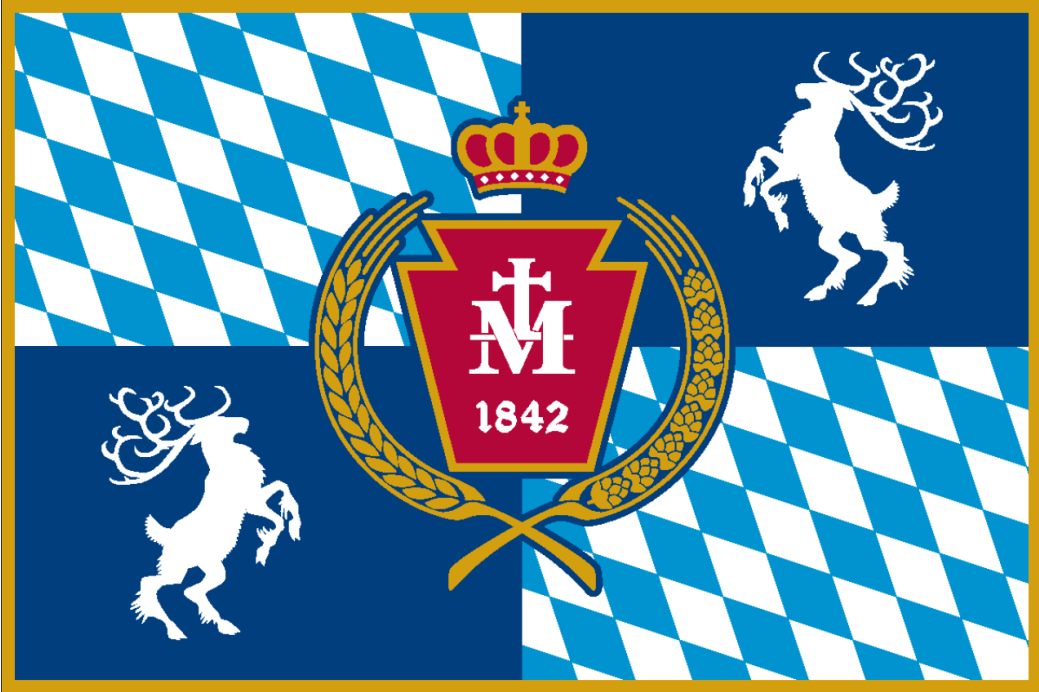


CITY OF SAINT MARYS, PENNSYLVANIA

December 31, 2019



CITY OF SAINT MARYS, PENNSYLVANIA

Saint Marys, Pennsylvania

FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT

December 31, 2019

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## INDEPENDENT AUDITOR'S REPORT

To City Council  
City of Saint Marys  
Saint Marys, PA

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, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saint Marys, Pennsylvania, as of December 31, 2019, 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 and budgetary comparison information on pages 6–21 and 75–81 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.

McGill, Power, Bell & Associates, LLP

*McGill, Power, Bell & Associates, LLP*

Erie, Pennsylvania

March 31, 2021

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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, 2019. 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 2019 by \$27.6 million. Of this amount, \$23.1 million is from governmental activities and from this \$3 million is considered to be unrestricted and can be used to meet the 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 increased by \$970,028 or 4.4% and the net position of the business-type activities increased by \$318,118 or 7.6%.
- Total revenue of the governmental activities *increased by \$1,158,615* compared to last year's revenue; and total expenditures of the governmental activities *decreased by \$170,807* or 2 percent compared to last year.
- In the City's business-type activities, total revenue increased by \$159,641 or 5.5% and expenses *increased* by \$135,210 or 5.2 percent.
- Net investment in capital assets (net capital assets net of related debt) was \$19,179,028 at December 31, 2019, an increase of \$1,987,037.
- The City's real property tax rate stayed the same at 18.5362 mills. In 2019 City Council elected to increase the Earned Income Tax rate from .5% to .7%. The additional income will be for the reconstruction of roads, streets and bridges.
- The police pension plan net position held in trust to pay pension benefits increased \$1,428,397 or 17.1% and the non-uniformed pension plan net position increased \$728,118 or 16.4% in 2019.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## Management's Discussion and Analysis

- As of December 31, 2019, the governmental funds reported a combined ending fund balance of \$6,033,597 a decrease of \$700,680 from the prior year. Of the ending fund balance, \$102,188 is non-spendable, \$58,423 is restricted for various projects, \$1,153,389 is committed based on tax levies, \$2,680,167 is committed for capital projects, \$295,706 is assigned for other post-employment benefits and compensated absences, and \$169,477 is assigned for increases in pension liability; and \$1,574,247 is unassigned and available for any purpose and to fund any fund balance that is negative.
- The General Fund reported a fund balance of \$3,073,839. The fund balance increased \$35,287 or 1.5% from the prior year. City Council transferred unbudgeted funds of \$540,113 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 remaining funds of \$55,861 left for capital projects as of December 31, 2019.
- The City guarantees 3.1 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 matter 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 decrease 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.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## Management's Discussion and Analysis

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 22 and 23 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 and the Capital Reserve 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.



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# CITY OF SAINT MARYS, PENNSYLVANIA

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## Management's Discussion and Analysis

- The 11 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 11 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, Debt Fund, Community Development Block Grant Fund and the 2016 Capital Projects Fund.

In this report on page 81 the City shows the budgetary comparison schedule for all the major funds that receive tax allocations. This schedule will show the annual operating budget for the General 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, 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 revenue, expenses and changes in net position, and the proprietary funds statement of cash flows* for these major proprietary funds.
- The 2 other proprietary funds are considered *nonmajor* proprietary 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 2 nonmajor proprietary funds are the Sewer Fund and the Sewer Line Replacement Fund.

The basic proprietary fund financial statements can be found on pages 28-30 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*.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## Management's Discussion and Analysis

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 (The Municipal Employee's Retirement plan or M.E.R. fund), 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 31-32 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 33-85 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 86 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 \$27,636,074 at the close of the most recent calendar year.

Sixty nine 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 (12 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).

# CITY OF SAINT MARYS, PENNSYLVANIA

## Management's Discussion and Analysis

Table 1  
CITY OF ST MARYS  
NET POSITION

	Governmental Activities		Business- Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>ASSETS</b>						
Current Assets	8,964,463	8,823,343	2,288,551	2,247,565	11,253,014	11,070,908
Other Assets	466,587	444,368	-	-	466,587	444,368
Capital Assets, net	21,621,292	20,457,497	2,440,886	2,160,284	24,062,178	22,617,781
Total Assets	<u>31,052,342</u>	<u>29,725,208</u>	<u>4,729,437</u>	<u>4,407,849</u>	<u>35,781,779</u>	<u>34,133,057</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	<u>1,534,890</u>	<u>1,778,382</u>	<u>-</u>	<u>-</u>	<u>1,534,890</u>	<u>1,778,382</u>
<b>LIABILITIES</b>						
Long-Term Liabilities	4,472,744	5,930,218	17,782	15,692	4,490,526	5,945,910
Other Liabilities	2,479,698	2,782,219	203,101	201,721	2,682,799	2,983,940
Total Liabilities	<u>6,952,442</u>	<u>8,712,437</u>	<u>220,883</u>	<u>217,413</u>	<u>7,173,325</u>	<u>8,929,850</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	<u>2,507,270</u>	<u>633,661</u>	<u>-</u>	<u>-</u>	<u>2,507,270</u>	<u>633,661</u>
<b>NET POSITION</b>						
Invested in Capital Assets, net of debt	16,738,142	15,031,707	2,440,886	2,160,284	19,179,028	17,191,991
Restricted	3,426,345	4,149,888	-	-	3,426,345	4,149,888
Unrestricted	2,963,033	2,975,897	2,067,668	2,030,152	5,030,701	5,006,049
Total Net Position	<u>23,127,520</u>	<u>22,157,492</u>	<u>4,508,554</u>	<u>4,190,436</u>	<u>27,636,074</u>	<u>26,347,928</u>

Table 1 shows Total Primary Government net position increased by \$1,288,146 this year. Governmental Activities had an increase of \$970,028 while the Business-Type Activities had an increase of \$318,118. The increase in current assets in the government activities is \$141,120; cash and cash investments decreased \$1,567,331 as the net pension asset increased to 2,094,575; taxes receivable, net increased \$631,503 and interfund receivables increased by \$48,637. *Capital Assets, net*, for primary government, had increases from last year of \$1,444,397. (capital assets of \$3,236,538 less depreciation of \$1,792,141) while *net position invested in capital assets, net of debt* had an increase of \$1,987,037 for the City combined. The increase of depreciation (1,792,141) counter balances the decrease in debt payments of \$519,941

Governmental Activities unrestricted net position decreased from last by \$12,864 while the Business-Type Activities unrestricted net position increased from last year by \$37,516 or 1.8%. For the Business-Type Activities, the unrestricted net position in 2018 increased by \$257,948 and in 2017 the increase was \$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.

