

**CITY OF SAINT MARYS, PENNSYLVANIA**

**December 31, 2018**

**CITY OF SAINT MARYS, PENNSYLVANIA**

**Saint Marys, Pennsylvania**

**FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT**

**December 31, 2018**

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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, 2018, 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, 2018, 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.

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### ***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, 2018, 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, 75-79, and 80-84 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 August 15, 2019, 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.

*Dei and Associates, P.C.*

Saint Marys, Pennsylvania  
August 15, 2019

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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, 2018. 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 2018 by \$25.8 million. Of this amount, \$21.6 million is from governmental activities and from this \$2.5 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 \$2 million and may be used to meet the ongoing obligations of the business-type activities.
- The City's net position of the governmental activities decreased by \$359,394 or 1.7% and the net position of the business-type activities increased by \$292,352 or 7.5%.
- Total revenue of the governmental activities *decreased* by \$171,894 compared to last year's revenue; and total expenditures of the governmental activities *increased* by \$927,923 or 11.7 percent compared to last year.
- In the City's business-type activities, total revenue decreased by \$7,716 or .3% and expenses *decreased* by \$2,493 or on-tenth of a percent.
- Net investment in capital assets (net capital assets net of related debt) was \$17,191,991 at December 31, 2018, an increase of \$719,160.
- 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 decreased \$521,426 or 5.9% and the non-uniformed pension plan net position decreased \$295,171 or 6.3% in 2018.
- As of December 31, 2018, the governmental funds reported a combined ending fund balance of \$6,265,570 a decrease of \$697,582 from the prior year. Of the ending fund balance, \$92,687 is non-spendable, \$819,673 is restricted for various projects, \$1,086,167 is committed based on tax levies, \$2,744,247 is committed for capital projects, \$323,763 is assigned for other post-employment benefits and compensated absences, and \$165,866 is assigned for increases in pension liability; and \$1,033,167 is unassigned and available for any purpose and to fund any fund balance that is negative.
- The General Fund reported a fund balance of \$2,560,050. The fund balance increased \$131,058 or 5.4% from the prior year. City Council transferred unbudgeted funds of \$563,689 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 \$816,417 for capital public works projects as of December 31, 2018.
- The City had a prior year adjustment of \$180. This was in the C.D.B.G. Fund and was interest that was recorded as revenue, instead of deferred revenue or program income that can be transferred to the general fund for any purpose.
- The City guarantees 4 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 80-81 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, Keystone Community Façade Program 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 32-77 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 75 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 \$25,844,835 at the close of the most recent calendar year.

Sixty Seven 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 (16 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<br>Activities |                      | Business-Type<br>Activities |                     | Total Primary<br>Government |                      |
|--|----------------------------|----------------------|-----------------------------|---------------------|-----------------------------|----------------------|
|  | 2018                       | 2017                 | 2018                        | 2017                | 2018                        | 2017                 |
| Current Assets                             | 8,320,250                  | 9,059,806            | 2,247,565                   | 1,977,668           | 10,567,815                  | 11,037,474           |
| Other Assets                               | 444,368                    | 423,208              |                             | -                   | 444,368                     | 423,208              |
| Capital Assets, net                        | 20,457,497                 | 20,290,535           | 2,160,284                   | 2,124,545           | 22,617,781                  | 22,415,080           |
| Total Assets                               | <u>\$ 29,222,115</u>       | <u>\$ 29,773,549</u> | <u>\$ 4,407,849</u>         | <u>\$ 4,102,213</u> | <u>\$ 33,629,964</u>        | <u>\$ 33,875,762</u> |
| <b>DEFERRED OUTFLOWS<br/>OF RESOURCES</b>  | <u>\$ 1,778,382</u>        | <u>\$ 699,398</u>    | <u>\$ -</u>                 | <u>\$ -</u>         | <u>\$ 1,778,382</u>         | <u>\$ 699,398</u>    |
| <b>LIABILITIES</b>                         |                            |                      |                             |                     |                             |                      |
| Long - Term Liabilities                    | 5,930,218                  | 5,531,744            | 15,692                      | 16,255              | 5,945,910                   | 5,547,999            |
| Other Liabilities                          | 2,782,219                  | 2,118,083            | 201,721                     | 189,209             | 2,983,940                   | 2,307,292            |
| Total Liabilities                          | <u>\$ 8,712,437</u>        | <u>\$ 7,649,827</u>  | <u>\$ 217,413</u>           | <u>\$ 205,464</u>   | <u>\$ 8,929,850</u>         | <u>\$ 7,855,291</u>  |
| <b>DEFERRED INFLOWS<br/>OF RESOURCES</b>   | <u>\$ 633,661</u>          | <u>\$ 809,147</u>    | <u>\$ -</u>                 | <u>\$ -</u>         | <u>\$ 633,661</u>           | <u>\$ 809,147</u>    |
| <b>NET POSITION</b>                        |                            |                      |                             |                     |                             |                      |
| Invested in Capital Assets,<br>net of debt | 15,031,707                 | 14,348,286           | 2,160,284                   | 2,124,545           | 17,191,991                  | 16,472,831           |
| Restricted                                 | 4,149,888                  | 4,957,368            | -                           | -                   | 4,149,888                   | 4,957,368            |
| Unrestricted*                              | 2,472,804                  | 2,708,319            | 2,030,152                   | 1,772,204           | 4,502,956                   | 4,480,523            |
| Total Net Position                         | <u>\$ 21,654,399</u>       | <u>\$ 22,013,973</u> | <u>\$ 4,190,436</u>         | <u>\$ 3,896,749</u> | <u>\$ 25,844,835</u>        | <u>\$ 25,910,722</u> |

Table 1 shows Total Primary Government net position decreased by \$65,887 this year. Governmental Activities had a decrease of \$359,574 while the Business-Type Activities has an increase of \$293,687. The decrease in current assets in the government activities is \$739,556; cash and cash investments increased \$284,819 as the net pension liability increased by \$1,601,988. *Capital assets, net*, for primary government, had increases from last year of \$202,701 (capital assets of \$1,698,433 less depreciation of \$1,495,732) while *net position invested in capital assets, net of debt* had an increase of \$719,160 for the City combined. The increase of depreciation (1,495,732) counterbalances the decrease in debt payments of \$516,459.

Governmental Activities unrestricted net position decreased from last year by \$235,515 or 8.7% while the Business-Type Activities unrestricted net position increased from last year by \$257,948 or 14.6%. In 2017 the unrestricted net position of the business-type activities had an increase of \$118,263. The unrestricted net position is available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

### ***Governmental Activities***

Table 2 shows revenue and expenditures for both governmental and business-type activities for years 2018 and 2017. Governmental activities revenue for 2018 had a decrease from last year of \$171,894 or by 2%. Total expenditures for governmental activities increased by \$927,923 or by 11.7%.

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

- Building permit revenue in 2018 was \$51,415 compared to 2017 of \$129,946 a decrease of \$78,531.
- The City received federal funding through the Community Development Block Grant of \$498,946 in 2017 and only \$125,152 in 2018.
- Capital grant funding of \$116,662 for the Jackson Road project was received in 2018 compared to 2017 when we received \$30,579 from ECCD for the project.
- The City received a \$124,117 more in Pension Aid in 2018 compared to 2017.
- Administration cost increased in 2018 by \$228,124; Outside HR services of \$27,000; Keystone Payroll cost of \$20,000; pension cost of \$124,000.
- Public Safety cost increased in 2018 by \$273,320; added one additional police officer to the force and officers contract wage increase for 2018 of \$100,000; increase in benefit cost of \$25,000; increase in overtime cost of \$22,000.
- Public Works cost increased in 2018 by \$285,104; Administration cost of \$69,000; snow removal of \$27,000; traffic signals and markings of \$16,000; storm sewers of \$70,000; and street and bridges, road repairs an increase of \$161,000.
- Expenditures from the Community Development Block grant consisted of sidewalk repairs of \$47,000; spot blight and demolition of \$19,000; and the ADA requirements at the scout house building at Memorial Park of \$10,000.

TABLE 2  
CITY OF SAINT MARYS  
CHANGES IN NET POSITION

|   | Governmental Activities |                   | Business-Type Activities |                  | Primary Government |                   | Total       |
|---|-------------------------|-------------------|--------------------------|------------------|--------------------|-------------------|-------------|
|   | <u>2018</u>             | <u>2017</u>       | <u>2018</u>              | <u>2017</u>      | <u>2018</u>        | <u>2017</u>       | %<br>Change |
| Revenues:                                 |                         |                   |                          |                  |                    |                   |             |
| Program Revenues:                         |                         |                   |                          |                  |                    |                   |             |
| Charges for Services                      | 493,101                 | 600,114           | 2,876,192                | 2,883,908        | 3,369,293          | 3,484,022         | -3.29%      |
| Operating Grants and Contributions        | 130,042                 | 112,203           |                          |                  | 130,042            | 112,203           | 15.90%      |
| Capital Grants and Contributions          | 270,894                 | 628,980           |                          |                  | 270,894            | 628,980           | -56.93%     |
| General Revenue:                          |                         |                   |                          |                  |                    |                   |             |
| Taxes:                                    |                         |                   |                          |                  |                    |                   |             |
| Total Taxes                               | 6,140,289               | 6,025,723         |                          |                  | 6,140,289          | 6,025,723         | 1.90%       |
| Grants and Contributions                  |                         |                   |                          |                  | -                  | -                 |             |
| not restricted to specific programs       | 1,046,244               | 872,794           |                          |                  | 1,046,244          | 872,794           | 19.87%      |
| Sale of Fixed Assets                      | 23,076                  | 52,399            |                          |                  | 23,076             | 52,399            | -55.96%     |
| Investment Earnings                       | 158,434                 | 85,315            | 16,567                   | 7,608            | 175,001            | 92,923            | 88.33%      |
| Miscellaneous                             | 238,412                 | 294,858           | 8,448                    | 10,849           | 246,860            | 305,707           | -19.25%     |
| Total Revenue                             | <u>8,500,492</u>        | <u>8,672,386</u>  | <u>2,901,207</u>         | <u>2,902,365</u> | <u>11,401,699</u>  | <u>11,574,751</u> | -1.50%      |
| Expenses:                                 |                         |                   |                          |                  |                    |                   |             |
| General Government                        | 1,572,447               | 1,344,323         |                          |                  | 1,572,447          | 1,344,323         | 16.97%      |
| Public Safety                             | 2,805,689               | 2,532,369         |                          |                  | 2,805,689          | 2,532,369         | 10.79%      |
| Public Works                              | 3,545,296               | 3,260,192         |                          |                  | 3,545,296          | 3,260,192         | 8.75%       |
| Human Services                            | 3,850                   | 4,960             |                          |                  | 3,850              | 4,960             | -22.38%     |
| Community & Economic Development          | 171,711                 | 62,325            |                          |                  | 171,711            | 62,325            | 175.51%     |
| Culture and Recreation                    | 625,065                 | 583,026           |                          |                  | 625,065            | 583,026           | 7.21%       |
| Interest on long term debt                | 135,828                 | 144,768           |                          |                  | 135,828            | 144,768           | -6.18%      |
| Sewage Treatment/Sewer Lines              |                         |                   | 2,607,520                | 2,610,013        | 2,607,520          | 2,610,013         | -0.10%      |
| Total Expenditures                        | <u>8,859,886</u>        | <u>7,931,963</u>  | <u>2,607,520</u>         | <u>2,610,013</u> | <u>11,467,406</u>  | <u>10,541,976</u> | 8.78%       |
| Increase in Net Position:                 | <u>(359,394)</u>        | <u>740,423</u>    | <u>293,687</u>           | <u>292,352</u>   | <u>(65,707)</u>    | <u>1,032,775</u>  | -106.36%    |
| Net Position - January 1                  | <u>22,013,973</u>       | <u>21,273,550</u> | <u>3,896,749</u>         | <u>3,604,397</u> | <u>25,910,722</u>  | <u>24,877,947</u> | 4.15%       |
| Net Position - adjustment of net position | <u>(180)</u>            | <u>-</u>          | <u>-</u>                 | <u>-</u>         | <u>(180)</u>       | <u>-</u>          |             |
| Net Position - December 31                | <u>21,654,399</u>       | <u>22,013,973</u> | <u>4,190,436</u>         | <u>3,896,749</u> | <u>25,844,835</u>  | <u>25,910,722</u> | -0.25%      |

- 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 an increase to pension expense of \$347,158. 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 2019 and future years. The calculation is only for government-wide financial statement purposes.

The following chart shows the increase in pension expense for 2018 according to GASB Statement No. 68.

| GASB 68 Pension Expense<br>for Defined Benefit Pension Plans |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| Pension Expense for GASB 68                                  | 2018              | 2017              | Inc/(Dec)         |
| <b>Governmental Activities:</b>                              |                   |                   |                   |
| General Government   | \$ 16,973         | \$ 7,605          | \$ 9,368          |
| Public Works   | 77,364            | 33,760            | 43,604            |
| Community & Economic Dev.                                    | 3,126             | 1,401             | 1,725             |
| <b>Public Safety:</b>  |                   |                   |                   |
| Police Officers  | 237,616           | 121,561           | 116,055           |
| Other  | 12,439            | 5,598             | 6,841             |
| <b>Total Increase/(Decrease) for</b>                         |                   |                   |                   |
| GASB 68 Pension Expense                                      | \$ 347,518        | \$ 169,925        | \$ 177,593        |
| <b>Pension Expense per</b>                                   |                   |                   |                   |
| Commonwealth of PA   | \$ 281,063        | \$ 156,946        | \$ 124,117        |
| <b>Total Pension Expense for</b>                             |                   |                   |                   |
| GASB 68  | <u>\$ 628,581</u> | <u>\$ 326,871</u> | <u>\$ 301,710</u> |

The cost of governmental activities for this year is \$8,859,886 compared to \$7,931,963 from last year an increase of \$927,923. 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 \$7,965,849 because some of the cost was paid by those who directly benefited from the programs (\$493,101) or by other governments and organizations that subsidized certain programs with grants and contributions (\$400,936).

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<br>OF SERVICES |                     | NET COST<br>OF SERVICES |                     |
|----------------------------------|---------------------------|---------------------|-------------------------|---------------------|
|                                  | 2018                      | 2017                | 2018                    | 2017                |
| General Government               | \$ 1,572,447              | \$ 1,344,323        | \$ 1,419,097            | \$ 1,153,364        |
| Public Safety                    | 2,805,689                 | 2,532,369           | 2,655,435               | 2,409,436           |
| Public Works                     | 3,545,296                 | 3,260,192           | 3,233,751               | 2,926,747           |
| Community & Economic Development | 171,711                   | 62,325              | 46,559                  | (436,621)           |
| Culture and Recreation           | 625,065                   | 583,026             | 471,329                 | 388,012             |
| All Others                       | 139,678                   | 149,728             | 139,678                 | 149,728             |
| <b>Totals</b>                    | <b>\$ 8,859,886</b>       | <b>\$ 7,931,963</b> | <b>\$ 7,965,849</b>     | <b>\$ 6,590,666</b> |

***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 only by \$1,158 and expenses decreased .1% or \$2,493 from last year. Operating revenue for 2018 is \$2,901,207 and operating expenses are \$2,607,520 leaving a positive balance of \$293,687 for year end. The *increase in net position* increased in 2018 compared to 2017 by \$1,335. Revenue and expenditures pretty much stayed the same compared to the last 2 years.

