

CITY OF SAINT MARYS, PENNSYLVANIA

December 31, 2017

CITY OF SAINT MARYS, PENNSYLVANIA

Saint Marys, Pennsylvania

FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT

December 31, 2017

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# GECI AND ASSOCIATES, P.C.

*Certified Public Accountant and Consultants*

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Saint Marys, 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 Saint Marys, 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 Saint Marys, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

### **Basis for Adverse Opinion on Aggregate Discretely Presented Component Units**

The financial statements referred to above do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses of the aggregate discretely presented component units is not reasonably determinable.

### **Adverse Opinion on Aggregate Discretely Presented Component Units**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Saint Marys, Pennsylvania as of December 31, 2017, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified 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 Saint Marys, 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.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, other postemployment benefit information and budgetary comparison information on pages 6-20, 73-76, 77-78, and 79-83 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Saint Marys, Pennsylvania's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2018, on our consideration of the City of Saint Marys, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Saint Marys' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Saint Marys, Pennsylvania's internal control over financial reporting and compliance.

*Jeri and Associates, P.C.*

Saint Marys, Pennsylvania  
June 21, 2018

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## Management's Discussion and Analysis

As management of the City of St. Marys, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the calendar year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

### Financial Highlights

- The assets and deferred outflows of resources of the City's Primary Government Accounts exceeded its liabilities and deferred inflows of resources at the close of calendar year 2017 by \$25.9 million. Of this amount, \$22 million is from governmental activities and from this \$2.7 million is considered to be unrestricted and can be used to meet the obligations of the City for the next year.
- The unrestricted net position of the business-type activities is \$1.8 million and may be used to meet the ongoing obligations of the business-type activities.
- The City's net position of the governmental activities increased by \$740,423 or 3.5% and the net position of the business-type activities increased by \$292,352 or 8%.
- Total revenue of the governmental activities *increased* by \$575,329 compared to last year's revenue; and total expenditures of the governmental activities *increased* by \$91,261 or one percent compared to last year.
- In the City's business-type activities, total revenue decreased by \$165,354 or 5% and expenses *decreased* by \$115,830 or four percent.
- Net investment in capital assets (net capital assets net of related debt) was \$16,472,831 at December 31, 2017, an increase of \$814,199.
- The City's real property tax rate stayed the same at 18.5362 mills. The earned income tax rate remained at 0.5%.

- The police pension plan net position held in trust to pay pension benefits increased \$783,254 or 9.7% and the non-uniformed pension plan net position increased \$445,424 or 10% in 2017.
- As of December 31, 2017, the governmental funds reported a combined ending fund balance of \$6,963,152 an increase of \$257,924 from the prior year. Of the ending fund balance, \$110,311 is non-spendable, \$1,656,437 is restricted for various projects, \$894,695 is committed based on tax levies, \$2,939,914 is committed for capital projects, \$320,586 is assigned for other post-employment benefits and compensated absences; and \$1,031,529 is unassigned and available for any purpose and to fund any fund balance that is negative.
- The General Fund reported a fund balance of \$2,428,992. The fund balance decreased \$544,694 or 18% from the prior year. City Council transferred unbudgeted funds of \$1.25M of unrestricted fund balance to the Capital Projects (Reserve) Fund.
- Of the \$1.8 million additional proceeds from the refunding of the 2011 bond series, the City has \$1,564,541 for capital public works projects.
- The City guarantees 5 million dollars in debt for various Authorities of the City.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. The Statement of Activities also reports the government's expenses and revenues during the year.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community and economic development, culture and

recreation and intergovernmental functions. The intergovernmental functions of the City are those activities whereby the City provides financial resources to other governmental entities, primarily the St. Marys Public Library, the St. Marys Ambulance Association, and the St. Marys Airport Authority.

The business-type activities of the City include the sewage treatment system along with the sewer lines.

The government-wide financial statements can be found on pages 21 and 22 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The governmental funds statements tell how general government services such as public safety were financed in the short term as well as what remains for future spending.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in the fund balances provide a reconciliation to facilitate this comparison between governmental funds and government activities.

The City maintains 15 individual governmental funds:

- General Fund, Airport Industrial Park Project Fund, Parking Garage Fund, Debt Fund, Capital Reserve Fund and the 2016 Capital Projects Fund are considered major funds, and information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds.
- The 9 other governmental funds are considered *nonmajor* governmental funds and they are combined into a single, aggregated presentation in the basic financial statements. Individual fund data for each of these funds is provided in the form of combining statements elsewhere in this report. The nine nonmajor governmental funds are the Street Lighting Tax Fund, Fire Protection Fund, Recreation Fund, Library Fund, Ambulance Fund, Fire Hydrant Fund, Liquid Fuels Tax Fund, Shade Tree Fund and the Community Development Block Grant Fund. The basic governmental fund financial statements can be found on pages 23-26 of this report.



In this report on pages 79-80 the City shows the budgetary comparison schedule for all major funds that receive tax allocations. These schedules will show the annual operating budget for the General Fund and the Debt Fund. Comparison of budget to actual results is provided for these funds to demonstrate compliance with their budgets.

*Proprietary funds. Services for which the City charges customers a fee are generally reported in proprietary funds.* Proprietary (enterprise) funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewage treatment system and for the sewer lines.

Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The basic proprietary fund financial statements provide information as follows:

- The Sewage Treatment Fund, the Sewer Fund, and the I & I Fund are considered *major* proprietary funds of the City, and information is presented separately in the *proprietary funds statement of net position, the proprietary funds statement of revenues, expenses and changes in net position, and the proprietary funds statement of cash flows* for these major proprietary funds.

The basic proprietary fund financial statements can be found on pages 27-29 of this report.

*Fiduciary funds.* The City is the trustee, or *fiduciary*, for its employee's pension plans. It is also responsible for other assets, because of a trust arrangement, which can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate *statement of fiduciary net position and a statement of changes in fiduciary net position.* We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The fiduciary funds statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of those outside of the government.

The Police Pension Fund, the Non-Uniformed Employee's Pension Plan Fund (The Municipal Employee's Retirement plan or M.E.R. plan), the Payroll Fund, the Fire Loss Escrow Fund, and the St. Marys Airport Industrial Park – Loan Fund are the fiduciary funds for the City of St. Marys and can be found on pages 30-31 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-72 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. Combining nonmajor funds statements referred to earlier can be found beginning on page 84 of this report.

## THE CITY AS A WHOLE

### Government-Wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position. Overall, the City's assets exceeded liabilities by \$25,910,722 at the close of the most recent calendar year.

Sixty Four percent of the City's net position reflects its investment in capital assets (e.g. land, buildings, and improvements other than buildings, infrastructure, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (19 percent) represents resources that are subject to restrictions as to how they may be used, such restrictions being imposed by legal requirements other than those imposed by the City Council. (e.g. state or federal law).

TABLE 1  
CITY OF  
SAINT MARYS  
NET POSITION

ASSETS	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current Assets	9,059,806	8,238,467	1,977,668	1,996,967	11,037,474	10,235,434
Other Assets	423,208	403,055	-	-	423,208	403,055
Capital Assets, net	20,290,535	20,168,459	2,124,545	1,950,456	22,415,080	22,118,915
Total Assets	\$ 29,773,549	\$ 28,809,981	\$ 4,102,213	\$ 3,947,423	\$ 33,875,762	\$ 32,757,404
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	\$ 699,398	633,617	-	-	\$ 699,398	633,617
<b>LIABILITIES</b>						
Long-Term Liabilities	5,531,744	6,202,607	16,255	13,707	5,547,999	6,216,314
Other Liabilities	2,118,083	1,967,441	189,209	329,319	2,307,292	2,296,760
Total Liabilities	\$ 7,649,827	\$ 8,170,048	\$ 205,464	\$ 343,026	\$ 7,855,291	\$ 8,513,074
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	\$ 809,147	-	-	-	\$ 809,147	-
<b>NET POSITION</b>						
Invested in Capital Assets, net of debt	14,348,286	13,708,176	2,124,545	1,950,456	16,472,831	15,658,632
Restricted	4,957,368	4,134,597	-	-	4,957,368	4,134,597
Unrestricted *	2,708,319	3,430,777	1,772,204	1,653,941	4,480,523	5,084,718
Total Net Position	\$ 22,013,973	\$ 21,273,550	\$ 3,896,749	\$ 3,604,397	\$ 25,910,722	\$ 24,877,947

Table 1 shows Total Primary Government net position increased by \$1,032,775 this year. Governmental Activities had an increase of \$740,423 while the Business-Type Activities has an increase of \$292,352. The increase in current assets in the government activities is \$821,339; cash and cash investments increased \$263,000 and net pension asset had an increase of \$573,000. *Capital assets, net*, for primary government, had increases from last year of \$122,076 (capital assets of \$1,429,567 less depreciation of \$1,307,491) while *net position invested in capital assets, net of debt* had an increase of \$640,110 for the City combined. The increase of depreciation (1,307,491) counterbalances the decrease in debt payments of \$518,034.

Governmental Activities unrestricted net position decreased from last year by \$722,458 or 79% while the Business-Type Activities unrestricted net position increased from last year by \$118,263 or 7%. In 2016 the unrestricted net position of the business-type activities had an increase of \$174,317. The unrestricted net position is available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.



TABLE 2  
CITY OF  
SAINT MARYS  
CHANGES IN  
NET POSITION

	Governmental Activities		Business Type Activities		Primary Government		Total
	2017	2016	2017	2016	2017	2016	% Change
<b>Revenues:</b>							
<b>Program Revenues:</b>							
Charges for Services	\$ 600,114	\$ 496,481	\$ 2,883,908	\$ 3,046,385	\$ 3,484,022	\$ 3,542,866	-1.66%
Operating Grants and Contributions	112,203	95,972		-	112,203	95,972	16.91%
Capital Grants and Contributions	628,980	135,349		-	628,980	135,349	364.71%
<b>General Revenues:</b>							
<b>Taxes:</b>							
Total Taxes	6,025,723	6,073,796		-	6,025,723	6,073,796	-0.79%
<b>Grants and Contributions</b>							
not restricted to specific programs	872,794	868,543	-	-	872,794	868,543	0.49%
Sale of Fixed Assets	52,399	107,670	-	-	52,399	107,670	-51.33%
Investment Earnings	85,315	49,140	7,608	3,483	92,923	52,623	76.58%
Miscellaneous	294,858	270,106	10,849	17,851	305,707	287,957	6.16%
<b>Total Revenue</b>	<b>\$ 8,672,386</b>	<b>\$ 8,097,057</b>	<b>\$ 2,902,365</b>	<b>\$ 3,067,719</b>	<b>\$ 11,574,751</b>	<b>\$ 11,164,776</b>	<b>3.67%</b>
<b>Expenses:</b>							
General Government	1,344,323	\$ 1,357,537			1,344,323	\$ 1,357,537	-0.97%
Public Safety	2,532,369	2,436,202			2,532,369	2,436,202	3.95%
Public Works	3,260,192	3,274,025			3,260,192	3,274,025	-0.42%
Human Services	4,960	7,925			4,960	7,925	-37.41%
Community & Economic Development	62,325	64,737			62,325	64,737	-3.73%
Culture and Recreation	583,026	528,371			583,026	528,371	10.34%
Interest on long term debt	144,768	171,905			144,768	171,905	-15.79%
Sewage Treatment/Sewer Lines			2,610,013	2,725,843	2,610,013	2,725,843	-4.25%
<b>Total Expenditures</b>	<b>\$ 7,931,963</b>	<b>\$ 7,840,702</b>	<b>\$ 2,610,013</b>	<b>\$ 2,725,843</b>	<b>\$ 10,541,976</b>	<b>\$ 10,566,545</b>	<b>-0.23%</b>
<b>Increase in Net Position:</b>	<b>\$ 740,423</b>	<b>\$ 256,355</b>	<b>\$ 292,352</b>	<b>\$ 341,876</b>	<b>\$ 1,032,775</b>	<b>\$ 598,231</b>	<b>72.64%</b>
<b>Net Position - January 1</b>	<b>\$ 21,273,550</b>	<b>\$ 21,017,195</b>	<b>\$ 3,604,397</b>	<b>\$ 3,262,521</b>	<b>\$ 24,877,947</b>	<b>\$ 24,279,716</b>	<b>2.46%</b>
<b>Net Position - adjustment to net position</b>	<b>\$ -</b>	<b>\$ -</b>			<b>\$ -</b>	<b>\$ -</b>	
<b>Net Position - December 31</b>	<b>\$ 22,013,973</b>	<b>\$ 21,273,550</b>	<b>\$ 3,896,749</b>	<b>\$ 3,604,397</b>	<b>\$ 25,910,722</b>	<b>\$ 24,877,947</b>	<b>4.15%</b>

### ***Governmental Activities***

Table 2 shows revenue and expenditures for both governmental and business-type activities for years 2017 and 2016. Governmental activities revenue for 2017 had an increase from last year of \$575,329 or by 7%. Total expenditures for governmental activities increased by \$91,261 or by 1%.

Some of the program expense changes that occurred this year compared to last year:

- Building permits increased from \$49,000 in 2016 to \$130,00 for 2017. Some of the businesses with major projects for 2017 were SGL, St. Marys School District, St. Marys Lumber, St. Marys Chevy and St. Marys Carbon.
- The City received federal funding through the Community Development Block Grant of \$498,946 for the reconstruction of Mertz Avenue.
- The City received a \$39,000 pass through grant from the Stackpole Hall Foundation for the St. Marys Little League.
- Public Safety cost increased \$96,000 in 2017 and \$79,000 of this is an increase in depreciation cost on equipment.
- GASB Statement No. 68 recognizes certain costs and changes related to defined benefit pension plans in a different manner than is required by the Commonwealth of Pennsylvania (State), which causes a difference in pension expense for governmental activities. The primary cause of the difference is due to the recognition of pension expense components immediately or at a reduced deferral rate, which differs from the State's allowances.

The cumulative effect on the statement of activities was a decrease to pension expense of \$169,925. This is the difference between the annual required pension contribution per State regulations and the expense calculated for GASB Statement No. 68. The pension expense calculation for GASB Statement No. 68 has no effect on the contributions required by the State and will have no impact on the City's budget for 2018 and future years. The calculation is only for government-wide financial statement purposes.

The following chart shows the decrease in pension expense for 2017 according to GASB Statement No. 68.

GASB 68 Pension Expense for Defined Benefit Pension Plans			
Pension Expense for GASB 68	2017	2016	Inc/(Dec)
<b>Governmental Activities:</b>			
General Government	\$ 7,605	\$ 10,847	\$ (3,242)
Public Works	33,760	55,309	(21,549)
Community & Economic Dev.	1,401	2,209	(808)
<b>Public Safety:</b>			
Police	121,561	153,201	(31,640)
Other	5,598	9,007	(3,409)
<b>Total Increase/(Decrease) for GASB 68 Pension Expense</b>	<b>\$ 169,925</b>	<b>\$ 230,573</b>	<b>\$ (60,648)</b>
 Pension Expense per Commonwealth of PA	 \$ 156,946	 \$ 159,436	 \$ (2,490)
 Total Pension Expense for GASB 68	 \$ 326,871	 \$ 390,009	 \$ (63,138)

The cost of governmental activities for this year is \$7,931,963 compared to \$7,840,702 from last year an increase of \$91,261. However, as shown in the Statement of Activities on page 22, the amount that our taxpayers ultimately financed for these activities through City taxes was \$6,590,666 because some of the cost was paid by those who directly benefited from the programs (\$600,114) or by other governments and organizations that subsidized certain programs with grants and contributions (\$741,183).

Table 3 presents the cost of each of the City’s governmental programs as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City’s taxpayers by each of these functions.

TABLE 3  
GOVERNMENTAL ACTIVITIES

	TOTAL COST OF SERVICES		NET COST OF SERVICES	
	2017	2016	2017	2016
General Government	\$ 1,344,323	\$ 1,357,537	\$ 1,153,364	\$ 1,163,114
Public Safety	2,532,369	2,436,202	2,409,436	2,310,872
Public Works	3,260,192	3,274,025	2,926,747	3,043,850
Community & Economic Development	62,325	64,737	(436,621)	31,306
Culture and Recreation	583,026	528,371	388,012	383,928
All Others	149,728	179,830	149,728	179,830
Totals	\$ 7,931,963	\$ 7,840,702	\$ 6,590,666	\$ 7,112,900

***Business-type Activities***

The City business-type activities consist of the operation of the sewage treatment plant and sewer lines. Revenues of the city’s business-type activities (see Table 2) decreased 5 percent or \$165,354 and expenses decreased 4% or \$115,830 from last year. Operating revenue for 2017 is \$2,902,365 and operating expenses are \$2,610,013 leaving a positive balance of \$292,352 for year end. The *increase in net position* decreased in 2017 compared to 2016 by \$49,524. Consumption revenue decreased in 2017 by \$135,410 compared to 2016. Consumption usage went from 329,294 thousand gallons in 2016 to 300,102 thousand gallons in 2017.

## THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 23) reported a combined fund balance of \$6,963,152, which is higher than last year's total of \$6,705,228 or an increase of \$257,924. The General Funds' *fund balance* decreased \$544,694 in 2017. During the October 16th Council meeting, city council voted to transfer \$1,255,926 of the unrestricted fund balance to the Capital Reserve fund for capital projects. Revenue exceeded budget projections by \$35,630 due to increases in tax collections; increase in building permits; and interest earned on investments. Project expenditures came in under budget projections by \$675,602 due to substantial savings in general government, public safety and public works. The total unassigned fund balance of \$2,014,260 can be used toward expenditures, reserves for future increase in expenditures, and major projects for next year.

The Airport Industrial Park Project Fund had a negative fund balance at the end of 2017 of \$660,009, a decrease of \$22 from last year. This deficit will not be reduced until some or all of the remaining lots are sold at the industrial park. Total owed to the Commonwealth Financing Authority as of December 2017 is \$660,858.

The Parking Garage Fund's *fund balance* has a negative balance of \$322,722 as of December 31, 2017. This is a decrease of \$20,083 from last year. The final drawdown for the project was completed on June 1, 2017 and the Redevelopment Assistance Capital Program conducted a performance audit on November 3, 2017. The City received notification on February 13, 2018 that the audit disclosed no material instances of non-compliance or reportable conditions, which would result in the material misstatement of the audited application for payment. There were no findings or observations to report. The deficit of \$322,722 in fund balance as of the end of 2017 is the result of unfunded cost from the project – overestimated grant funding. The City is covering this unfunded cost with parking meter revenue of \$20,000 a year.

The Debt Fund had a fund balance of \$361,369 as of December 31, 2017. This is a decrease in fund balance of \$235,369 from 2016. The City refinanced the 2011 bonds with a savings of \$219,509 and this amount was transferred to the general fund. This fund balance is considered committed as it is solely used to receive and pay for outstanding debt of the City. This fund shows total annual debt service of the City by principal and interest. The City does commit 1.908 mills of real estate tax revenue to the fund to cover the debt of the 2016 bond issue.

The Capital Reserve Fund had an increase in fund balance of \$1,033,622. The total fund balance of \$2,940,159 is considered a committed fund balance. The Capital Reserve fund is reserved for future capital projects and equipment. In 2017 there was \$952,875 budgeted for capital expenditures, and actual expenses of \$731,815 in capital outlays. In 2017, a transfer of \$1,704,442 from the general fund for future capital projects was deposited to the Capital Reserve Fund.

Proceeds and the six-year extension of the maturity date from the refinancing of the 2011 bond issue created the 2016 Capital Projects Fund. The proceeds of \$1.8M was deposited into this fund and allocated to capital projects related to street reconstruction. As of December 31, 2017, this fund had a fund balance of \$1,564,541. Projects in 2017 consisted of a street sweeper; a portion

of the cost related to the bridge and the park projects, and the multimodal study totaling \$258,274.

The Community Development Block Grant Fund is a fund used to administer grant funds received from the U.S. Department of Housing and Urban Development. These funds are federal funds. Funds included are the Community Development Block Grant – State’s Program and the HOME Investment Partnerships Program. The HOME’S program helps qualifying residents with moderate rehabilitation on their homes and the CDBG program is used for qualifying city-wide projects in St. Marys. There was no HOME’s activity for 2017. Total cost reimbursed by the CDBG program for 2017 was \$498,946 to reconstruct Mertz Avenue and administrative fees. There was a fund balance of \$9,680 as of the end of 2017 in the CDBG fund. This \$9,680 is considered miscellaneous income.

The Street Lighting Tax fund had a fund balance of \$174,380 an increase of \$8,595 as of December 31, 2017. This fund pays for all lighting that is above the streets and in the parking lots and parking garage. The fund balance of \$174,380 is considered a committed fund balance; City Council through an ordinance set the millage (.8 of a mill) designated to the Street Lighting Fund.

The Fire Protection Fund had a fund balance of \$204,920 an increase of \$111,854 for this year. This fund balance is also a committed fund balance, with Council setting the millage (1.4 mills) of real estate tax revenue with an ordinance. The Fire Protection Fund covers expenditures for truck purchases, truck maintenance and building expenses.

The Recreation Fund had a fund balance of \$139,336 at the end of 2017 with an increase of \$6,433. This fund balance is also considered committed as Council sets the millage (.9 of a mill) of real estate revenue for this fund. This money is used to maintain and administer the parks and pool located in town.

The Library and Ambulance Funds are funds used to collect tax revenue and then transfer to their designated agency. The Library Fund receives .58 of a mill annually or \$125,793 and conveys this to the St. Marys Public Library for their services and the Ambulance Fund receives .10 of a mill annually or \$21,688 and this is turned over to the St. Marys Ambulance Service. The fund balance of \$2,138 for the Library Fund and \$408 for the Ambulance Fund is considered a committed fund balance.

The Fire Hydrant Fund receives .3 of a mill annually or \$65,000. This pays for fire hydrant service in the St. Marys area which is provided by the St. Marys Area Water Authority. The fund balance had a decrease for 2017 of \$966 with an ending balance of \$18,874. This fund balance is also considered a committed fund balance; City Council sets the millage through an ordinance during budget meetings at the end of the previous year.

The Liquid Fuels Tax Fund had a fund balance of \$91,895 as of the end of 2017. This money is received from the Commonwealth of Pennsylvania, Department of Transportation. The City receives this funding every year and it pays for snow removal, street repairs, traffic signal cost and maintenance; and storm sewers and drainage. The funding also pays for the street improvement loans through the Pennsylvania Infrastructure Bank. The City transfers these funds

to the general fund because the expenses are paid through the general fund. The fund balance is considered restricted; the Commonwealth dictates how the money will be spent.

The Shade Tree Fund had a fund balance of \$9,190 as of December 31, 2017 with an increase of \$3,014 for 2017. This fund is used to plant, trim, and prune trees in St. Marys and received \$7,500 from the General fund for this year. The fund balance is considered to be a committed fund balance. City Council decides each year during budget time how much they will contribute for the following year

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

For this year the final budget remained the same as the original budget for the general fund. City Council made no changes to the budget. The actual revenue received was \$164,983 more than the budgeted amount, and the actual expenditures were \$654,652 less than what was budgeted. Total revenue for the general fund is \$5,980,598 and total expenditures are \$5,188,539, with other financing sources or (uses), net of (1,336,753), leaving a decrease in fund balance of \$544,694. The general fund had \$612,061 of interfund transfers "in" and \$1,950,249 of interfund transfers "out". Sale of capital assets totaled \$1,435.

The City transferred \$1,704,442 to the Capital Reserve Fund for the capital improvement plan for capital projects for 2017 and beyond. \$448,516 was budgeted as a transfer to the Capital Reserve fund for 2017, the difference is a portion of the unrestricted unassigned fund balance as of the end of 2016.

The receipt of earned income tax was at 102.47% of budget or \$36,978 more than budget for 2017 and building permit fees were at 260% of budget or \$79,946 over budget. Investment income was at 250% of budget with an overage of \$18,000.

The City spent \$343,000 less than what was budgeted for public works - streets. Administrative costs were \$36,000 less than budgeted, fuel for vehicles were \$22,000 less; snow and ice removal \$44,000 less; traffic signals & signs \$27,000 less; berm/sidewalks \$26,000 less; storm sewers and drains \$67,000 less; and cost for repairs to streets and bridges were \$53,000 less than budgeted. Parking facilities were under budget by \$22,500.

Cost in public safety-police was \$118,700 less than what was budgeted. \$59,600 of this was in wages and employee benefits; \$6,000 in clothing and uniforms; \$20,000 in education; and \$12,000 in fuel for vehicles and \$7,000 in vehicle repairs.

The City received \$7,700 more in pension aid than the 2017 M.M.O. requirement.



## CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2017, the City had \$22,415,080 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, and street department equipment and sewer lines. This amount represents a net increase (including additions and deductions) of \$296,165 or 1 percent, over last year. This information can be found on Table four.

TABLE 4  
CITY OF SAINT MARYS  
CAPITAL ASSETS AT YEAR-END  
(NET OF DEPRECIATION)

	Governmental		Business-type		Primary Government	
	Activities		Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 439,426	\$ 389,926	\$ 11,692	\$ 11,692	\$ 451,118	\$ 401,618
Construction in progress	163,113	58,698	-	-	163,113	58,698
Building & Improvements	11,029,713	11,340,320	122,616	118,892	11,152,329	11,459,212
Equipment	1,977,667	1,890,290	759,898	765,723	2,737,565	2,656,013
Improvements	354,240	384,860	-	-	354,240	384,860
Infrastructure	6,326,376	6,104,365	1,230,339	1,054,149	7,556,715	7,158,514
Totals	\$ 20,290,535	\$ 20,168,459	\$ 2,124,545	\$ 1,950,456	\$ 22,415,080	\$ 22,118,915

This year's major additions include:

General administration capital cost totaling \$104,220. This included an upgrade to a city server \$51,915 – new payroll software of \$10,321; office equipment of \$20,459 and a 2017 Chevy – city staff car at \$21,525.

City Hall had building improvements totaling \$21,234. This was for a new conference room on the 3<sup>rd</sup> floor.

The police department spent \$81,725 on capital equipment which included a 2017 Ford Utility vehicle with installation of equipment at \$39,748; police car cameras at \$39,730 and office equipment at \$2,247.

The public safety building had HVAC improvements of \$19,051.

Public works – streets: had capital cost of \$1,226,512. Equipment cost totaled \$303,349; paving projects - \$302,897; parking lot base repairs; \$139,370; and the reconstruction of Mertz Avenue was \$475,396. Building improvements cost were \$5,500.

The Recreation Board spent \$57,338 on capital cost for 2017. There was a donation of land near Kaulmont park valued at \$44,100; cameras for security at the parks for \$4,398; a new roof at the Memorial Park building at \$3,440 and improvements to the lot at Benzinger Park for \$5,400.

The Sewage Treatment plant spent \$313,638 on capital cost. Equipment cost was \$106,982; the Malibu sewer replacement cost was \$197,411 and building improvements of \$9,245.

### DEBT

At year-end, the City of St. Marys had \$5.9 million in governmental activities notes and bonds outstanding versus \$6.5 million last year – a decrease of 9% as shown in Table 5 listed below.

TABLE 5  
CITY OF SAINT MARYS  
OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
General Obligation Notes	\$ 1,177,249	\$ 1,385,283	\$ -	\$ -	\$ 1,177,249	\$ 1,385,283
Revenue Bonds	4,765,000	5,075,000	-	-	4,765,000	5,075,000
Totals	\$ 5,942,249	\$ 6,460,283	\$ -	\$ -	\$ 5,942,249	\$ 6,460,283

A summary of long-term debt as of December 31, 2017:

- Fire Trucks; \$47,467
- Street Improvements; \$1,129,782
- Bond Issue – \$4,765,000

A summary of long-term debt that the City guarantees as of December 31, 2017:

- 2007 Airport Industrial Park; \$660,858 – (Airport Authority)
- 2015 Guaranteed Sewer Revenue Bonds; \$1,670,000 – (Municipal Authority)
- Pennvest Loan; \$1,879,214 – (Municipal Authority)
- 2012 Benzinger Twp. Golf Note Modify.; \$710,804 - (Benzinger Twp. Golf Authority)
- 2012 Benzinger Twp. Golf Note; \$72,693 – (Benzinger Twp. Golf Authority)
- 2013 Benzinger Twp. Golf Note; \$50,518 – (Benzinger Twp. Golf Authority)



The City's Standard & Poor's Underlying rating is: "AA"/ Stable Outlook and insured rating is: "A+". The City's borrowing base for 2017 is \$7,748,504 - (250% of this for Net non-electoral debt limitation (\$19,371,260) and 350% of this for net non-electoral debt plus lease rental debt. (\$27,119,764)

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal-year 2018 budget, tax rates, and fees that will be charged for the business-type activities. One of the factors is the economy. The City's annual unemployment rate for 2017 was 4.2%; 2016 was 5.5%; for 2015 was 4.9%; and in 2014 was 5.1%. This compares with the State's unemployment rate of 4.6% for 2017; 5.3% for 2016; 5.2% in 2015; 5.4% in 2014.

The 2018 budget did not have an increase in tax millage for real estate taxes. Total millage levied stayed the same at 18.5362 mills. Total mills for the general fund remained the same at 12.5482 mills. Total real estate tax revenue budgeted at 95% collection rate is \$3,872,282 and assessed value of property is estimated at \$219,898,757. The general fund will receive \$2,621,367 of this total. 2018's budget is 2% less than last years with a total of \$6,428,154.

City council approved ordinance #307 "providing for the levy and assessment of taxes for the City of St. Marys for fiscal year 2018 on December 18, 2017. This ordinance redirected tax millage from the street lighting tax fund to the recreation fund. Five tens of a mill worth approximately \$62,700 was committed to the recreation fund to provide for a part time park manager. This manager will oversee the operations of all parks and the pool. LED lights were replaced with the current lighting system in the street lights in the St. Marys area. The savings of this replacement is estimated at \$50,000 to \$60,000 annually.

\$2018 general fund's budget included the hiring of a new fulltime police officer with a total cost of \$91,000. Health insurance cost increased 11% and worker's compensation insurance was budgeted with a 17% increase.

Capital projects for the 2018 budget is \$886,000. This includes purchases of equipment; upgrades to buildings and grounds and street and road improvements.

The 2016 Capital projects fund has available \$1,564,541 for projects in 2018 and 2019.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of St. Marys accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Finance Director's office at City of St. Marys, 11 Lafayette Street, St. Marys PA 15857.

CITY OF SAINT MARYS, PENNSYLVANIA  
STATEMENT OF NET POSITION  
December 31, 2017

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and Cash Investments	\$ 7,266,012	\$ 1,645,743	\$ 8,911,755
Taxes Receivable, Net	66,913		66,913
Accounts Receivable, Net	46,922	297,058	343,980
Due From Other Governments	344,180		344,180
Allowance for Uncollectible Due from Governments	(66,550)		(66,550)
Interfund Receivables	605,944	18,344	624,288
Prepaid Expenses	110,311	16,523	126,834
Net Pension Asset	686,074		686,074
Capital Assets:			
Construction In Progress	163,113		163,113
Infrastructure	11,276,807	1,308,323	12,585,130
Land	439,426	11,692	451,118
Buildings & Building Improvements	13,986,484	150,080	14,136,564
Equipment	7,202,511	2,003,752	9,206,263
Improvements	1,288,670		1,288,670
Accumulated Depreciation	(14,066,476)	(1,349,302)	(15,415,778)
Other Assets: Long-Term Note Receivable (net)	423,208		423,208
<b>Total Assets</b>	<b>29,773,549</b>	<b>4,102,213</b>	<b>33,875,762</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources for pensions	699,398		699,398
<b>Total Deferred Outflows of Resources</b>	<b>699,398</b>	<b>-</b>	<b>699,398</b>
<b>LIABILITIES</b>			
Accounts Payable and Payroll Taxes	90,735	50,417	141,152
Other Accrued Liabilities	58,803	10,932	69,735
Due To Other Governments		60,875	60,875
Interfund Payables	1,222,521	62,625	1,285,146
Unearned Revenue	34,785	4,360	39,145
Unavailable Revenue	3,736		3,736
Compensated Absences - long - term portion	105,962	16,255	122,217
Other Post-Employment Benefits	191,036		191,036
Notes Payable - current portion	211,467		211,467
Notes Payable - long - term portion	965,782		965,782
Bonds Payable - current portion	305,000		305,000
Bonds Payable - long - term portion	4,460,000		4,460,000
<b>Total Liabilities</b>	<b>7,649,827</b>	<b>205,464</b>	<b>7,855,291</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources	809,147		809,147
<b>Total Deferred Inflows of Resources</b>	<b>809,147</b>	<b>-</b>	<b>809,147</b>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	\$ 14,348,286	\$ 2,124,545	\$ 16,472,831
Restricted For:			
Capital Projects	4,504,700		4,504,700
Airport Industrial Park Project	(660,009)		(660,009)
Parking Garage	(322,722)		(322,722)
Community Development Projects	423,208		423,208
Debt Services	361,369		361,369
Other Purposes	650,822		650,822
Unrestricted	2,708,319	1,772,204	4,480,523
<b>Total Net Position</b>	<b>\$ 22,013,973</b>	<b>\$ 3,896,749</b>	<b>\$ 25,910,722</b>

CITY OF SAINT MARYS, PENNSYLVANIA  
STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General Government	\$ 1,344,323	\$ 140,220		\$ 50,739	\$ (1,153,364)		\$ (1,153,364)
Public Safety	2,532,369	86,194	\$ 27,023	9,716	(2,409,436)		(2,409,436)
Public Works	3,260,192	302,866		30,579	(2,926,747)		(2,926,747)
Human Services	4,960				(4,960)		(4,960)
Community and Economic Development	62,325			498,946	436,621		436,621
Culture and Recreation	583,026	70,834	85,180	39,000	(388,012)		(388,012)
Interest On Long- Term Debt	144,768				(144,768)		(144,768)
Total Governmental Activities	<u>\$ 7,931,963</u>	<u>\$ 600,114</u>	<u>\$ 112,203</u>	<u>\$ 628,980</u>	<u>\$ (6,590,666)</u>	<u>-</u>	<u>\$ (6,590,666)</u>
<b>Business-Type Activities:</b>							
Sewer	\$ 2,610,013	\$ 2,883,908				\$ 273,895	\$ 273,895
Total Business-Type Activities	<u>2,610,013</u>	<u>2,883,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>273,895</u>	<u>273,895</u>
Total Primary Government	<u>\$ 10,541,976</u>	<u>\$ 3,484,022</u>	<u>\$ 112,203</u>	<u>\$ 628,980</u>	<u>\$ (6,590,666)</u>	<u>\$ 273,895</u>	<u>\$ (6,316,771)</u>