# CITY OF SAINT MARYS, PENNSYLVANIA

## Management's Discussion and Analysis

Table 2  
CITY OF ST MARYS  
CHANGES IN NET POSITION

	Governmental Activities		Business- Type Activities		Total Primary Government		Total % Change
	2019	2018	2019	2018	2019	2018	
Revenues:							
Program Revenues:							
Charges for Services	\$ 557,114	\$ 493,101	\$ 3,035,568	\$ 2,876,192	\$ 3,592,682	\$ 3,369,293	6.63%
Operating Grants and Contributions	125,728	130,042			125,728	130,042	-3.32%
Capital Grants and Contributions	732,743	270,894			732,743	270,894	170.49%
General Revenue:							
Taxes:							
Total Taxes	6,651,515	6,140,289			6,651,515	6,140,289	8.33%
Grants and Contributions not restricted to specific programs	1,120,402	1,046,244			1,120,402	1,046,244	7.09%
Sale of Fixed Assets	39,377	23,076			39,377	23,076	70.64%
Investment Earnings	166,462	158,434	20,468	16,567	186,930	175,001	6.82%
Miscellaneous	265,766	238,412	4,812	8,448	270,578	246,860	9.61%
Total Revenue	<u>\$ 9,659,107</u>	<u>\$ 8,500,492</u>	<u>\$ 3,060,848</u>	<u>\$ 2,901,207</u>	<u>\$ 12,719,955</u>	<u>\$ 11,401,699</u>	11.56%
Expenses:							
General Government	\$ 1,757,752	\$ 1,572,447			\$ 1,757,752	\$ 1,572,447	11.78%
Public Safety	2,541,569	2,805,689			2,541,569	2,805,689	-9.41%
Public Works	3,449,154	3,545,296			3,449,154	3,545,296	-2.71%
Human Services	2,269	3,850			2,269	3,850	-41.06%
Community & Economic Development	180,901	171,711			180,901	171,711	5.35%
Culture and Recreation	628,252	625,065			628,252	625,065	0.51%
Interest on Long Term Debt	129,182	135,828			129,182	135,828	-4.89%
Sewage Treatment/Sewer Lines			\$ 2,742,730	\$ 2,607,520	2,742,730	2,607,520	5.19%
Total Expenditures	<u>\$ 8,689,079</u>	<u>\$ 8,859,886</u>	<u>\$ 2,742,730</u>	<u>\$ 2,607,520</u>	<u>\$ 11,431,809</u>	<u>\$ 11,467,406</u>	-0.31%
Increase in Net Position	\$ 970,028	\$ (359,394)	\$ 318,118	\$ 293,687	\$ 1,288,146	\$ (65,707)	-2060.44%
Net Position - January 1	<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%
Net Position - Adjustment of Net Position	503,093	(180)	-	-	503,093	(180)	
Net Position - December 31	<u>\$ 23,127,520</u>	<u>\$ 21,654,399</u>	<u>\$ 4,508,554</u>	<u>\$ 4,190,436</u>	<u>\$ 27,636,074</u>	<u>\$ 25,844,835</u>	6.93%

### Governmental Activities

Table 2 shows revenue and expenditures for both governmental and business-type activities for years 2019 and 2018. Governmental activities revenue for 2019 had an increase from last year of \$1,158,615 or 13.6%. Total Expenditures for governmental activities decreased by \$170,807 or by (2%).

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## Management's Discussion and Analysis

### Governmental Activities

Some of the program revenue & expense changes that occurred this year compared to last year for the governmental activities are as follows:

#### Revenue:

- Building permit revenue increased \$54,000
- Parking facilities user fees increased \$9,300
- Recreation users fees increased \$10,300
- Police fines decreased \$6,000
- Local grant funding on Jackson Road Project - decrease of \$100,000 (end of project)
- Federal grant funding for Airport Access Road \$73,000
- State grant funding for the new park and bridge \$225,000
- Community Development Block grant funding increase in spending of \$248,000
- Local grant funding - Stackpole Hall Foundation - \$13,000 increase for Recreational use.
- Reduction in collections of Real Estate taxes of \$33,000
- Collection of Earned Income Tax increased \$427,000 - rate increase of .2%
- Increase in the Act 205 Funding for pension plans of \$41,500
- Increase in funding through the PUC for drilling fees of \$16,000

#### Expenses:

- **General Government** expenses increased \$175,000 - 11%. Personnel administration such as pension contributions, compensated absences and payments to retirees for health insurance increased \$82,000. Balance of increase is due from operational increases of 6%.
- **Public Safety** expenses decreased \$264,000 - 9%. Operational cost increased 1%; or \$28,000 and net pension expense decreased \$296,000.
- **Public Works** expenses decreased \$96,000 or 2.7%. Increase in depreciation cost of \$75,000; decrease in net pension expense of \$25,000 and in 2018 the City had the Jackson Road project of \$149,000 in road maintenance.
- **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 allowance.  
The cumulative effect on the statement of activities was an increase to pension expense of \$22,527. This is the difference between the annual required pension contribution per State regulations and the expense calculated for GASB Statement No. 68.

# CITY OF SAINT MARYS, PENNSYLVANIA

## Management's Discussion and Analysis

### Governmental Activities

Expenses:

- The pension expense calculation for GASB No. 68 has no effect on the contributions required by the State and will have no impact on the City's budget for 2020 and future years. The calculation is only for government-wide financial statement purposes. The following chart shows the increase in pension expense for 2019 according to GASB Statement No. 68.

Pension Expenses for GASB 68	GASB 68 Pension Expense for Defined Benefit Pension Plans		
	2019	2018	Inc/(Dec)
Governmental Activities:			
General Government	\$ 13,394	\$ 16,973	\$ (3,579)
Public Works	52,149	77,364	(25,215)
Community & Economic Dev.	2,159	3,126	(967)
Culture & Recreation	876	-	876
Public Safety:			
Police Officers	(54,680)	237,616	(292,296)
Other	8,629	12,439	(3,810)
Total Increase/(Decrease) for			
GASB 68 Pension Expense	\$ 22,527	\$ 347,518	\$ (324,991)
Pension Expense per			
Commonwealth of PA	\$ 322,591	\$ 281,063	\$ 41,528
Total Pension Expense for			
GASB 68 Pension Expense	\$ 345,118	\$ 628,581	\$ (283,463)

The cost of governmental activities for this year is \$8,689,079 compared to \$8,859,886 from last year a decrease of \$170,807. However, as shown in the Statement of Activities on page 23, the amount that our taxpayers ultimately financed for these activities through City taxes was \$7,273,494 because some of the cost was paid by those who directly benefited from the programs (\$557,114) or by other governments and organizations that subsidized certain programs with grants and contributions (\$858,471).

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.