**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 \$6,265,570, which is lower than last year's total of \$6,963,152 or a decrease of \$697,582. The General Funds' *fund balance* increased \$131,058 in 2018. During the September 17th Council meeting, city council voted to transfer \$563,689 of the unrestricted fund balance in the General Fund to the Capital Reserve fund for capital projects. The Capital Reserve Fund and the 2016 Capital Projects Fund recorded lower fund balances in 2018 compared to 2017. The 2016 Capital projects fund will not have any expected revenue and the fund balance will be lower every year until the money is depleted. For the Capital Reverse Fund, expenditures exceeded the amount that was transferred into the fund for 2018.

For the General fund, revenue exceeded budget projections by \$427,557. The City received 57,700 more in tax revenue than budgeted; \$38,000 more in interest earned on investments and \$370,000 more in intergovernmental revenue. Project expenditures were over budget projections by \$296,500. All departments in the general fund were under their budgeted amounts. But the transfer from the general fund of \$563,689 to the Capital Reserve Fund for capital projects made expenditures exceed the projected amount budgeted. The total unassigned

fund balance of \$1,994,668 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 2018 of \$658,907 a decrease of \$1,102 from last year. This decrease in fund balance was due to the Commonwealth Finance Authority recording a portion of the interest payment on the loan as principal. Normally 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 2018 is \$659,756.

The Parking Garage Fund's *fund balance* has a negative balance of \$302,594 as of December 31, 2018. This is a decrease of \$20,128 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 \$302,594 in fund balance as of the end of 2018 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 from the general fund.

The Debt Fund had a fund balance of \$360,701 as of December 31, 2018. This is a decrease in fund balance of \$668 from 2017. 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 a decrease in fund balance of \$195,699. The total fund balance of \$2,744,460 is considered a committed fund balance. The Capital Reserve fund is reserved for future capital projects and equipment. In 2018 there was \$886,000 budgeted for capital expenditures, and actual expenses of \$828,073 in capital outlays. In 2018, a transfer of \$582,060 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 and other capital projects. As of December 31, 2018, this fund had a fund balance of \$816,417. Projects in 2018 consisted of: cost relating to the flood study; street paving and curbing; transfer to the RDA; Airport Industrial Park – gas expansion; Multimodal Study and toward the downtown park project totaling \$775,371. Remaining funds of \$816,417 and interest earned will need to be committed to projects by the end of October of 2019.

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 2018. Total cost reimbursed by the CDBG



program for 2018 was \$125,152. Project cost consisted of LIFT of \$7,021; Scout House ADA of \$10,150; Bell Tower Restoration of \$7,750; Housing Rehab of \$2,245; Spot and Blight Demolition of \$19,711; Sidewalk Program of \$47,536 and administration cost of \$30,739. Program Income was transferred to the General Fund of \$9,500. This was then allocated to the Keystone Communities Façade Program. \$180 of interest earned in previous years was reassigned as deferred revenue in 2018. This adjustment of \$180 was a prior year adjustment and is shown on the financial statements as one.

The Street Lighting Tax fund had a fund balance of \$224,739 an increase of \$50,359 as of December 31, 2018. This fund pays for all lighting that is above the streets and in the parking lots and parking garage. The fund balance of \$224,739 is considered a committed fund balance; City Council through an ordinance set the millage (.5 of a mill) designated to the Street Lighting Fund. During the end of 2017 and in 2018 the City had LED lights installed in the majority of the street lights in the City. This saved approximately \$60,000 in revenue.

The Fire Protection Fund had a fund balance of \$333,338 an increase of \$128,418 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 \$153,429 at the end of 2018 with an increase of \$14,093. This fund balance is also considered committed as Council sets the millage (1.2 mills) of real estate tax revenue for this fund. This money is used to maintain and administer the parks and pool located in town. City Council increased the millage in 2018 from .9 mills to 1.2 mills. The difference of .3 mills was taken from the Street Lighting Tax Fund.

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 \$126,828 and conveys this to the St. Marys Public Library for their services and the Ambulance Fund receives .10 of a mill annually or \$21,867 and this is turned over to the St. Marys Ambulance Service. The fund balance of \$2,582 for the Library Fund and \$668 for the Ambulance Fund is considered a committed fund balance.

The Fire Hydrant Fund receives .3 of a mill annually or \$65,600. 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 2018 of \$574 with an ending balance of \$18,300. 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 \$3,256 as of the end of 2018. 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 \$9,131 as of December 31, 2018 with a decrease of \$59 for 2018. This fund is used to plant, trim, and prune trees in St. Marys. \$7,500 is transferred from the General fund every year to cover these cost. 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 budget year 2018, minor changes were made to the original budget adopted by Council in 2017. City Council made one minor change, allocating \$25,000 from the wage category in community development and transferring it to the human resources - professional services line item. At December 31, 2018 actual revenue received in the general fund was \$395,713 more than the budgeted amount, and the actual expenditures were \$304,189 less than what was budgeted. Total revenue for the general fund is \$6,239,948 and total expenditures are \$5,887,287, with other financing sources or (uses), net of (221,603), leaving an increase in fund balance of \$131,058. The general fund had \$608,700 of interfund transfers "in" and \$837,367 of interfund transfers "out". Sale of capital assets totaled \$7,064.

The City transferred \$582,060 to the Capital Reserve Fund for the capital improvement plan for capital projects for 2018 and beyond. \$18,371 was budgeted as a transfer to the Capital Reserve fund for 2018, the difference is a portion of the unrestricted unassigned fund balance as of the end of 2017.

The receipt of real estate transfer tax was at 131.75% of budget or \$31,750 more than budget for 2018 and PUC Drilling Fees Act 13 monies were at 123% of budget or \$29,862 over budget. Investment income was at 371% of budget with an overage of \$38,000.

The City received \$134,687 more in pension aid than the 2018 M.M.O. requirement.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

At the end of 2018, the City had \$22,617,781 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 \$202,701 or .9 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              |               |
|                          | 2018          | 2017          | 2018          | 2017         | 2018               | 2017          |
| Land                     | \$ 604,426    | \$ 439,426    | \$ 11,692     | \$ 11,692    | \$ 616,118         | \$ 451,118    |
| Construction in progress | 260,314       | 163,113       | -             | -            | 260,314            | 163,113       |
| Building & Improvements  | 10,713,469    | 11,029,713    | 142,401       | 122,616      | 10,855,870         | 11,152,329    |
| Equipment                | 2,008,161     | 1,977,667     | 764,103       | 759,898      | 2,772,264          | 2,737,565     |
| Improvements             | 410,016       | 354,240       | -             | -            | 410,016            | 354,240       |
| Infrastructure           | 6,461,111     | 6,326,376     | 1,242,088     | 1,230,339    | 7,703,199          | 7,556,715     |
| Totals                   | \$ 20,457,497 | \$ 20,290,535 | \$ 2,160,284  | \$ 2,124,545 | \$ 22,617,781      | \$ 22,415,080 |

This year's major additions include:

General administration capital cost totaled \$226,383. This included land improvements to the boulevard sidewalks and diamond area upgrades of \$37,531 and the purchase of the property on Depot Street for the RDA of \$165,000. Computers and monitors purchased in 2018 amounted to \$8,612 and improvements to the 3<sup>rd</sup> floor of City Hall cost \$15,240.

The police department spent \$81,522 on capital equipment which included a 2018 Ford Utility vehicle with installation of equipment at \$39,251 and a 2018 Dodge Charger with installation of equipment of \$37,286. Cameras were installed on the public safety building with a cost of \$4,985.

The code enforcement department purchased a new software program with equipment costing \$16,406.

Public works – streets: had capital cost of \$1,194,276. Equipment cost totaled \$305,105; paving projects - \$748,939 and the installation of the gas line at the airport industrial park of \$140,232;

The Recreation Board spent \$89,502 on capital cost for 2018. Equipment cost of \$9,056; land improvements of \$51,713 which included the subbase on the parking lot at Benzinger park of \$24,625 and tar & chipping the walking trails and Benzinger park for \$22,500. New roofs on the park buildings at Benzinger, Memorial & Luhr parks totaled \$10,121; building improvements cost \$15,053 and a playground structure at Benzinger park cost \$3,559.

The Sewage Treatment plant spent \$183,061 on capital cost. Equipment cost was \$119,973; building improvements of \$25,721 and infrastructure cost of \$37,367.

## DEBT

At year-end, the City of St. Marys had \$5.4 million in governmental activities notes and bonds outstanding versus \$5.9 million last year – a decrease of 8.7% as shown in Table 5 listed below.

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

|                          | Governmental<br>Activities |              | Business-Type<br>Activities |      | Total Primary<br>Government |              |
|--------------------------|----------------------------|--------------|-----------------------------|------|-----------------------------|--------------|
|                          | 2018                       | 2017         | 2018                        | 2017 | 2018                        | 2017         |
| General Obligation Notes | \$ 965,790                 | \$ 1,177,249 | \$ -                        | \$ - | \$ 965,790                  | \$ 1,177,249 |
| Revenue Bonds            | 4,460,000                  | 4,765,000    | -                           | -    | 4,460,000                   | 4,765,000    |
| Totals                   | \$ 5,425,790               | \$ 5,942,249 | \$ -                        | \$ - | \$ 5,425,790                | \$ 5,942,249 |

A summary of long-term debt as of December 31, 2018:

- Fire Trucks; \$35,955
- Street Improvements; \$929,835
- Bond Issue – \$4,460,000

A summary of long-term debt that the City guarantees as of December 31, 2018:

- 2007 Airport Industrial Park; \$659,756 – (Airport Authority)
- 2015 Guaranteed Sewer Revenue Bonds; \$1,075,000 – (Municipal Authority)
- Pennvest Loan; \$1,570,557 – (Municipal Authority)
- 2012 Benzinger Twp. Golf Note Modify.; \$661,375 - (Benzinger Twp. Golf Authority)
- 2012 Benzinger Twp. Golf Note; \$65,961 – (Benzinger Twp. Golf Authority)
- 2013 Benzinger Twp. Golf Note; \$41,699 – (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 2019 is \$7,899,395 - (250% of this for Net non-electoral debt limitation (\$19,748,488) and 350% of this for net non-electoral debt plus lease rental debt. (\$27,647,883)

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

The City's elected and appointed officials considered many factors when setting the fiscal-year 2019 budget, tax rates, and fees that will be charged for the business-type activities. One of the factors is the economy. The City's unemployment rate at 12/31/18 was 3.8%; in 2017 it was 4.1%; 2016 was 5.4%; and for 2015 it was 5%. This compares with the State's unemployment rate of 4.2% for 2018 and 4.6% for 2017; 5.3% for 2016; 5.2% in 2015.

The City's Total Governmental Funds budget for 2019 is \$10,892,205 and the Enterprise Funds budget for 2019 is \$3,425,352.

The 2019 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 \$3,888,365 and assessed value of property is estimated at \$220,812,015. The general fund will receive \$2,632,254 of this total. 2019's General Fund's budget is 13% more than last years with a total of \$7,272,774

City council increased the Earned Income tax for the 2019 budget. The Earned Income Tax increased from .5% to .7% and increase of .2%. This will generate approximated \$600,000 more in tax revenue. The tax will be imposed on all wages earned by St. Marys residents. Of the \$600,000 increase in earned income tax; 85% of it (\$510,000) will be transferred to the Capital Reserve Fund for the reconstruction of roads, streets, and bridges and related storm sewers. The remaining 15% or \$90,000 will stay in the general fund and \$45,336 of this total will balance the 2019 budget; \$11,340, will be used for the commission of 1.89% on the additional \$600,000 and the remaining \$33,324 will be transferred to the Capital Reserve Fund for capital projects.

City council also increased the user fees on the sewer bills for the 2019 budget in the Enterprise Funds. The increase would be on the base rate and the increase would be \$4.00 a month or \$48.00 a year. For residents the base rate will increase from \$22.50 to \$26.50 a month; for industry the rate will go from \$50 to \$54 and all other customers the rate will go from \$30 to \$34. This will generate \$220,128 a year and the funding will be used for the replacement of sanitary sewer lines.

## **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, 2018

|  | Primary Government         |                             | Total                |
|--|----------------------------|-----------------------------|----------------------|
|  | Governmental<br>Activities | Business-Type<br>Activities |                      |
| <b>ASSETS</b>                                    |                            |                             |                      |
| Cash and Cash Investments                        | \$ 7,550,831               | \$ 1,914,054                | \$ 9,464,885         |
| Taxes Receivable, Net                            | 63,268                     |                             | 63,268               |
| Accounts Receivable, Net                         | 47,368                     | 302,020                     | 349,388              |
| Due From Other Governments                       | 191,739                    |                             | 191,739              |
| Allowance for Uncollectible Due from Governments | (66,550)                   |                             | (66,550)             |
| Interfund Receivables                            | 440,907                    | 18,360                      | 459,267              |
| Prepaid Expenses                                 | 92,687                     | 13,131                      | 105,818              |
| Capital Assets:                                  |                            |                             |                      |
| Construction In Progress                         | 260,314                    |                             | 260,314              |
| Infrastructure                                   | 12,165,978                 | 1,345,690                   | 13,511,668           |
| Land   | 604,426                    | 11,692                      | 616,118              |
| Buildings & Building Improvements                | 14,035,442                 | 175,801                     | 14,211,243           |
| Equipment  | 7,428,309                  | 2,123,725                   | 9,552,034            |
| Improvements                                     | 1,377,914                  |                             | 1,377,914            |
| Accumulated Depreciation                         | (15,414,886)               | (1,496,624)                 | (16,911,510)         |
| Other Assets: Long-Term Note Receivable (net)    | 444,368                    |                             | 444,368              |
| <b>Total Assets</b>                              | <b>29,222,115</b>          | <b>4,407,849</b>            | <b>33,629,964</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>            |                            |                             |                      |
| Deferred Outflows of Resources for pensions      | 1,778,382                  |                             | 1,778,382            |
| <b>Total Deferred Outflows of Resources</b>      | <b>1,778,382</b>           | <b>-</b>                    | <b>1,778,382</b>     |
| <b>LIABILITIES</b>                               |                            |                             |                      |
| Accounts Payable and Payroll Taxes               | 893,199                    | 46,706                      | 939,905              |
| Other Accrued Liabilities                        | 67,426                     | 12,833                      | 80,259               |
| Due To Other Governments                         |                            | 80,875                      | 80,875               |
| Interfund Payables                               | 1,057,716                  | 61,307                      | 1,119,023            |
| Unearned Revenue                                 | 32,603                     |                             | 32,603               |
| Unavailable Revenue                              | 3,736                      |                             | 3,736                |
| Net Pension Liability                            | 915,914                    |                             | 915,914              |
| Compensated Absences - long -term portion        | 108,455                    | 15,692                      | 124,147              |
| Other Post-Employment Benefits                   | 207,598                    |                             | 207,598              |
| Notes Payable - current portion                  | 214,941                    |                             | 214,941              |
| Notes Payable - long - term portion              | 750,849                    |                             | 750,849              |
| Bonds Payable - current portion                  | 305,000                    |                             | 305,000              |
| Bonds Payable - long -term portion               | 4,155,000                  |                             | 4,155,000            |
| <b>Total Liabilities</b>                         | <b>8,712,437</b>           | <b>217,413</b>              | <b>8,929,850</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>             |                            |                             |                      |
| Deferred Inflows of Resources                    | 633,661                    |                             | 633,661              |
| <b>Total Deferred Inflows of Resources</b>       | <b>633,661</b>             | <b>-</b>                    | <b>633,661</b>       |
| <b>NET POSITION</b>                              |                            |                             |                      |
| Invested in Capital Assets, Net of Related Debt  | \$ 15,031,707              | \$ 2,160,284                | \$ 17,191,991        |
| Restricted For:                                  |                            |                             |                      |
| Capital Projects                                 | 3,560,877                  |                             | 3,560,877            |
| Airport Industrial Park Project                  | (658,907)                  |                             | (658,907)            |
| Parking Garage                                   | (302,594)                  |                             | (302,594)            |
| Community Development Projects                   | 444,368                    |                             | 444,368              |
| Debt Services                                    | 360,701                    |                             | 360,701              |
| Other Purposes                                   | 745,443                    |                             | 745,443              |
| Unrestricted                                     | 2,472,804                  | 2,030,152                   | 4,502,956            |
| <b>Total Net Position</b>                        | <b>\$ 21,654,399</b>       | <b>\$ 4,190,436</b>         | <b>\$ 25,844,835</b> |

