u> | <u>ACTUAL</u> | <u>FAVORABLE</u> | <u>ACTUAL</u> |
| | | | <u>(UNFAVORABLE)</u> | |
| <u>RENTS:-</u> | | | | |
| Regional Police | \$ - | \$ - | \$ - | \$ (1,250) |
| Regional Lock-Up | 15,000 | 13,750 | (1,250) | 15,000 |
| | <u>15,000</u> | <u>13,750</u> | <u>(1,250)</u> | <u>15,000</u> |
| <u>TOTAL RENTS:-</u> | <u>\$ 15,000</u> | <u>\$ 13,750</u> | <u>\$ (1,250)</u> | <u>\$ 13,750</u> |
| <u>PAYMENTS IN LIEU OF TAXES AND CONTRIBUTIONS:-</u> | | | | |
| Contributions and Donations | \$ 35,000 | \$ 36,200 | \$ 1,200 | \$ 36,000 |
| Payments in Lieu of Taxes | 20,118 | 21,838 | 1,720 | 20,515 |
| | <u>55,118</u> | <u>58,038</u> | <u>2,920</u> | <u>56,515</u> |
| <u>TOTAL PAYMENTS IN LIEU OF TAXES AND CONTRIBUTIONS:-</u> | <u>\$ 55,118</u> | <u>\$ 58,038</u> | <u>\$ 2,920</u> | <u>\$ 56,515</u> |
| <u>FINES, FEES AND SPECIAL POLICE SERVICES:-</u> | | | | |
| Fines | \$ 35,000 | \$ 34,963 | \$ (37) | \$ 33,517 |
| Parking Violations | 2,500 | 225 | (2,275) | 550 |
| Special Police Services | 16,500 | 26,767 | 10,267 | 11,146 |
| | <u>54,000</u> | <u>61,955</u> | <u>7,955</u> | <u>45,213</u> |
| <u>TOTAL FINES, FEES AND SPECIAL POLICE SERVICES:-</u> | <u>\$ 54,000</u> | <u>\$ 61,955</u> | <u>\$ 7,955</u> | <u>\$ 45,213</u> |
| <u>OTHER REVENUES:-</u> | | | | |
| Miscellaneous | \$ 50,000 | \$ 66,343 | \$ 16,343 | \$ 74,478 |
| | <u>50,000</u> | <u>66,343</u> | <u>16,343</u> | <u>74,478</u> |
| <u>TOTAL OPERATING REVENUES:-</u> | <u>\$ 3,016,118</u> | <u>\$ 3,708,998</u> | <u>\$ 692,880</u> | <u>\$ 3,814,130</u> |
| <u>OTHER FINANCING SOURCES (USES):-</u> | | | | |
| Transfers In | \$ 350,000 | \$ 198,565 | \$ (151,435) | \$ 280,250 |
| Sale of Land | 5,000 | - | (5,000) | - |
| | <u>355,000</u> | <u>198,565</u> | <u>(156,435)</u> | <u>280,250</u> |
| <u>TOTAL OTHER FINANCING SOURCES (USES):-</u> | <u>\$ 355,000</u> | <u>\$ 198,565</u> | <u>\$ (156,435)</u> | <u>\$ 280,250</u> |
| <u>TOTAL OPERATING REVENUES AND TRANSFERS:-</u> | <u>\$ 3,371,118</u> | <u>\$ 3,907,563</u> | <u>\$ 536,445</u> | <u>\$ 4,094,380</u> |

CITY OF FARRELL

SCHEDULE OF CHANGES IN NET PENSION LIABILITY - COMBINED

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

(UNAUDITED)