# CITY OF SAINT MARYS, PENNSYLVANIA

## Management's Discussion and Analysis

### Governmental Activities

TABLE 3  
GOVERNMENTAL ACTIVITIES

	TOTAL COST OF SERVICES		NET COST OF SERVICES	
	2019	2018	2019	2018
General Government	1,757,752	1,572,447	1,597,850	1,419,097
Public Safety	2,541,569	2,805,689	2,412,807	2,655,435
Public Works	3,449,154	3,545,296	3,106,698	3,233,751
Community & Economic Development	180,901	171,711	(191,803)	46,559
Culture and Recreation	628,252	625,065	216,491	471,329
All Others	131,451	139,678	131,451	139,678
<b>Totals</b>	<u><u>8,689,079</u></u>	<u><u>8,859,886</u></u>	<u><u>7,273,494</u></u>	<u><u>7,965,849</u></u>

### Business-Type Activities

The City business-type activities consist of the operation of the sewage treatment plant and the sewer lines. Revenues of the City's business-type activities (see Table 2) increased by \$159,641 and expenditures increased by \$135,210 from last year. Operating revenue for 2019 is \$3,060,848 and operating expenses are \$2,742,730 leaving a positive balance of \$318,118. The increase in net position increased in 2019 compared to 2018 by \$24,431. But it should have increased by at least \$220,000. City Council, during the budget process for 2019 increased the base rate fee on sewer utility service by \$4 a month. With 4,586 customers, this should have increased revenue by \$220,128 for 2019. In the past few years, the City has experienced a decline in the consumption charges revenue for sewer service. In 2019 consumption charge revenue declined \$88,000 from 2018 and from 2017 the decline in sewer consumption in dollar value was \$103,000 compared to 2019 collections. The \$4 increase in the monthly sewer base rate charges is for the replacement of sewer lines. Increases in the business-type activities for 2019 was in operational cost.

### THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 24) reported a combined fund balance of \$6,033,597, which is lower than last year's total of \$6,265,570 or a decrease of \$231,973. The General Funds' *fund balance* increased \$35,287 in 2019. During the September's Council meeting in 2019, City Council voted to approve the transfer of \$540,113 of the unrestricted fund balance as of the end of 2018 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 2019 compared to 2018. 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 reserve fund, expenditures exceeded the amount that was transferred into the fund for 2019.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## Management's Discussion and Analysis

For the General Fund, revenue was greater than the budget projections by \$46,584. The City was under budget by \$30,710 in tax revenue; \$21,682 in Real Estate Tax; and \$31,617 in Earned Income Tax. The City was also under budget in Business License and Permits of \$6,015; Fines of \$5,300 and Charges for Services of \$5,800. The City collected more than budgeted in Interest Earnings of \$29,000; State Operating Grants of \$12,000; State Shared Revenue & Entitlements of \$62,900; Local Operating Grants of \$18,700; Public Safety Fees of \$51,000; Parking Facilities Fees of \$5,000 and Miscellaneous Revenue of \$25,500.

Project expenditures were over budget projections by \$11,297. All departments in the General Fund were under their budgeted amounts. But the transfer from the General Fund of \$540,113 to the Capital Reserve Fund for capital projects made expenditures exceed the projected amount budgeted. The total unassigned fund balance of \$2,515,584 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 2019 of \$658,869 a decrease of \$38 from last year. This decrease in fund balance was due to the Commonwealth Financing 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 2019 is \$659,720.

The Parking Garage Fund's *fund balance* has a negative balance of \$282,468 as of December 31, 2019. This is a decrease of \$20,126 from last year. The project was audited in 2018 by the Redevelopment Assistance Capital Program and the audit disclosed no findings or observations. The deficit is reduced yearly by the transfer from the General Fund of \$20,000 of parking meter revenue.

The Capital Reserve Fund had a decrease in fund balance of \$64,078. The total fund balance of \$2,680,382 is considered a committed fund balance. The Capital Reserve Fund is reserved for future capital projects and equipment. In 2019 there was \$1,318,597 budgeted for capital expenditures, and actual expenses of \$1,341,495. A transfer from the General Fund of \$578,437 was made for future capital projects and a transfer of \$483,153 was made for future reconstruction on roads, streets, and bridges.

The Debt Fund had a fund balance of \$320,679 as of December 31, 2019. This is a decrease of \$40,022 from 2018. This fund balance is considered committed as it is solely used to receive and pay for outstanding debt of the City. This fund show total annual debt service of the City by principal and interest. The City does commit 1.908 mills of real estate tax revenue to cover the debt of the 2016 bond issue. The deficit was due from the payments of the guaranteed loans of the St. Marys Golf Authority made in 2019.

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. Remaining in the fund as of December 31, 2019 is \$55,861 which \$47,070 is allocated to the flood study and \$8,791 to the downtown park.



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# CITY OF SAINT MARYS, PENNSYLVANIA

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## Management's Discussion and Analysis

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. 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 were no HOME's activity for 2019. Total cost reimbursed by the CDBG program for 2019 was \$372,704. Project cost consisted of \$76,883 towards the renovation of the Scouthouse building at Memorial Park; \$165,780 towards the renovation of the Bell Tower located in the Market Street parking lot; \$85,602 towards housing rehabilitation of city residents' homes; \$5,285 towards spot/blight projects; and the remaining \$39,154 towards administration cost.

The Street Lighting Tax Fund has a fund balance of \$224,057 a decrease of \$682 as of December 31, 2019. This fund pays for all lighting that is above the streets and in the parking lots and parking garage. The fund balance is considered to be a committed fund balance. City Council through an ordinance approved the millage of .5 mills for 2019. \$10,400 went towards the lighting in the new downtown park.

The Fire Protection Fund had a fund balance of \$469,077 and increase of \$135,739 for year end. This fund is also a committed fund balance with Council setting the millage of 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. \$80,000 is reserved every year for capital cost such as replacing fire trucks.

The Recreation Fund had a fund balance of \$119,780 at the end of 2019 with a decrease of \$33,649. This fund balance is also considered committed as Council sets the millage of 1.2 mills of real estate tax revenue. This money is used to maintain and administer the parks and pool located in town. A full time park director was hired in 2019 to reorganize the structure of administrating the activities at the parks and pool.

The Library and Ambulance Funds are funds used to collect tax revenue and then transfer to their designated agency. The Library Fund receives .58 of a mill annually or \$125,788 and conveys this to the St. Marys Public Library for their services and the Ambulance Fund receives .10 of a mill annually or \$21,687 and this is turned over to the St. Marys Ambulance Service. The fund balance of \$3,607 for the Library Fund and \$554 for the Ambulance Fund is considered a committed fund balance.

The Fire Hydrant Fund receives .3 of a mill annually or \$65,000. This pays for fire hydrant service in the St. Marys area which is provided by the St. Marys Area Water Authority. The fund balance had a decrease of \$1,443 for 2019 with an ending balance of \$16,857. This fund balance is also considered a committed fund balance; City Council sets the millage through an ordinance during budget meetings.

The Liquid Fuels Tax Fund had a fund balance of \$2,562 as of the end of 2019. 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

# CITY OF SAINT MARYS, PENNSYLVANIA

## Management's Discussion and Analysis

Infrastructure Bank. The City reimburses the General Fund because the expenses are paid through the General Fund. The fund balance is considered restricted; the Commonwealth of PA dictates how the money will be spent.

The Shade Tree Fund had a fund balance of \$7,679 as of December 31, 2019 with a decrease in fund balance of \$1,452. This fund pays for expenditures 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 fiscal year.

### GENERAL FUND BUDGETARY HIGHLIGHTS

For budget year 2019, there were no changes made to the original budget adopted by Council in 2018. Total program revenue for the General Fund is \$6,787,930 and total program expenditures are \$5,966,879 with an excess of revenues over expenditures of \$821,051. Capital asset sales for 2019 were \$10,377 and total funds transferred into the General Fund was \$521,051 and funds transferred out to other City funds was \$1,307,397 leaving an increase in fund balance of \$45,082 for 2019. Total actual revenue received was \$46,584 more than budgeted revenue and total actual expenditures incurred were \$1,502 more than budgeted expenditures.

### CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2019, the City had \$24,062,178 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 \$1,444,397 or 6.4%, over last year. This information can be found on Table 4.

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

	Governmental Activities		Business-Type Activities		Primary Government Totals	
	2019	2018	2019	2018	2019	2018
Land	604,426	604,426	11,692	11,692	616,118	616,118
Construction in Progress	849,456	260,314	51,872	-	901,328	260,314
Building & Improvements	10,757,096	10,713,469	171,298	142,401	10,928,394	10,855,870
Equipment	1,964,635	2,008,161	691,480	764,103	2,656,115	2,772,264
Improvements	406,347	410,016	-	-	406,347	410,016
Infrastructure	7,039,332	6,461,111	1,514,544	1,242,088	8,553,876	7,703,199
<b>Totals</b>	<b>\$ 21,621,292</b>	<b>\$ 20,457,497</b>	<b>\$ 2,440,886</b>	<b>\$ 2,160,284</b>	<b>\$ 24,062,178</b>	<b>\$ 22,617,781</b>

# CITY OF SAINT MARYS, PENNSYLVANIA

## Management's Discussion and Analysis

This year's major additions include:

- General Administration** capital cost totaled \$356,335. This includes major additions of:
  - Land purchase at 345 West Mill Street of \$54,384 - to re-align the intersection.
  - Boulevard sidewalk replacement of \$22,270
  - Renovations to the HVAC units and City Hall offices of \$99,014
  - Bell Tower renovations of \$165,780
- Public Safety** capital cost totaled \$53,931. This includes:
  - 2019 Ford Interceptor with Equipment of \$37,716
  - Bulletproof Vests costing \$16,215
- Public Works** capital cost totaled \$1,669,795. This includes major additions of:
  - 2019 JD Loader - \$184,563
  - 2019 Ford 550 Truck - \$74,403
  - Charles Street - Reconstruction - \$792,456
  - 2019 Mill & Fill road project - \$483,484
  - 2019 Berming project - \$109,426
- Culture & Recreation** cost totaled \$175,251. This includes major additions of:
  - Club House Renovations - Memorial Park - \$140,455
  - Concession stand renovations at the pool - \$11,154
- Public Works - Sanitary Sewer** capital cost totaled \$446,468. This includes major additions of:
  - Charles Street sewer line project - \$300,000
  - Sewage Plant equipment replacement - \$55,292
  - Sludge Building - \$36,725
- Construction in Progress** total cost to date is \$534,758. This includes major additions of:
  - Downtown Park project - \$397,559
  - Access Road project - \$128,880

### DEBT

At year-end, the City of St. Marys had \$4.9 million in governmental activities notes and bonds outstanding versus \$5.4 million last year - a decrease of 9.3% as shown in Table 5 listed below.

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

	Governmental Activities		Business-Type Activities		Primary Government Totals	
	2019	2018	2019	2018	2019	2018
General Obligation Notes	\$ 750,849	\$ 965,790	\$ -	\$ -	\$ 750,849	\$ 965,790
Revenue Bonds	4,155,000	4,460,000	-	-	4,155,000	4,460,000
<b>Totals</b>	<b><u>\$ 4,905,849</u></b>	<b><u>\$ 5,425,790</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,905,849</u></b>	<b><u>\$ 5,425,790</u></b>

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# CITY OF SAINT MARYS, PENNSYLVANIA

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A summary of long-term debt as of December 31, 2019:



A summary of long-term debt that the City guarantees as of December 31, 2019:



The City's Standard & Poor's Underlying rating is: "AA" / Stable Outlook and insured rating is "A+". The City's borrowing base for 2020 is \$8,145,728 - (250% of this for Net non-electoral debt limitation (\$20,364,320) and 350% of this for net non-electoral debt plus lease rental debt. (\$28,510,048).

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

The City's elected and appointed officials considered many factors when setting the fiscal-year 2020 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 12/31/2019 was 7.2%; in 2018 it was 3.6%; 2017 it was 4.1%; 2016 it was 5.4% and for 2015 it was 5%. This compares with the State's unemployment rate of 4.4% for 2019, 4.2% for 2018; 4.9% for 2017; 5.4% for 2016 and 5.3% for 2015.

The City's Total Governmental Funds budget for 2020 is \$12,876,701 and the Enterprise Funds budget for 2020 is \$3,511,498.

The 2020 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 \$3,867,489 and assessed value of property is estimated at \$219,871,385. The General Fund will receive \$2,618,121 of this total. 2020's General Fund's budget is .71% more than last year with a total of \$7,324,514.

The Earned Income Tax rate remained the same as 2019's at .7%. This is estimated to generate \$2,150,000 in tax revenue. \$510,000 of this will be used for the reconstruction of streets, roads and bridges.

For the Business-Type Funds budget for 2020, the sewer rate fees remained the same as last years. The base rate fees for sewer service on a monthly basis will remain at \$26.50 for residents, \$54.00 for industry and \$34.00 for all other customers. The City is in the process of analyzing the structure of residents sewer rate fees to a more practical and predicible fee for budgetary purposes.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## **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 Saint Marys accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Finance Director's office at City of Saint Marys, 11 LaFayette Street, Saint Marys, PA 15857.

CITY OF SAINT MARYS, PENNSYLVANIA

STATEMENT OF NET POSITION

December 31, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and Cash Investments	\$ 5,983,500	\$ 1,911,899	\$ 7,895,399
Taxes Receivable	1,085,259	-	1,085,259
Accounts Receivable, Net	42,799	323,600	366,399
Due From Other Governments	191,332	-	191,332
Allowance for Uncollectible Due from Governments	(108,820)	-	(108,820)
Interfund Receivables	489,544	36,672	526,216
Prepaid Expenses	102,188	16,380	118,568
Net Pension Asset	1,178,661	-	1,178,661
Capital Assets:			
Construction In Progress	849,456	51,872	901,328
Infrastructure	13,551,344	1,645,690	15,197,034
Land	604,426	11,692	616,118
Buildings & Building Improvements	14,451,845	212,526	14,664,371
Equipment	7,701,561	2,157,786	9,859,347
Improvements	1,412,685	-	1,412,685
Accumulated Depreciation	(16,950,025)	(1,638,680)	(18,588,705)
Other Assets: Long-Term Note Receivable (net)	466,587	-	466,587
<b>Total Assets</b>	<b>31,052,342</b>	<b>4,729,437</b>	<b>35,781,779</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources for pensions	1,534,890	-	1,534,890
<b>Total Deferred Outflows of Resources</b>	<b>1,534,890</b>	<b>-</b>	<b>1,534,890</b>
<b>LIABILITIES</b>			
Accounts Payable and Payroll Taxes	123,572	45,258	168,830
Other Accrued Liabilities	104,817	11,437	116,254
Due To Other Governments	-	60,875	60,875
Interfund Payables	1,103,505	82,431	1,185,936
Unearned Revenue	26,087	3,100	29,187
Unavailable Revenue	3,736	-	3,736
Unavailable Revenue - Real Estate Taxes	309,405	-	309,405
Unavailable Revenue - Earned Income Tax	81,083	-	81,083
Compensated Absences - long -term portion	118,074	17,782	135,856
Other Post-Employment Benefits	199,013	-	199,013
Notes Payable - current portion	218,480	-	218,480
Notes Payable - long - term portion	532,369	-	532,369
Bonds Payable - current portion	310,000	-	310,000
Bonds Payable - long -term portion	3,822,301	-	3,822,301
<b>Total Liabilities</b>	<b>6,952,442</b>	<b>220,883</b>	<b>7,173,325</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources for pensions	2,507,270	-	2,507,270
<b>Total Deferred Inflows of Resources</b>	<b>2,507,270</b>	<b>-</b>	<b>2,507,270</b>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	\$ 16,738,142	\$ 2,440,886	\$ 19,179,028
Restricted For:			
Capital Projects	2,736,243	-	2,736,243
Airport Industrial Park Project	(658,869)	-	(658,869)
Parking Garage	(282,468)	-	(282,468)
Community Development Projects	466,587	-	466,587
Debt Services	320,679	-	320,679
Other Purposes	844,173	-	844,173
Unrestricted	2,963,033	2,067,668	5,030,701
<b>Total Net Position</b>	<b>\$ 23,127,520</b>	<b>\$ 4,508,554</b>	<b>\$ 27,636,074</b>