CITY OF SAINT MARYS, PENNSYLVANIA  
STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2018

| Functions/Programs                    | Program Revenues     |                         |  |  | Net (Expense) Revenue and<br>Changes in Net Assets |                              |                       |
|---------------------------------------|----------------------|-------------------------|--|--|--|------------------------------|-----------------------|
|                                       | Expenses             | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government                                 |                              |                       |
|                                       |                      |                         |  |  | Governmental<br>Activities                         | Business-<br>Type Activities | Total                 |
| Primary Government:                   |                      |                         |  |  |  |                              |                       |
| Governmental Activities:              |                      |                         |  |  |  |                              |                       |
| General Government                    | \$ 1,572,447         | \$ 143,702              |  | \$ 9,648                               | \$ (1,419,097)                                     |                              | \$ (1,419,097)        |
| Public Safety                         | 2,805,689            | 88,239                  | \$ 54,330                                | 7,685                                  | (2,655,435)  |                              | (2,655,435)           |
| Public Works                          | 3,545,296            | 194,883                 |  | 116,662                                | (3,233,751)  |                              | (3,233,751)           |
| Human Services                        | 3,850                |                         |  |  | (3,850)  |                              | (3,850)               |
| Community and Economic Development    | 171,711              |                         |  | 125,152                                | (46,559)   |                              | (46,559)              |
| Culture and Recreation                | 625,065              | 66,277                  | 75,712                                   | 11,747                                 | (471,329)  |                              | (471,329)             |
| Interest On Long- Term Debt           | 135,828              |                         |  |  | (135,828)  |                              | (135,828)             |
| Total Governmental Activities         | <u>\$ 8,859,886</u>  | <u>\$ 493,101</u>       | <u>\$ 130,042</u>                        | <u>\$ 270,894</u>                      | <u>\$ (7,965,849)</u>                              | <u>-</u>                     | <u>\$ (7,965,849)</u> |
| Business-Type Activities:             |                      |                         |  |  |  |                              |                       |
| Sewer                                 | \$ 2,607,520         | \$ 2,876,192            |  |  |  | \$ 268,672                   | \$ 268,672            |
| Total Business-Type Activities        | <u>2,607,520</u>     | <u>2,876,192</u>        | <u>-</u>                                 | <u>-</u>                               | <u>-</u>   | <u>268,672</u>               | <u>268,672</u>        |
| Total Primary Government              | <u>\$ 11,467,406</u> | <u>\$ 3,369,293</u>     | <u>\$ 130,042</u>                        | <u>\$ 270,894</u>                      | <u>\$ (7,965,849)</u>                              | <u>\$ 268,672</u>            | <u>\$ (7,697,177)</u> |
| General Revenues:                     |                      |                         |  |  |  |                              |                       |
| Taxes                                 |                      |                         |  |  |  |                              |                       |
| Real Estate                           |                      |                         |  |  | \$ 4,053,049                                       |                              | \$ 4,053,049          |
| Per Capita                            |                      |                         |  |  | 40,965   |                              | 40,965                |
| Real Estate Transfer                  |                      |                         |  |  | 131,750  |                              | 131,750               |
| Earned Income                         |                      |                         |  |  | 1,562,117  |                              | 1,562,117             |
| Local Service Tax                     |                      |                         |  |  | 352,408  |                              | 352,408               |
| Intergovernmental Revenues            |                      |                         |  |  | 1,046,244  |                              | 1,046,244             |
| Interest                              |                      |                         |  |  | 158,434  | \$ 16,567                    | 175,001               |
| Gain on Sale of Capital Assets        |                      |                         |  |  | 23,076   |                              | 23,076                |
| Miscellaneous                         |                      |                         |  |  | 238,412  | 8,448                        | 246,860               |
| Total General Revenues and Transfers  |                      |                         |  |  | <u>\$ 7,606,455</u>                                | <u>\$ 25,015</u>             | <u>\$ 7,631,470</u>   |
| Changes in Net Position               |                      |                         |  |  | \$ (359,394)                                       | \$ 293,687                   | \$ (65,707)           |
| Net Position - Beginning              |                      |                         |  |  | 22,013,973   | 3,896,749                    | 25,910,722            |
| Fund balance - Prior Year Adjustments |                      |                         |  |  | (180)  |                              | (180)                 |
| Net Position - Ending                 |                      |                         |  |  | <u>\$ 21,654,399</u>                               | <u>\$ 4,190,436</u>          | <u>\$ 25,844,835</u>  |

CITY OF SAINT MARYS, PENNSYLVANIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2018

| <u>ASSETS</u>   | General<br>Fund     | Airport<br>Industrial<br>Park Fund | Parking<br>Garage<br>Fund | Debt<br>Fund      | Capital<br>Reserve<br>Fund | 2016<br>Capital<br>Project Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|------------------------------------|---------------------------|-------------------|----------------------------|---------------------------------|--------------------------------|--------------------------------|
| Cash and Cash Investments                                 | \$ 2,576,607        | \$ 849                             | \$ 84,102                 | \$ 313,147        | \$ 2,664,371               | \$ 1,162,980                    | \$ 748,775                     | \$ 7,550,831                   |
| Taxes Receivable, Net                                     | 43,140              |                                    |                           | 6,419             |                            |                                 | 13,709                         | 63,268                         |
| Accounts Receivable                                       | 34,890              |                                    |                           |                   | 2,858                      | 7,821                           | 1,799                          | 47,368                         |
| Due from other Governments                                | 42,823              |                                    |                           | 68,685            | 39,000                     |                                 | 41,231                         | 191,739                        |
| Allowance for Uncollectible Due<br>From Other Governments |                     |                                    |                           | (27,550)          | (39,000)                   |                                 |                                | (66,550)                       |
| Interfund Receivables                                     | 54,211              |                                    |                           |                   | 386,696                    |                                 |                                | 440,907                        |
| Prepaid Items   | 75,753              |                                    |                           |                   | 213                        |                                 | 16,721                         | 92,687                         |
| <b>Total Assets</b>                                       | <b>\$ 2,827,424</b> | <b>\$ 849</b>                      | <b>\$ 84,102</b>          | <b>\$ 360,701</b> | <b>\$ 3,054,138</b>        | <b>\$ 1,170,801</b>             | <b>\$ 822,235</b>              | <b>\$ 8,320,250</b>            |

LIABILITIES AND FUND BALANCES

|                                    |                   |                   |                   |             |                   |                   |                  |                     |
|------------------------------------|-------------------|-------------------|-------------------|-------------|-------------------|-------------------|------------------|---------------------|
| <b>Liabilities:</b>                |                   |                   |                   |             |                   |                   |                  |                     |
| Accounts Payable and Payroll Taxes | \$ 192,679        |                   |                   |             | \$ 309,678        | \$ 354,384        | \$ 36,458        | \$ 893,199          |
| Accrued Liabilities                | 66,299            |                   |                   |             |                   |                   | 1,127            | 67,426              |
| Interfund Payables                 |                   | \$ 659,756        | \$ 386,696        |             |                   |                   | 11,264           | 1,057,716           |
| Unearned Revenue                   | 4,660             |                   |                   |             |                   |                   | 27,943           | 32,603              |
| Unavailable Revenue                | 3,736             |                   |                   |             |                   |                   |                  | 3,736               |
| <b>Total Liabilities</b>           | <b>\$ 267,374</b> | <b>\$ 659,756</b> | <b>\$ 386,696</b> | <b>\$ -</b> | <b>\$ 309,678</b> | <b>\$ 354,384</b> | <b>\$ 76,792</b> | <b>\$ 2,054,680</b> |

|  |                     |                     |                     |                   |                     |                     |                   |                     |
|--|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|-------------------|---------------------|
| <b>Fund Balances:</b>                      |                     |                     |                     |                   |                     |                     |                   |                     |
| Nonspendable:                              | \$ 75,753           |                     |                     |                   | \$ 213              |                     | \$ 16,721         | \$ 92,687           |
| Restricted:                                |                     |                     |                     |                   |                     | \$ 816,417          | 3,256             | 819,673             |
| Committed:                                 |                     |                     |                     | \$ 360,701        | 2,744,247           |                     | 725,466           | 3,830,414           |
| Assigned:                                  | 489,629             |                     |                     |                   |                     |                     | -                 | 489,629             |
| Unassigned:                                | 1,994,668           | \$ (658,907)        | \$ (302,594)        |                   |                     |                     | -                 | 1,033,167           |
| <b>Total Fund Balances</b>                 | <b>\$ 2,560,050</b> | <b>\$ (658,907)</b> | <b>\$ (302,594)</b> | <b>\$ 360,701</b> | <b>\$ 2,744,460</b> | <b>\$ 816,417</b>   | <b>\$ 745,443</b> | <b>\$ 6,265,570</b> |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 2,827,424</b> | <b>\$ 849</b>       | <b>\$ 84,102</b>    | <b>\$ 360,701</b> | <b>\$ 3,054,138</b> | <b>\$ 1,170,801</b> | <b>\$ 822,235</b> | <b>\$ 8,320,250</b> |



CITY OF SAINT MARYS, PENNSYLVANIA  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2018

Fund Balances - Total Governmental Funds \$ 6,265,570

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    | \$ 35,872,383       |            |
| Less: accumulated depreciation | <u>(15,414,886)</u> |            |
|                                |                     | 20,457,497 |

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>(525,632)</u> |         |
|   |                  | 444,368 |

The net pension liability is not reflected on the fund statements. (915,914)

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. 1,144,721

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 | \$ (207,598)       |                    |
| Compensated absences           | (108,455)          |                    |
| Notes payable                  | (965,790)          |                    |
| Bonds payable                  | <u>(4,460,000)</u> |                    |
|                                |                    | <u>(5,741,843)</u> |

Net Position of Governmental Activities \$ 21,654,399

CITY OF SAINT MARYS, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2018

|   | General<br>Fund     | Airport<br>Industrial<br>Park Fund | Parking<br>Garage<br>Fund | Debt<br>Fund        | Capital<br>Reserve<br>Fund | 2016<br>Capital<br>Project Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|------------------------------------|---------------------------|---------------------|----------------------------|---------------------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>  |                     |                                    |                           |                     |                            |                                 |                                |                                |
| Taxes   | \$ 4,831,152        |                                    |                           | \$ 417,222          |                            |                                 | \$ 891,915                     | \$ 6,140,289                   |
| Intergovernmental   | 587,661             |                                    |                           |                     | \$ 9,648                   |                                 | 632,625                        | 1,229,934                      |
| Charges for Services  | 246,515             |                                    |                           |                     |                            |                                 | 66,277                         | 312,792                        |
| Licenses and Permits  | 31,509              |                                    |                           |                     |                            |                                 |                                | 31,509                         |
| Fines and Forfeitures   | 82,561              |                                    |                           |                     |                            |                                 |                                | 82,561                         |
| Interest and Rentals  | 118,482             | \$ 1                               | \$ 128                    | 5,636               | 40,666                     | \$ 27,248                       | 11,353                         | 203,514                        |
| Miscellaneous   | 342,068             |                                    |                           |                     |                            |                                 | 113,590                        | 455,658                        |
| <b>Total Revenues</b>   | <b>\$ 6,239,948</b> | <b>\$ 1</b>                        | <b>\$ 128</b>             | <b>\$ 422,858</b>   | <b>\$ 50,314</b>           | <b>\$ 27,248</b>                | <b>\$ 1,715,760</b>            | <b>\$ 8,456,257</b>            |
| <b>Expenditures:</b>  |                     |                                    |                           |                     |                            |                                 |                                |                                |
| <b>Current:</b>   |                     |                                    |                           |                     |                            |                                 |                                |                                |
| General Government  | \$ 1,323,823        |                                    |                           |                     |                            |                                 |                                | \$ 1,323,823                   |
| Public Safety   | 2,043,596           |                                    |                           |                     |                            |                                 | \$ 255,920                     | 2,299,516                      |
| Public Works  | 2,246,581           |                                    |                           |                     |                            |                                 | 63,141                         | 2,309,722                      |
| Human Services  | 3,850               |                                    |                           |                     |                            |                                 |                                | 3,850                          |
| Community and Economic Development  | 42,513              |                                    |                           |                     |                            |                                 | 125,152                        | 167,665                        |
| Culture and Recreation  |                     |                                    |                           |                     |                            |                                 | 563,191                        | 563,191                        |
| <b>Debt Service:</b>  |                     |                                    |                           |                     |                            |                                 |                                |                                |
| Principal   |                     |                                    |                           | \$ 516,459          |                            |                                 |                                | 516,459                        |
| Interest  |                     |                                    |                           | 135,828             |                            |                                 |                                | 135,828                        |
| Capital Outlays   | 84,947              |                                    |                           |                     | \$ 828,073                 | 775,372                         | -                              | 1,688,392                      |
| Other   | 141,977             |                                    |                           | 800                 |                            |                                 | -                              | 142,777                        |
| <b>Total Expenditures</b>   | <b>\$ 5,887,287</b> | <b>\$ -</b>                        | <b>\$ -</b>               | <b>\$ 653,087</b>   | <b>\$ 828,073</b>          | <b>\$ 775,372</b>               | <b>\$ 1,007,404</b>            | <b>\$ 9,151,223</b>            |
| <b>Excess (Deficiency) of Revenues over Expenditures</b>                                  | <b>\$ 352,661</b>   | <b>\$ 1</b>                        | <b>\$ 128</b>             | <b>\$ (230,229)</b> | <b>\$ (777,759)</b>        | <b>\$ (748,124)</b>             | <b>\$ 708,356</b>              | <b>\$ (694,966)</b>            |
| <b>Other Financing Sources (Uses):</b>  |                     |                                    |                           |                     |                            |                                 |                                |                                |
| Capital Assets Sales  | \$ 7,064            |                                    |                           |                     |                            |                                 |                                | \$ 7,064                       |
| Transfers In  | 608,700             | \$ 1,101                           | \$ 20,000                 | \$ 230,662          | \$ 582,060                 |                                 | 7,500                          | 1,450,023                      |
| Transfers Out   | (837,367)           |                                    |                           | (1,101)             |                            |                                 | (621,055)                      | (1,459,523)                    |
| <b>Total Other Financing Sources (Uses)</b>   | <b>\$ (221,603)</b> | <b>\$ 1,101</b>                    | <b>\$ 20,000</b>          | <b>\$ 229,561</b>   | <b>\$ 582,060</b>          | <b>\$ -</b>                     | <b>\$ (613,555)</b>            | <b>\$ (2,436)</b>              |
| <b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b> | <b>\$ 131,058</b>   | <b>\$ 1,102</b>                    | <b>\$ 20,128</b>          | <b>\$ (668)</b>     | <b>\$ (195,699)</b>        | <b>\$ (748,124)</b>             | <b>\$ 94,801</b>               | <b>\$ (697,402)</b>            |
| <b>Fund Balance - Beginning</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>Fund balance - Prior Year Adjustments</b>  |                     |                                    |                           |                     |                            |                                 | <b>(180)</b>                   | <b>(180)</b>                   |
| <b>Fund Balance - Ending</b>  | <b>\$ 2,560,050</b> | <b>\$ (658,907)</b>                | <b>\$ (302,594)</b>       | <b>\$ 360,701</b>   | <b>\$ 2,744,460</b>        | <b>\$ 816,417</b>               | <b>\$ 745,443</b>              | <b>\$ 6,265,570</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  
For The Year Ended December 31, 2018