General Revenues:

Taxes

Real Estate		\$ 4,019,011	\$ 4,019,011
Per Capita		39,700	39,700
Real Estate Transfer		92,909	92,909
Earned Income		1,536,978	1,536,978
Local Service Tax		337,125	337,125
Other			
Intergovernmental Revenues		872,794	872,794
Interest		85,315	\$ 7,608
Gain on Sale of Capital Assets		52,399	52,399
Miscellaneous		294,858	10,849
Total General Revenues and Transfers		<u>\$ 7,331,089</u>	<u>\$ 18,457</u>

Changes in Net Position	\$ 740,423	\$ 292,352	\$ 1,032,775
Net Position - Beginning	<u>21,273,550</u>	<u>3,604,397</u>	<u>24,877,947</u>
Net Position - Ending	<u>\$ 22,013,973</u>	<u>\$ 3,896,749</u>	<u>\$ 25,910,722</u>

CITY OF SAINT MARYS, PENNSYLVANIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017

ASSETS	General Fund	Airport Industrial Park Fund	Parking Garage Fund	Debt Fund	Capital Reserve Fund	2016 Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Cash and Cash Investments	\$ 2,135,237	\$ 849	\$ 84,663	\$ 303,121	\$ 2,484,200	\$ 1,571,333	\$ 686,609	\$ 7,266,012
Taxes Receivable, Net	45,564			6,829			14,520	66,913
Accounts Receivable	35,371				1,995	9,556		46,922
Due from other Governments	24,997		150,000	78,969	89,739		475	344,180
Allowance for Uncollectible Due From Other Governments				(27,550)	(39,000)			(66,550)
Interfund Receivables	199,248				406,696			605,944
Prepaid Items	94,146				245		15,920	110,311
<b>Total Assets</b>	<b>\$ 2,534,563</b>	<b>\$ 849</b>	<b>\$ 234,663</b>	<b>\$ 361,369</b>	<b>\$ 2,943,875</b>	<b>\$ 1,580,889</b>	<b>\$ 717,524</b>	<b>\$ 8,373,732</b>
 <b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts Payable and Payroll Taxes	\$ 39,661					\$ 16,348	\$ 34,726	\$ 90,735
Accrued Liabilities	57,489						1,314	58,803
Interfund Payables		\$ 660,858	\$ 557,385		\$ 3,716		562	1,222,521
Unearned Revenue	4,685						30,100	34,785
Unavailable Revenue	3,736							3,736
<b>Total Liabilities</b>	<b>\$ 105,571</b>	<b>\$ 660,858</b>	<b>\$ 557,385</b>	<b>\$ -</b>	<b>\$ 3,716</b>	<b>\$ 16,348</b>	<b>\$ 66,702</b>	<b>\$ 1,410,580</b>
 <b>Fund Balances:</b>								
Nonspendable:	\$ 94,146				\$ 245		\$ 15,920	\$ 110,311
Restricted:						\$ 1,564,541	91,896	1,656,437
Committed:				\$ 361,369	2,939,914		533,326	3,834,609
Assigned:	320,586						9,680	330,266
Unassigned:	2,014,260	\$ (660,009)	\$ (322,722)				-	1,031,529
<b>Total Fund Balances</b>	<b>\$ 2,428,992</b>	<b>\$ (660,009)</b>	<b>\$ (322,722)</b>	<b>\$ 361,369</b>	<b>\$ 2,940,159</b>	<b>\$ 1,564,541</b>	<b>\$ 650,822</b>	<b>\$ 6,963,152</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,534,563</b>	<b>\$ 849</b>	<b>\$ 234,663</b>	<b>\$ 361,369</b>	<b>\$ 2,943,875</b>	<b>\$ 1,580,889</b>	<b>\$ 717,524</b>	<b>\$ 8,373,732</b>

CITY OF SAINT MARYS, PENNSYLVANIA  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2017

Fund Balances - Total Governmental Funds \$ 6,963,152

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.

Governmental capital assets	\$ 34,357,011	
Less: accumulated depreciation	<u>(14,066,476)</u>	
		20,290,535

Other long term assets are not available to pay for current period expenditures and therefore are not reported as assets in the funds.

Long-Term note receivable	\$ 970,000	
Present Value Adjustment of Long-Term note receivable	<u>(546,792)</u>	
		423,208

The net pension asset is not reflected on the fund statements. 686,074

Deferred outflows of resources for pension are recorded and amortized in the statement of net position. Additionally, deferred inflows of resources for pensions are not recorded on the fund financial statements. (109,749)

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:

Other Post-Employment benefits	\$ (191,036)	
Compensated absences	(105,962)	
Notes payable	(1,177,249)	
Bonds payable	<u>(4,765,000)</u>	
		<u>(6,239,247)</u>

Net Position of Governmental Activities \$ 22,013,973

CITY OF SAINT MARYS, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2017

	General Fund	Airport Industrial Park Fund	Parking Garage Fund	Debt Fund	Capital Reserve Fund	2016 Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>								
Taxes	\$ 4,728,192			\$ 413,811			\$ 883,720	\$ 6,025,723
Intergovernmental	460,209				\$ 50,739		981,275	1,492,223
Charges for Services	347,782						70,834	418,616
Licenses and Permits	31,955							31,955
Fines and Forfeitures	82,372							82,372
Interest and Rentals	97,386	\$ 1	\$ 83	3,344	10,256	\$ 16,619	4,644	132,333
Miscellaneous	232,702						139,808	372,510
<b>Total Revenues</b>	<b>\$ 5,980,598</b>	<b>\$ 1</b>	<b>\$ 83</b>	<b>\$ 417,155</b>	<b>\$ 60,995</b>	<b>\$ 16,619</b>	<b>\$ 2,080,281</b>	<b>\$ 8,555,732</b>
<b>Expenditures:</b>								
<b>Current:</b>								
General Government	\$ 1,154,735							\$ 1,154,735
Public Safety	1,867,641						\$ 271,775	2,139,416
Public Works	1,941,644						165,988	2,107,632
Human Services	4,960							4,960
Community and Economic Development	37,395						23,550	60,945
Culture and Recreation							524,139	524,139
<b>Debt Service:</b>								
Principal				\$ 518,034				518,034
Interest				144,768				144,768
Capital Outlays	54,306				\$ 731,815	258,274	475,396	1,519,791
Other	127,858			854			111	128,823
<b>Total Expenditures</b>	<b>\$ 5,188,539</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 663,656</b>	<b>\$ 731,815</b>	<b>\$ 258,274</b>	<b>\$ 1,460,959</b>	<b>\$ 8,303,243</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>\$ 792,059</b>	<b>\$ 1</b>	<b>\$ 83</b>	<b>\$ (246,501)</b>	<b>\$ (670,820)</b>	<b>\$ (241,655)</b>	<b>\$ 619,322</b>	<b>\$ 252,489</b>
<b>Other Financing Sources (Uses):</b>								
Capital Assets Sales	\$ 1,435						\$ 4,000	\$ 5,435
Transfers In	612,061	\$ 21	\$ 20,000	\$ 230,662	\$ 1,704,442		7,500	2,574,686
Transfers Out	(1,950,249)			(219,530)			(404,907)	(2,574,686)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (1,336,753)</b>	<b>\$ 21</b>	<b>\$ 20,000</b>	<b>\$ 11,132</b>	<b>\$ 1,704,442</b>	<b>\$ -</b>	<b>\$ (393,407)</b>	<b>\$ 5,435</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>\$ (544,694)</b>	<b>\$ 22</b>	<b>\$ 20,083</b>	<b>\$ (235,369)</b>	<b>\$ 1,033,622</b>	<b>\$ (241,655)</b>	<b>\$ 225,915</b>	<b>\$ 257,924</b>
<b>Fund Balance - Beginning</b>	<b>\$ 2,973,686</b>	<b>\$ (660,031)</b>	<b>\$ (342,805)</b>	<b>\$ 596,738</b>	<b>\$ 1,906,537</b>	<b>\$ 1,806,196</b>	<b>\$ 424,907</b>	<b>\$ 6,705,228</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,428,992</b>	<b>\$ (660,009)</b>	<b>\$ (322,722)</b>	<b>\$ 361,369</b>	<b>\$ 2,940,159</b>	<b>\$ 1,564,541</b>	<b>\$ 650,822</b>	<b>\$ 6,963,152</b>

CITY OF SAINT MARYS, PENNSYLVANIA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
December 31, 2017

Net Changes in Fund Balances - Total Governmental Funds	\$	257,924
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.</p>		
Expenditures for capital assets	\$ 1,621,893	
Less: current year depreciation	<u>(1,488,781)</u>	133,112
<p>The net effect of various miscellaneous transactions involving capital assets (e.g., sales and trade-ins) is to increase (decrease) net position.</p>		
Disposal of assets	(\$11,036)	(11,036)
<p>Governmental funds do not report income earned but not received in the current period. In the statement of activities, income is accrued when earned.</p>		
Annual Amortization of Long Term Note Receivable	<u>\$ 20,153</u>	20,153
<p>Certain expenses are included in the change in net assets, but do not require the use of current funds, and are not included in the change in fund balance:</p>		
Compensated Absences	\$ (1,594)	
Other Post-Employment Benefits	<u>(6,245)</u>	(7,839)
<p>The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.</p>		
Principal Payments	<u>\$ 518,034</u>	518,034
<p>Changes in the net pension asset and related deferred inflows and outflows of resources do not affect current financial resources and, therefore, are not reflected on the fund statements.</p>		
	<u>\$ (169,925)</u>	<u>(169,925)</u>
Change in Net Position of Governmental Activities		<u><u>\$ 740,423</u></u>

CITY OF SAINT MARYS, PENNSYLVANIA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017

<u>ASSETS</u>	Business-Type Activities - Enterprise Funds			
	Sewage Treatment	Sewer	I & I	Total
Current Assets:				
Cash and Cash Investments	\$ 1,157,568	\$ 188,647	\$ 299,528	\$ 1,645,743
Accounts Receivable, Net	297,058			297,058
Interfund Receivables			18,344	18,344
Prepaid Items	16,523			16,523
Total Current Assets	\$ 1,471,149	\$ 188,647	\$ 317,872	\$ 1,977,668
Noncurrent Assets:				
Capital Assets:				
Construction in Progress				
Infrastructure	\$ 1,308,323			\$ 1,308,323
Land	11,692			11,692
Buildings and Building Improvements	150,080			150,080
Equipment	2,003,752			2,003,752
Accumulated Depreciation	(1,349,302)			(1,349,302)
Total Noncurrent Assets	\$ 2,124,545	-	-	\$ 2,124,545
Total Assets	\$ 3,595,694	\$ 188,647	\$ 317,872	\$ 4,102,213
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts Payable and Payroll Taxes	\$ 47,657	\$ 2,760		\$ 50,417
Accrued Liabilities	10,932			10,932
Due To Other Governments	60,875			60,875
Interfund Payables	62,625			62,625
Unearned Revenue		4,360		4,360
Total Current Liabilities	\$ 182,089	7,120	-	\$ 189,209
Non-Current Liabilities:				
Compensated Absences - Long Term Portion	\$ 16,255			\$ 16,255
Total Non-Current Liabilities	\$ 16,255	-	-	\$ 16,255
Total Liabilities	\$ 198,344	\$ 7,120	\$ -	\$ 205,464
Net Position:				
Invested in Capital Assets, Net of Related Debt	\$ 2,124,545			\$ 2,124,545
Unrestricted	1,272,805	\$ 181,527	\$ 317,872	1,772,204
Total Net Position	\$ 3,397,350	\$ 181,527	\$ 317,872	\$ 3,896,749
Total Liabilities and Net Position	\$ 3,595,694	\$ 188,647	\$ 317,872	\$ 4,102,213



CITY OF SAINT MARYS, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For The Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds			
	Sewage Treatment	Sewer	I & I	Total
Operating Revenues:				
Charges for Services	\$ 2,875,083	\$ 8,825		\$ 2,883,908
Miscellaneous	7,267	2,760		10,027
Total Operating Revenues	<u>\$ 2,882,350</u>	<u>\$ 11,585</u>	<u>-</u>	<u>\$ 2,893,935</u>
Operating Expenses:				
Public Works	<u>\$ 2,607,253</u>	<u>\$ 2,760</u>		<u>\$ 2,610,013</u>
Operating Income	<u>\$ 275,097</u>	<u>\$ 8,825</u>	<u>-</u>	<u>\$ 283,922</u>
Non-Operating Revenues (Expenditures):				
Interest Income	\$ 4,647	\$ 1,065	\$ 1,896	\$ 7,608
Refunds from Prior Year Expenditures	1,900		-	1,900
Refunds from Prior Year Revenue	(3,097)		-	(3,097)
Uncollectible Receivables	2,019		-	2,019
Total Non-Operating Revenues (Expenditures)	<u>\$ 5,469</u>	<u>\$ 1,065</u>	<u>\$ 1,896</u>	<u>\$ 8,430</u>
Income Before Transfers	\$ 280,566	\$ 9,890	\$ 1,896	\$ 292,352
Transfers In	197,411	42,485	230,083	469,979
Transfers Out	<u>(272,568)</u>		<u>(197,411)</u>	<u>(469,979)</u>
Changes In Net Position	\$ 205,409	\$ 52,375	\$ 34,568	\$ 292,352
Total Net Position - Beginning	<u>\$ 3,191,941</u>	<u>\$ 129,152</u>	<u>\$ 283,304</u>	<u>\$ 3,604,397</u>
Total Net Position- Ending	<u><u>\$ 3,397,350</u></u>	<u><u>\$ 181,527</u></u>	<u><u>\$ 317,872</u></u>	<u><u>\$ 3,896,749</u></u>

CITY OF SAINT MARYS, PENNSYLVANIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For The Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds			
	Sewage Treatment	Sewer	I & I	Total
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers	\$ 2,948,899	\$ 11,585		\$ 2,960,484
Payments to Suppliers	(2,250,909)			(2,250,909)
Payments to Employees	(363,080)			(363,080)
Net Cash Provided by Operating Activities	<u>\$ 334,910</u>	<u>\$ 11,585</u>	<u>-</u>	<u>\$ 346,495</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers In	\$ 197,411	\$ 42,485	\$ 230,083	\$ 469,979
Transfers Out	(272,568)		(197,411)	(469,979)
Increase (Decrease) in Interfund Payables	(2,046)			(2,046)
(Increase) Decrease in Interfund Receivables			(8)	(8)
Increase (Decrease) in Revenue Collected in Advance		4,360		4,360
Net Cash Provided by (Used In) NonCapital Financing Activities	<u>\$ (77,203)</u>	<u>\$ 46,845</u>	<u>\$ 32,664</u>	<u>\$ 2,306</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and Construction of Capital Assets	\$ (313,638)			\$ (313,638)
Proceeds from Capital Contributions	-			-
Net Cash Used in Capital and Related Financing Activities	<u>\$ (313,638)</u>	<u>-</u>	<u>-</u>	<u>\$ (313,638)</u>
<b>Cash Flows from Investing Activities &amp; Refunds of Prior Year Expenditures (Revenue):</b>				
Interest	\$ 4,647	\$ 1,065	\$ 1,896	\$ 7,608
Refunds of Prior Year Expenditures	1,900			1,900
Refunds of Prior Year Revenues	(3,097)			(3,097)
Net Cash Provided From Investing Activities & Refunds of Prior Year Expenditures (Revenue)	<u>\$ 3,450</u>	<u>\$ 1,065</u>	<u>\$ 1,896</u>	<u>\$ 6,411</u>
Net Increase in Cash and Cash Investments	\$ (52,481)	\$ 59,495	\$ 34,560	\$ 41,574
<b>Cash and Cash Equivalents:</b>				
Beginning	\$ 1,210,049	\$ 129,152	\$ 264,968	\$ 1,604,169
Ending	<u>\$ 1,157,568</u>	<u>\$ 188,647</u>	<u>\$ 299,528</u>	<u>\$ 1,645,743</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating Income	\$ 275,097	\$ 8,825		\$ 283,922
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>				
Depreciation	139,549			139,549
Uncollectable Receivables	2,019			2,019
(Increase) decrease in:				
Accounts Receivable	66,549			66,549
Advances to Other Funds	-			-
Prepaid Items	(5,668)			(5,668)
Increase (decrease) in:				
Accounts Payable	(145,003)	2,760		(142,243)
Accrued Liabilities	(181)			(181)
Compensated Absences	2,548			2,548
Net Cash Provided by Operating Activities	<u>\$ 334,910</u>	<u>\$ 11,585</u>	<u>-</u>	<u>\$ 346,495</u>