CITY OF SAINT MARYS, PENNSYLVANIA

STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 1,757,752	\$ 145,289	\$ -	\$ 14,613	\$ (1,597,850)	\$ -	\$ (1,597,850)
Public Safety	2,541,569	80,140	42,371	6,251	(2,412,807)	-	(2,412,807)
Public Works	3,449,154	254,741	-	87,715	(3,106,698)	-	(3,106,698)
Human Services	2,269	-	-	-	(2,269)	-	(2,269)
Community and Economic Development	180,901	-	-	372,704	191,803	-	191,803
Culture and Recreation	628,252	76,944	83,357	251,460	(216,491)	-	(216,491)
Interest On Long- Term Debt	129,182	-	-	-	(129,182)	-	(129,182)
Total Governmental Activities	<u>\$ 8,689,079</u>	<u>\$ 557,114</u>	<u>\$ 125,728</u>	<u>\$ 732,743</u>	<u>\$ (7,273,494)</u>	<u>-</u>	<u>\$ (7,273,494)</u>
Business-Type Activities:							
Sewer	\$ 2,742,730	\$ 3,035,568	\$ -	\$ -	\$ -	\$ 292,838	\$ 292,838
Total Business-Type Activities	<u>2,742,730</u>	<u>3,035,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>292,838</u>	<u>292,838</u>
Total Primary Government	<u>\$ 11,431,809</u>	<u>\$ 3,592,682</u>	<u>\$ 125,728</u>	<u>\$ 732,743</u>	<u>\$ (7,273,494)</u>	<u>\$ 292,838</u>	<u>\$ (6,980,656)</u>

General Revenues:

Taxes

Real Estate	\$ 4,019,944	\$ -	\$ 4,019,944
Per Capita	39,641	-	39,641
Real Estate Transfer	123,891	-	123,891
Earned Income	2,118,383	-	2,118,383
Local Service Tax	349,656	-	349,656
Intergovernmental Revenues	1,120,402	-	1,120,402
Interest	166,462	20,468	186,930
Gain on Sale of Capital Assets	39,377	-	39,377
Miscellaneous	265,766	4,812	270,578
Total General Revenues and Transfers	<u>\$ 8,243,522</u>	<u>\$ 25,280</u>	<u>\$ 8,268,802</u>

Changes in Net Position	\$ 970,028	\$ 318,118	\$ 1,288,146
Net Position - Beginning	<u>21,654,399</u>	<u>4,190,436</u>	<u>25,844,835</u>
Net Position - PY Adjustment of Net Position	503,093	-	503,093
Net Position - Ending	<u>\$ 23,127,520</u>	<u>\$ 4,508,554</u>	<u>\$ 27,636,074</u>

CITY OF SAINT MARYS, PENNSYLVANIA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2019

<u>ASSETS</u>	General Fund	Airport Industrial Park Fund	Parking Garage Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Cash and Cash Investments	\$ 2,387,015	\$ 851	\$ 84,228	\$ 2,367,636	\$ 1,143,770	\$ 5,983,500
Taxes Receivable	955,700	-	-	-	129,559	1,085,259
Accounts Receivable	37,911	-	-	2,551	2,337	42,799
Due from other Governments	17,100	-	-	63,615	110,617	191,332
Allowance for Uncollectible Due	-	-	-	-	-	-
From Other Governments	-	-	-	(39,000)	(69,820)	(108,820)
Interfund Receivables	55,705	-	-	377,978	55,861	489,544
Prepaid Items	93,072	-	-	215	8,901	102,188
<b>Total Assets</b>	<b>\$ 3,546,503</b>	<b>\$ 851</b>	<b>\$ 84,228</b>	<b>\$ 2,772,995</b>	<b>\$ 1,381,225</b>	<b>\$ 7,785,802</b>
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts Payable and Payroll Taxes	\$ 63,303	\$ -	\$ -	\$ 36,752	\$ 23,517	\$ 123,572
Accrued Liabilities	103,771	-	-	-	1,046	104,817
Interfund Payables	11,282	659,720	366,696	55,861	9,946	1,103,505
Unearned Revenue	-	-	-	-	26,087	26,087
Unavailable Revenue	3,736	-	-	-	-	3,736
Unavailable Revenue- Real Estate Taxes	209,489	-	-	-	99,916	309,405
Unavailable Revenue - Earned Income Tax	81,083	-	-	-	-	81,083
<b>Total Liabilities</b>	<b>\$ 472,664</b>	<b>\$ 659,720</b>	<b>\$ 366,696</b>	<b>\$ 92,613</b>	<b>\$ 160,512</b>	<b>\$ 1,752,205</b>
 Fund Balances:						
Nonspendable:	\$ 93,072	\$ -	\$ -	\$ 215	\$ 8,901	\$ 102,188
Restricted:	-	-	-	-	58,423	58,423
Committed:	-	-	-	2,680,167	1,153,389	3,833,556
Assigned:	465,183	-	-	-	-	465,183
Unassigned:	2,515,584	(658,869)	(282,468)	-	-	1,574,247
<b>Total Fund Balances</b>	<b>\$ 3,073,839</b>	<b>\$ (658,869)</b>	<b>\$ (282,468)</b>	<b>\$ 2,680,382</b>	<b>\$ 1,220,713</b>	<b>\$ 6,033,597</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,546,503</b>	<b>\$ 851</b>	<b>\$ 84,228</b>	<b>\$ 2,772,995</b>	<b>\$ 1,381,225</b>	<b>\$ 7,785,802</b>



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CITY OF SAINT MARYS, PENNSYLVANIA

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RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2019

Fund Balances - Total Governmental Funds \$ 6,033,597

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	\$ 38,571,317	
Less: accumulated depreciation	<u>(16,950,025)</u>	
		21,621,292

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>(503,413)</u>	
		466,587

The net pension asset is not reflected on the fund statements. 1,178,661

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. (972,380)

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	\$ (199,013)	
Compensated absences	(118,074)	
Notes payable	(750,849)	
Bonds payable	<u>(4,132,301)</u>	
		<u>(5,200,237)</u>

Net Position of Governmental Activities \$ 23,127,520

CITY OF SAINT MARYS, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For The Year Ended December 31, 2019