Net Changes in Fund Balances - Total Governmental Funds \$ (697,402)

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

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.

|                                 |                    |         |
|---------------------------------|--------------------|---------|
| Expenditures for capital assets | \$ 1,705,291       |         |
| Less: current year depreciation | <u>(1,537,441)</u> | 167,850 |

The net effect of various miscellaneous transactions involving capital assets (e.g., sales and trade-ins) is to increase (decrease) net position.

|                    |         |       |
|--------------------|---------|-------|
| Disposal of assets | (\$888) | (888) |
|--------------------|---------|-------|

Governmental funds do not report income earned but not received in the current period. In the statement of activities, income is accrued when earned.

|  |           |        |
|--|-----------|--------|
| Annual Amortization of Long Term Note Receivable | \$ 21,160 | 21,160 |
|--|-----------|--------|

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:

|                                |                 |          |
|--------------------------------|-----------------|----------|
| Compensated Absences           | \$ (2,493)      |          |
| Other Post-Employment Benefits | <u>(16,562)</u> | (19,055) |

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.

|                    |            |         |
|--------------------|------------|---------|
| Principal Payments | \$ 516,459 | 516,459 |
|--------------------|------------|---------|

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.

|  |              |                  |
|--|--------------|------------------|
|  | \$ (347,518) | <u>(347,518)</u> |
|--|--------------|------------------|

|   |  |                            |
|---|--|----------------------------|
| Change in Net Position of Governmental Activities |  | <u><u>\$ (359,394)</u></u> |
|---|--|----------------------------|

CITY OF SAINT MARYS, PENNSYLVANIA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2018

| ASSETS  | Business-Type Activities - Enterprise Funds |            |            |              |
|---|---|------------|------------|--------------|
|   | Sewage<br>Treatment                         | Sewer      | I & I      | Total        |
| Current Assets:                                 |   |            |            |              |
| Cash and Cash Investments                       | \$ 1,319,278                                | \$ 77,714  | \$ 517,062 | \$ 1,914,054 |
| Accounts Receivable, Net                        | 302,020                                     |            |            | 302,020      |
| Interfund Receivables                           |   |            | 18,360     | 18,360       |
| Prepaid Items                                   | 13,131                                      |            |            | 13,131       |
| Total Current Assets                            | \$ 1,634,429                                | \$ 77,714  | \$ 535,422 | \$ 2,247,565 |
| Noncurrent Assets:                              |   |            |            |              |
| Capital Assets:                                 |   |            |            |              |
| Construction in Progress                        |   |            |            |              |
| Infrastructure                                  | \$ 1,308,323                                | 37,367     |            | \$ 1,345,690 |
| Land  | 11,692                                      |            |            | 11,692       |
| Buildings and Building Improvements             | 150,080                                     | 25,721     |            | 175,801      |
| Equipment                                       | 2,012,699                                   | 111,026    |            | 2,123,725    |
| Accumulated Depreciation                        | (1,493,441)                                 | (3,183)    |            | (1,496,624)  |
| Total Noncurrent Assets                         | \$ 1,989,353                                | 170,931    | -          | \$ 2,160,284 |
| Total Assets                                    | \$ 3,623,782                                | \$ 248,645 | \$ 535,422 | \$ 4,407,849 |
| <u>LIABILITIES AND NET ASSETS</u>               |   |            |            |              |
| Current Liabilities:                            |   |            |            |              |
| Accounts Payable and Payroll Taxes              | \$ 24,571                                   | \$ 22,135  |            | \$ 46,706    |
| Accrued Liabilities                             | 12,833                                      |            |            | 12,833       |
| Due To Other Governments                        | 80,875                                      |            |            | 80,875       |
| Interfund Payables                              | 61,307                                      |            |            | 61,307       |
| Unearned Revenue                                |   |            |            | -            |
| Total Current Liabilities                       | \$ 179,586                                  | 22,135     | -          | \$ 201,721   |
| Non-Current Liabilities:                        |   |            |            |              |
| Compensated Absences - Long Term Portion        | \$ 15,692                                   |            |            | \$ 15,692    |
| Total Non-Current Liabilities                   | \$ 15,692                                   | -          | -          | \$ 15,692    |
| Total Liabilities                               | \$ 195,278                                  | \$ 22,135  | \$ -       | \$ 217,413   |
| Net Position:                                   |   |            |            |              |
| Invested in Capital Assets, Net of Related Debt | \$ 1,989,353                                | 170,931    |            | \$ 2,160,284 |
| Unrestricted                                    | 1,439,151                                   | 55,579     | \$ 535,422 | 2,030,152    |
| Total Net Position                              | \$ 3,428,504                                | \$ 226,510 | \$ 535,422 | \$ 4,190,436 |
| Total Liabilities and Net Position              | \$ 3,623,782                                | \$ 248,645 | \$ 535,422 | \$ 4,407,849 |

CITY OF SAINT MARYS, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For The Year Ended December 31, 2018

|   | Business-Type Activities - Enterprise Funds |                   |                   |                     |
|---|---|-------------------|-------------------|---------------------|
|   | Sewage<br>Treatment                         | Sewer             | I & I             | Total               |
| Operating Revenues:                         |   |                   |                   |                     |
| Charges for Services                        | \$ 2,872,767                                | \$ 3,425          |                   | \$ 2,876,192        |
| Miscellaneous                               | 341   | 4,360             |                   | 4,701               |
| Total Operating Revenues                    | <u>\$ 2,873,108</u>                         | <u>\$ 7,785</u>   | <u>-</u>          | <u>\$ 2,880,893</u> |
| Operating Expenses:                         |   |                   |                   |                     |
| Public Works                                | <u>\$ 2,580,722</u>                         | <u>\$ 7,543</u>   | <u>19,255</u>     | <u>\$ 2,607,520</u> |
| Operating Income                            | <u>\$ 292,386</u>                           | <u>\$ 242</u>     | <u>(19,255)</u>   | <u>\$ 273,373</u>   |
| Non-Operating Revenues (Expenditures):      |   |                   |                   |                     |
| Interest Income                             | \$ 7,648                                    | \$ 2,256          | \$ 6,663          | \$ 16,567           |
| Refunds from Prior Year Expenditures        | 3,858                                       |                   | -                 | 3,858               |
| Refunds from Prior Year Revenue             | -   |                   | -                 | -                   |
| Uncollectible Receivables                   | (111)                                       |                   | -                 | (111)               |
| Total Non-Operating Revenues (Expenditures) | <u>\$ 11,395</u>                            | <u>\$ 2,256</u>   | <u>\$ 6,663</u>   | <u>\$ 20,314</u>    |
| Income Before Transfers                     | \$ 303,781                                  | \$ 2,498          | \$ (12,592)       | \$ 293,687          |
| Transfers In                                | -   | 42,485            | 230,142           | 272,627             |
| Transfers Out                               | <u>(272,627)</u>                            |                   |                   | <u>(272,627)</u>    |
| Changes In Net Position                     | \$ 31,154                                   | \$ 44,983         | \$ 217,550        | \$ 293,687          |
| Total Net Position - Beginning              | <u>\$ 3,397,350</u>                         | <u>\$ 181,527</u> | <u>\$ 317,872</u> | <u>\$ 3,896,749</u> |
| Total Net Position- Ending                  | <u>\$ 3,428,504</u>                         | <u>\$ 226,510</u> | <u>\$ 535,422</u> | <u>\$ 4,190,436</u> |

CITY OF SAINT MARYS, PENNSYLVANIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For The Year Ended December 31, 2018

|   | Business-Type Activities - Enterprise Funds |                     |                   |                     |
|---|---|---------------------|-------------------|---------------------|
|   | Sewage<br>Treatment                         | Sewer               | I & I             | Total               |
| <b>Cash Flows from Operating Activities:</b>  |   |                     |                   |                     |
| Receipts from Customers   | \$ 2,868,146                                | \$ 7,785            |                   | \$ 2,875,931        |
| Payments to Suppliers   | (2,054,789)                                 | 15,015              | (19,255)          | (2,059,029)         |
| Payments to Employees   | (380,261)                                   | -                   |                   | (380,261)           |
| Net Cash Provided by Operating Activities   | <u>\$ 433,096</u>                           | <u>\$ 22,800</u>    | <u>(19,255)</u>   | <u>\$ 436,641</u>   |
| <b>Cash Flows from Noncapital Financing Activities:</b>   |   |                     |                   |                     |
| Transfers In  | \$ -  | \$ 42,485           | \$ 230,142        | \$ 272,627          |
| Transfers Out   | (272,627)                                   |                     | -                 | (272,627)           |
| Increase (Decrease) in Interfund Payables   | (1,318)                                     |                     |                   | (1,318)             |
| (Increase) Decrease in Interfund Receivables  |   |                     | (16)              | (16)                |
| Increase (Decrease) in Revenue Collected in Advance   |   | (4,360)             |                   | (4,360)             |
| Net Cash Provided by (Used In) NonCapital Financing Activities                                  | <u>\$ (273,945)</u>                         | <u>\$ 38,125</u>    | <u>\$ 230,126</u> | <u>\$ (5,694)</u>   |
| <b>Cash Flows from Capital and Related Financing Activities:</b>                                |   |                     |                   |                     |
| Acquisition and Construction of Capital Assets  | \$ (8,947)                                  | (174,114)           |                   | \$ (183,061)        |
| Proceeds from Capital Contributions   | -   |                     |                   | -                   |
| Net Cash Used in Capital and Related Financing Activities                                       | <u>\$ (8,947)</u>                           | <u>(174,114)</u>    | <u>-</u>          | <u>\$ (183,061)</u> |
| <b>Cash Flows from Investing Activities &amp; Refunds of Prior Year Expenditures (Revenue):</b> |   |                     |                   |                     |
| Interest  | \$ 7,648                                    | \$ 2,256            | \$ 6,663          | \$ 16,567           |
| Refunds of Prior Year Expenditures  | 3,858                                       |                     |                   | 3,858               |
| Refunds of Prior Year Revenues  | -   |                     |                   | -                   |
| Net Cash Provided From Investing Activities & Refunds of Prior Year Expenditures (Revenue)      | <u>\$ 11,506</u>                            | <u>\$ 2,256</u>     | <u>\$ 6,663</u>   | <u>\$ 20,425</u>    |
| <b>Net Increase in Cash and Cash Investments</b>  | <b>\$ 161,710</b>                           | <b>\$ (110,933)</b> | <b>\$ 217,534</b> | <b>\$ 268,311</b>   |
| <b>Cash and Cash Equivalents:</b>   |   |                     |                   |                     |
| Beginning   | \$ 1,157,568                                | \$ 188,647          | \$ 299,528        | \$ 1,645,743        |
| Ending  | <u>\$ 1,319,278</u>                         | <u>\$ 77,714</u>    | <u>\$ 517,062</u> | <u>\$ 1,914,054</u> |
| <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>         |   |                     |                   |                     |
| Operating Income  | \$ 292,386                                  | \$ 242              | \$ (19,255)       | \$ 273,373          |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:         |   |                     |                   |                     |
| Depreciation  | 144,139                                     | \$ 3,183            |                   | 147,322             |
| Uncollectable Receivables   | (111)                                       |                     |                   | (111)               |
| (Increase) decrease in:   |   |                     |                   |                     |
| Accounts Receivable   | (4,962)                                     |                     |                   | (4,962)             |
| Advances to Other Funds   | -   |                     |                   | -                   |
| Prepaid Items   | 3,391                                       |                     |                   | 3,391               |
| Increase (decrease) in:   |   |                     |                   |                     |
| Accounts Payable  | (3,086)                                     | 19,375              |                   | 16,289              |
| Accrued Liabilities   | 1,902                                       |                     |                   | 1,902               |
| Compensated Absences  | (563)                                       |                     |                   | (563)               |
| Net Cash Provided by Operating Activities   | <u>\$ 433,096</u>                           | <u>\$ 22,800</u>    | <u>(19,255)</u>   | <u>\$ 436,641</u>   |

CITY OF SAINT MARYS, PENNSYLVANIA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
December 31, 2018

|   | Police Pension<br>Plan | Non-Uniformed<br>Employees<br>Pension Plan | Agency Funds |
|---|------------------------|--|--------------|
| <u>ASSETS</u>                           |                        |  |              |
| Cash and Cash Investments               | \$ 76,695              | \$ 51,686                                  | \$ 9,666     |
| Due From Airport Industrial Park Fund   |                        |  | 659,756      |
| Due From Other Governments              |                        |  | 10,000       |
| Investments, at Fair Value:             |                        |  |              |
| Money Market                            | 288,004                | 147,648                                    |              |
| U.S. Government Obligations             | 414,231                | 220,574                                    |              |
| U.S. Government Related Obligations     | 1,312,499              | 692,776                                    |              |
| Corporate Bonds                         | 1,176,437              | 623,565                                    |              |
| Common Stocks                           | 4,140,839              | 2,178,092                                  |              |
| International Mutual Funds              | 954,690                | 512,061                                    |              |
| Total Investments                       | \$ 8,286,700           | \$ 4,374,716                               | \$ -         |
| Total Assets                            | \$ 8,363,395           | \$ 4,426,402                               | \$ 679,422   |
| <u>LIABILITIES</u>                      |                        |  |              |
| Accounts Payable and Escrow Liabilities | \$ 1,252               | \$ -                                       | \$ 679,422   |
| Total Liabilities                       | \$ 1,252               | \$ -                                       | \$ 679,422   |
| <u>NET POSITION</u>                     |                        |  |              |
| Restricted for Pensions                 | \$ 8,362,143           | \$ 4,426,402                               | \$ -         |
| Total Net Position                      | \$ 8,362,143           | \$ 4,426,402                               | \$ -         |