CITY OF SAINT MARYS, PENNSYLVANIA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
December 31, 2017

	Police Pension Plan	Non-Uniformed Employees Pension Plan	Agency Funds
<u>ASSETS</u>			
Cash and Cash Investments	\$ 30,674	\$ 19,300	\$ 1,232
Due From Airport Industrial Park Fund			660,858
Investments, at Fair Value:			
Money Market	36,355	14,700	
U.S. Government Obligations	814,782	424,511	
U.S. Government Related Obligations	830,619	433,107	
Other Government Bonds	13,015	9,017	
Corporate Bonds	1,095,229	572,333	
Common Stocks	4,879,926	2,613,432	
International Mutual Funds	1,184,221	635,173	
Total Investments	\$ 8,854,147	\$ 4,702,273	\$ -
Total Assets	\$ 8,884,821	\$ 4,721,573	\$ 662,090
<u>LIABILITIES</u>			
Accounts Payable and Escrow Liabilities	\$ -	\$ -	\$ 662,090
Total Liabilities	\$ -	\$ -	\$ 662,090
<u>NET POSITION</u>			
Restricted for Pensions	\$ 8,884,821	\$ 4,721,573	
Total Net Position	\$ 8,884,821	\$ 4,721,573	\$ -

CITY OF SAINT MARYS, PENNSYLVANIA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended December 31, 2017

	<u>Police Pension Plan</u>	<u>Non-Uniformed Employees Pension Plan</u>
<u>ADDITIONS</u>		
Contributions:		
Plan Members	\$ 46,451	\$ 42,614
State	107,375	49,571
City Contributions	-	-
Total Contributions	<u>\$ 153,826</u>	<u>\$ 92,185</u>
Net Investment Income (Loss):		
Net Appreciation (Depreciation) in fair value of Investments	\$ 645,883	\$ 352,567
Interest/Dividends	259,237	132,157
Net Realized Gains (Losses)	161,557	83,476
Total Investment Income (Loss)	<u>\$ 1,066,677</u>	<u>\$ 568,200</u>
Less Investment Expenses	<u>36,112</u>	<u>19,250</u>
Net Investment Income	<u>1,030,565</u>	<u>548,950</u>
Total Additions (Deductions)	<u>\$ 1,184,391</u>	<u>\$ 641,135</u>
<u>DEDUCTIONS</u>		
Benefits	\$ 392,587	\$ 186,811
Administrative Expenses	8,550	8,900
Total Deductions	<u>\$ 401,137</u>	<u>\$ 195,711</u>
Change in Net Position	783,254	445,424
Net Position - Beginning	8,101,567	4,276,149
Net Position - Ending	<u>\$ 8,884,821</u>	<u>\$ 4,721,573</u>

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 1 - Reporting Entity

The City of St. Marys, Pennsylvania, a city of the third class, was created by charter granted by the Governor of the Commonwealth of Pennsylvania on June 18, 1992. On November 3, 1992, the citizens of the City approved a home rule charter with a council-manager form of government. The charter became effective on the first Monday of January 1994.

The financial statements include only the primary government of the City, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The primary government financial statements do not include financial data for the City's legally separate component units or joint ventures/jointly governed organizations.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type. The more significant accounting policies of the City are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

The City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Funds are organized into three categories: governmental, proprietary, and fiduciary. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria: total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures /expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and total assets, deferred outflows of resources; liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined. Additionally, any other governmental or enterprise fund may be reported as major if the government's officials believe it is particularly important to financial statement users. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds; governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. The measurement focus of governmental funds is on the sources, uses, and balances of current financial resources. The following are the City's major governmental funds:

General Fund

The General Fund is the primary operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General Operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Governmental Funds (Continued)

Airport Industrial Park Fund

The Airport Industrial Park Fund (the Park) is used to account for all activity related to the development of the Park. See Footnote 8 for additional information.

Parking Garage Fund

The Parking Garage Fund is used to account for all activity related to the development of the Parking Garage.

Debt Fund

The Debt Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Reserve Fund

The Capital Reserve Fund accounts for financial resources to be used for the acquisition of capital assets or construction of major capital projects.

2016 Capital Projects Fund

This Fund is used to account for all activity related to the "New Money" portion of the refunding of the 2011 General Obligation bonds. The proceeds will be used for the acquisition of capital assets related to road construction and infrastructure.

The other governmental funds of the City account for grants and other resources whose use is restricted, committed or assigned for a particular purpose and or for the accumulation of resources for that purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

Enterprise Funds

Enterprises funds are used to account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Sewage Treatment Fund, Sewer Fund, and the I & I Fund are the City's major enterprise funds.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as a custodian for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide financial statements.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Fiduciary Funds (Continued)

Pension Trust Funds

The Pension Trust Funds account for the assets of the city's Police Pension and Non-Uniformed Employees' Pension plans.

Custodial Funds

Custodial Funds will have assets and liabilities being equal and do not involve measurement of results of operations. The City's Payroll Fund, Fire Loss Escrow Fund, and St. Marys Airport Industrial Park Loan Fund are custodial funds.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or not-current) are included on the statement of net position and the statement of activities present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues to be available when they are collected within 60 days of the end of the year. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. Employer contributions to the Plans are recognized when due as required by applicable law. Investments of the Plans are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price.



CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Unearned revenues arise when the City receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. On the governmental fund financial statements, unearned revenues also arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period.

D. Taxes Receivable and Uncollected Taxes

The City considers all taxes assessed and not received within one year uncollectible. Below is the detail of taxes receivable and uncollectible taxes:

Real estate taxes receivable	\$	348,063
Per capita taxes receivable		649
Taxes receivable, gross		348,712
Less: uncollected taxes		(281,799)
Taxes receivable, net	\$	66,913

E. Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the City as assets with a cost of \$5,000 or more and an estimated useful life in excess of one year. Additions, improvements, and the capital outlays that extend the useful life of an asset are capitalized while maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense. Depreciation is provided on the straight-line basis over the following estimated useful lives:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and improvements	10 - 40 years
Equipment and vehicles	2 - 20 years
Infrastructure	15 - 75 years

F. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers, as applicable. Loans are reported as interfund receivables and payables on the fund financial statements. Interfund receivables and payables are eliminated on the government-wide statement of net position. Services provided are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund activity is treated as transfers.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

G. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Government-wide statement of Net position reports \$4,957,368 of restricted net position, of which \$1,096,914 is restricted by enabling legislation. These amounts are net of the \$982,731 negative airport industrial park fund and parking garage fund balances.

The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

H. Compensated Absences

Officers of the City Police Department shall receive 15 sick days annually and are permitted to accumulate 200 sick days; unused vacation time may not be carried over from one year to the next. Officers who retire due to age or disability, leave the department prior to retirement by vesting their pension, or are killed in the line of duty shall be paid 50% of their unused sick leave at the rate of pay then in effect.

Non-uniformed and management employees hired before January 1, 2006 shall be entitled to 13 sick days annually (6.5 days on January 1 and 6.5 days as of July 1 for non-uniformed employees) and are permitted to accumulate 300 sick days; vacation time may be carried over up to a maximum of ten days from year to year. Employees hired on or after January 1, 2006 shall be entitled to 10 sick days annually (5 days January 1 and 5 days July 1); unused vacation time may not be carried over from one year to the next. Management employees can carry over 25 days of vacation from year to year. Employees retiring under the City's pension plan shall receive at the time of retirement a lump sum payment of 15% of accumulated sick leave. An employee who terminates employment because of retirement, layoff, or other employment shall receive accrued vacation entitlement and pay pertaining thereto, prorated at the termination date, at the rate of pay then in effect.

All compensated absences are accrued when incurred in the government-wide and the proprietary financial statements. Compensated absences for year ending 2017 were \$122,217.

I. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

J. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position, with proceeds as increases and payments as decreases to the liability. In the fund financial statements, governmental funds recognize the proceeds received from debt issuance during the current period as other financing sources and payments made on debt during the current period as debt service expenditures.

K. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position and/or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category:

In conjunction with pension accounting requirements, the effect of the change in assumptions; the difference between expected and actual experience; and the difference between projected and actual earnings on pension plan investments are recorded as deferred outflows of resources related to pensions on the government-wide financial statements. These amounts are determined based on actuarial valuations performed for the plans. Note 11 and Note 12 present additional information about the pension plans.

In addition to liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position and/or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category:

In conjunction with pension accounting requirements, the effect of the change in assumptions; the difference between expected and actual experience; and the difference between projected and actual earnings on pension plan investments are recorded as deferred inflows of resources related to pensions on the government-wide financial statements. These amounts are determined based on actuarial valuations performed for the plans. Note 11 and Note 12 present additional information about the pension plans.

Note 3 - Cash Deposits and Investments

Commonwealth of Pennsylvania statutes provide for the investment of moneys of governmental and proprietary funds into certain authorized investment types, including United States Treasury bills, short-term obligations of the United States Government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, obligations of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, and insured or collateralized time deposits and certificates of deposit.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 3 - Cash Deposits and Investments (Continued)

The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

In addition to the investments authorized by governmental and proprietary funds, investments of the Pension Trust Fund may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice.

The deposit and investment policy of the City adheres to the Commonwealth statutes and prudent business practice. There are no deposit or investment transactions during the year that were in violation of either the Commonwealth statutes or the policy of the City.

Cash Deposits

Cash deposits are categorized to give an indication of the level of custodial credit risk assumed by the City at December 31, 2017. Category 1 includes cash deposits which are insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the City or by its agent in the City's name.

Category 2 includes cash deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes cash deposits which are uninsured and uncollateralized, or were collateralized in accordance with Act 72, a Commonwealth statute which permits the financial institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

At December 31, 2017, the carrying amount of the City's cash deposits with financial institutions was \$8,957,565 and the financial institutions balances totaled \$9,098,547 which is categorized as follows:

Category 1	\$ 780,000
Category 3	<u>8,318,547</u>
Total Cash Deposits	<u>\$ 9,098,547</u>

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 3 - Cash Deposits and Investments (Continued)

Investments

The City's cash equivalent investments in PLGIT and money markets are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The City's position in the external investment pool is the same as the value of the pool shares and is reported at amortized cost which approximates fair value. PLGIT activities are invested directly in a portfolio of securities, which are held by a third-party custodian. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania. The City can withdraw funds from the external investment pool without limitation or fees upon adequate notice.

Fair Value Measurements

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

Pension Trust Funds

The investments of the Pension Trust Funds are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, securities that are uninsured and not registered in the name of the City and are held by either the counterparty to the transaction or the counterparty's trust department or agent but not in the government's name will not be returned to the City. All of the City's investments are either insured or registered in the City's name and held by the City's agent.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 3 - Cash Deposits and Investments (Continued)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2017, the credit quality ratings of the Pension Trust Funds' investments are as follows:

Investment Type	Fair Value	Rating
US Government Obligations:		
US Treasury Bonds	\$ 1,239,293	AA+
US Government Related Obligations:		
US Agency Bonds	\$ 1,263,726	AA+
Corporate Bonds:		
Domestic	\$ 20,395	BBB-
Domestic	104,507	BBB
Domestic	387,842	BBB+
Domestic	119,047	AA-
Domestic	251,966	A-
Domestic	417,736	A
Domestic	185,787	A+
Domestic	109,171	AA
Domestic	55,922	AA+
Domestic	15,189	Aa3
Total Corporate Bonds	\$ 1,667,562	
Other Government Bonds:		
International Bonds	\$ 22,032	A+
Domestic Equities:		
Common Stocks	\$ 6,288,324	N/A
Class A	501,151	N/A
Class C	156,960	N/A
Common CL V	131,023	N/A
Common USD	132,516	N/A
PFD Customer Service	194,792	N/A
CL A Common	88,592	
Total Domestic Equities	\$ 7,493,358	N/A
International Equities:		
International Mutual Funds	\$ 1,819,394	N/A
Money Market Funds	\$ 51,055	N/A
Total Investments	\$ 13,556,420	

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 3 - Cash Deposits and Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The city's investments in the Pension Trust Funds subject to interest rate risk at December 31, 2017 included the following:

Investment Type	Fair Value	Remaining Maturities (Years)		
		0-5	6-10	11-15
US Government Obligations	\$ 1,239,293	\$ 869,506	\$ 369,787	
US Govt. Agency Obligations	1,263,726	1,024,187	239,539	
Corporate Bonds	1,667,562	986,806	641,470	39,286
Other Government Bonds	22,032	22,032		
Total by Maturity Dates	<u>\$ 4,192,613</u>	<u>\$ 2,902,531</u>	<u>\$ 1,250,796</u>	<u>\$ 39,286</u>
Domestic Equities	7,493,358			
International Equities	1,819,394			
Money Market Funds	51,055			
Total Investments	<u>\$ 13,556,420</u>			

The City's pension trust funds categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The pension trust funds have the following recurring fair value measurements at December 31, 2017:

Investments by Fair Value Level	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Fixed Income:				
Bond mutual funds	\$ 4,192,613	\$ 4,192,613		
Equity Mutual Funds:				
Domestic - Large Cap Core	7,493,358	7,493,358		
International	1,819,394		1,819,394	
Total Equity Mutual Funds	13,505,365	11,685,971	1,819,394	
Short-term Funds	51,055	51,055		
Total Investments by Fair Value Level	<u>\$ 13,556,420</u>	<u>\$ 11,737,026</u>	<u>\$ 1,819,394</u>	

Fixed income, equity mutual funds, and short-term funds classified in Level 1 are valued using prices quoted in active markets for those securities. Level 2 inputs are inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 3 - Cash Deposits and Investments (Continued)

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments in any one issuer that represent 5 percent or more of total investments are as follows:

	Issuer	Fair Value
Advisor Inner Circle-McKee Intl. Equity Fund		\$ 1,819,394
		\$ 1,819,394

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At December 31, 2017, \$1,819,394 of the Pension Trust Funds investments was held in international equity funds.

Note 4 - Capital Assets

Depreciation expense was charged to the various functions of the primary government as follows:

Governmental Activities	Depreciation Expense
General government	\$ 48,213
Public Safety	266,040
Public works	1,115,641
Culture and recreation	58,887
Total depreciation expense	\$ 1,488,781
Business-type Activities	Depreciation Expense
Sewer	\$ 139,549



CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 4 - Capital Assets - (Continued)

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

<u>Governmental Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 389,926	\$ 49,500		\$ 439,426
Construction in progress	58,698	108,813	(\$4,398)	163,113
Total capital assets not being depreciated	<u>448,624</u>	<u>158,313</u>	<u>(4,398)</u>	<u>602,539</u>
Capital assets being depreciated:				
Buildings & Building Improvements	13,937,259	49,225		13,986,484
Equipment	6,896,747	498,090	(192,326)	7,202,511
Improvements	1,285,670	3,000		1,288,670
Infrastructure	10,359,144	917,663		11,276,807
Total capital assets being depreciated	<u>32,478,820</u>	<u>1,467,978</u>	<u>(192,326)</u>	<u>33,754,472</u>
Less accumulated depreciation for:				
Buildings & Building Improvements	(2,596,939)	(359,832)		(2,956,771)
Equipment	(5,006,457)	(399,677)	181,290	(5,224,844)
Improvements	(900,810)	(33,620)		(934,430)
Infrastructure	(4,254,779)	(695,652)		(4,950,431)
Total accumulated depreciation	<u>(12,758,985)</u>	<u>(1,488,781)</u>	<u>181,290</u>	<u>(14,066,476)</u>
Total capital assets being depreciated, net	<u>19,719,835</u>	<u>(20,803)</u>	<u>(11,036)</u>	<u>19,687,996</u>
Government activities capital assets, net	<u>\$ 20,168,459</u>	<u>\$ 137,510</u>	<u>\$ (15,434)</u>	<u>\$ 20,290,535</u>
<u>Business-Type Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 11,692			\$ 11,692
Construction in progress	-			-
Total capital assets not being depreciated	<u>11,692</u>	<u>-</u>	<u>-</u>	<u>11,692</u>
Capital assets being depreciated:				
Buildings & Building Improvements	140,835	9,245		150,080
Equipment	1,896,770	106,982		2,003,752
Infrastructure	1,110,912	197,411		1,308,323
Total capital assets being depreciated:	<u>3,148,517</u>	<u>313,638</u>	<u>-</u>	<u>3,462,155</u>
Less accumulated depreciation for:				
Buildings & Building Improvements	(21,943)	(5,521)		(27,464)
Equipment	(1,131,047)	(112,807)		(1,243,854)
Infrastructure	(56,763)	(21,221)		(77,984)
Total accumulated depreciation	<u>(1,209,753)</u>	<u>(139,549)</u>	<u>-</u>	<u>(1,349,302)</u>
Total capital assets being depreciated, net	<u>1,938,764</u>	<u>174,089</u>	<u>-</u>	<u>2,112,853</u>
Business-type activities capital assets, net	<u>\$ 1,950,456</u>	<u>\$ 174,089</u>	<u>\$ -</u>	<u>\$ 2,124,545</u>

Construction in progress amounts listed above includes capital projects not completed as of December 31, 2017. The projects are further discussed in Note 18.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 5 - Long-term Notes Receivable

In 2009, the City received two grants, each in the amount of \$500,000, from the Pennsylvania Department of Community and Economic Development for the purpose of loaning the funds to a developer to support the creation of a mixed-use building in the City of St. Marys. Each grant provided a \$485,000 loan to the developer.