| | <u>MEASUREMENT YEAR ENDING DECEMBER 31,</u> | | |
|---|---|---------------------|---------------------|
| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| <u>TOTAL PENSION LIABILITY:-</u> | | | |
| Service Cost (Beginning of Year) | \$ 89,916 | \$ 92,495 | \$ 103,942 |
| Interest (Including Interest on Service Costs) | 372,252 | 324,519 | 329,965 |
| Changes of Benefit Terms | - | (529) | - |
| Differences Between Expected and Actual Experience | 216,984 | - | (85,552) |
| Changes of Assumptions | 334,142 | 8,358 | - |
| Transfers | 6,407,933 | - | - |
| Benefit Payments, Including Refunds of Employee Contributions | (596,936) | (442,975) | (429,068) |
| <u>NET CHANGE IN TOTAL PENSION LIABILITY:-</u> | <u>\$ 6,824,291</u> | <u>\$ (18,132)</u> | <u>\$ (80,713)</u> |
| <u>TOTAL PENSION LIABILITY - BEGINNING:-</u> | <u>6,008,239</u> | <u>6,026,371</u> | <u>6,107,084</u> |
| <u>TOTAL PENSION LIABILITY - ENDING (a):-</u> | <u>\$ 12,832,530</u> | <u>\$ 6,008,239</u> | <u>\$ 6,026,371</u> |
| <u>PLAN FIDUCIARY NET POSITION:-</u> | | | |
| Contributions - Employer | \$ 409,288 | \$ 273,864 | \$ 276,940 |
| Contributions - Employee | 31,316 | 22,326 | 22,868 |
| Contributions - PMRS Assessment | 1,720 | 1,020 | - |
| Net Investment Income | 338,833 | 231,329 | 225,079 |
| Market Value Investment Income | (199,286) | (140,618) | 188,593 |
| Transfers | 6,301,273 | - | - |
| Benefit Payments, Including Refunds of Employee Contributions | (596,936) | (442,975) | (429,068) |
| Administrative Expense | (1,020) | (1,020) | (980) |
| Additional Administrative Expense | (16,601) | (9,644) | (8,632) |
| <u>NET CHANGE IN PLAN FIDUCIARY NET POSITION:-</u> | <u>\$ 6,268,587</u> | <u>\$ (65,718)</u> | <u>\$ 274,800</u> |
| <u>PLAN FIDUCIARY NET POSITION - BEGINNING:-</u> | <u>4,469,753</u> | <u>4,535,471</u> | <u>4,260,671</u> |
| <u>PLAN FIDUCIARY NET POSITION - ENDING (b):-</u> | <u>\$ 10,738,340</u> | <u>\$ 4,469,753</u> | <u>\$ 4,535,471</u> |
| <u>NET PENSION LIABILITY - ENDING (a)-(b):-</u> | <u>\$ 2,094,190</u> | <u>\$ 1,538,486</u> | <u>\$ 1,490,900</u> |
| <u>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY:-</u> | <u>83.68%</u> | <u>74.39%</u> | <u>75.26%</u> |
| <u>COVERED EMPLOYEE PAYROLL:-</u> | <u>\$ 1,196,894</u> | <u>\$ 702,564</u> | <u>\$ 774,081</u> |
| <u>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL:-</u> | <u>174.97%</u> | <u>218.98%</u> | <u>192.60%</u> |

This schedule of required supplementary information will eventually build up to 10 years of information.

CITY OF FARRELL

SCHEDULES OF EMPLOYER CONTRIBUTIONS - COMBINED

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

(UNAUDITED)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------------|-------------------|-------------------|
| <u>ACTUARIALLY DETERMINED CONTRIBUTION:-</u> | \$ 407,014 | \$ 269,374 | \$ 268,099 |
| <u>CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION:-</u> | <u>409,288</u> | <u>273,864</u> | <u>276,940</u> |
| <u>CONTRIBUTION DEFICIENCY (EXCESS):-</u> | <u>\$ (2,274)</u> | <u>\$ (4,490)</u> | <u>\$ (8,841)</u> |
| <u>COVERED EMPLOYEE PAYROLL:-</u> | <u>\$ 1,196,894</u> | <u>\$ 702,564</u> | <u>\$ 774,081</u> |
| <u>CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL:-</u> | <u>34.20%</u> | <u>38.98%</u> | <u>35.78%</u> |

This schedule of required supplementary information will eventually build up to 10 years of information.

CITY OF FARRELL
SCHEDULE OF CHANGES IN NET
POST-EMPLOYMENT BENEFITS OTHER THAN PENSION

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

(UNAUDITED)

| | <u>MEASUREMENT</u> <u>YEAR ENDING</u> <u>DECEMBER 31,</u> |
|---|---|
| <u>TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY:-</u> | |
| Service Cost | \$ 4,217 |
| Interest | 16,262 |
| Changes of Benefit Terms | - |
| Changes of Assumptions or Other Inputs | - |
| Differences Between Expected and Actual Experience | - |
| Benefit Payments | <u>(69,912)</u> |
| <u>NET CHANGE IN OPEB LIABILITY:-</u> | \$ (49,433) |
| <u>TOTAL OPEB LIABILITY - BEGINNING:-</u> | <u>464,065</u> |
| <u>TOTAL OPEB LIABILITY - ENDING (a):-</u> | <u>\$ 414,632</u> |
| <u>COVERED EMPLOYEE PAYROLL:-</u> | <u>\$ 614,186</u> |
| <u>NET OPEB LIABILITY AS A PERCENTAGE OF</u> <u>COVERED EMPLOYEE PAYROLL:-</u> | <u>67.51%</u> |

Notes to Schedule:

This schedule of required supplementary information will eventually build up to 10 years of information.