CITY OF SAINT MARYS, PENNSYLVANIA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended December 31, 2018

|  | Police Pension<br>Plan | Non-Uniformed<br>Employees<br>Pension Plan |
|--|------------------------|--|
| <u>ADDITIONS</u>   |                        |  |
| Contributions:   |                        |  |
| Plan Members   | \$ 51,911              | \$ 45,277                                  |
| State  | 187,356                | 93,707                                     |
| City Contributions   | -                      | -  |
| Total Contributions  | \$ 239,267             | \$ 138,984                                 |
| Net Investment Income (Loss):                                |                        |  |
| Net Appreciation (Depreciation) in fair value of Investments | \$ (1,112,804)         | \$ (612,593)                               |
| Interest/Dividends   | 284,305                | 148,076                                    |
| Net Realized Gains (Losses)                                  | 450,423                | 252,275                                    |
| Total Investment Income (Loss)                               | \$ (378,076)           | \$ (212,242)                               |
| Less Investment Expenses                                     | 38,278                 | 20,256                                     |
| Net Investment Income  | (416,354)              | (232,498)                                  |
| Total Additions (Deductions)                                 | \$ (177,087)           | \$ (93,514)                                |
| <u>DEDUCTIONS</u>  |                        |  |
| Benefits   | \$ 331,024             | \$ 189,837                                 |
| Administrative Expenses                                      | 14,567                 | 11,820                                     |
| Total Deductions   | \$ 345,591             | \$ 201,657                                 |
| Change in Net Position                                       | (522,678)              | (295,171)                                  |
| Net Position - Beginning                                     | 8,884,821              | 4,721,573                                  |
| Net Position - Ending  | \$ 8,362,143           | \$ 4,426,402                               |



CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

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, 2018

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, 2018

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, 2018

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, Keystone Communities Façade Program 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, 2018

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 | \$ 343,238       |
| Per Capita Taxes Receivable  | <u>924</u>       |
| Taxes Receivable, Gross      | 344,162          |
| Less: Uncollected Taxes      | <u>(280,894)</u> |
| Taxes Receivable, Net        | <u>\$ 63,268</u> |

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, 2018

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 \$4,149,888 of restricted net position, of which \$302,540 is restricted by enabling legislation. These amounts are net of the \$961,501 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 2018 were \$124,147.

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, 2018

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, 2018

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, 2018. 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, 2018, the carrying amount of the City's cash deposits with financial institutions was \$9,600,575 and the financial institutions balances totaled \$10,067,087 which is categorized as follows:

|                     |                             |
|---------------------|-----------------------------|
| Category 1          | \$ 892,964                  |
| Category 3          | <u>9,174,123</u>            |
| Total Cash Deposits | <u><u>\$ 10,067,087</u></u> |



CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

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, 2018

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, 2018, the credit quality ratings of the Pension Trust Funds' investments are as follows:

| <u>Investment Type</u>             | <u>Fair Value</u> | <u>Rating</u> |
|------------------------------------|-------------------|---------------|
| US Government Obligations:         |                   |               |
| US Treasury Bonds                  | \$ 634,805        | TSY           |
| US Government Related Obligations: |                   |               |
| US Agency Bonds                    | \$ 813,176        | AGY           |
| US Agency Bonds                    | 1,168,880         | AA+           |
| US Agency Bonds                    | 23,219            | AAA           |
| Total US GOV Related Obligations   | \$ 2,005,275      |               |
| Corporate Bonds:                   |                   |               |
| Domestic                           | \$ 180,141        | BBB           |
| Domestic                           | 323,996           | BBB+          |
| Domestic                           | 122,762           | AA-           |
| Domestic                           | 419,200           | A-            |
| Domestic                           | 346,419           | A             |
| Domestic                           | 183,303           | A+            |
| Domestic                           | 95,203            | AA            |
| Domestic                           | 108,933           | AA+           |
| Domestic                           | 20,045            | AAA           |
| Total Corporate Bonds              | \$ 1,800,002      |               |
| Domestic Equities:                 |                   |               |
| Common Stocks                      | \$ 5,263,609      | N/A           |
| Class A                            | 485,716           | N/A           |
| Class C                            | 206,361           | N/A           |
| Common USD0.01                     | 114,142           | N/A           |
| PFD Customer Service               | 180,303           | N/A           |
| CL A Common                        | 68,800            | N/A           |
| Total Domestic Equities            | \$ 6,318,931      | N/A           |
| International Equities:            |                   |               |
| International Mutual Funds         | \$ 1,466,751      | N/A           |
| Money Market Funds                 |                   |               |
|                                    | \$ 435,652        | N/A           |
| Total Investments                  | \$ 12,661,416     |               |

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

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, 2018 included the following:

| Investment Type             | Fair Value           | Remaining Maturities (Years) |                     |
|-----------------------------|----------------------|------------------------------|---------------------|
|                             |                      | 0-5                          | 6-10                |
| US Government Obligations   | \$ 634,805           | \$ 480,560                   | \$ 154,245          |
| US Govt. Agency Obligations | 2,005,275            | 923,395                      | 1,081,880           |
| Corporate Bonds             | 1,800,002            | 1,142,688                    | 657,314             |
| Total by Maturity Dates     | <u>\$ 4,440,082</u>  | <u>\$ 2,546,643</u>          | <u>\$ 1,893,439</u> |
| Domestic Equities           | 6,318,931            |                              |                     |
| International Equities      | 1,466,751            |                              |                     |
| Money Market Funds          | 435,652              |                              |                     |
| Total Investments           | <u>\$ 12,661,416</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, 2018:

| Investments by Fair Value Level       | Total                | Fair Value Measurements |                     |         |
|---------------------------------------|----------------------|-------------------------|---------------------|---------|
|                                       |                      | Level 1                 | Level 2             | Level 3 |
| Fixed Income:                         |                      |                         |                     |         |
| Bond mutual funds                     | \$ 4,440,081         | \$ 4,440,081            |                     |         |
| Equity Mutual Funds:                  |                      |                         |                     |         |
| Domestic - Large Cap Core             | 6,318,931            | 6,318,931               |                     |         |
| International                         | 1,466,751            |                         | 1,466,751           |         |
| Total Equity Mutual Funds             | 12,225,763           | 10,759,012              | 1,466,751           |         |
| Short-term Funds                      | 435,653              | 309,824                 | 125,829             |         |
| Total Investments by Fair Value Level | <u>\$ 12,661,416</u> | <u>\$ 11,068,836</u>    | <u>\$ 1,592,580</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, 2018

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 | \$ 1,466,751 |
|  | \$ 1,466,751 |

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At December 31, 2018, \$1,466,751 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<br>Expense |                          |                         |       |            |
|--|-------------------------|--------------------------|-------------------------|-------|------------|
| General Government   | \$ 61,361               |                          |                         |       |            |
| Public Safety  | 255,860                 |                          |                         |       |            |
| Public Works   | 1,158,346               |                          |                         |       |            |
| Culture and Recreation   | 61,874                  |                          |                         |       |            |
| Total Depreciation Expense   | \$ 1,537,441            |                          |                         |       |            |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Business-type Activities</th> <th style="text-align: center; border-bottom: 1px solid black;">Depreciation<br/>Expense</th> </tr> </thead> <tbody> <tr> <td>Sewer</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 147,322</td> </tr> </tbody> </table> |                         | Business-type Activities | Depreciation<br>Expense | Sewer | \$ 147,322 |
| Business-type Activities   | Depreciation<br>Expense |                          |                         |       |            |
| Sewer  | \$ 147,322              |                          |                         |       |            |

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

Note 4 - Capital Assets - (Continued)

Capital asset activity for the year ended December 31, 2018 was as follows:

| <u>Governmental Activities</u>               | <u>Beginning<br/>Balance</u> | <u>Increases</u>   | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|--------------------|------------------|---------------------------|
| Capital assets not being depreciated:        |                              |                    |                  |                           |
| Land   | \$ 439,426                   | \$ 165,000         |                  | \$ 604,426                |
| Construction in progress                     | 163,113                      | 97,201             |                  | 260,314                   |
| Total capital assets not being depreciated   | <u>602,539</u>               | <u>262,201</u>     | <u>-</u>         | <u>864,740</u>            |
| Capital assets being depreciated:            |                              |                    |                  |                           |
| Buildings & Building Improvements            | 13,986,484                   | 48,958             |                  | 14,035,442                |
| Equipment                                    | 7,202,511                    | 415,716            | (189,918)        | 7,428,309                 |
| Improvements                                 | 1,288,670                    | 89,244             |                  | 1,377,914                 |
| Infrastructure                               | 11,276,807                   | 889,171            |                  | 12,165,978                |
| Total capital assets being depreciated       | <u>33,754,472</u>            | <u>1,443,089</u>   | <u>(189,918)</u> | <u>35,007,643</u>         |
| Less accumulated depreciation for:           |                              |                    |                  |                           |
| Buildings & Building Improvements            | (2,956,771)                  | (365,202)          |                  | (3,321,973)               |
| Equipment                                    | (5,224,844)                  | (384,335)          | 189,031          | (5,420,148)               |
| Improvements                                 | (934,430)                    | (33,468)           |                  | (967,898)                 |
| Infrastructure                               | (4,950,431)                  | (754,436)          |                  | (5,704,867)               |
| Total accumulated depreciation               | <u>(14,066,476)</u>          | <u>(1,537,441)</u> | <u>189,031</u>   | <u>(15,414,886)</u>       |
| Total capital assets being depreciated, net  | <u>19,687,996</u>            | <u>(94,352)</u>    | <u>(887)</u>     | <u>19,592,757</u>         |
| Government activities capital assets, net    | <u>\$ 20,290,535</u>         | <u>\$ 167,849</u>  | <u>\$ (887)</u>  | <u>\$ 20,457,497</u>      |
| <br>   |                              |                    |                  |                           |
| <u>Business-Type Activities</u>              | <u>Beginning<br/>Balance</u> | <u>Increases</u>   | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
| 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            | 150,080                      | 25,721             |                  | 175,801                   |
| Equipment                                    | 2,003,752                    | 119,973            |                  | 2,123,725                 |
| Infrastructure                               | 1,308,323                    | 37,367             |                  | 1,345,690                 |
| Total capital assets being depreciated:      | <u>3,462,155</u>             | <u>183,061</u>     | <u>-</u>         | <u>3,645,216</u>          |
| Less accumulated depreciation for:           |                              |                    |                  |                           |
| Buildings & Building Improvements            | (27,464)                     | (5,936)            |                  | (33,400)                  |
| Equipment                                    | (1,243,854)                  | (115,768)          |                  | (1,359,622)               |
| Infrastructure                               | (77,984)                     | (25,618)           |                  | (103,602)                 |
| Total accumulated depreciation               | <u>(1,349,302)</u>           | <u>(147,322)</u>   | <u>-</u>         | <u>(1,496,624)</u>        |
| Total capital assets being depreciated, net  | <u>2,112,853</u>             | <u>35,739</u>      | <u>-</u>         | <u>2,148,592</u>          |
| Business-type activities capital assets, net | <u>\$ 2,124,545</u>          | <u>\$ 35,739</u>   | <u>\$ -</u>      | <u>\$ 2,160,284</u>       |

Construction in progress amounts listed above includes capital projects not completed as of December 31, 2018. The projects are further discussed in Note 18.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

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, 2018, the face amount of Long-term account receivable is valued at \$970,000 with an unamortized present value adjustment of \$525,632.

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 2018 was \$220,647,010. The real estate tax millage rate for 2018 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, 2018

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, 2018 is \$16,694.

**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, 2018 is \$31,085.

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 \$69,053. 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, 2018 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, 2018

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, 2018 is \$41,135.

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, 2018 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 2018 were paid by the Golf Authority.

Note 8 - Interfund Balances

Interfund balances at December 31, 2018 consisted of the following:

| <b>DueTo:</b>                        | <b>Due From:</b>   |                             |                  |                                    |                           | <b>Total</b>        |
|--------------------------------------|--------------------|-----------------------------|------------------|------------------------------------|---------------------------|---------------------|
|                                      | Recreation<br>Fund | Sewage<br>Treatment<br>Fund | CDBG<br>Fund     | Airport<br>Industrial<br>Park Fund | Parking<br>Garage<br>Fund |                     |
| General Fund                         | 9                  | \$ 42,947                   | \$ 11,255        |                                    |                           | \$ 54,211           |
| Capital Reserve Fund                 |                    |                             |                  |                                    | 386,696                   | 386,696             |
| I & I Fund                           |                    | 18,360                      |                  |                                    |                           | 18,360              |
| Airport Industrial<br>Park Loan Fund |                    |                             |                  | 659,756                            |                           | 659,756             |
|                                      | <b>\$ 9</b>        | <b>\$ 61,307</b>            | <b>\$ 11,255</b> | <b>\$ 659,756</b>                  | <b>\$ 386,696</b>         | <b>\$ 1,119,023</b> |



CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2018

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 \$302,594. 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, 2018 consisted of the following:

| <b>Transfers To:</b>       | <b>Transfers From:</b>  |                            |                      |                             |                      |                             | <b>Totals</b>       |
|----------------------------|-------------------------|----------------------------|----------------------|-----------------------------|----------------------|-----------------------------|---------------------|
|                            | <b>General<br/>Fund</b> | <b>Fire<br/>Protection</b> | <b>CDBG<br/>Fund</b> | <b>Liquid<br/>Fuels Tax</b> | <b>Debt<br/>Fund</b> | <b>Sewage<br/>Treatment</b> |                     |
| General Fund               |                         |                            | \$ 9,500             | \$ 599,200                  |                      |                             | \$ 608,700          |
| 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 |                         |                            |                      |                             | 1,101                |                             | 1,101               |
| Capital Reserve Fund       | 582,060                 |                            |                      |                             |                      |                             | 582,060             |
| I & I Fund                 |                         |                            |                      |                             |                      | \$ 230,142                  | 230,142             |
| Sewer Fund                 |                         |                            |                      |                             |                      | 42,485                      | 42,485              |
| Keystone Façade Fund       | 9,500                   |                            |                      |                             |                      |                             | 9,500               |
| <b>Totals</b>              | <b>\$ 837,367</b>       | <b>\$ 12,355</b>           | <b>\$ 9,500</b>      | <b>\$ 599,200</b>           | <b>\$ 1,101</b>      | <b>\$ 272,627</b>           | <b>\$ 1,732,150</b> |

CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2018

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, 2018:

|                                 | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u>   | <u>Ending<br/>Balance</u> | <u>Due within<br/>One Year</u> |
|---------------------------------|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| <b>Primary Government:</b>      |                              |                  |                     |                           |                                |
| <b>Governmental Activities</b>  |                              |                  |                     |                           |                                |
| Notes and Bonds Payable:        |                              |                  |                     |                           |                                |
| Notes Payable                   | \$ 1,177,249                 | \$ -             | \$ (211,459)        | \$ 965,790                | \$ 214,941                     |
| General obligation bonds - 2016 | 4,765,000                    | -                | (305,000)           | 4,460,000                 | 305,000                        |
| Total Notes and                 |                              |                  |                     |                           |                                |
| Bonds Payable                   | <u>\$ 5,942,249</u>          | <u>\$ -</u>      | <u>\$ (516,459)</u> | <u>\$ 5,425,790</u>       | <u>\$ 519,941</u>              |
| Compensated absences            | 105,962                      | 2,492            | -                   | 108,454                   | -                              |
| Other post-employment           |                              |                  |                     |                           |                                |
| Benefits                        | <u>191,036</u>               | <u>16,562</u>    | <u>-</u>            | <u>207,598</u>            | <u>-</u>                       |
| Governmental Activities         |                              |                  |                     |                           |                                |
| long-term liabilities           | <u>\$ 6,239,247</u>          | <u>\$ 19,054</u> | <u>\$ (516,459)</u> | <u>\$ 5,741,842</u>       | <u>\$ 519,941</u>              |
| <b>Business-Type Activities</b> |                              |                  |                     |                           |                                |
| Compensated absences            | <u>\$ 16,255</u>             | <u>-</u>         | <u>\$ (563)</u>     | <u>\$ 16,818</u>          | <u>\$ -</u>                    |
| Business-Type Activities        |                              |                  |                     |                           |                                |
| long-term liabilities           | <u>\$ 16,255</u>             | <u>\$ -</u>      | <u>\$ (563)</u>     | <u>\$ 16,818</u>          | <u>\$ -</u>                    |

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

Note 10 – Long-Term Debt – (Continued)

A detailed summary of long-term debt outstanding at December 31, 2018, 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.  | \$ 716,736          |
| \$ 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.  | \$ 213,099          |
| \$ 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. | \$ 4,460,000        |
| \$ 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.  | \$ 35,955           |
| <u>\$ 7,385,000</u>   | <b>Total Long Term Debt:</b>  | <u>\$ 5,425,790</u> |

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

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> |
|-------------|------------------|-----------------|--------------|
| 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        | 434,000          | 78,279          | 512,279      |
| 2024-2028   | 1,953,099        | 269,533         | 2,222,632    |
| 2029-2031   | 1,135,000        | 65,925          | 1,200,925    |
|             | \$ 5,425,790     | \$ 812,941      | \$ 6,238,731 |

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, 2018 was \$1,075,000.

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> |
|---------------------------------------|------------------|-----------------|---------------------------|
| 2019                                  | 620,000          | 27,600          | 647,600                   |
| 2020                                  | 455,000          | 8,925           | 463,925                   |
| Total Payments                        | \$ 1,075,000     | \$ 36,525       | \$ 1,111,525              |
| Deferred Amounts:<br>Issuance Premium | 27,387           | -               | 27,387                    |
|                                       | \$ 1,102,387     | \$ 36,525       | \$ 1,138,912              |

CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2018

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 \$1,570,557 at December 31, 2018.

Debt service requirements remaining on the Pennvest loan are:

| Year  | Principal    | Interest  | Total Debt<br>Service |
|-------|--------------|-----------|-----------------------|
| 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 | \$ 1,570,557 | \$ 45,790 | \$ 1,616,347          |

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   |
|-----------|------------|------------|---------|
| 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      | 60,837     | 12,783     | 73,620  |
| 2024-2028 | 333,339    | 34,761     | 368,100 |
| 2029      | 41,491     | 765        | 42,256  |
| Totals:   | \$ 661,375 | \$ 117,081 | 778,456 |

CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2018

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     |
|-----------|-----------|----------|-----------|
| 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      | 7,973     | 1,056    | 9,029     |
| 2024-2027 | 28,406    | 1,726    | 30,132    |
|           | \$ 65,961 | \$ 9,316 | \$ 75,277 |

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     |
|--------|-----------|----------|-----------|
| 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   | 3,405     | 70       | 3,475     |
| Totals | \$ 41,699 | \$ 3,468 | \$ 45,167 |

Please refer to Note 7 for additional information.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

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 \$659,756 at December 31, 2018. 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 \$13,378 - \$13,415 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, 2018

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<br>Plan |
|---|----------------|
| MMO   | \$ 97,574      |
| Contributions:                                      |                |
| City  | \$ -           |
| Allocation of state aid                             | 187,356        |
| Total   | 187,356        |
| Employee  | 51,911         |
| Total Contributions                                 | \$ 239,267     |
| Covered Payroll                                     | \$ 1,020,071   |
| Employee contributions as<br>a % of covered payroll | 5.09%          |



CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

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, 2018

Membership of the plan consisted of the following at December 31, 2018, 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>15</u> |
| Total Membership   | <u>26</u> |

Net Pension Liability (Asset)

The net pension liability was measured as of December 31, 2018, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of December 31, 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, 2018 is as follows:

|  |                           |
|--|---------------------------|
|  | Police<br>Pension<br>Plan |
|  | <hr/>                     |
| Total Pension Liability  | \$ 8,927,156              |
| Plan Fiduciary Net Position  | \$ (8,363,395)            |
| Net Pension Liability (Asset)  | <u>\$ 563,761</u>         |
| <br>   |                           |
| Plan fiduciary net position<br>as a percentage of the<br>total pension liability | <br><br><br><hr/> 93.68%  |

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

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, 2018, were as follows:

|   | Increase (Decrease)               |                                       |   |
|---|-----------------------------------|---------------------------------------|---|
|   | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability (Asset)<br>(a) - (b) |
| Balances at 12/31/2017  | \$ 8,401,999                      | \$ 8,884,821                          | \$ (482,822)                                  |
| Service Cost  | 221,810                           |                                       | 221,810                                       |
| Interest Cost   | 634,372                           |                                       | 634,372                                       |
| Changes of Benefit Terms  | -                                 |                                       | -   |
| Changes for Experience  | -                                 |                                       | -   |
| Changes of Assumptions  | -                                 |                                       | -   |
| Contributions - Employer  |                                   | 187,356                               | (187,356)                                     |
| Contributions - Member  |                                   | 51,911                                | (51,911)                                      |
| Net Investment Income   |                                   | (416,352)                             | 416,352                                       |
| Benefit Payments, including<br>refunds of member contributions                | (331,025)                         | (331,025)                             | -   |
| Administrative Expenses   |                                   | (13,316)                              | 13,316  |
| Other Charges   |                                   | -                                     | -   |
| Net Changes   | <u>\$ 525,157</u>                 | <u>\$ (521,426)</u>                   | <u>\$ 1,046,583</u>                           |
| Balance as of 12/31/2018  | <u>\$ 8,927,156</u>               | <u>\$ 8,363,395</u>                   | <u>\$ 563,761</u>                             |
| Plan fiduciary net position as a percentage<br>of the total pension liability |                                   |                                       | <u>93.68%</u>                                 |

CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2018

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<br>(6.50%) | Current<br>Discount Rate<br>(7.50%) | 1% Increase<br>(8.50%) |
|------------------------------|------------------------|-------------------------------------|------------------------|
| Plan's Net Pension Liability | \$ 1,675,017           | \$ 563,761                          | \$ (360,660)           |

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<br>Allocation | Long-Term Expected<br>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, 2018

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, 2018, the annual money-weighted rate of return for the City of Saint Marys Police Pension Fund account is (4.57%).

*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, 2018, the City recognized pension expense of \$424,972. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   |    | <u>Police<br/>Pension</u> |
|---|----|---------------------------|
| <u>Deferred Outflow of Resources:</u>   |    |                           |
| Changes in assumption   | \$ | 93,350                    |
| Difference between projected and actual earnings<br>on pension plan investments |    | 1,005,872                 |
| Total deferred outflows of resources  | \$ | 1,099,222                 |
|   |    |                           |
|   |    | <u>Police<br/>Pension</u> |
| <u>Deferred Inflow of Resources:</u>  |    |                           |
| Differences between expected and actual experience                              | \$ | (84,366)                  |
| Difference between projected and actual earnings<br>on pension plan investments |    | (259,334)                 |
| Total deferred inflows of resources   | \$ | (343,700)                 |

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

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> |                   |
|--------------------------------|-------------------|
| 2019                           | 269,804           |
| 2020                           | 136,166           |
| 2021                           | 131,556           |
| 2022                           | <u>217,996</u>    |
| Total                          | <u>\$ 755,522</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, 2018

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.

| <u>Years of Service</u> | <u>Vesting Percentage</u> |
|-------------------------|---------------------------|
| 0 Years                 | 0%                        |
| 1                       | 14.25%                    |
| 2                       | 28.50%                    |
| 3                       | 42.75%                    |
| 4                       | 57.00%                    |
| 5                       | 71.25%                    |
| 6                       | 85.50%                    |
| 7 or More Years         | 100.00%                   |

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, 2018

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<br>Plan |
|---|-----------------------|
| MMO   | \$ 48,802             |
| Contributions:                                      |                       |
| City  | -                     |
| Allocation of state aid                             | \$ 93,707             |
| Total   | 93,707                |
| Employee  | 45,277                |
| Total Contributions                                 | \$ 138,984            |
| Covered Payroll                                     | \$ 1,707,517          |
| Employee contributions as<br>a % of covered payroll | 2.65%                 |

Service

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

Plan Membership at December 31, 2018

Membership of the plan consisted of the following at December 31, 2018, 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 | 20 |
| Inactive Members Entitled to but not yet Receiving Benefits    | 1  |
| Active Members   | 33 |
| Total Membership   | 54 |

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

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

Net Pension Liability (Asset)

The net pension liability was measured as of December 31, 2018, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of December 31, 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, 2018 is as follows:

|  | Non-Uniformed<br>Pension<br>Plan |
|--|----------------------------------|
| Total Pension Liability  | \$ 4,778,555                     |
| Plan Fiduciary Net Position  | \$ (4,426,402)                   |
| Net Pension Liability (Asset)  | \$ 352,153                       |
| <br>Plan fiduciary net position<br>as a percentage of the<br>total pension liability | <br><br><br>92.63%               |

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<br>(6.50%) | Current<br>Discount Rate<br>(7.50%) | 1% Increase<br>(8.50%) |
|------------------------------|------------------------|-------------------------------------|------------------------|
| Plan's Net Pension Liability | \$ 894,280             | \$ 352,153                          | \$ (111,013)           |



CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

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, 2018, were as follows:

|   | Increase (Decrease)               |                                       |   |
|---|-----------------------------------|---------------------------------------|---|
|   | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability (Asset)<br>(a) - (b) |
| Balances at 12/31/2017  | \$ 4,518,321                      | \$ 4,721,573                          | \$ (203,252)                                  |
| Service Cost  | 110,060                           |                                       | 110,060                                       |
| Interest Cost   | 340,010                           |                                       | 340,010                                       |
| Changes of Benefit Terms  | -                                 |                                       | -   |
| Changes for Experience  | -                                 |                                       | -   |
| Changes of Assumptions  | -                                 |                                       | -   |
| Contributions - Employer  |                                   | 93,707                                | (93,707)                                      |
| Contributions - Member  |                                   | 45,277                                | (45,277)                                      |
| Net Investment Income   |                                   | (232,499)                             | 232,499                                       |
| Benefit Payments, including<br>refunds of member contributions                | (189,836)                         | (189,836)                             | -   |
| Administrative Expenses   |                                   | (11,820)                              | 11,820  |
| Other Charges   |                                   | -                                     | -   |
| Net Changes   | <u>\$ 260,234</u>                 | <u>\$ (295,171)</u>                   | <u>\$ 555,405</u>                             |
| Balance as of 12/31/2018  | <u>\$ 4,778,555</u>               | <u>\$ 4,426,402</u>                   | <u>\$ 352,153</u>                             |
| Plan fiduciary net position as a percentage<br>of the total pension liability |                                   |                                       | <u>92.63%</u>                                 |

CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2018

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, 2018, the annual money-weighted rate of return for the City of Saint Marys Non-Uniformed Pension Fund account is (4.77%).

*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, 2018

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, 2018, the City recognized pension expense of \$203,609. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Non-Uniformed<br>Pension |
|---|--------------------------|
| <u>Deferred Outflow of Resources:</u>   |                          |
| Changes in assumption   | \$ 137,825               |
| Difference between projected and actual earnings<br>on pension plan investments | \$ 541,335               |
| Total deferred outflows of resources  | \$ 679,160               |
| <br>  |                          |
|   | Non-Uniformed<br>Pension |
| <u>Deferred Inflow of Resources:</u>  |                          |
| Differences between expected and actual experience                              | \$ (150,688)             |
| Difference between projected and actual earnings<br>on pension plan investments | \$ (139,273)             |
| Total deferred inflows of resources   | \$ (289,961)             |

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, |            |
|-------------------------|------------|
| 2019                    | 138,763    |
| 2020                    | 72,340     |
| 2021                    | 68,590     |
| 2022                    | 115,017    |
| 2023                    | (1,838)    |
| 2024-2025               | (3,673)    |
| Total                   | \$ 389,199 |

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

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 who retire at or after age 60 shall 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 2018.

Plan Membership at December 31, 2018

Membership of the plan consisted of the following as of December 31, 2018, the date of the latest actuarial reporting for the purpose of Governmental Accounting Standards Board Statement No. 75:

|                            |           |
|----------------------------|-----------|
| Active Participants        | 32        |
| Vested Former Participants | 0         |
| Retired Participants       | <u>1</u>  |
| Total Membership           | <u>33</u> |

Total OPEB Liability

The City's total OPEB liability of \$207,598 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions* – The total OPEB Liability was determined by an actuarial valuation performed on January 1, 2018; and rolled forward to December 31, 2018, using the following actuarial assumptions, applied to all periods in the measurement:

- Actuarial cost method – Entry Age Normal Cost
- Discount rate – 3.16%
- Retirement Age – Later of age 63 and completion of 20 year of service or the age on the valuation date.
- Mortality – IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates of non-annuitants projected 15 years using scale AA to reflect mortality improvement.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

Note 13 - Other Post-Employment Benefits Plan – Continued

*Actuarial Assumptions – continued:*

- Salary Increase – An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, annual salary increases are assumed to be 5.0%.
- Healthcare cost trend rates – 6% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Retirees’ share of benefit-related costs – 50 percent of projected health insurance premiums for retirees. Contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

The discount rate was based on S&P Municipal Bond 20-Year High Grade Rate Index at January 1, 2018.

Changes in the Total OPEB Liability

The changes in the net OPEB liability of the City for the year ended December 31, 2018 were as follows:

|   | Total OPEB<br>Liability |
|---|-------------------------|
| Balance as of January 1, 2018                         | \$ 196,986              |
| Charges for the year:                                 |                         |
| Service Cost  | 10,406                  |
| Interest  | 7,414                   |
| Changes of Benefit Terms                              | -                       |
| Differences between Expected and<br>Actual Experience | -                       |
| Changes of Assumptions                                | 6,745                   |
| Benefit Payments                                      | (13,953)                |
| Other Changes   | -                       |
| Net Changes   | 10,612                  |
| Balance as of December 31, 2018                       | \$ 207,598              |

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

Note 13 - Other Post-Employment Benefits Plan - Continued

Changes in Actuarial Assumptions – The discount rate changed from 3.71% to 3.16%. The trend and mortality assumptions were updated.