The terms of the Notes require the developer to repay the City the principal balance of \$485,000 for the first note on May 25, 2025 and the principal balance of \$485,000 for the second note on February 12, 2034. The notes have no stated interest rate and are secured by the related land, building and equipment. For financial reporting purposes, the Long-term notes receivable are valued at present value using an imputed interest rate of 5%. At December 31, 2017, the face amount of Long-term account receivable is valued at \$970,000 with an unamortized present value adjustment of \$546,792.

Upon repayment, the terms of the grant require the City to use the proceeds of the Note for other eligible activities consistent with the Housing and Redevelopment Assistance Law.

Note 6 - Taxes

Real Estate Property Taxes

Real estate property taxes attach as an enforceable lien on property on January first. The Elk County Assessment Office calculates the yearly tax levy and semiannual interim tax levies and distributes the individual tax duplicates to the City's elected tax collector. The tax collector is responsible for tax collections.

The yearly tax and the first semiannual interim tax levies are billed on or before March 1, with a 2% discount through April 30; face amount due for May 1 through June 30; and 10% penalty added after July 1. The second semiannual interim tax levy is billed on or before July 1, with a 2% discount through August 31; face amount due from September 1 through October 31; and 10% penalty added after November 1.

The City is permitted by law to levy taxes up to the rate of 25 mills on every dollar of assessed value of real property for general City purposes. Additional levies for certain other purposes are permitted at specific maximum mileages as provided in the City Code.

Assessed value is 50% of market value. The City's taxable assessed value for 2017 was \$219,611,900. The real estate tax millage rate for 2017 was 18.5362 mills.

Tax Abatement

Tax abatements are given to businesses, property owners and residents who qualify for assistance under various community and economic building initiatives. The City offers the Keystone Opportunity Zones (KOZs) and the Local Economic Revitalization Tax Assistance (LERTA) programs. The tax abatement program is an agreement between the City of Saint Marys, The County of Elk and the Saint Marys Area School District. The majority local taxing authority's having jurisdiction will determine the tax abatement.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 6 - Taxes (Continued)

**KOZ** - PA businesses relocating to a KOZ must either: Increase their full-time employment by 20% within the first full year of operation, or make a 10% capital investment in the KOZ property based on their prior year's gross revenues. Eligibility for benefits is based upon annual certification. In order to receive benefits, any entity applying must be compliant with all local and state taxes and building and zoning codes.

The City of St. Marys, in association with the St. Marys Area School District and Elk County, has designated four industrial parks as KOZ. A Pennsylvania KOZ is a geographic area designated by local government and approved by the State as virtually tax free. The City issues abatements for local real property taxes. Total qualified KOZ properties who received tax abatements for real estate taxes as of December 31, 2017 is \$14,913.

**LERTA** - was established to allow local taxing authorities to exempt improvements to a business property if such property is located in a deteriorated area. Property improvements eligible for exemption include: repairs; construction or reconstruction, including alterations and additions; rehabilitating a deteriorated property; improvements required to alleviate health concerns; economic use; and improvements necessary to comply with laws, ordinances or regulations. The three local taxing authorities established an exemption schedule with the exemption realized on a sliding scale beginning with 100% for the 1<sup>st</sup> two years in the program; 75% exemption for the 3<sup>rd</sup> year and 50% exemption for the 4<sup>th</sup> year of the program. The exemption ends after the 4<sup>th</sup> year. The City issues abatements for local real property taxes. Total qualified LERTA properties who received tax abatements for real estate taxes as of December 31, 2017 is \$29,333.

Per Capita Taxes

Per Capita Taxes are collected at various times during the year by the City tax collector. The tax is in the amount of \$5.00 per taxpayer. Various income and age provisions determine individual tax liability.

Local Service Taxes

Local Service taxes are also collected at various times by the City tax collector. The amount imposed on taxable residents is \$47.00 for wages earned over \$12,000 per year. This tax is imposed on any individual working in St. Marys.

Earned Income Taxes

The city also levies a one-half percent tax on the annual earned income of City Residents. The tax is collected at various times throughout the year and remitted to the City by an appointed collection agency. The Elk County Tax Collection Committee selected Berkheimer Tax Administrator to collect the earned income for Elk County.

Note 7 - Due From Other Governments

Due from other governments includes grant funds receivable from grantor agencies of \$206,441. Additionally, it also includes amounts due from the St. Marys Area Airport Authority. During a prior year, the City entered into a loan agreement with the Authority for a \$60,000 loan to provide funds for airport operations. The loan was payable to the City upon demand on or before December 31, 2005, and carried no interest rate through that date. The remaining balance due at December 31, 2005, after a period of thirty days, is subject to an interest rate of 6 percent per annum. Currently, the City has elected not to charge interest. The loan is secured by equipment of the Authority. The outstanding balance at December 31, 2017 was \$39,000, which has been fully reserved in Allowance for Uncollectible Due from Governments.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 7 - Due From Other Governments (continued)

In May of 2011 the City issued the General Obligation Bonds, Series of 2011, in the principal amount of \$4,870,000, for the purpose of financing the costs associated with the refunding of the City's General Obligation refunding series of 2006 bonds; general obligation series A of 2005 Note, general obligation series B of 2005 Note; general obligation series of 2007 note, general obligation series of 2009 Note, and to refinance the guaranteed airport revenue notes, series of 1993 and series of 2007 held by the St. Marys Airport Authority and guaranteed by the City. Total outstanding for the Airport Authority debt as of December 31, 2017 is \$51,419.

In September of 2015, City Council agreed to lend the St. Marys Area Airport Authority \$20,000 towards their AWAS system and a portion of the local match towards the Airport's obstruction removal grant. The terms of repayment are \$5,000 yearly for 4 years payable on or before June 1. Total outstanding balance as of December 31, 2017 is \$15,000.

On January 19, 2018, City Council and the St. Marys Airport Authority entered into an agreement stating that the Airport Authority will pay back the total amount owed the City in a 10 -year period from 2018 through 2027. The City will deduct from the amount allocated to the Airport Authority in the general fund budget each year to satisfy the loan payments. The payments range from \$10,284 to \$10,800 yearly.

In 2015, the Benzinger Township Municipal Golf Course Authority defaulted on two monthly loan payments with Northwest Savings Bank. The City guaranteed the 2012 Note Modification Guarantee Agreement with the Golf Authority on May 29<sup>th</sup> of 2012 and guaranteed the 2012 Guarantee Agreement with the Golf Authority on July 6<sup>th</sup> of 2012. The City paid the June and July 2015 payments of \$12,270 and \$1,505 for each month. The \$27,550 has been fully reserved in Allowance for Uncollectible Due from Governments. City Council considers the payment of the loans as a one-time event. The Golf Association has elected new board members and has seen an increase in memberships starting in the 2016 season. All loan payments for 2017 were paid by the Golf Authority.

Note 8 - Interfund Balances

Interfund balances at December 31, 2017 consisted of the following:

<b>DueTo:</b>	<b>Due From:</b>					<b>Total</b>
	<b>Airport Industrial Park Fund</b>	<b>Parking Garage Fund</b>	<b>Capital Reserve Fund</b>	<b>Comm. Dev. Block Grant Fund</b>	<b>Sewage Treatment Fund</b>	
General Fund		\$ 150,689	\$ 3,716	\$ 562	\$ 44,281	\$ 199,248
Capital Reserve Fund		406,696				406,696
I & I Fund					18,344	18,344
Airport Industrial Park Loan Fund	\$ 660,858					660,858
	<u>\$ 660,858</u>	<u>\$ 557,385</u>	<u>\$ 3,716</u>	<u>\$ 562</u>	<u>\$ 62,625</u>	<u>\$ 1,285,146</u>

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 8 - Interfund Balances – (continued)

Interfund balances result from the timing differences between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The Airport Industrial Park Fund has an interfund balance owed to the Airport Industrial Park Loan Fund, a fiduciary fund. The City remits the loan payments for a loan between the Pennsylvania Department of Community and Economic Development and the St. Marys Airport Authority. See Footnote 10 for further information.

The Parking Garage Fund has a negative fund balance of \$322,722. This relates to construction cost incurred. The General Fund and the Capital Reserve Fund advanced funds to the project. City Council has designated \$20,000 of parking revenue each year towards repayment of this interfund payable.

Note 9 – Interfund Transfers

Interfund transfers for the year ended December 31, 2017 consisted of the following:

	Transfers From:						Totals
	General Fund	Fire Protection	Liquid Fuels Tax	Debt Fund	Sewage Treatment	I & I Fund	
General Fund			\$ 392,552	\$ 219,509			\$ 612,061
Parking Garage Fund	\$ 20,000						20,000
Shade Tree Fund	7,500						7,500
Debt Service Fund	218,307	\$ 12,355					230,662
Airport Industrial Park Fd				21			21
Capital Reserve Fund	1,704,442						1,704,442
I & I Fund					\$ 230,083		230,083
Sewer Fund					42,485		42,485
Sewage Treatment Fund						\$ 197,411	197,411
<b>Totals</b>	<b>\$ 1,950,249</b>	<b>\$ 12,355</b>	<b>\$ 392,552</b>	<b>\$ 219,530</b>	<b>\$ 272,568</b>	<b>\$ 197,411</b>	<b>\$ 3,044,665</b>

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 9 – Interfund Transfers – (Continued)

Transfers are used to 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 use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 10 – Long-Term Debt

The following presents a summary of governmental long-term liability transactions of the City during the year ended December 31, 2017:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due within <u>One Year</u>
<b>Primary Government:</b>					
<b>Governmental Activities</b>					
Notes and Bonds Payable:					
Notes Payable	\$ 1,385,283	\$ -	\$ (208,034)	\$ 1,177,249	\$ 211,467
General obligation bonds - 2016	5,075,000	-	(310,000)	4,765,000	305,000
Total Notes and Bonds Payable	<u>\$ 6,460,283</u>	<u>\$ -</u>	<u>\$ (518,034)</u>	<u>\$ 5,942,249</u>	<u>\$ 516,467</u>
Compensated absences	104,368	1,594	-	105,962	-
Other post-employment Benefits	<u>184,791</u>	<u>6,245</u>	<u>-</u>	<u>191,036</u>	<u>-</u>
Governmental Activities long-term liabilities	<u>\$ 6,749,442</u>	<u>\$ 7,839</u>	<u>\$ (518,034)</u>	<u>\$ 6,239,247</u>	<u>\$ 516,467</u>
<b>Business-Type Activities</b>					
Compensated absences	<u>\$ 13,707</u>	<u>\$ 2,548</u>	<u>\$ -</u>	<u>\$ 16,255</u>	<u>\$ -</u>
Business-Type Activities long-term liabilities	<u>\$ 13,707</u>	<u>\$ 2,548</u>	<u>\$ -</u>	<u>\$ 16,255</u>	<u>\$ -</u>

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 10 – Long-Term Debt – (Continued)

A detailed summary of long-term debt outstanding at December 31, 2017, is as follows:

<u>Amount of</u>		<u>Balance</u>
<u>Original Issue</u>		<u>Outstanding</u>
\$ 1,000,000	General Obligation Note issued to the Commonwealth of Pennsylvania Dept. of Transportation for funds to improve certain city owned streets, payable annually on April 1st, beginning in 2017 through maturity on April 1, 2026, at \$109,154 with interest of 1.625 percent. This note is secured by future liquid fuels tax allocation.	\$ 812,683
\$ 1,000,000	General Obligation Note issued to the Commonwealth of Pennsylvania Dept. of Transportation for funds to improve certain city owned streets, payable annually on December 27, beginning in 2011 through maturity on December 27, 2020, at \$109,154 with interest of 1.625 percent. This note is secured by future liquid fuels tax allocation.	\$ 317,099
\$ 5,225,000	General Obligation Bonds, Series of 2016, of September 20, 2016; bonds mature annually 2016 through 2031 on December 1, with interest of 0.6 to 3.00 percent payable on June 1, and December 1, issued to advance refund series of 2011 Bonds, and to issue new money of \$1,825M by extending the term of the bond period by 6 years to 12/01/2031. These proceeds will provide financing for public works capital projects.	\$ 4,765,000
\$ 160,000	General Obligation Note No. 1 of 2006, issued by the Commonwealth of Pennsylvania Emergency Management Agency for the purchase of an Aerial Fire Apparatus, at 2 percent payable monthly at \$1,030 from February 1, 2007 through January 1, 2022.	\$ 47,467
\$ 7,385,000	Total Long Term Debt:	\$ 5,942,249



CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2017

Note 10 – Long-Term Debt – (Continued)

The aggregate annual debt service requirements applicable to the City’s bonded debt and notes payable for each of the next five and remaining years is summarized:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 516,459	\$ 123,528	\$ 639,987
2019	519,941	113,946	633,887
2020	528,480	104,307	632,787
2021	427,932	94,510	522,442
2022	427,338	86,441	513,779
2023-2027	2,027,099	308,894	2,335,993
2028-2031	1,495,000	104,850	1,599,850
	\$ 5,942,249	\$ 936,476	\$ 6,878,725

Contingencies

The City, pursuant to Guaranty Agreements, is contingently liable as guarantor for various bond and note obligations. The following presents, in summary form, these contingent liabilities.

St. Marys Municipal Authority – Guaranteed Debt

Sewer Revenue Bonds

During November 2015, the Authority issued \$2,835,000 of Guaranteed Sewer Revenue Bonds, Refunding Series of 2015 to redeem the outstanding Sewer Revenue Refunding Bonds, Series of 2010. The bonds have been issued under the 1986 Trust Indenture dated October 15, 1986, as supplemented by the Sixth Supplemental Trust Indenture dated November 4, 2015, between the Authority and the successor Trustee, Manufacturers and Traders Trust Company. The bonds are payable from revenues of the Authority, received primarily from the lease agreement of the same date as the related Trust Indenture between the Authority and the City of St. Marys, with the debt also being guaranteed by the City. The bonds vary as to rate of interest, from 0.60 percent to 3.00 percent, and have maturity dates of June and December each year through 2020. The balance of the bonds outstanding at December 31, 2017 was \$1,670,000.

The following summarizes the aggregate annual debt service requirements applicable to the Authority’s Sewer Revenue Bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 595,000	\$ 41,200	\$ 636,200
2019	620,000	27,600	647,600
2020	455,000	8,925	463,925
Total Payments	\$ 1,670,000	\$ 77,725	\$ 1,747,725
Deferred Amounts: Issuance Premium	42,325	-	42,325
	\$ 1,712,325	\$ 77,725	\$ 1,790,050



CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2017

Note 10 – Long-Term Debt – (Continued)  
Contingencies

St. Marys Municipal Authority – Guaranteed Debt

Pennvest Loan

St. Marys Municipal Authority Note Payable to Pennsylvania Infrastructure Investment Authority (Pennvest), original amount of \$5,908,255, payable at \$27,084 per month through December 1, 2008 with interest at 1.0 percent and after at \$27,396 monthly through maturity on November 1, 2023 with interest at 1.156 percent. The outstanding balance of the loan was \$1,879,214 at December 31, 2017.