Change in Benefits Terms: None

Change in Assumptions or Other Inputs: None

CITY OF FARRELL

EXHIBIT "A"

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

DECEMBER 31, 2017

| | <u>LIBRARY</u> | <u>SPECIAL</u> | <u>FARRELL</u> | <u>HOME</u> | <u>STREET</u> | <u>REVOLVING</u> | <u>GASOLINE</u> | <u>DCNR</u> | <u>COMMUNITY</u> | |
|---|-------------------|--------------------|-------------------|-------------------|--------------------|-----------------------|-------------------|-------------------|--------------------|-------------------|
| | <u>ACCOUNT</u> | <u>HIGHWAY</u> | <u>RECREATION</u> | <u>FACADE</u> | <u>IMPROVEMENT</u> | <u>LOAN</u> | <u>ACCOUNT</u> | <u>GRANT</u> | <u>DEVELOPMENT</u> | <u>TOTAL</u> |
| | | | <u>COMMISSION</u> | | | <u>REHABILITATION</u> | | | <u>BLOCK GRANT</u> | |
| <u>ASSETS:-</u> | | | | | | | | | | |
| Cash and Cash Equivalents | \$ 263 | \$ 65 | \$ 20,237 | \$ 582 | \$ - | \$ 6,002 | \$ 38,951 | \$ - | \$ - | \$ 66,100 |
| Cash and Cash Equivalents - Restricted | - | - | - | - | - | - | - | - | 35,147 | 35,147 |
| Service Charges Receivables | - | - | - | - | - | - | 6,059 | - | 4,480 | 10,539 |
| Grant Receivables | - | - | - | - | - | - | - | - | 15,233 | 15,233 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>TOTAL ASSETS:-</u> | <u>\$ 263</u> | <u>\$ 65</u> | <u>\$ 20,237</u> | <u>\$ 582</u> | <u>\$ -</u> | <u>\$ 6,002</u> | <u>\$ 45,010</u> | <u>\$ -</u> | <u>\$ 54,860</u> | <u>\$ 127,019</u> |
| | | | | | | | | | | |
| <u>LIABILITIES:-</u> | | | | | | | | | | |
| Accounts Payable | \$ - | \$ 17,125 | \$ - | \$ - | \$ - | \$ - | \$ 3,723 | \$ - | \$ - | \$ 20,848 |
| Restricted Cash and Cash Equivalents | - | - | - | - | - | - | - | - | 613 | 613 |
| Due to Other Funds | - | 1,988 | 547 | - | - | - | - | - | 16,851 | 19,386 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>TOTAL LIABILITIES:-</u> | <u>\$ -</u> | <u>\$ 19,113</u> | <u>\$ 547</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,723</u> | <u>\$ -</u> | <u>\$ 17,464</u> | <u>\$ 40,847</u> |
| | | | | | | | | | | |
| <u>FUND BALANCE (DEFICIT):-</u> | <u>\$ 263</u> | <u>\$ (19,048)</u> | <u>\$ 19,690</u> | <u>\$ 582</u> | <u>\$ -</u> | <u>\$ 6,002</u> | <u>\$ 41,287</u> | <u>\$ -</u> | <u>\$ 37,396</u> | <u>\$ 86,172</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>TOTAL LIABILITIES AND FUND BALANCE:-</u> | <u>\$ 263</u> | <u>\$ 65</u> | <u>\$ 20,237</u> | <u>\$ 582</u> | <u>\$ -</u> | <u>\$ 6,002</u> | <u>\$ 45,010</u> | <u>\$ -</u> | <u>\$ 54,860</u> | <u>\$ 127,019</u> |

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES (DEFICITS)