	General Fund	Airport Industrial Park Fund	Parking Garage Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 5,352,976	\$ -	\$ -	\$ -	\$ 1,298,540	\$ 6,651,516
Intergovernmental	639,810	-	-	93,350	1,121,173	1,854,333
Charges for Services	309,083	-	-	-	82,265	391,348
Licenses and Permits	27,935	-	-	-	-	27,935
Fines and Forfeitures	76,206	-	-	-	-	76,206
Interest and Rentals	126,348	2	126	51,883	32,829	211,188
Miscellaneous	255,572	-	-	4,596	130,026	390,194
<b>Total Revenues</b>	<b>\$ 6,787,930</b>	<b>\$ 2</b>	<b>\$ 126</b>	<b>\$ 149,829</b>	<b>\$ 2,664,833</b>	<b>\$ 9,602,720</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General Government	\$ 1,476,901	\$ -	\$ -	\$ -	\$ -	\$ 1,476,901
Public Safety	2,079,067	-	-	-	249,053	2,328,120
Public Works	2,059,301	-	-	-	102,234	2,161,535
Human Services	2,269	-	-	-	-	2,269
Community and Economic Development	47,755	-	-	-	130,041	177,796
Culture and Recreation	-	-	-	-	561,317	561,317
Debt Service:	-	-	-	-	-	-
Principal	-	-	-	-	519,940	519,940
Interest	-	-	-	-	127,290	127,290
Capital Outlays	151,342	-	-	1,341,495	1,268,233	2,761,070
Other	160,039	-	-	-	44,888	204,927
<b>Total Expenditures</b>	<b>\$ 5,976,674</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,341,495</b>	<b>\$ 3,002,996</b>	<b>\$ 10,321,165</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>\$ 811,256</b>	<b>\$ 2</b>	<b>\$ 126</b>	<b>\$ (1,191,666)</b>	<b>\$ (338,163)</b>	<b>\$ (718,445)</b>
<b>Other Financing Sources (Uses):</b>						
Capital Assets Sales	\$ 10,377	\$ -	\$ -	\$ -	\$ -	\$ 10,377
Transfers In	521,051	36	20,000	1,353,242	466,081	2,360,410
Transfers Out	(1,307,397)	-	-	(225,654)	(825,094)	(2,358,145)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (775,969)</b>	<b>\$ 36</b>	<b>\$ 20,000</b>	<b>\$ 1,127,588</b>	<b>\$ (359,013)</b>	<b>\$ 12,642</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>\$ 35,287</b>	<b>\$ 38</b>	<b>\$ 20,126</b>	<b>\$ (64,078)</b>	<b>\$ (697,176)</b>	<b>\$ (705,803)</b>
Fund Balance - Beginning	\$ 2,560,050	\$ (658,907)	\$ (302,594)	\$ 2,744,460	\$ 1,922,561	\$ 6,265,570
Fund Balance- Prior Year Adjustments	478,502	-	-	-	(4,672)	473,830
<b>Fund Balance - Ending</b>	<b>\$ 3,073,839</b>	<b>\$ (658,869)</b>	<b>\$ (282,468)</b>	<b>\$ 2,680,382</b>	<b>\$ 1,220,713</b>	<b>\$ 6,033,597</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, 2019

Net Changes in Fund Balances - Total Governmental Funds \$ (705,803)

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	\$ 2,790,070	
Less: current year depreciation	<u>(1,626,274)</u>	1,163,796

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		-
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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	\$ 17,547	17,547
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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:

Amortization of bond premiums and issue costs	\$ (1,892)	
Compensated Absences	(9,619)	
Other Post-Employment Benefits	<u>8,585</u>	(2,926)

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	\$ 519,941	519,941
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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.

	\$ (22,527)	<u>(22,527)</u>
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Change in Net Position of Governmental Activities		<u><u>\$ 970,028</u></u>
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CITY OF SAINT MARYS, PENNSYLVANIA

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 December 31, 2019

<u>ASSETS</u>	Business-Type Activities - Enterprise Funds			
	Sewage Treatment Fund	I & I Fund	Other Proprietary Funds	Total
<b>Current Assets:</b>				
Cash and Cash Investments	\$ 1,130,630	\$ 404,538	\$ 376,731	\$ 1,911,899
Accounts Receivable, Net	323,600	-	-	323,600
Interfund Receivables	-	18,336	18,336	36,672
Prepaid Items	16,380	-	-	16,380
Total Current Assets	<u>\$ 1,470,610</u>	<u>\$ 422,874</u>	<u>\$ 395,067</u>	<u>\$ 2,288,551</u>
<b>Noncurrent Assets:</b>				
<b>Capital Assets:</b>				
Construction in Progress	\$ -	\$ 51,872	\$ -	\$ 51,872
Infrastructure	1,308,323	300,000	37,367	1,645,690
Land	11,692	-	-	11,692
Buildings and Building Improvements	150,080	-	62,446	212,526
Equipment	2,002,363	-	155,423	2,157,786
Accumulated Depreciation	(1,611,211)	(833)	(26,636)	(1,638,680)
Total Noncurrent Assets	<u>\$ 1,861,247</u>	<u>351,039</u>	<u>228,600</u>	<u>\$ 2,440,886</u>
Total Assets	<u>\$ 3,331,857</u>	<u>\$ 773,913</u>	<u>\$ 623,667</u>	<u>\$ 4,729,437</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>Current Liabilities:</b>				
Accounts Payable and Payroll Taxes	\$ 42,710	-	\$ 2,548	\$ 45,258
Accrued Liabilities	11,437	-	-	11,437
Due To Other Governments	60,875	-	-	60,875
Interfund Payables	82,431	-	-	82,431
Unearned Revenue	3,100	-	-	3,100
Total Current Liabilities	<u>\$ 200,553</u>	<u>-</u>	<u>2,548</u>	<u>\$ 203,101</u>
<b>Non-Current Liabilities:</b>				
Compensated Absences - Long Term Portion	\$ 17,782	-	-	\$ 17,782
Total Non-Current Liabilities	<u>\$ 17,782</u>	<u>-</u>	<u>-</u>	<u>\$ 17,782</u>
Total Liabilities	<u>\$ 218,335</u>	<u>\$ -</u>	<u>\$ 2,548</u>	<u>\$ 220,883</u>
<b>Net Position:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 1,861,247	351,039	\$ 228,600	\$ 2,440,886
Unrestricted	1,252,275	422,874	392,519	2,067,668
Total Net Position	<u>\$ 3,113,522</u>	<u>\$ 773,913</u>	<u>\$ 621,119</u>	<u>\$ 4,508,554</u>
Total Liabilities and Net Position	<u>\$ 3,331,857</u>	<u>\$ 773,913</u>	<u>\$ 623,667</u>	<u>\$ 4,729,437</u>

CITY OF SAINT MARYS, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For The Year Ended December 31, 2019

	Business-Type Activities - Enterprise Funds			Total
	Sewage Treatment Fund	I & I Fund	Other Proprietary Funds	
Operating Revenues:				
Charges for Services	\$ 3,029,068	\$ -	\$ 6,500	\$ 3,035,568
Miscellaneous	2,201	-	-	2,201
Total Operating Revenues	<u>\$ 3,031,269</u>	<u>\$ -</u>	<u>6,500</u>	<u>\$ 3,037,769</u>
Operating Expenses:				
Public Works	\$ 2,709,738	\$ 833	32,159	\$ 2,742,730
Operating Income	<u>\$ 321,531</u>	<u>\$ (833)</u>	<u>(25,659)</u>	<u>\$ 295,039</u>
Non-Operating Revenues (Expenditures):				
Interest Income	\$ 10,353	\$ 9,328	\$ 787	\$ 20,468
Sale of General Fixed Assets	1,000	-	-	1,000
Refunds from Prior Year Expenditures	3,664	-	-	3,664
Refunds from Prior Year Revenue	-	-	-	-
Uncollectible Receivables	(2,053)	-	-	(2,053)
Total Non-Operating Revenues (Expenditures)	<u>\$ 12,964</u>	<u>\$ 9,328</u>	<u>\$ 787</u>	<u>\$ 23,079</u>
Income Before Transfers	\$ 334,495	\$ 8,495	\$ (24,872)	\$ 318,118
Transfers In	-	229,996	419,481	649,477
Transfers Out	(649,477)	-	-	(649,477)
Changes In Net Position	\$ (314,982)	\$ 238,491	\$ 394,609	\$ 318,118
Total Net Position - Beginning	<u>\$ 3,428,504</u>	<u>\$ 535,422</u>	<u>\$ 226,510</u>	<u>\$ 4,190,436</u>
Total Net Position- Ending	<u>\$ 3,113,522</u>	<u>\$ 773,913</u>	<u>\$ 621,119</u>	<u>\$ 4,508,554</u>

CITY OF SAINT MARYS, PENNSYLVANIA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For The Year Ended December 31, 2019