Debt service requirements remaining on the Pennvest loan are:

Year	Principal	Interest	Total Debt Service
2018	\$ 308,657	\$ 20,091	\$ 328,748
2019	312,244	16,504	328,748
2020	315,873	12,875	328,748
2021	319,542	9,206	328,748
2022	323,257	5,491	328,748
2023	299,641	1,714	301,355
Total	\$ 1,879,214	\$ 65,881	\$ 1,945,095

Benzinger Township Golf Course Authority – Guaranteed Debt

2012 Note Modification Guarantee Agreement

On May 29, 2012, the City of Saint Marys entered into the 2012 Note Modification Guarantee Agreement with Benzinger Township Municipal Golf Course Authority and Northwest Savings Bank for debt in the amount of \$1,120,375, with an initial fixed rate of 3.00% per annum for 60 months, then adjustable on each 60 month anniversary thereafter to 70% of the sum of the 5 year FHLB rate then in effect on the said 60 month anniversary date, plus 2.75%. This note refinances the 2009 loan. The loan is repayable in installments of \$12,270 on the thirtieth day of each May through October, beginning in May, 2012 and continuing through August 30, 2029. The aggregate annual debt service required at the current 3.0 percent rate is:

Year	Principal	Interest	Total
2018	\$ 52,301	\$ 21,319	\$ 73,620
2019	53,906	19,714	73,620
2020	55,511	18,109	73,620
2021	57,266	16,354	73,620
2022	59,025	14,595	73,620
2023-2027	323,416	44,684	368,100
2028-2029	109,379	3,625	113,004
Totals:	\$ 710,804	\$ 138,400	849,204

CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2017

Note 10 – Long-Term Debt – (Continued)  
Contingencies

Benzinger Township Golf Course Authority – Guaranteed Debt

2012 Guarantee Agreement

On July 6, 2012, the City of Saint Marys entered into the 2012 Guarantee Agreement with the Benzinger Township Golf Course Authority and Northwest Savings bank for debt in the amount of \$109,000, with an initial fixed rate of 3.00% per annum for 60 months, then adjustable on each 60 month anniversary. The loan will be used to pay off existing NWSB line of credit, First Commonwealth loan, and provide funds for improvements to the heating and cooling system. The loan is repayable in installments of \$1,504.79, on the thirtieth day of each May through October, beginning on July 30, 2012 and continuing through June 30, 2027. The aggregate annual debt service required at the current 3.00 percent rate is:

Year	Principal	Interest	Total
2018	\$ 6,854	\$ 2,175	\$ 9,029
2019	7,065	1,964	9,029
2020	7,277	1,752	9,029
2021	7,505	1,524	9,029
2022	7,735	1,294	9,029
2023-2027	36,257	2,782	39,039
	<u>\$ 72,693</u>	<u>\$ 11,491</u>	<u>\$ 84,184</u>

2013 Guarantee Agreement

On June 26, 2013, the City of Saint Marys entered into the 2013 Guarantee Agreement with the Benzinger Township Golf Course Authority and First Commonwealth bank for debt in the amount of \$89,161.49, with an initial fixed rate of 3.24%. On the anniversary date of this Note in June of 2020, the interest rate shall be reset at the 3-year swap, plus 250 basis points, for the remaining term of the Note. The maximum rate of interest on this Note shall be 8.00% per annum. The loan will be used for the purpose of purchasing maintenance equipment. The loan is repayable in installments of \$1,737.09, on the 26<sup>th</sup> day of each May through October, beginning on July 26, 2013 and continuing through June 26, 2023. The aggregate annual debt service required at the current 3.24 percent rate is:

Year	Principal	Interest	Total
2018	\$ 8,818	\$ 1,605	\$ 10,423
2019	9,111	1,312	10,423
2020	9,410	1,013	10,423
2021	9,725	698	10,423
2022	10,048	375	10,423
2023	3,406	70	3,476
Totals	<u>\$ 50,518</u>	<u>\$ 5,073</u>	<u>\$ 55,591</u>

Please refer to Note 7 for additional information.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 10 - Long-Term Debt (Continued)

Contingencies (Continued)

St. Marys Area Airport Authority Debt

The City by agreement of October 1, 2007 with the St. Marys Area Airport Authority and the Commonwealth Financing Authority has guaranteed the payment of a note of \$1,061,450 issued by the Airport Authority to the Financing Authority. The Loan assisted in the financing of the Airport Industrial Park Project site. Payments of principal and interest are deferred until sale or lease occurs and interest accrues on amounts not paid at two percent of the outstanding balance. The Airport Authority was required at 5/1/2013 to begin monthly payments of principal and interest to amortize the loan by maturity date of November 1, 2027. The outstanding balance of the loan was \$660,858 at December 31, 2017. It is anticipated that the sale of the improved lots, owned by the City and created by the project, will provide funds for the required debt payments. When all lots are sold, the total proceeds is expected to eliminate the current negative fund balance. The City will be paying annual interest payments of \$13,401 - \$13,438 to the Commonwealth Financing Authority yearly until the loan balance changes based on property sales.

Note 11 - Police Pension Plan

Plan Description

The Police Pension Plan is a single-employer defined benefit pension plan established by the City to provide retirement, disability, and death benefits to plan members and their beneficiaries. A separate report is not issued for the plan.

Eligibility

All full-time members of the police force join the Plan upon employment.

Normal Retirement

A participant is eligible for normal retirement after attainment of age 50 and completion of 20 years of service. The normal retirement pension is payable monthly during the participant's lifetime, with payments continuing after the participant's death to the surviving spouse or to dependent children under the age of 18 equal to 100% of the amount payable to the participant at the time of the participant's death. The amount of monthly pension is equal to 50% of average monthly pay plus an incremental pension of 1.25% times average monthly pay for each full year of service (before age 65) in excess of 20 years, up to an additional \$500 per month.

Average monthly pay is based upon the final 36 months of employment (pay includes overtime). For post January 1, 1995, participants, average monthly pay is based upon the highest five years of employment (excluding overtime), or the final rate of pay (base pay plus longevity), whichever is greater.

Late Retirement

If a participant continues working after his normal retirement date, his pension does not start until he actually retires. The late retirement benefit is the benefit accrued to the late retirement date.

Disability Retirement

If a participant is disabled in the line of duty he is eligible for a disability pension. The disability pension is equal to 100% of average monthly pay less Workers' Compensation and Social Security. The disability pension cannot exceed 50% of average monthly pay. For post-January 1, 1995, participants, the disability benefit is 50% of average monthly pay less Workers' Compensation. For participants with a non-service related disability, the benefit is 25% of average monthly pay if less than 10 years of service and 50% of average monthly pay if ten or more years of service.

CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2017

Note 11 - Police Pension Plan (Continued)

Postretirement Cost-of-Living Increase

An annual cost-of-living adjustment is made to retirees with a maximum total cost-of-living increase of 30%, and for post January 1, 1995, participants a maximum pension benefit of 50% of the current salary of a patrolman of the highest pay grade. For all participants, the pension cannot exceed 75% of final average monthly pay. The cost-of-living adjustment does not apply to the service increment. Vested terminated participants are not eligible for COLAs when they retire.

Death Benefits

If a member who is eligible for retirement dies or is killed in service, a death benefit is payable to a surviving spouse or children under age 18 in an amount equal to 100% of the member's normal retirement benefit. If a member dies who is not subject to the above death benefit, a death benefit is payable equal to 25% of compensation if the member had less than 10 years of service. If the member had 10 or more years of service at death, the death benefit is equal to 50% of compensation.

Vesting

A participant's benefits vest upon completion of 12 years of service. The vested benefit is a deferred pension beginning at normal retirement equal to the benefit accrued to the date of termination.

Accrued Pension

The benefit accrued at any date other than the normal retirement date is equal to the projected normal retirement benefit multiplied by the ratio of the number of years and days of service to date to the total number of years and days of service projected at normal retirement.

Contributions

If an actuarial study shows the Plan to have sufficient assets to fund plan benefits, member contributions may be suspended. Members contribute 5.0% of pay (plus \$5.00 per month until age 65). For post January 1, 1995 hires, participants are required to contribute 5% of base pay plus longevity pay and \$5 per month until age 65. Member contributions are credited with 4.5% interest, credited from the January 1 following the date the contribution is made. Member contributions made by post-January 1, 1995, participants do not receive any interest. Additionally, the City must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements. Contribution requirements of the plan members and the City are established and may be amended by City Council.

	Police Plan
MMO	\$ 102,060
Contributions:	
City	\$ -
Allocation of state aid	107,375
Total	107,375
Employee	46,451
Total Contributions	\$ 153,826
Covered Payroll	\$ 1,022,221
Employee contributions as a % of covered payroll	4.54%

CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2017

Note 11 - Police Pension Plan (Continued)

Deferred Retirement Option Program (DROP)

Effective January 1, 2004, a member who is eligible for Normal Retirement may elect the DROP. The DROP requires a member to set a resignation date within 12 to 24 months. Pension benefits are calculated as of the drop election date. Between the period of drop election date and resignation date, the officer continues to work, and his pension benefits are deposited into an escrow account which will be disbursed to the member at resignation date.

Plan Membership at December 31, 2017

Membership of the plan consisted of the following at December 31, 2017, the date of the latest actuarial reporting for purposes of Governmental Accounting Standards Board Statement Nos. 67 and 68:

Deferred Retirement Option Members	0
Inactive Members or Beneficiaries Currently Receiving Benefits	11
Inactive Members Entitled to but not yet Receiving Benefits	0
Active Members	<u>14</u>
Total Membership	<u>25</u>

Net Pension Liability (Asset)

The net pension liability was measured as of December 31, 2017, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The components of the net pension liability of the Plan at December 31, 2017 is as follows:

	Police Pension Plan
Total Pension Liability	\$ 8,401,999
Plan Fiduciary Net Position	<u>\$ (8,884,821)</u>
Net Pension Liability (Asset)	<u>\$ (482,822)</u>
 Plan fiduciary net position as a percentage of the total pension liability	   <u>105.75%</u>

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 11 - Police Pension Plan (Continued)

Changes in the Net Pension Liability

The changes in the net pension liability of the City for the year ended December 31, 2017, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 12/31/2016	\$ 7,969,979	\$ 8,101,567	\$ (131,588)
Service Cost	211,248		211,248
Interest Cost	599,881		599,881
Changes of Benefit Terms	-		-
Changes for Experience	(126,548)		(126,548)
Changes of Assumptions	140,026		140,026
Contributions - Employer		107,375	(107,375)
Contributions - Member		46,451	(46,451)
Net Investment Income		1,030,565	(1,030,565)
Benefit Payments, including refunds of member contributions	(392,587)	(392,587)	-
Administrative Expenses		(8,550)	8,550
Other Charges		-	-
Net Changes	<u>\$ 432,020</u>	<u>\$ 783,254</u>	<u>\$ (351,234)</u>
Balance as of 12/31/2017	<u>\$ 8,401,999</u>	<u>\$ 8,884,821</u>	<u>\$ (482,822)</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>105.75%</u>

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 11 - Police Pension Plan (Continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Plan's Net Pension Liability	\$ 582,479	\$ (482,822)	\$ (1,368,502)

Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary Increases	5.00%	(average, including inflation)
Investment Rate of Return	7.50%	(including inflation)
Postretirement Cost of Living Increase	3.00%	

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

*Long Term Expected Rate of Return* – The long-term expected rate of return on pension 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) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	52.00%	5.50% - 7.50%
International Equity	11.00%	4.50% - 6.50%
Fixed Income	34.00%	1.00% - 3.00%
Real Estate	0.00%	4.50% - 6.50%
Cash	3.00%	0.00% - 1.00%

CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2017

Note 11 - Police Pension Plan (Continued)

*Rate of Return* – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2017, the annual money-weighted rate of return for the City of Saint Marys Police Pension Fund account is 14.00%.

*Discount Rate* – The discount rate used to measure the total pension liability was 7.50%. The pension plan’s fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

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

For the year ended December 31, 2017, the City recognized pension expense of \$228,936. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		<u>Police Pension</u>
<u>Deferred Outflow of Resources:</u>		
Changes in assumption	\$	116,688
Difference between projected and actual earnings on pension plan investments		<u>281,102</u>
Total deferred outflows of resources	\$	<u>397,790</u>
		<u>Police Pension</u>
<u>Deferred Inflow of Resources:</u>		
Differences between expected and actual experience	\$	105,457
Difference between projected and actual earnings on pension plan investments		<u>\$ 345,778</u>
Total deferred inflows of resources	\$	<u>451,235</u>



CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2017

Note 11 - Police Pension Plan (Continued)

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

<u>Year ended December 31,</u>	
2018	\$ 54,051
2019	54,049
2020	(79,589)
2021	(84,199)
2022	<u>2,243</u>
Total	<u>\$ (53,445)</u>

Note 12 - Non-Uniformed Employees' Pension Plan

Plan Description

The Non-Uniformed Employees' Pension Plan is a single-employer defined benefit pension plan established by the City to provide retirement, disability, and death benefits to plan members and their beneficiaries. A separate report is not issued for the plan.

Eligibility

All full-time employees who are not members of the police force join the plan upon hire.

Normal Retirement

A member is eligible for normal retirement after attainment of age 65 (age 60 for post January 23, 2001, members) and completion of 20 years of service. The normal retirement pension is payable monthly during the member's lifetime. For pre January 24, 2001, members, payments continue after the member's death to the surviving spouse equal to 50% of the initial amount payable to the member. For post January 23, 2001, members, payments cease upon the member's death. For pre January 24, 2001, members, the amount of monthly pension is equal to 30% of final monthly average pay, plus 1.0% of average monthly pay for each year of service in excess of 25 years (maximum \$100 for the service increment over 25 years). The minimum monthly pension is equal to \$18.00 multiplied by the number of years of service at retirement. Final monthly average pay is based upon the highest 12 consecutive months over the last five year of employment. Pay means total wages excluding any payments for accrued or unused sick leave, unused vacation, and unused holiday and personal days. For post January 23, 2001, members, the monthly pension is 50% of final monthly average pay, offset by 40% of primary Social Security. Social Security is calculated using only wages from the City. Final monthly average pay is the higher of the average pay during the last year or the average during the last five years.

Late Retirement

If a member continues working after his normal retirement date, his pension does not start until he actually retires. The late retirement benefit is the benefit accrued to the late retirement date.

CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2017

Note 12 - Non-Uniformed Employees' Pension Plan (Continued)

Early Retirement

For pre January 24, 2001, members, a member is eligible for early retirement after attainment of age 60 (age 62 prior to January 1, 1999) and completion of 20 years of service. The early retirement benefit is the benefit accrued to the early retirement date. There is no reduction for early retirement. Post January 23, 2001, members are not eligible for early retirement.

Disability Retirement

If a pre January 24, 2001, member who has completed ten years of service is disabled, and remains so for six months, he is eligible for a disability pension. The disability pension is equal to the benefit accrued to the date of disability. Post January 23, 2001, members who have completed ten years of service and become disabled are eligible for a disability pension equal to the normal retirement benefit. There is no offset for Social Security.

Death Benefit

If a pre January 24, 2001, member dies, a death benefit is payable to his designated beneficiary. The benefit is a lump sum equal to the present value of the benefit accrued at the date of death, but no less than accumulated member contributions with interest. If a post January 23, 2001, member dies, the death benefit is the accumulated member contributions, without interest.

Vesting

A pre January 24, 2001, member's benefits vest according to the following schedule. The vested benefit is a deferred pension beginning at normal retirement equal to the benefit accrued to the date of termination.

Years of Service	Vesting Percentage
0 Years	0%
1	14.25%
2	28.50%
3	42.75%
4	57%
5	71.25%
6	85.50%
7 or More Years	100%

There is no vesting for post January 23, 2001, members.

Accrued Pension

The benefit accrued at any date other than the normal retirement date is equal to the projected normal retirement benefit (excluding the service increment), multiplied by the ratio of the number of years of service to date to the total number of years of service projected at normal retirement. For pre January 24, 2001, members, the 1.0% service increment (maximum \$100) is added if service to date exceeds 25 years, unless the pension is based on the \$18 formula.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 12 - Non-Uniformed Employees' Pension Plan (Continued)

Contributions

Pre January 24, 2001, members contribute 2.0% of pay. Members hired after January 23, 2001, contribute 3.5% of pay plus 1.5% of pay in excess of the Social Security wage base. Member contributions for pre January 24, 2001, members are credited with 5% interest. There is no interest on contributions for members hired after January 23, 2001. Additionally, the City must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements. Contribution requirements of the plan members and the City are established and may be amended by City Council. It must be noted that the City has been in noncompliance with several prior year audit recommendations from the Auditor General's office from the Commonwealth of Pennsylvania. The Auditor General's office states, "Our audit of the Non-uniformed pension plan has revealed that the city continues to provide benefits to its Non-uniformed employees who were hired prior to January 24, 2001, which are less than those prescribe by the Third Class City Code". The impact on the financial statements has not been determined.

	Non-Uniformed Plan
MMO	\$ 47,117
Contributions:	
City	-
Allocation of state aid	\$ 49,571
Total	49,571
Employee	42,614
Total Contributions	\$ 92,185
Covered Payroll	\$ 1,547,061
Employee contributions as a % of covered payroll	2.75%

Service

Years of service are calculated to the completed month from date of hire to date of severance.

Plan Membership at December 31, 2017

Membership of the plan consisted of the following at December 31, 2017, the date of the latest actuarial reporting for purposes of Governmental Accounting Standards Board Statement Nos. 67 and 68:

Inactive Members or Beneficiaries Currently Receiving Benefits	21
Inactive Members Entitled to but not yet Receiving Benefits	1
Active Members	32
Total Membership	54

CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2017

Note 12 - Non-Uniformed Employees' Pension Plan (Continued)

Net Pension Liability (Asset)

The net pension liability was measured as of December 31, 2017, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The components of the net pension liability of the Plan at December 31, 2017 is as follows:

	Non-Uniformed Pension Plan
Total Pension Liability	\$ 4,518,321
Plan Fiduciary Net Position	\$ (4,721,573)
Net Pension Liability (Asset)	\$ (203,252)
 Plan fiduciary net position as a percentage of the total pension liability	104.50%

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Plan's Net Pension Liability	\$ 319,590	\$ (203,252)	\$ (649,684)

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 12 - Non-Uniformed Employees' Pension Plan (Continued)

Changes in the Net Pension Liability

The changes in the net pension liability of the City for the year ended December 31, 2017, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 12/31/2016	\$ 4,295,104	\$ 4,276,149	\$ 18,955
Service Cost	104,819		104,819
Interest Cost	321,748		321,748
Changes of Benefit Terms	-		-
Changes for Experience	(193,742)		(193,742)
Changes of Assumptions	177,203		177,203
Contributions - Employer		49,571	(49,571)
Contributions - Member		42,614	(42,614)
Net Investment Income		548,950	(548,950)
Benefit Payments, including refunds of member contributions	(186,811)	(186,811)	-
Administrative Expenses		(8,900)	8,900
Other Charges		-	-
Net Changes	<u>\$ 223,217</u>	<u>\$ 445,424</u>	<u>\$ (222,207)</u>
Balance as of 12/31/2017	<u>\$ 4,518,321</u>	<u>\$ 4,721,573</u>	<u>\$ (203,252)</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>104.50%</u>

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 12 - Non-Uniformed Employees' Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary Increases	5.00%	(average, including inflation)
Investment Rate of Return	7.50%	(including inflation)
Postretirement Cost of Living Increase	0.00%	

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

*Long Term Expected Rate of Return* – The long-term expected rate of return on pension 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) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	52.00%	5.50% - 7.50%
International Equity	11.00%	4.50% - 6.50%
Fixed Income	33.00%	1.00% - 3.00%
Real Estate	0.00%	4.50% - 6.50%
Cash	4.00%	0.00% - 1.00%

*Rate of Return* – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2017, the annual money-weighted rate of return for the City of Saint Marys Non-Uniformed Pension Fund account is 14.19%.