ALL NON-MAJOR FUNDS

YEAR ENDED DECEMBER 31, 2017

| | <u>LIBRARY</u> <u>ACCOUNT</u> | <u>SPECIAL</u> <u>HIGHWAY</u> | <u>FARRELL</u> <u>RECREATION</u> <u>COMMISSION</u> | <u>HOME</u> <u>FACADE</u> | <u>STREET</u> <u>IMPROVEMENT</u> | <u>REVOLVING</u> <u>LOAN</u> <u>REHABILITATION</u> | <u>GASOLINE</u> <u>ACCOUNT</u> | <u>DCNR</u> <u>GRANT</u> | <u>COMMUNITY</u> <u>DEVELOPMENT</u> <u>BLOCK GRANT</u> | <u>TOTAL</u> |
|--|----------------------------------|----------------------------------|--|------------------------------|-------------------------------------|--|-----------------------------------|-----------------------------|--|-------------------|
| <u>REVENUES:-</u> | | | | | | | | | | |
| Grants | \$ - | \$ 194,604 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 440,367 | \$ 634,971 |
| Contributions | - | - | 28,125 | 3 | - | - | - | - | - | 28,128 |
| Interest | - | 439 | - | - | - | 3 | - | - | - | 442 |
| Charges for Services | - | - | - | - | - | - | 59,402 | - | - | 59,402 |
| Other Revenues | - | - | - | - | - | - | - | 10 | 4,480 | 4,490 |
| <u>TOTAL REVENUES:-</u> | <u>\$ -</u> | <u>\$ 195,043</u> | <u>\$ 28,125</u> | <u>\$ 3</u> | <u>\$ -</u> | <u>\$ 3</u> | <u>\$ 59,402</u> | <u>\$ 10</u> | <u>\$ 444,847</u> | <u>\$ 727,433</u> |
| <u>EXPENDITURES:-</u> | | | | | | | | | | |
| General Government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 54,147 | \$ - | \$ - | \$ 54,147 |
| Culture and Recreation | - | - | 19,632 | - | - | - | - | - | - | 19,632 |
| Highways and Streets | - | 277,760 | - | - | - | - | - | - | - | 277,760 |
| Community Development | - | - | - | - | 3,152 | 2,765 | - | - | 222,714 | 228,631 |
| <u>Debt Service -</u> | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | 54,000 | 54,000 |
| Interest and Fiscal Charges | - | - | - | - | - | - | - | - | 31,557 | 31,557 |
| <u>TOTAL EXPENDITURES:-</u> | <u>\$ -</u> | <u>\$ 277,760</u> | <u>\$ 19,632</u> | <u>\$ -</u> | <u>\$ 3,152</u> | <u>\$ 2,765</u> | <u>\$ 54,147</u> | <u>\$ -</u> | <u>\$ 308,271</u> | <u>\$ 665,727</u> |
| <u>EXCESS (DEFICIENCY) OF REVENUES</u> <u>OVER (UNDER) EXPENDITURES:-</u> | <u>\$ -</u> | <u>\$ (82,717)</u> | <u>\$ 8,493</u> | <u>\$ 3</u> | <u>\$ (3,152)</u> | <u>\$ (2,762)</u> | <u>\$ 5,255</u> | <u>\$ 10</u> | <u>\$ 136,576</u> | <u>\$ 61,706</u> |
| <u>OTHER FINANCING SOURCES (USES):-</u> | | | | | | | | | | |
| Operating Transfer - In (Out) | \$ - | \$ 32,930 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (100) | \$ (98,565) | \$ (65,735) |
| <u>CHANGE IN FUND BALANCES:-</u> | <u>\$ -</u> | <u>\$ (49,787)</u> | <u>\$ 8,493</u> | <u>\$ 3</u> | <u>\$ (3,152)</u> | <u>\$ (2,762)</u> | <u>\$ 5,255</u> | <u>\$ (90)</u> | <u>\$ 38,011</u> | <u>\$ (4,029)</u> |
| <u>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR:-</u> | <u>263</u> | <u>30,739</u> | <u>11,197</u> | <u>579</u> | <u>3,152</u> | <u>8,764</u> | <u>36,032</u> | <u>90</u> | <u>(615)</u> | <u>90,201</u> |
| <u>FUND BALANCES (DEFICIT) - END OF YEAR:-</u> | <u>\$ 263</u> | <u>\$ (19,048)</u> | <u>\$ 19,690</u> | <u>\$ 582</u> | <u>\$ -</u> | <u>\$ 6,002</u> | <u>\$ 41,287</u> | <u>\$ -</u> | <u>\$ 37,396</u> | <u>\$ 86,172</u> |