	Business-Type Activities - Enterprise Funds			Total
	Sewage Treatment Fund	I & I Fund	Other Proprietary Funds	
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers	\$ 3,009,689	\$ -	\$ 6,500	\$ 3,016,189
Payments to Suppliers	(2,175,553)	-	(28,293)	(2,203,846)
Payments to Employees	(395,974)	-	-	(395,974)
Net Cash Provided by Operating Activities	\$ 438,162	\$ -	(21,793)	\$ 416,369
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers In	\$ -	\$ 229,996	\$ 419,481	\$ 649,477
Transfers Out	(649,477)	-	-	(649,477)
Increase (Decrease) in Interfund Payables	21,124	-	-	21,124
(Increase) Decrease in Interfund Receivables	-	24	(18,336)	(18,312)
Increase (Decrease) in Revenue Collected in Advance	-	-	-	-
Net Cash Provided by (Used In) NonCapital Financing Activities	\$ (628,353)	\$ 230,020	\$ 401,145	\$ 2,812
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and Construction of Capital Assets	\$ (13,474)	\$ (351,872)	\$ (81,122)	\$ (446,468)
Proceeds from Capital Contributions	1,000	-	-	1,000
Net Cash Used in Capital and Related Financing Activities	\$ (12,474)	(351,872)	(81,122)	(445,468)
<b>Cash Flows from Investing Activities &amp; Refunds of Prior Year Expenditures (Revenue):</b>				
Interest	\$ 10,353	\$ 9,328	\$ 787	\$ 20,468
Refunds of Prior Year Expenditures	3,664	-	-	3,664
Refunds of Prior Year Revenues	-	-	-	-
Net Cash Provided From Investing Activities & Refunds of Prior Year Expenditures (Revenue)	\$ 14,017	\$ 9,328	\$ 787	\$ 24,132
<b>Net Increase in Cash and Cash Investments</b>	\$ (188,648)	\$ (112,524)	\$ 299,017	\$ (2,155)
<b>Cash and Cash Equivalents:</b>				
Beginning	\$ 1,319,278	\$ 517,062	\$ 77,714	\$ 1,914,054
Ending	\$ 1,130,630	\$ 404,538	\$ 376,731	\$ 1,911,899
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating Income	\$ 321,531	\$ (833)	\$ (25,659)	\$ 295,039
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	141,580	\$ 833	23,453	165,866
Uncollectable Receivables	(2,053)	-	-	(2,053)
(Increase) decrease in:				
Accounts Receivable	(21,580)	-	-	(21,580)
Prepaid Items	(3,249)	-	-	(3,249)
Increase (decrease) in:				
Accounts Payable	(1,861)	-	(19,587)	(21,448)
Accrued Liabilities	1,704	-	-	1,704
Compensated Absences	2,090	-	-	2,090
Net Cash Provided by Operating Activities	\$ 438,162	\$ -	(21,793)	\$ 416,369

CITY OF SAINT MARYS, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

December 31, 2019

	Police Pension Plan	Non-Uniformed Employees Pension Plan	Agency Funds
<u>ASSETS</u>			
Cash and Cash Investments	\$ 80,936	\$ 34,340	\$ 8,531
Due From Airport Industrial Park Fund			659,720
Investments, at Fair Value:			
Money Market	122,040	52,508	-
U.S. Government Obligations	1,337,362	705,427	-
U.S. Government Related Obligations	484,601	248,660	-
Corporate Bonds	1,287,257	676,458	-
Mortgage Backed Securities	91,472	47,042	-
Common Stocks	5,271,695	2,790,171	-
International Mutual Funds	1,118,483	599,914	-
Total Investments	\$ 9,712,910	\$ 5,120,180	\$ -
 Total Assets	 \$ 9,793,846	 \$ 5,154,520	 \$ 668,251
<u>LIABILITIES</u>			
Accounts Payable and Escrow Liabilities	\$ 3,306	\$ -	\$ 668,251
 Total Liabilities	 \$ 3,306	 \$ -	 \$ 668,251
<u>NET POSITION</u>			
Restricted for Pensions	\$ 9,790,540	\$ 5,154,520	\$ -
 Total Net Position	 \$ 9,790,540	 \$ 5,154,520	 \$ -

CITY OF SAINT MARYS, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended December 31, 2019

	Police Pension Plan	Non-Uniformed Employees Pension Plan
<u>ADDITIONS</u>		
Contributions:		
Plan Members	\$ 53,465	\$ 49,028
State	228,666	93,925
City Contributions	-	-
Total Contributions	\$ 282,131	\$ 142,953
Net Investment Income (Loss):		
Net Appreciation (Depreciation) in fair value of Investments	\$ 1,193,292	\$ 635,057
Interest/Dividends	308,200	160,470
Net Realized Gains (Losses)	62,690	25,448
Total Investment Income (Loss)	\$ 1,564,182	\$ 820,975
Less Investment Expenses	38,861	20,436
Net Investment Income	1,525,321	800,539
Total Additions (Deductions)	\$ 1,807,452	\$ 943,492
<u>DEDUCTIONS</u>		
Benefits	\$ 368,277	\$ 205,598
Administrative Expenses	10,778	9,776
Total Deductions	\$ 379,055	\$ 215,374
Change in Net Position	1,428,397	728,118
Net Position - Beginning	8,362,143	4,426,402
Net Position - Ending	\$ 9,790,540	\$ 5,154,520



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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

### 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.

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

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 2 - Summary of Significant Accounting Policies - (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements -( Continued)

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 of 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 or 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 statements 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:

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

### Note 2 - Summary of Significant Accounting Policies - (Continued)

#### B. Fund Accounting - (Continued)

##### Governmental Funds - (Continued)

###### 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.

###### 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.

###### 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.

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

Enterprise 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 and the I & I Fund are the City's major enterprise funds.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

### Note 2 - Summary of Significant Accounting Policies - (Continued)

#### B. Fund Accounting - (Continued)

##### 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.

##### 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.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 2 - Summary of Significant Accounting Policies - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

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.

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	\$ 401,182
Per Capita Taxes Receivable	643
R.E. Transfer Tax Receivable	14,418
Earned Income Tax Receivable	583,435
Local Service Tax Receivable	<u>85,581</u>
Taxes Receivable, Gross	1,085,259
Less: Uncollected Taxes	<u>(390,488)</u>
Taxes Receivable, Net	<u>\$ 694,771</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 charge 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 & Improvements	10 - 40 Years
Equipment & Vehicles	2 - 20 Years
Infrastructure	15 - 75 Years

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

### Note 2 - Summary of Significant Accounting Policies - (Continued)

#### 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.

#### 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 \$3,426,345 of restricted net position, of which \$58,423 is restricted by enabling legislation. These amounts are net of the \$941,337 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 shall be entitled to 13 sick days annually. Sick leave shall be earned on an accrual basis of 4 hours per pay cycle (26) and are permitted to accumulate 300 sick days; vacation time may be carried over up to a maximum of 10 days from year to year for AFSCME employees and management employees may carry over 25 days of vacation from year to year. AFSCME employees retiring under the City's pension plan shall receive at the time of retirement a lump sum payment equal to \$35 per day for accumulated but unused sick leave. Management employees retiring under the City's pension plan shall receive at the time

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

### Note 2 - Summary of Significant Accounting Policies - (Continued)

#### H. Compensated Absences - (Continued)

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, 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 2019 were \$135,856.

#### 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.

#### 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 pension 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.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

### Note 2 - Summary of Significant Accounting Policies - (Continued)

#### K. Deferred Inflows/Outflows of Resources - (Continued)

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.

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.