*Discount Rate* – The discount rate used to measure the total pension liability was 7.50%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 12 - Non-Uniformed Employees' Pension Plan (Continued)

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

For the year ended December 31, 2017, the City recognized pension expense of \$97,935. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Uniformed Pension
<u>Deferred Outflow of Resources:</u>	
Changes in assumption	\$ 157,514
Difference between projected and actual earnings on pension plan investments	\$ 144,094
Total deferred outflows of resources	\$ 301,608
	Non-Uniformed Pension
<u>Deferred Inflow of Resources:</u>	
Differences between expected and actual experience	\$ 172,215
Difference between projected and actual earnings on pension plan investments	\$ 185,697
Total deferred inflows of resources	\$ 357,912

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the non-uniformed plan will be recognized in pension expense as follows:

Year ended December 31,		
2018	\$	21,911
2019		21,910
2020		(44,513)
2021		(48,263)
2022		(1,838)
2023-2025		(5,511)
Total	\$	(56,304)

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 13 - Other Post-Employment Benefits Plan

The City provides post-employment health insurance benefits to all non-uniformed eligible employees under the City of St. Marys Postretirement Medical Plan. Eligible retirees receive medical and prescription insurance for themselves until age 65. The City will pay 50% of the premium for such coverage and the retiree will pay the remaining 50%. Spouses and other dependents are not eligible to receive coverage. A separate report is not issued for the plan.

Funding Policy

The plan is unfunded. However, City Council did assign a portion of the unrestricted fund balance to other post-employment benefits at the end of 2017.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the City, an amount determined on an actuarially determined basis in accordance with the parameters of GASB statement 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation to the plan:

Annual required contribution	\$ 23,227
Interest on net OPEB obligation	8,316
Adjustment to annual required contribution	(11,345)
	_____
Annual OPEB cost (expense)	20,198
Contributions made	(13,953)
	_____
Increase in net OPEB obligation	6,245
Net OPEB obligation - beginning of year	184,791
	_____
Net OPEB obligation - end of year	<u>\$ 191,036</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2017	\$20,198	\$13,953	69.1%	\$191,036
December 31, 2016	\$20,322	\$12,738	62.7%	\$184,791
December 31, 2015	\$20,459	\$12,117	59.2%	\$177,207



CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2017

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$215,694, and the actuarial value of assets was \$0, resulting in unfunded actuarial accrued liability (UAAL) of \$215,694. The covered payroll (annual payroll of active employees covered by the plan) was \$1,409,933, and the ratio of the UAAL to the covered payroll was 15.3%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included: a 4.5 percent investment rate of return, an annual healthcare cost trend rate of 6 percent in 2015, and 5.5 percent in 2016 through 2020. Rates gradually decreased from 5.4 percent in 2021 to 3.8 percent in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The UAAL is being amortized on a level dollar basis over a 30 year open period. The remaining amortization period at January 1, 2015 was thirty years.

Note 14 – Leases

On April 29, 2013 the City signed a lease agreement to lease office space to Farmers National Bank of Emlenton at 10 N. Michael Street. The term of this lease shall extend for an initial term of twelve years from the date of regulatory approval (August, 2013). After the initial twelve year term, the lessee has the option to renew the lease for two additional terms of five years each. The lease provides for annual rent in the amount of \$49,296 payable in monthly installments of \$4,108. Total rental income under the lease was \$49,296 during the year ended December 31, 2017. Future minimum lease income for the next five years and thereafter is as follows:

<u>Year</u>	<u>Amount</u>
2018	49,296
2019	49,296
2020	49,296
2021	49,296
2022	49,296
2023-2025	<u>127,348</u>
	<u>373,828</u>

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 15 - Commitments

Upon issuance of the Sewer Revenue Bonds, Series of 2015, on November 4, the 2015 Sixth Supplemental Agreement of Lease between the Municipal Authority and the City of Saint Marys was executed. The lease requires semiannual rental payments from the City to the Authority due May 15 and November 15 of each year through and including December 1, 2020, equal to the sum of (a) one-half of the Authority's budgeted administrative expenses and (b) an amount equal to fifty-five percent of the average annual debt service requirement of all outstanding Series of 2015 Bonds, but not less than fifty percent of the current debt service requirement. The lease will terminate on December 31, 2020, when the system will be surrendered to the Authority. The City, during the term of the lease will continuously operate the Sewer System and provide all necessary and ordinary repairs and maintenance and adequate insurance coverage.

Note 16 - Fund Balance

The Balance Sheet statement for the Governmental Funds displays the fund balances in the following classifications:

*Nonspendable fund balance* – are amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

*Restricted fund balance* – are amounts constrained to specific purposes by their providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions, or by enabling legislation. For the City the fund balances that are reported as restricted are the Liquid Fuels Tax Allocation and 2016 Capital Projects Fund.

*Committed fund balance* - are amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority (the City Council); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint. The fund balances for the City that are reported as committed are the Special Revenue funds; Street lighting tax fund, Fire protection fund, Recreation fund, Library fund, Ambulance fund, Fire Hydrant fund, Debt fund, and the Capital Reserve Fund and Shade tree fund.

*Assigned fund balance* – are amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City has assigned fund balance of 320,586 to future compensated absences and other post-employment benefits. Additionally \$9,680 of Community Development Block Grant funds have been assigned to street projects.

*Unassigned fund balance* - are amounts that are available for any purpose; these amounts are reported only in the general fund. One exception is, if a fund balance in total is negative, then the negative amount can only be attributed to the unassigned fund balance classification. The general fund's fund balance is reported as an unassigned fund balance, and since the Airport Industrial Park Project Fund and the St. Marys Parking Garage Fund have negative fund balances they are also recorded as unassigned fund balances.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 16 - Fund Balance (Continued)

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget via ordinance. Assigned fund balance is established by City Council or management through council action or senior management designation.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed funds are reduced first, followed by assigned amounts, and then unassigned amounts.

Note 17 - Litigation

The City, in the normal course of its activities, is involved in various claims and litigation. The City currently has claims and lawsuits pending, which could ultimately result in liability for the City over the next few years. The amount of these claims cannot be reasonably estimated at this time and would not materially affect the financial statements of the City.

Note 18 - Construction in Progress

At December 31, 2017, the City had five construction projects in progress. Funding for the various projects consist of federal and state grants, along with operating funds of the City and community contributions. Information relating to the various projects are presented below:

Kaulmont Park Renovation Project

The project, consisting of various upgrades to the facility, is currently in the initial planning phase. Total estimated costs of the project are \$1,965,000 of which \$12,358 has been incurred through December 31, 2017.

Memorial Park Pool Renovation Project – Phase II

The renovation project is also in the initial planning stage, with costs of \$41,942 related to feasibility studies. The City is currently reviewing various options for the project in determining the ability to move forward with the project based on need and availability of funding.

Downtown Park Project – Phase 1

The downtown park project is a project creating a park located behind the parking garage on Depot Street. Placing a park in this area will encourage community organizations to host festivals; events and community activities at the park and away from the downtown area. Phase 1 consist of the initial design of the park with a cost of \$5,085. In 2017 the City expensed \$3,566 of this project and completion was in the beginning of 2018. Phase 2 will consist of sidewalks around the perimeter of the park and the rough conduit for lighting. This should be completed in 2018. This project was funded through the 2016 Capital Projects Fund with a total estimated cost of \$150,000.

Downtown Park Pedestrian Bridge

The downtown park pedestrian bridge is part of the downtown park located between Depot Street and Bruxelles St. In 2017 the City purchased the Gerber house located on Bruxelles Street. The cost to appraise, purchase, demolition permit, demolish, and clean up the area was \$95,818. Total estimated cost to complete the bridge project is \$125,000.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 18 - Construction in Progress (Continued)

St. Marys Multimodal Study

This grant project is administered through North Central PA Regional Planning and Development Commission. This study is to evaluate the pedestrian and vehicle traffic in the downtown area and to assess a better traffic flow. This study is required before any enhancement projects for the downtown can be submitted for grant funding, such as the TIP grant through PennDot. Total project cost is \$115,000 and the City's local match of 30% or \$35,000. These funds are federal transportation resources. As of December 31, 2017. The City has spent \$9,429.

Note 19 - Grants

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

Note 20 – Effect of New Accounting Standards on Current-Period Financial Statements

The requirements of the following GASB Statements were adopted for the City's 2017 financial statements. Except where noted, the adoption of these pronouncements did not have a significant impact of the City's financial statements.

GASB Statement No. 80, "*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14,*" effective for fiscal years beginning after June 15, 2016 (the City's financial statements for the year ending December 31, 2017). The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB Statement No. 81, "*Irrevocable Split-Interest Agreement,*" effective for fiscal years beginning after December 31, 2016 (the City's financial statements for the year ending December 31, 2017). The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The City is not a participant in any split-interest agreements.

GASB Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73,*" effective for fiscal years beginning after June 15, 2016 (the City's financial statements for the year ending December 31, 2017). The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provision of GASB Statements 67 and 68.*"

Pending Pronouncements

GASB has issued the following Statements, which will become effective in future years as shown below. Management has not yet determined the impact of these Statements on the City's financial statements.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2017

Note 20 – Effect of New Accounting Standards on Current-Period Financial Statements (Continued)

Pending Pronouncements (Continued)

GASB Statement No 75, “*Accounting and Financial Reporting for Postemployment Benefits other Than Pensions,*” effective for fiscal years beginning after June 15, 2017 (the City’s financial statements for the year ending December 31, 2018). This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Statement replaces the requirements of Statement No. 45.

GASB Statement No. 83, “*Certain Asset Retirement Obligations,*” effective for fiscal years beginning after June 15, 2018 (the City’s financial statements for the year ending December 31, 2019). The objective of this Statement is to provide financial statement users with information about asset retirement obligations that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations.

GASB Statement No. 84, “*Fiduciary Activities,*” effective for fiscal years beginning after December 15, 2018 (the City’s financial statements for the year ending December 31, 2019). The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 85, “*Omnibus 2017,*” effective for fiscal years beginning after June 15, 2017 (the City’s financial statements for the year ending December 31, 2018). The objective of this statement is to address practice issues that have been identified during implementation of certain GASB Statements.

GASB Statement No. 86, “*Certain Debt Extinguishment Issues,*” effective for reporting periods beginning after June 15, 2017. (the City’s financial statements for the year ending December 31, 2018). The requirements of this Statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance.

GASB Statement No. 87, “*Leases,*” effective for fiscal years beginning after December 15, 2019 (the City’s financial statements for the year ending December 31, 2020). The objective of this Statement is to establish a single model for lease accounting based on the principle that leases are financings of the right to use underlying asset.

Note 21 – Subsequent Events

The City has evaluated subsequent events through June 21, 2018 the date which the financial statements were available to be issued.

REQUIRED

SUPPLEMENTARY

INFORMATION



CITY OF SAINT MARYS, PENNSYLVANIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN THE CITY'S NET  
 PENSION LIABILITY AND RELATED RATIOS  
 POLICE PENSION PLAN  
 YEARS ENDED DECEMBER 31  
 LAST TEN YEARS\*

	2017	2016	2015
<b>Total Pension Liability:</b>			
Service Cost	\$ 211,248	\$ 174,959	\$ 166,628
Interest	599,881	567,156	536,217
Differences between expected and actual experience	(126,548)		
Changes of assumptions	140,026		
Benefit payments, including refunds of member contributions	(392,587)	(318,517)	(278,795)
<b>Net Changes in Total Pension Liability</b>	432,020	423,598	424,050
<b>Total Pension Liability - Beginning</b>	7,969,979	7,546,381	7,122,331
<b>Total Pension Liability - Ending (a)</b>	\$ 8,401,999	# \$ 7,969,979	\$ 7,546,381
<b>Plan Fiduciary Net Position:</b>			
Contributions - employer	107,375	\$ 112,960	\$ 208,639
Contributions - member	46,451	46,071	47,395
Net investment income	1,030,565	549,503	(82,164)
Benefit payments, including refunds of members contributions	(392,587)	(318,517)	(278,795)
Administrative expense	(8,550)	(4,420)	(8,280)
<b>Net Change in Plan Fiduciary Net Position</b>	783,254	385,597	(113,205)
<b>Plan Fiduciary Net Position - Beginning</b>	8,101,567	7,715,970	7,829,175
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 8,884,821	\$ 8,101,567	\$ 7,715,970
<b>Net Pension Liability (Asset) - Ending (a-b)</b>	\$ (482,822)	\$ (131,588)	\$ (169,589)
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	105.75%	101.65%	102.25%
<b>Covered Employee Payroll</b>	1,022,221	892,151	1,026,975
<b>Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>	(47.23%)	(14.75%)	(16.51%)

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

CITY OF SAINT MARYS, PENNSYLVANIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN THE CITY'S NET  
 PENSION LIABILITY AND RELATED RATIOS  
 NON-UNIFORMED EMPLOYEES' PENSION PLAN  
 YEARS ENDED DECEMBER 31  
 LAST TEN YEARS\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability:</b>			
Service Cost	\$ 104,819	\$ 87,921	\$ 83,734
Interest	321,748	305,805	292,340
Differences between expected and actual experience	(193,742)	-	-
Changes of assumptions	177,203	-	-
Benefit payments, including refunds of member contributions	<u>(186,811)</u>	<u>(176,215)</u>	<u>(225,239)</u>
<b>Net Changes in Total Pension Liability</b>	223,217	217,511	150,835
<b>Total Pension Liability - Beginning</b>	<u>4,295,104</u>	<u>4,077,593</u>	<u>3,926,758</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 4,518,321</u>	<u>\$ 4,295,104</u>	<u>\$ 4,077,593</u>
<b>Plan Fiduciary Net Position:</b>			
Contributions - employer	\$ 49,571	\$ 46,476	\$ 131,202
Contributions - member	42,614	39,828	35,684
Net investment income	548,950	284,128	(21,636)
Benefit payments, including refunds of members contributions	(186,811)	(176,215)	(225,239)
Administrative expense	<u>(8,900)</u>	<u>(2,650)</u>	<u>(8,770)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	445,424	191,567	(88,759)
<b>Plan Fiduciary Net Position - Beginning</b>	<u>4,276,149</u>	<u>4,084,582</u>	<u>4,173,341</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 4,721,573</u>	<u>\$ 4,276,149</u>	<u>\$ 4,084,582</u>
<b>Net Pension Liability (Asset) - Ending (a-b)</b>	<u>\$ (203,252)</u>	<u>\$ 18,955</u>	<u>\$ (6,989)</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<u>104.50%</u>	<u>99.56%</u>	<u>100.17%</u>
<b>Covered Employee Payroll</b>	<u>1,547,061</u>	<u>1,502,150</u>	<u>1,386,748</u>
<b>Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>	(13.14%)	1.26%	(0.50%)

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



CITY OF SAINT MARYS, PENNSYLVANIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF CITY'S CONTRIBUTIONS  
AND INVESTMENT RETURNS  
YEARS ENDED DECEMBER 31  
LAST TEN YEARS\*

	2017	2016	2015
POLICE PENSION PLAN:			
<b>Schedule of City's Contributions</b>			
Actuarially determined contribution	\$ 102,060	\$ 112,960	\$ 208,639
Contributions in relation to the actuarially determined contribution	107,375	112,960	208,639
Contributions deficiency (excess)	\$ (5,315)	\$ -	\$ -
Covered employee payroll	\$ 1,022,221	\$ 892,151	\$ 1,026,975
Contributions as a percentage of covered employee payroll	10.50%	12.66%	20.32%
<b>Investment Returns</b>			
Annual money-weighted rate of return, net of investment expense	14.00%	7.81%	-0.59%
NON-UNIFORMED EMPLOYEES' PLAN:			
<b>Schedule of City's Contributions</b>			
Actuarially determined contribution	\$ 47,117	\$ 46,476	\$ 131,202
Contributions in relation to the actuarially determined contribution	49,571	46,476	131,202
Contributions deficiency (excess)	\$ (2,454)	\$ -	\$ -
Covered employee payroll	\$ 1,547,061	\$ 1,502,150	\$ 1,386,748
Contributions as a percentage of covered employee payroll	3.20%	3.09%	9.46%
<b>Investment Returns</b>			
Annual money-weighted rate of return, net of investment expense	14.19%	7.70%	0.01%

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

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES  
PENSION TRUST FUNDS  
ACTUARIAL METHODS AND ASSUMPTIONS  
YEAR ENDED DECEMBER 31, 2017

	Police Plan	Non-Uniformed Plan
Actuarial valuation date	1/1/2017	1/1/2017
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Closed
Asset valuation method	Market Value of assets as determined by the trustee	Market Value of assets as determined by the trustee
Remaining amortization period	N/A Years	N/A Years
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases	5.00%	5.00%
Inflation rate	3.00%	3.00%
Retirement Age	Normal Retirement Age	Age 63 and completion of 20 years
Mortality table	RP2000 Table  This table does not include projected mortality improvements.	RP2000 Table  This table does not include projected mortality improvements.