Changes of Benefit Terms – Each year’s loss (or gain) is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are currently receiving a benefit or may be eligible to receive a benefit in the future.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the Plan, as well as what the Plan’s total OPEB 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 discount rate:

|                      | 1% Decrease<br>(2.16%) | Current Discount<br>Rate (3.16%) | 1% Increase<br>(4.16%) |
|----------------------|------------------------|----------------------------------|------------------------|
| Total OPEB Liability | \$ 218,488             | \$ 207,598                       | \$ 196,646             |

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB Liability of the Plan, as well as what the Plan’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 – percentage-point lower or 1 – percentage -point higher than the current healthcare cost trend rates:

|                      | 1% Decrease<br>(5% decreasing<br>to 4.5%) | Healthcare<br>Cost Trend<br>Rates (6%<br>decreasing to<br>5.5%) | 1% Increase<br>(7% decreasing<br>to 6.5%) |
|----------------------|---|---|---|
| Total OPEB Liability | \$ 186,565                                | \$ 207,598  | \$ 232,298                                |

CITY OF SAINT MARYS, PENNSYLVANIA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2018

Note 13 - Other Post-Employment Benefits Plan - Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the City recognized negative OPEB expense of \$18,270. At December 31, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

|                        | Deferred Outflow<br>of Resources |
|------------------------|----------------------------------|
| Changes of Assumptions | \$ 6,295                         |

Amounts reported as deferred outflow of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year Ending: |    |       |
|---------------------|----|-------|
| December 31, 2019   | \$ | 450   |
| December 31, 2020   |    | 450   |
| December 31, 2021   |    | 450   |
| December 31, 2022   |    | 450   |
| December 31, 2023   |    | 450   |
| Thereafter          |    | 4,045 |

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, 2018. Future minimum lease income for the next five years and thereafter is as follows:

| Year        | Amount         |
|-------------|----------------|
| 2019        | 49,296         |
| 2020        | 49,296         |
| 2021        | 49,296         |
| 2022        | 49,296         |
| 2023        | 49,296         |
| 2024 - 2025 | <u>78,052</u>  |
|             | <u>324,532</u> |

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

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:

*Non-spendable 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 323,763 to future compensated absences and other post-employment benefits and \$165,866 to future increases in pension liability.

*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 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.



CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

Note 16 - Fund Balance – (Continued)

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, 2018, the City had eight 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, 2018.

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

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. \$350,000 was budgeted for this project through a Greenways, DCNR, DEP grant and funding through the 2016 Capital Projects Fund. Remaining funds available for this project as of December 31, 2018 is \$296,741.

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. Remaining funds available to complete the project is \$79,182.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

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, 2018, the City has spent \$34,886.

Flood Study & Pond Design

City Council allocated \$75,000 of the 2016 Capital Projects funding towards stormwater management. A study by J Ream Engineering Consultants consist of pond design, permitting and possibly land acquisition, with a cost of \$22,050 as of December 31, 2018.

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 2018 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 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. The City adopted GASB Statement No. 75 this year.

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.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2018

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

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.

The following GASB Statements were also adopted for the year ended December 31, 2018. These statements had no significant impact on the City’s financial statements for the year end December 31 ,2018.

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.

Note 21 – Subsequent Events

The City has evaluated subsequent events through August 15, 2019 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\*

|   | <u>2018</u>         | <u>2017</u>         | <u>2016</u>           | <u>2015</u>         |
|---|---------------------|---------------------|-----------------------|---------------------|
| <b>Total Pension Liability:</b>   |                     |                     |                       |                     |
| Service Cost  | \$ 221,810          | \$ 211,248          | \$ 174,959            | \$ 166,628          |
| Interest  | 634,372             | 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                       | <u>(331,025)</u>    | <u>(392,587)</u>    | <u>(318,517)</u>      | <u>(278,795)</u>    |
| <b>Net Changes in Total Pension Liability</b>                                     | 525,157             | 432,020             | 423,598               | 424,050             |
| <b>Total Pension Liability - Beginning</b>  | <u>8,401,999</u>    | <u>7,969,979</u>    | <u>7,546,381</u>      | <u>7,122,331</u>    |
| <b>Total Pension Liability - Ending (a)</b>                                       | <u>8,927,156</u>    | <u>\$ 8,401,999</u> | <u># \$ 7,969,979</u> | <u>\$ 7,546,381</u> |
| <b>Plan Fiduciary Net Position:</b>   |                     |                     |                       |                     |
| Contributions - employer  | \$ 187,356          | \$ 107,375          | \$ 112,960            | \$ 208,639          |
| Contributions - member  | 51,911              | 46,451              | 46,071                | 47,395              |
| Net investment income   | (416,352)           | 1,030,565           | 549,503               | (82,164)            |
| Benefit payments, including refunds of members contributions                      | (331,025)           | (392,587)           | (318,517)             | (278,795)           |
| Administrative expense  | <u>(13,316)</u>     | <u>(8,550)</u>      | <u>(4,420)</u>        | <u>(8,280)</u>      |
| <b>Net Change in Plan Fiduciary Net Position</b>                                  | (521,426)           | 783,254             | 385,597               | (113,205)           |
| <b>Plan Fiduciary Net Position - Beginning</b>                                    | <u>8,884,821</u>    | <u>8,101,567</u>    | <u>7,715,970</u>      | <u>7,829,175</u>    |
| <b>Plan Fiduciary Net Position - Ending (b)</b>                                   | <u>\$ 8,363,395</u> | <u>\$ 8,884,821</u> | <u>\$ 8,101,567</u>   | <u>\$ 7,715,970</u> |
| <b>Net Pension Liability (Asset) - Ending (a-b)</b>                               | <u>\$ 563,761</u>   | <u>\$ (482,822)</u> | <u>\$ (131,588)</u>   | <u>\$ (169,589)</u> |
| <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b> | <u>93.68%</u>       | <u>105.75%</u>      | <u>101.65%</u>        | <u>102.25%</u>      |
| <b>Covered Employee Payroll</b>   | <u>1,020,071</u>    | <u>1,022,221</u>    | <u>892,151</u>        | <u>1,026,975</u>    |
| <b>Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>  | 55.27%              | (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>2018</u>         | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>Total Pension Liability:</b>   |                     |                     |                     |                     |
| Service Cost  | \$ 110,060          | \$ 104,819          | \$ 87,921           | \$ 83,734           |
| Interest  | 340,010             | 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>(189,836)</u>    | <u>(186,811)</u>    | <u>(176,215)</u>    | <u>(225,239)</u>    |
| <b>Net Changes in Total Pension Liability</b>   | 260,234             | 223,217             | 217,511             | 150,835             |
| <b>Total Pension Liability - Beginning</b>  | <u>4,518,321</u>    | <u>4,295,104</u>    | <u>4,077,593</u>    | <u>3,926,758</u>    |
| <b>Total Pension Liability - Ending (a)</b>   | <u>\$ 4,778,555</u> | <u>\$ 4,518,321</u> | <u>\$ 4,295,104</u> | <u>\$ 4,077,593</u> |
| <b>Plan Fiduciary Net Position:</b>   |                     |                     |                     |                     |
| Contributions - employer  | \$ 93,707           | \$ 49,571           | \$ 46,476           | \$ 131,202          |
| Contributions - member  | 45,277              | 42,614              | 39,828              | 35,684              |
| Net investment income   | (232,499)           | 548,950             | 284,128             | (21,636)            |
| Benefit payments, including refunds of members contributions                          | (189,836)           | (186,811)           | (176,215)           | (225,239)           |
| Administrative expense  | <u>(11,820)</u>     | <u>(8,900)</u>      | <u>(2,650)</u>      | <u>(8,770)</u>      |
| <b>Net Change in Plan Fiduciary Net Position</b>                                      | (295,171)           | 445,424             | 191,567             | (88,759)            |
| <b>Plan Fiduciary Net Position - Beginning</b>  | <u>4,721,573</u>    | <u>4,276,149</u>    | <u>4,084,582</u>    | <u>4,173,341</u>    |
| <b>Plan Fiduciary Net Position - Ending (b)</b>                                       | <u>\$ 4,426,402</u> | <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>\$ 352,153</u>   | <u>\$ (203,252)</u> | <u>\$ 18,955</u>    | <u>\$ (6,989)</u>   |
| <b>Plan Fiduciary Net Position as a Percentage<br/>of the Total Pension Liability</b> | <u>92.63%</u>       | <u>104.50%</u>      | <u>99.56%</u>       | <u>100.17%</u>      |
| <b>Covered Employee Payroll</b>   | <u>1,707,517</u>    | <u>1,547,061</u>    | <u>1,502,150</u>    | <u>1,386,748</u>    |
| <b>Net Pension Liability (Asset) as a Percentage<br/>of Covered Employee Payroll</b>  | 20.62%              | (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\*

|  | <u>2018</u>         | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>POLICE PENSION PLAN:</b>  |                     |                     |                     |                     |
| <b>Schedule of City's Contributions</b>                              |                     |                     |                     |                     |
| Actuarially determined contribution                                  | \$ 97,574           | \$ 102,060          | \$ 112,960          | \$ 208,639          |
| Contributions in relation to the actuarially determined contribution | <u>187,356</u>      | <u>107,375</u>      | <u>112,960</u>      | <u>208,639</u>      |
| Contributions deficiency (excess)                                    | <u>\$ (89,782)</u>  | <u>\$ (5,315)</u>   | <u>\$ -</u>         | <u>\$ -</u>         |
| Covered employee payroll   | <u>\$ 1,020,071</u> | <u>\$ 1,022,221</u> | <u>\$ 892,151</u>   | <u>\$ 1,026,975</u> |
| Contributions as a percentage of covered employee payroll            | 18.37%              | 10.50%              | 12.66%              | 20.32%              |
| <b>Investment Returns</b>  |                     |                     |                     |                     |
| Annual money-weighted rate of return, net of investment expense      | (4.57%)             | 14.00%              | 7.81%               | (0.59%)             |
| <b>NON-UNIFORMED EMPLOYEES' PLAN:</b>                                |                     |                     |                     |                     |
| <b>Schedule of City's Contributions</b>                              |                     |                     |                     |                     |
| Actuarially determined contribution                                  | \$ 48,802           | \$ 47,117           | \$ 46,476           | \$ 131,202          |
| Contributions in relation to the actuarially determined contribution | <u>93,707</u>       | <u>49,571</u>       | <u>46,476</u>       | <u>131,202</u>      |
| Contributions deficiency (excess)                                    | <u>\$ (44,905)</u>  | <u>\$ (2,454)</u>   | <u>\$ -</u>         | <u>\$ -</u>         |
| Covered employee payroll   | <u>\$ 1,707,517</u> | <u>\$ 1,547,061</u> | <u>\$ 1,502,150</u> | <u>\$ 1,386,748</u> |
| Contributions as a percentage of covered employee payroll            | 5.49%               | 3.20%               | 3.09%               | 9.46%               |
| <b>Investment Returns</b>  |                     |                     |                     |                     |
| Annual money-weighted rate of return, net of investment expense      | (4.77%)             | 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, 2018

|                               | Police<br>Plan  | Non-Uniformed<br>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<br>as determined by the<br>trustee                               | Market Value of assets<br>as determined by the<br>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<br>of 20 years  |
| Mortality table               | RP2000 Table<br><br>This table does not<br>include projected<br>mortality improvements. | RP2000 Table<br><br>This table does not<br>include projected<br>mortality improvements. |



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

|   | 2018         |
|---|--------------|
| <b>Total OPEB liability</b>   |              |
| Service Cost  | \$ 10,406    |
| Interest  | 7,414        |
| Changes of Benefit Terms  | -            |
| Differences between Expected and Actual Experience                      | -            |
| Changes of Assumptions or other inputs                                  | 6,745        |
| Benefit Payments  | (13,953)     |
| <b>Net change in Total OPEB liability</b>                               | 10,612       |
| <b>Total OPEB Liability - Beginning</b>                                 | 196,986      |
| <b>Total OPEB Liability - Ending</b>                                    | \$ 207,598   |
| <b>Covered -employee payroll</b>  | \$ 1,520,404 |
| <b>Total OPEB Liability as a percentage of covered-employee payroll</b> | 13.65%       |

*Changes of Assumptions.* Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

|      |       |
|------|-------|
| 2018 | 3.16% |
|------|-------|

CITY OF SAINT MARYS, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 For The Year Ended December 31, 2018

|   | Budgeted Amounts    |                     | Actual              | Variance with       |
|---|---------------------|---------------------|---------------------|---------------------|
|   | Original            | Final               |                     | Final Budget        |
|   |                     |                     |                     | Positive (Negative) |
| <b>Revenues:</b>  |                     |                     |                     |                     |
| Taxes   | \$ 4,773,440        | \$ 4,773,440        | \$ 4,831,152        | \$ 57,712           |
| Intergovernmental   | 416,726             | 416,726             | 587,661             | 170,935             |
| Charges for Services  | 250,484             | 250,484             | 246,515             | (3,969)             |
| Licenses and Permits  | 33,750              | 33,750              | 31,509              | (2,241)             |
| Fines and Forfeitures   | 73,000              | 73,000              | 82,561              | 9,561               |
| Interest and Rentals  | 80,453              | 80,453              | 118,482             | 38,029              |
| Miscellaneous   | 216,382             | 216,382             | 342,068             | 125,686             |
| <b>Total Revenues</b>   | <b>\$ 5,844,235</b> | <b>\$ 5,844,235</b> | <b>\$ 6,239,948</b> | <b>\$ 395,713</b>   |
| <b>Expenditures:</b>  |                     |                     |                     |                     |
| <b>Current:</b>   |                     |                     |                     |                     |
| General Government  | \$ 1,350,299        | \$ 1,375,299        | \$ 1,323,823        | \$ 51,476           |
| Public Safety   | 2,135,042           | 2,135,042           | 2,043,596           | 91,446              |
| Public Works  | 2,380,701           | 2,380,701           | 2,246,581           | 134,120             |
| Human Services  | 8,000               | 8,000               | 3,850               | 4,150               |
| Community and Economic Development  | 137,173             | 112,173             | 42,513              | 69,660              |
| Culture and Recreation  |                     |                     |                     |                     |
| <b>Debt Service:</b>  |                     |                     |                     |                     |
| Principal   |                     |                     |                     |                     |
| Interest  |                     |                     |                     |                     |
| Capital Outlays   |                     |                     | 84,947              | (84,947)            |
| Other   | 180,261             | 180,261             | 141,977             | 38,284              |
| <b>Total Expenditures</b>   | <b>\$ 6,191,476</b> | <b>\$ 6,191,476</b> | <b>\$ 5,887,287</b> | <b>\$ 304,189</b>   |
| <b>Excess (Deficiency) of Revenues over Expenditures</b>                                  | <b>\$ (347,241)</b> | <b>\$ (347,241)</b> | <b>\$ 352,661</b>   | <b>\$ 699,902</b>   |
| <b>Other Financing Sources (Uses):</b>  |                     |                     |                     |                     |
| Capital Asset Sales   |                     |                     | \$ 7,064            | \$ 7,064            |
| Transfers In  | \$ 583,919          | \$ 583,919          | 608,700             | 24,781              |
| Transfers Out   | (236,678)           | (236,678)           | (837,367)           | (600,689)           |
| <b>Total Other Financing Sources (Uses)</b>   | <b>\$ 347,241</b>   | <b>\$ 347,241</b>   | <b>\$ (221,603)</b> | <b>\$ (568,844)</b> |
| <b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b> | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ 131,058</b>   | <b>\$ 131,058</b>   |
| <b>Fund Balance - Beginning</b>   | <b>2,428,992</b>    | <b>2,428,992</b>    | <b>2,428,992</b>    | <b>-</b>            |
| <b>Fund Balance - Ending</b>  | <b>\$ 2,428,992</b> | <b>\$ 2,428,992</b> | <b>\$ 2,560,050</b> | <b>\$ 131,058</b>   |