COMBINING SCHEDULE OF AGENCY FUNDSDECEMBER 31, 2017

| | <u>COUNTY</u> <u>TAX</u> <u>ESCROW</u> | <u>EARNED</u> <u>INCOME</u> <u>TAX</u> | <u>REAL ESTATE</u> <u>TAX</u> | <u>TOTAL</u> |
|---|--|--|----------------------------------|--------------|
| <u>ASSETS:-</u> | | | | |
| Cash and Cash Equivalents | \$ 6,365 | \$ 6,147 | \$ 100 | \$ 12,612 |
| <u>LIABILITIES:-</u> | | | | |
| Due to Other Governmental Entities | \$ 6,365 | \$ 6,147 | \$ 100 | \$ 12,612 |
| <u>NET POSITION:-</u> | \$ - | \$ - | \$ - | \$ - |
| <u>TOTAL LIABILITIES AND NET POSITION:-</u> | \$ 6,365 | \$ 6,147 | \$ 100 | \$ 12,612 |

STATEMENT OF NET POSITION

PRIVATE PURPOSE TRUST FUNDS

DECEMBER 31, 2017

| | <u>CENTENNIAL</u> | | | <u>STORM WATER</u> | |
|---------------------------|-------------------|-------------------|--------------------|--------------------|-------------------|
| | <u>FUND</u> | <u>JUNETEENTH</u> | <u>FIRE ESCROW</u> | <u>MANAGEMENT</u> | <u>TOTAL</u> |
| | | | | <u>ESCROW</u> | |
| <u>ASSETS:-</u> | | | | | |
| Cash and Cash | | | | | |
| Equivalents | \$ 55 | \$ 948 | \$ 28,944 | \$ 3,217 | \$ 33,164 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>LIABILITIES:-</u> | \$ - | \$ - | \$ - | \$ - | \$ - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>NET POSITION:-</u> | | | | | |
| Held for Future | | | | | |
| Expenditures | \$ 55 | \$ 948 | \$ 28,944 | \$ 3,217 | \$ 33,164 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>TOTAL LIABILITIES</u> | | | | | |
| <u>AND NET POSITION:-</u> | \$ 55 | \$ 948 | \$ 28,944 | \$ 3,217 | \$ 33,164 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

STATEMENT OF CHANGES IN NET POSITION

PRIVATE PURPOSE TRUST FUNDS

YEAR ENDED DECEMBER 31, 2017

| | <u>CENTENNIAL FUND</u> | <u>JUNETEENTH</u> | <u>FIRE ESCROW</u> | <u>STORM WATER MANAGEMENT ESCROW</u> | <u>TOTAL</u> |
|--|----------------------------|-------------------|--------------------|--|------------------|
| <u>ADDITIONS:-</u> | | | | | |
| <u>SUPPORT -</u> | | | | | |
| Contributions and Donations | \$ 4,325 | \$ 7,797 | \$ - | \$ - | \$ 12,122 |
| <u>REVENUES:-</u> | | | | | |
| <u>LOCAL SOURCES -</u> | | | | | |
| Other | - | - | 33,043 | 1,999 | 35,042 |
| <u>TOTAL SUPPORT AND REVENUES:-</u> | <u>\$ 4,325</u> | <u>\$ 7,797</u> | <u>\$ 33,043</u> | <u>\$ 1,999</u> | <u>\$ 47,164</u> |
| <u>DEDUCTIONS:-</u> | | | | | |
| Culture and Recreation Activities | \$ 5,492 | \$ 6,895 | \$ - | \$ - | \$ 12,387 |
| Other | - | - | 4,300 | 1,000 | 5,300 |
| <u>TOTAL DEDUCTIONS:-</u> | <u>\$ 5,492</u> | <u>\$ 6,895</u> | <u>\$ 4,300</u> | <u>\$ 1,000</u> | <u>\$ 17,687</u> |
| <u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:-</u> | <u>\$ (1,167)</u> | <u>\$ 902</u> | <u>\$ 28,743</u> | <u>\$ 999</u> | <u>\$ 29,477</u> |
| <u>OTHER FINANCING SOURCES (USES):-</u> | | | | | |
| Operating Transfer - In | 1,200 | - | - | - | 1,200 |
| Operating Transfer - Out | - | - | - | - | - |
| <u>CHANGE IN NET POSITION:-</u> | <u>\$ 33</u> | <u>\$ 902</u> | <u>\$ 28,743</u> | <u>\$ 999</u> | <u>\$ 30,677</u> |
| <u>NET POSITION - BEGINNING OF YEAR:-</u> | <u>23</u> | <u>46</u> | <u>200</u> | <u>2,218</u> | <u>2,487</u> |
| <u>NET POSITION - END OF YEAR:-</u> | <u>\$ 56</u> | <u>\$ 948</u> | <u>\$ 28,943</u> | <u>\$ 3,217</u> | <u>\$ 33,164</u> |