CITY OF SAINT MARYS, PENNSYLVANIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULE OF FUNDING PROGRESS  
 NON-UNIFORMED EMPLOYEES  
 For the Year Ended December 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/09	\$ -	\$ 224,586	\$ 224,586	0.00%	\$ 1,647,880	13.63%
01/01/12	\$ -	\$ 320,529	\$ 320,529	0.00%	\$ 1,479,382	21.67%
01/01/15	\$ -	\$ 215,694	\$ 215,694	0.00%	\$ 1,409,933	15.30%

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTE TO REQUIRED SUPPLEMENTARY SCHEDULES  
OTHER POST-EMPLOYMENT BENEFITS PLAN  
NON-UNIFORMED EMPLOYEES  
For the Year Ended December 31, 2017

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated.

Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	1/1/2015
Actuarial cost method	Entry Age Normal
Amortization method	30 years
Actuarial assumptions:	
Investment rate of return	4.50%
Projected salary increases	5.00%
Inflation rate	5.50%
Cost-of-Living adjustments	n/a

n/a = not applicable

CITY OF SAINT MARYS, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 For The Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 4,726,497	\$ 4,726,497	\$ 4,728,192	\$ 1,695
Intergovernmental	415,665	415,665	460,209	44,544
Charges for Services	262,520	262,520	347,782	85,262
Licenses and Permits	32,950	32,950	31,955	(995)
Fines and Forfeitures	67,500	67,500	82,372	14,872
Interest and Rentals	77,784	77,784	97,386	19,602
Miscellaneous	232,699	232,699	232,702	3
<b>Total Revenues</b>	<b>\$ 5,815,615</b>	<b>\$ 5,815,615</b>	<b>\$ 5,980,598</b>	<b>\$ 164,983</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	\$ 1,290,578	\$ 1,290,578	\$ 1,154,735	\$ 135,843
Public Safety	1,979,607	1,979,607	1,867,641	111,966
Public Works	2,285,496	2,285,496	1,941,644	343,852
Human Services	7,000	7,000	4,960	2,040
Community and Economic Development	132,492	132,492	37,395	95,097
Culture and Recreation				
<b>Debt Service:</b>				
Principal				
Interest				
Capital Outlays			54,306	(54,306)
Other	148,018	148,018	127,858	20,160
<b>Total Expenditures</b>	<b>\$ 5,843,191</b>	<b>\$ 5,843,191</b>	<b>\$ 5,188,539</b>	<b>\$ 654,652</b>
Excess (Deficiency) of Revenues over Expenditures	\$ (27,576)	\$ (27,576)	\$ 792,059	\$ 819,635
<b>Other Financing Sources (Uses):</b>				
Capital Asset Sales			\$ 1,435	\$ 1,435
Transfers In	\$ 742,849	\$ 742,849	612,061	(130,788)
Transfers Out	(715,273)	(715,273)	(1,950,249)	(1,234,976)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 27,576</b>	<b>\$ 27,576</b>	<b>\$ (1,336,753)</b>	<b>\$ (1,364,329)</b>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ -	\$ -	\$ (544,694)	\$ (544,694)
Fund Balance - Beginning	2,973,686	2,973,686	2,973,686	-
Fund Balance - Ending	<u>\$ 2,973,686</u>	<u>\$ 2,973,686</u>	<u>\$ 2,428,992</u>	<u>\$ (544,694)</u>

CITY OF SAINT MARYS, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT FUND  
 For The Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 412,795	\$ 412,795	\$ 413,811	\$ 1,016
Intergovernmental				
Charges for Services				
Licenses and Permits				
Fines and Forfeitures				
Interest and Rentals	1,250	1,250	3,344	2,094
Miscellaneous				
Total Revenues	<u>\$ 414,045</u>	<u>\$ 414,045</u>	<u>\$ 417,155</u>	<u>\$ 3,110</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government				
Public Safety				
Public Works				
Human Services				
Community and Economic Development				
Culture and Recreation				
<b>Debt Service:</b>				
Principal	\$ 518,035	\$ 518,035	\$ 518,034	\$ 1
Interest	143,682	143,682	144,768	(1,086)
Capital Outlays				
Other	800	800	854	(54)
Total Expenditures	<u>\$ 662,517</u>	<u>\$ 662,517</u>	<u>\$ 663,656</u>	<u>\$ (1,139)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (248,472)</u>	<u>\$ (248,472)</u>	<u>\$ (246,501)</u>	<u>\$ 1,971</u>
<b>Other Financing Sources (Uses):</b>				
Capital Asset Sales				
Transfers In	\$ 251,613	\$ 251,613	\$ 230,662	\$ (20,951)
Transfers Out	(219,509)	(219,509)	(219,530)	(21)
Total Other Financing Sources (Uses)	<u>\$ 32,104</u>	<u>\$ 32,104</u>	<u>\$ 11,132</u>	<u>\$ (20,972)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ (216,368)	\$ (216,368)	\$ (235,369)	\$ (19,001)
Fund Balance - Beginning	\$ 596,738	\$ 596,738	\$ 596,738	\$ -
Fund Balance - Ending	<u>\$ 380,370</u>	<u>\$ 380,370</u>	<u>\$ 361,369</u>	<u>\$ (19,001)</u>

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
December 31, 2017

Note 1 - Budgetary Information

The City has adopted the following procedures in establishing the budgetary data reflected in the basic financial statements:

- 1) The operating budget shall be prepared and submitted to Council by the Manager in such form as Council shall require. The operating budget shall include, in addition to the major classifications and appropriations by which expenditures are to be allocated and controlled, a detailed analysis of the various items of revenues and expenditures. The budgets for all major funds that receive tax allocations are reported on the budgetary comparison schedule.
- 2) The operating budget shall show individually for each fund and in total, netting out interfund transfers, the anticipated revenues and expenditures of the City government. In addition to anticipated revenues and expenditures, the budget document shall include for each item the actual revenues and expenditures of at least the last completed year. The budget document shall also show the estimated balance of each fund at the close of the fiscal year currently ending and any surplus to be included in financing the proposed budget.
- 3) The Manager shall include with the proposed budget a statement explaining the budget both in fiscal terms and in terms of work to be done, outlining the proposed fiscal policies for the fiscal year, any changes in policies and programs, and reasons for changes which affect the level of revenues and expenditures.
- 4) The budget adopted by Council shall be balanced so that appropriations shall not exceed the estimated revenues and available surplus. In making revenue estimates, the Manager shall show the amount anticipated from existing taxes and service charges at existing rates and separately any increase or decrease which will result from any proposed changes in rates.
- 5) At least sixty days before the end of the fiscal year, the Manager shall prepare and submit to Council a proposed operating budget for the next fiscal year.
- 6) At least thirty days prior to the end of the fiscal year, Council shall complete its review of the proposed budget, make such adjustments as it deems necessary, and adopt a preliminary budget.
- 7) No later than ten days following the adoption of the preliminary budget by Council, the Manager shall cause to be published in a newspaper of general circulation in the City a summary of the budget and a notice of the date, time, and place at which Council shall hold a public hearing on the proposed budget. The hearing shall be held at least seven days after advertisement and at least ten days prior to the end of the fiscal year. The preliminary budget shall be available for public inspection at the municipal building and copies shall be available to the public at a reasonable fee set by Council.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
December 31, 2017

Note 1 - Budgetary Information (Continued)

- 8) After advertisement and public hearing, Council shall, before the beginning of the new fiscal year, adopt a final budget by a majority vote of all Council Members. If Council for any reason shall fail to adopt a budget before the start of the new fiscal year, the appropriations of the preceding year, prorated on a month-to-month basis, shall be considered to be adopted temporarily pending adoption of a final budget.
- 9) At the time of adopting the annual budget, Council shall simultaneously by ordinance levy sufficient taxes from authorized sources which, with other revenues and available receipts and balances, will provide for a balanced budget.
- 10) In any year following a municipal election Council may, within forty-five days after the start of the fiscal year, revise the budget and tax levies adopted by the previous Council. The procedures for adopting a revised budget shall be in accordance with the above, except that the final budget shall be adopted no later than February 15. A revised budget shall be effective as of the start of the fiscal year and shall rescind and replace the budget previously adopted by Council.
- 11) No contract or expenditure shall be made by the City which would exceed the appropriation provided in the budget. Council may at any time amend the operating budget; but changes in appropriations, either increases or decreases, shall be made only pursuant to action of Council authorizing such changes. Supplemental appropriations may be made by Council in the event that revenues are found and certified by the Manager to exceed estimates in the budget. If the Manager certifies that revenues will fall short of estimates in the budget, the Manager shall recommend reductions and appropriations to offset the deficiency in revenues; and Council shall make necessary adjustments in appropriations to maintain a balanced budget. All appropriations shall lapse at the end of the fiscal year.
- 12) In the event of a genuine emergency unanticipated at the time the budget was adopted, Council may make appropriations to meet the emergency. In the event that there are no available unappropriated revenues to meet the emergency, Council may authorize the issuance of unfunded debt in accordance with the Local Government Unit Debt Act. Operating expenses shall neither be appropriated nor paid out of loan funds, except to meet genuine emergencies.

Note 2 – Negative Change in Fund Balance

- 1) In the current year, the General Fund experienced a negative change in fund balance of \$544,694. During the October 16, 2017 council meeting, City council voted to transfer \$1,255,926 of the 2016 unrestricted fund balance to the Capital Reserve Fund for future capital projects and assigned \$320,586 for future OPEB and compensated absences benefits.



CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
December 31, 2017

Note 2 – Negative Change in Fund Balance (Continued)

- 2) In the current year, the Debt Fund experienced a negative change in fund balance of \$235,369. The savings proceeds from the refunding of the 2011 bond issue of \$219,509 was transferred during 2017 to the General fund resulting in a negative change in fund balance.
- 3) In the current year, the 2016 Capital Projects Fund experienced a negative change in fund balance of \$241,655. This fund was created to manage the “extra bond monies” when the 2011 bond issue was refunded. The fund balance will always have a negative change from year to year until the funds are completely depleted.
- 4) In the current year, the Fire Hydrant Fund experienced a negative change in fund balance of \$966. Total tax revenue and interest collected was \$65,260 and the cost of 325 fire hydrants was \$66,226. Cash on hand was used to cover this deficit.
- 5) In the current year, the Library and Ambulance Funds experienced a negative change in fund balance. The tax revenue collected is transferred to the St. Marys Public Library and the St. Marys Ambulance Association. The City transferred more money than they received in 2017. For the Library Fund it was \$1,311 and for the Ambulance Fund it was \$1,009. 2016 fund balance was used to cover the negative change in fund balance.

CITY OF SAINT MARYS, PENNSYLVANIA  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 December 31, 2017

Special Revenue Funds

	Special Revenue Funds										Totals
	Street Lighting Tax Fund	Fire Protection Fund	Recreation Fund	Library Fund	Ambulance Fund	Fire Hydrant Fund	Liquid Fuels Tax Fund	Shade Tree Fund	Community Development Block Grant Fund		
\$ 193,159	\$ 196,521	\$ 168,067	\$ 62	\$ 50	\$ 17,800	\$ 91,896	\$ 9,190	\$ 9,864	\$ 686,609		
2,864	4,926	3,222	2,076	358	1,074				14,520		
										475	
	14,272	1,648									
\$ 196,023	\$ 215,719	\$ 172,937	\$ 2,138	\$ 408	\$ 18,874	\$ 91,896	\$ 9,190	\$ 10,339	\$ 717,524		

ASSETS

Cash and Cash Investments  
 Taxes Receivable, Net  
 Accounts Receivable  
 Due from other Governments  
 Allowance for Uncollectible Due From Other Governments  
 Interfund Receivables  
 Prepaid Items

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts Payable & Payroll Taxes  
 Accrued Liabilities  
 Interfund Payables  
 Unearned Revenue  
 Unavailable Revenue

Total Liabilities

Fund Balances:

Nonspendable:  
 Restricted  
 Committed  
 Assigned:  
 Unassigned:  
 Total Fund Balances  
 Total Liabilities and Fund Balances

\$ 21,643	\$ 10,799	\$ 2,284							\$ 34,726
		1,314							1,314
		30,003							562
									30,100
\$ 21,643	\$ 10,799	\$ 33,601						\$ 659	\$ 66,702

\$	\$ 14,272	\$ 1,648				\$ 91,896	\$ 9,190	\$	\$ 15,920
\$ 174,380	190,648	137,688	\$ 2,138	\$ 408	\$ 18,874	\$	\$ 9,190	\$ 9,680	9,680
\$ 174,380	204,920	139,336	\$ 2,138	\$ 408	\$ 18,874	\$ 91,896	\$ 9,190	\$ 9,680	650,822
\$ 196,023	215,719	172,937	\$ 2,138	\$ 408	\$ 18,874	\$ 91,896	\$ 9,190	\$ 10,339	717,524

CITY OF SAINT MARYS, PENNSYLVANIA  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
For The Year Ended December 31, 2017

	Special Revenue Funds										Totals
	Street Lighting Tax Fund	Fire Protection Fund	Recreation Fund	Library Fund	Ambulance Fund	Fire Hydrant Fund	Liquid Fuels Tax Fund	Shade Tree Fund	Community Development Block Grant Fund		
<b>Revenues:</b>											
Taxes	\$ 173,507	\$ 302,457	\$ 195,211	\$ 125,793	\$ 21,688	\$ 65,064	\$ 479,903		\$ 498,946	\$ 883,720	
Intergovernmental Charges for Services			2,426							981,275	
Licenses and Permits			70,834							70,834	
Fines and Forfeitures										-	
Interest and Rentals	1,099	645	398	12	6	196	2,274	14		4,644	
Miscellaneous			129,614					514	9,680	139,808	
<b>Total Revenues</b>	\$ 174,606	\$ 303,102	\$ 398,483	\$ 125,805	\$ 21,694	\$ 65,260	\$ 482,177	\$ 528	\$ 508,626	\$ 2,080,281	
<b>Expenditures:</b>											
<b>Current:</b>											
General Government											
Public Safety	\$ 165,988	\$ 182,857			\$ 22,700	\$ 66,218			\$ 271,775	165,988	
Public Works											
Human Services											
Community and Economic Development									\$ 23,550	23,550	
Culture and Recreation									\$ 5,014	524,139	
Debt Service:											
Principal											
Interest											
Capital Outlays									475,396	475,396	
Other	23	36	25	16	3	8				111	
<b>Total Expenditures</b>	\$ 166,011	\$ 182,893	\$ 392,050	\$ 127,116	\$ 22,703	\$ 66,226	\$ -	\$ 5,014	\$ 498,946	\$ 1,460,959	
<b>Excess (Deficiency) of Revenues over Expenditures</b>	\$ 8,595	\$ 120,209	\$ 6,433	\$ (1,311)	\$ (1,009)	\$ (966)	\$ 482,177	\$ (4,486)	\$ 9,680	\$ 619,322	
<b>Other Financing Sources (Uses):</b>											
Capital Asset Sales		\$ 4,000							\$ 4,000	4,000	
Transfers In								\$ 7,500		7,500	
Transfers Out		(12,355)					\$ (392,552)			(404,907)	
<b>Total Other Financing Sources (Uses)</b>	\$ -	\$ (8,355)	\$ -	\$ -	\$ -	\$ -	\$ (392,552)	\$ 7,500	\$ -	\$ (393,407)	
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	\$ 8,595	\$ 111,854	\$ 6,433	\$ (1,311)	\$ (1,009)	\$ (966)	\$ 89,625	\$ 3,014	\$ 9,680	\$ 225,915	
<b>Fund Balance - Beginning</b>	\$ 165,785	\$ 93,066	\$ 132,903	\$ 3,449	\$ 1,417	\$ 19,840	\$ 2,271	\$ 6,176	\$ -	\$ 424,907	
<b>Fund Balance - Ending</b>	\$ 174,380	\$ 204,920	\$ 139,336	\$ 2,138	\$ 408	\$ 18,874	\$ 91,896	\$ 9,190	\$ 9,680	\$ 650,822	



# GECI AND ASSOCIATES, P.C.

*Certified Public Accountant and Consultants*

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council  
City of Saint Marys, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saint Marys, 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 Saint Marys, Pennsylvania's basic financial statements, and have issued our report thereon dated June 21, 2018.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Saint Marys, Pennsylvania's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Saint Marys, Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Saint Marys, Pennsylvania's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Saint Marys, Pennsylvania's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dei and Associates, P.C.*

Saint Marys, Pennsylvania

June 21, 2018