CITY OF SAINT MARYS, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT FUND

For The Year Ended December 31, 2018

|  | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget<br>Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
|  | Original            | Final               |                     |  |
| Revenues:  |                     |                     |                     |  |
| Taxes  | \$ 415,371          | \$ 415,371          | \$ 417,222          | \$ 1,851   |
| Intergovernmental  |                     |                     |                     |  |
| Charges for Services   |                     |                     |                     |  |
| Licenses and Permits   |                     |                     |                     |  |
| Fines and Forfeitures  |                     |                     |                     |  |
| Interest and Rentals   | 3,200               | 3,200               | 5,636               | 2,436  |
| Miscellaneous  |                     |                     |                     |  |
| Total Revenues   | <u>\$ 418,571</u>   | <u>\$ 418,571</u>   | <u>\$ 422,858</u>   | <u>\$ 4,287</u>                                      |
| Expenditures:  |                     |                     |                     |  |
| Current:   |                     |                     |                     |  |
| General Government   |                     |                     |                     |  |
| Public Safety  |                     |                     |                     |  |
| Public Works   |                     |                     |                     |  |
| Human Services   |                     |                     |                     |  |
| Community and Economic Development   |                     |                     |                     |  |
| Culture and Recreation   |                     |                     |                     |  |
| Debt Service:  |                     |                     |                     |  |
| Principal  | \$ 516,460          | \$ 516,460          | \$ 516,459          | \$ 1   |
| Interest   | 136,929             | 136,929             | 135,828             | 1,101  |
| Capital Outlays  |                     |                     |                     |  |
| Other  | 800                 | 800                 | 800                 | -  |
| Total Expenditures   | <u>\$ 654,189</u>   | <u>\$ 654,189</u>   | <u>\$ 653,087</u>   | <u>\$ 1,102</u>                                      |
| Excess (Deficiency) of Revenues over Expenditures                                  | <u>\$ (235,618)</u> | <u>\$ (235,618)</u> | <u>\$ (230,229)</u> | <u>\$ 5,389</u>                                      |
| Other Financing Sources (Uses):  |                     |                     |                     |  |
| Capital Asset Sales  |                     |                     |                     |  |
| Transfers In   | \$ 230,663          | \$ 230,663          | \$ 230,662          | \$ (1)   |
| Transfers Out  | -                   | -                   | (1,101)             | (1,101)  |
| Total Other Financing Sources (Uses)   | <u>\$ 230,663</u>   | <u>\$ 230,663</u>   | <u>\$ 229,561</u>   | <u>\$ (1,102)</u>                                    |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ (4,955)</u>   | <u>\$ (4,955)</u>   | <u>\$ (668)</u>     | <u>\$ 4,287</u>                                      |
| Fund Balance - Beginning   | \$ 361,369          | \$ 361,369          | \$ 361,369          | \$ -   |
| Fund Balance - Ending  | <u>\$ 356,414</u>   | <u>\$ 356,414</u>   | <u>\$ 360,701</u>   | <u>\$ 4,287</u>                                      |

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
December 31, 2018

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, 2018

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 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. If 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 Fire Hydrant Fund experienced a negative change in fund balance of \$574. Total tax revenue and interest collected was \$66,049 and the cost of 327 fire hydrants was \$66,623. Cash on hand was used to cover this deficit.

CITY OF SAINT MARYS, PENNSYLVANIA  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
December 31, 2018

Note 2 – Negative Change in Fund Balance (Continued)

- 2) In the current year, the Debt Fund experienced a negative change in fund balance of \$668. Interest due to the PA Commonwealth Financing Authority for the Airport Industrial Park Project of \$13,401 was paid through the Debt Fund. Cash on hand was used to cover the deficit.
- 3) In the current year, the 2016 Capital Projects Fund experienced a negative change in fund balance of \$748,124. 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 Capital Reserve Fund experienced a negative change in fund balance of \$195,699. Total transfers from the General fund was \$582,060. Total revenue was \$632,374 and total capital project costs amounted to \$828,073. A portion of the amount in the capital reserve fund reserves covered the deficit for 2018.
- 5) In the current year, the Liquid Fuels Tax Fund experienced a negative change in fund balance of \$88,640. Monies deposited into the liquid fuels tax fund from the PA Commonwealth are for eligible expenditures related to public works expenditures. Remaining funds from previous years was used to cover expenditures in 2018.
- 6) In the current year, the Shade Tree Fund experienced a negative change in fund balance of \$59. Cash on hand was used to cover this deficit.

CITY OF SAINT MARYS, PENNSYLVANIA  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 December 31, 2018

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 |    |         |
| \$           | 222,792                  | \$ 312,908           | \$ 182,148      | \$ 631       | \$ 331         | \$ 17,291         | \$ 3,256              | \$ 9,131        | \$ 287                                 | \$ | 748,775 |
|              | 1,947                    | 4,693                | 3,772           | 1,951        | 337            | 1,009             |                       |                 |  |    | 13,709  |
|              |                          | 1,799                |                 |              |                |                   |                       |                 | 41,231                                 |    | 1,799   |
|              |                          |                      |                 |              |                |                   |                       |                 |  |    | 41,231  |
|              |                          |                      |                 |              |                |                   |                       |                 |  |    | -       |
|              |                          |                      |                 |              |                |                   |                       |                 |  |    | -       |
|              |                          |                      |                 |              |                |                   |                       |                 |  |    | -       |
|              |                          |                      |                 |              |                |                   |                       |                 |  |    | 16,721  |
| Total Assets | \$ 224,739               | \$ 336,121           | \$ 185,920      | \$ 2,582     | \$ 668         | \$ 18,300         | \$ 3,256              | \$ 9,131        | \$ 41,518                              | \$ | 822,235 |

**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

**LIABILITIES AND FUND BALANCES**

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

|                   |       |          |           |   |        |   |   |   |           |    |        |           |
|-------------------|-------|----------|-----------|---|--------|---|---|---|-----------|----|--------|-----------|
| \$                | 2,783 | \$ 3,699 | 1,127     | 9 | 27,656 |   |   |   |           |    | 29,976 | \$ 36,458 |
|                   |       |          |           |   |        |   |   |   |           |    |        | 1,127     |
|                   |       |          |           |   |        |   |   |   |           |    | 11,255 | 11,264    |
|                   |       |          |           |   |        |   |   |   |           |    | 287    | 27,943    |
|                   |       |          |           |   |        |   |   |   |           |    |        | -         |
| Total Liabilities | \$ -  | \$ 2,783 | \$ 32,491 | - | -      | - | - | - | \$ 41,518 | \$ | 76,792 |           |

Fund Balances:  
 Nonspendable:  
 Restricted  
 Committed  
 Assigned:  
 Unassigned:

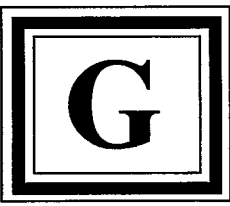
|                                     |            |            |            |          |        |           |          |          |           |    |         |           |
|-------------------------------------|------------|------------|------------|----------|--------|-----------|----------|----------|-----------|----|---------|-----------|
| \$                                  | 224,739    | \$ 333,338 | \$ 153,429 | \$ 2,582 | \$ 668 | \$ 18,300 | \$ 3,256 | \$ 9,131 | \$ -      | \$ | 16,721  | \$ 16,721 |
|                                     |            |            |            |          |        |           |          |          |           |    |         | 3,256     |
|                                     |            |            |            |          |        |           |          |          |           |    |         | 725,466   |
|                                     |            |            |            |          |        |           |          |          |           |    |         | -         |
|                                     |            |            |            |          |        |           |          |          |           |    |         | -         |
| Total Fund Balances                 | \$ 224,739 | \$ 336,121 | \$ 185,920 | \$ 2,582 | \$ 668 | \$ 18,300 | \$ 3,256 | \$ 9,131 | \$ 41,518 | \$ | 745,443 |           |
| Total Liabilities and Fund Balances | \$ 224,739 | \$ 336,121 | \$ 185,920 | \$ 2,582 | \$ 668 | \$ 18,300 | \$ 3,256 | \$ 9,131 | \$ 41,518 | \$ | 822,235 |           |

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, 2018**

Special Revenue Funds

|  | Street Lighting Tax Fund | Fire Protection Fund | Recreation Fund   | Library Fund      | Ambulance Fund   | Hydrant Fund     | Liquid Fuels Tax Fund | Shade Tree Fund  | Community Development Block Grant Fund | Totals              |
|--|--------------------------|----------------------|-------------------|-------------------|------------------|------------------|-----------------------|------------------|--|---------------------|
| Revenues:  |                          |                      |                   |                   |                  |                  |                       |                  |  |                     |
| Taxes  | \$ 112,293               | \$ 305,881           | \$ 259,445        | \$ 126,828        | \$ 21,867        | \$ 65,601        | \$ 504,913            |                  | \$ 125,152                             | \$ 891,915          |
| Intergovernmental Charges for Services   |                          |                      | 2,560             |                   |                  |                  |                       |                  |  | 632,625             |
| Licenses and Permits   |                          |                      | 66,277            |                   |                  |                  |                       |                  |  | 66,277              |
| Fines and Forfeitures  |                          |                      |                   |                   |                  |                  |                       |                  |  | -                   |
| Interest and Rentals   | 1,207                    | 2,574                | 1,436             | 16                | 8                | 448              | 5,647                 | 17               |  | 11,353              |
| Miscellaneous  |                          |                      | 110,901           |                   |                  |                  |                       | 2,689            |  | 113,590             |
| <b>Total Revenues</b>  | <b>\$ 113,500</b>        | <b>\$ 308,455</b>    | <b>\$ 440,619</b> | <b>\$ 126,844</b> | <b>\$ 21,875</b> | <b>\$ 66,049</b> | <b>\$ 510,560</b>     | <b>\$ 2,706</b>  | <b>\$ 125,152</b>                      | <b>\$ 1,715,760</b> |
| Expenditures:  |                          |                      |                   |                   |                  |                  |                       |                  |  |                     |
| Current:   |                          |                      |                   |                   |                  |                  |                       |                  |  |                     |
| General Government   |                          |                      |                   |                   |                  |                  |                       |                  |  | -                   |
| Public Safety  |                          | \$ 167,682           |                   |                   | \$ 21,615        | \$ 66,623        |                       |                  |  | \$ 255,920          |
| Public Works   | \$ 63,141                |                      |                   |                   |                  |                  |                       |                  |  | 63,141              |
| Human Services   |                          |                      |                   |                   |                  |                  |                       |                  |  | -                   |
| Community and Economic Development   |                          |                      |                   |                   |                  |                  |                       |                  | \$ 125,152                             | 125,152             |
| Culture and Recreation   |                          |                      | \$ 426,526        | \$ 126,400        |                  |                  |                       | \$ 10,265        |  | 563,191             |
| Debt Service:  |                          |                      |                   |                   |                  |                  |                       |                  |  |                     |
| Principal  |                          |                      |                   |                   |                  |                  |                       |                  |  | -                   |
| Interest   |                          |                      |                   |                   |                  |                  |                       |                  |  | -                   |
| Capital Outlays  |                          |                      |                   |                   |                  |                  |                       |                  |  | -                   |
| Other  |                          |                      |                   |                   |                  |                  |                       |                  |  | -                   |
| <b>Total Expenditures</b>  | <b>\$ 63,141</b>         | <b>\$ 167,682</b>    | <b>\$ 426,526</b> | <b>\$ 126,400</b> | <b>\$ 21,615</b> | <b>\$ 66,623</b> | <b>-</b>              | <b>\$ 10,265</b> | <b>\$ 125,152</b>                      | <b>\$ 1,007,404</b> |
| Excess (Deficiency) of Revenues over Expenditures                                  | \$ 50,359                | \$ 140,773           | \$ 14,093         | \$ 444            | \$ 260           | \$ (574)         | \$ 510,560            | \$ (7,559)       | \$ -                                   | \$ 708,356          |
| Other Financing Sources (Uses):  |                          |                      |                   |                   |                  |                  |                       |                  |  |                     |
| Capital Asset Sales  |                          |                      |                   |                   |                  |                  |                       |                  | \$ -                                   | \$ -                |
| Transfers In   |                          |                      |                   |                   |                  |                  |                       | \$ 7,500         |  | 7,500               |
| Transfers Out  |                          | (12,355)             |                   |                   |                  |                  | \$ (599,200)          |                  | (9,500)                                | (621,055)           |
| <b>Total Other Financing Sources (Uses)</b>  | <b>-</b>                 | <b>\$ (12,355)</b>   | <b>-</b>          | <b>-</b>          | <b>-</b>         | <b>-</b>         | <b>\$ (599,200)</b>   | <b>\$ 7,500</b>  | <b>\$ (9,500)</b>                      | <b>\$ (613,555)</b> |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | \$ 50,359                | \$ 128,418           | \$ 14,093         | \$ 444            | \$ 260           | \$ (574)         | \$ (88,640)           | \$ (59)          | \$ (9,500)                             | \$ 94,801           |
| Fund Balance - Beginning   | \$ 174,380               | \$ 204,920           | \$ 139,336        | \$ 2,138          | \$ 408           | \$ 18,874        | \$ 91,896             | \$ 9,190         | \$ 9,680                               | \$ 650,822          |
| Fund Balance - Prior Year Adjustments  |                          |                      |                   |                   |                  |                  |                       |                  | (180)                                  | (180)               |
| <b>Fund Balance - Ending</b>   | <b>\$ 224,739</b>        | <b>\$ 333,338</b>    | <b>\$ 153,429</b> | <b>\$ 2,582</b>   | <b>\$ 668</b>    | <b>\$ 18,300</b> | <b>\$ 3,256</b>       | <b>\$ 9,131</b>  | <b>\$ -</b>                            | <b>\$ 745,443</b>   |





# 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, 2018, 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 August 15, 2019.

### **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*.

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.

*Geni and Associates, P.C.*

Saint Marys, Pennsylvania  
August 15, 2019