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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 3 - Cash Deposits and Investments - (Continued)

A. Cash Deposits

Cash deposits are categorized to give an indication of the level of custodial credit risk assumed by the City at December 31, 2019. 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, 2019, the carrying amount of the City's cash deposits with financial institutions was \$8,019,206 and the financial institutions balances totaled \$8,054,156 which is categorized as follows:

Category 1	\$ 977,878
Category 3	<u>7,076,278</u>
Total Cash Deposits	<u><u>\$ 8,054,156</u></u>

B. 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.

C. 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.

# CITY OF SAINT MARYS, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 3 - Cash Deposits and Investments - (Continued)

D. 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.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2019, the credit quality ratings of the Pension Trust Funds' investments are as follows:

Investment Type	Fair Value	Rating
US Government Obligations:		
US Treasury Bonds	\$ 2,042,789	AA+
US Government Related Obligations:		
US Agency Bonds	\$ 733,261	AA+
Mortgage Backed Securities:	\$ 138,514	AA+
Corporate Bonds:		
Domestic	9,050	BB+
Domestic	21,682	BBB-
Domestic	240,816	BBB
Domestic	356,009	BBB+
Domestic	108,157	AA-
Domestic	499,976	A-
Domestic	249,439	A
Domestic	244,549	A+
Domestic	112,309	AA
Domestic	100,742	AA+
Domestic	20,986	AAA
Total Corporate Bonds	<u>\$ 1,963,715</u>	
Domestic Equities:		
Common Stocks	6,753,968	N/A
Class A	665,608	N/A
Class C	351,845	N/A
CL A Common	99,957	N/A
Conti Val Rights WI	4,515	N/A
PFD Customer Service	185,973	BBB-
Total Domestic Equities	<u>\$ 8,061,866</u>	N/A
International Equities:		
International Mutual funds	\$ 1,718,397	N/A
Money Market Funds	<u>\$ 174,548</u>	N/A
<b>Total Investments</b>	<b>\$ 14,833,090</b>	

# CITY OF SAINT MARYS, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2019

### Note 3 - Cash Deposits and Investments - (Continued)

#### D. Pension Trust Funds - (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, 2019 included the following:

Investment Type	Fair Value	Remaining Maturities (Years)		
		0-5	6-10	11-15
US Government Obligations	\$ 2,042,789	\$ 960,845	\$ 1,081,944	-
US Govt. Agency Obligations	733,261	733,261	-	-
Corporate Bonds	1,963,715	1,228,385	735,330	-
Mortgage Backed Securities	138,514	-	60,265	\$ 78,249
Total by Maturity Dates	<u>\$ 4,878,279</u>	<u>\$ 2,922,491</u>	<u>\$ 1,877,539</u>	<u>\$ 78,249</u>
Domestic Equities	8,061,866			
International Equities	1,718,397			
Money Market Funds	174,548			
Total Investments	<u>\$ 14,833,090</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, 2019:

Investments by Fair value Level	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Fixed Income:				
Bond mutual funds	\$ 4,878,279	\$ 3,902,475	\$ 975,804	\$ -
Equity Mutual funds:				
Domestic - Large Cap Core	8,061,866	8,061,866		
International	1,718,397		1,718,397	
Total Equity Mutual Funds	<u>9,780,263</u>	<u>8,061,866</u>	<u>1,718,397</u>	<u>-</u>
Short - Term Funds	<u>174,548</u>	<u>174,548</u>		
Total Investments by Fair Value Level	<u>\$ 14,833,090</u>	<u>\$ 12,138,889</u>	<u>\$ 2,694,201</u>	<u>\$ -</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, 2019

Note 3 - Cash Deposits and Investments - (Continued)

D. Pension Trust Funds - (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	\$ 1,718,397
	\$ 1,718,397

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At December 31, 2019, \$1,718,397 of the Pension Trust Funds investments was held in international equity funds.

Note 4 - Capital Assets

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

Governmental Activities	Depreciation Expense
General Government	\$ 70,826
Public Safety	253,464
Public Works	1,233,407
Culture and Recreation	68,577
Total Depreciation Expense	\$ 1,626,274
Business-type Activities	Depreciation Expense
Sewer	\$ 165,866

# CITY OF SAINT MARYS, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2019

### Note 4 - Capital Assets - (Continued)

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 604,426	\$ -		\$ 604,426
Construction in progress	260,314	589,142		849,456
Total capital assets not being depreciated	<u>864,740</u>	<u>589,142</u>	<u>-</u>	<u>1,453,882</u>
Capital assets being depreciated:				
Buildings & Building Improvements	14,035,442	416,403		14,451,845
Equipment	7,428,309	364,388	(91,136)	7,701,561
Improvements	1,377,914	34,771		1,412,685
Infrastructure	12,165,978	1,385,365		13,551,343
Total capital assets being depreciated	<u>35,007,643</u>	<u>2,200,927</u>	<u>(91,136)</u>	<u>37,117,434</u>
Less accumulated depreciation for:				
Buildings & Building Improvements	(3,321,973)	(372,776)		(3,694,749)
Equipment	(5,420,148)	(407,913)	91,136	(5,736,925)
Improvements	(967,898)	(38,440)		(1,006,338)
Infrastructure	(5,704,867)	(807,145)		(6,512,012)
Total accumulated depreciation	<u>(15,414,886)</u>	<u>(1,626,274)</u>	<u>91,136</u>	<u>(16,950,024)</u>
Total capital assets being depreciated, net	19,592,757	574,653	-	20,167,410
Government activities capital assets, net	<u>\$ 20,457,497</u>	<u>\$ 1,163,795</u>	<u>\$ -</u>	<u>\$ 21,621,292</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 11,692			\$ 11,692
Construction in progress	-	51,872		51,872
Total capital assets not being depreciated	<u>11,692</u>	<u>51,872</u>	<u>-</u>	<u>63,564</u>
Capital assets being depreciated:				
Buildings & Building Improvements	175,801	36,725		212,526
Equipment	2,123,725	57,871	(23,810)	2,157,786
Infrastructure	1,345,690	300,000		1,645,690
Total capital assets being depreciated:	<u>3,645,216</u>	<u>394,596</u>	<u>(23,810)</u>	<u>4,016,002</u>
Less accumulated depreciation for:				
Buildings & Building Improvements	(33,400)	(7,828)		(41,228)
Equipment	(1,359,622)	(130,494)	23,810	(1,466,306)
Infrastructure	(103,602)	(27,544)		(131,146)
Total accumulated depreciation	<u>(1,496,624)</u>	<u>(165,866)</u>	<u>23,810</u>	<u>(1,638,680)</u>
Total capital assets being depreciated, net	2,148,592	228,730	-	2,377,322
15 Business-type activities capital assets, net	<u>\$ 2,160,284</u>	<u>\$ 280,602</u>	<u>\$ -</u>	<u>\$ 2,440,886</u>

Construction in progress amounts listed above includes capital projects not completed as of December 31, 2019. The projects are further discussed in Note 18.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

### 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, 2019, the face amount of Long-term account receivable is valued at \$970,000 with an unamortized present value adjustment of \$503,413.

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 & Redevelopment Assistance Law.

### Note 6 - Taxes

#### A. 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 from 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; 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 2019 was \$220,058,869. The real estate tax millage rate for 2019 was 18.5362 mills.

#### B. 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 (KOZ) 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.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

### Note 6 - Taxes (Continued)

#### B. Tax Abatement - (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, 2019 is **\$7,635**.

**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 1st two years in the program; 75% exemption for the 3rd year and 50% exemption for the 4th year of the program. The exemption ends after the 4th 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, 2019 is **\$20,636**.

#### C. 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.

#### D. 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.

#### E. Earned Income Taxes

The City also levies a seven-tenths of a 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. In 2019, City Council increased the earned income tax rate from one-half percent to seven-tenths of a percent.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

### Note 7 - Due From Other Governments

Due from other governments includes grant funds receivable from grantor agencies of \$36,661. Additionally, it also includes amounts due from the St. Marys Area Airport Authority and The Benzinger Township Municipal Golf Course Authority of \$154,671.

During a prior year, the City entered into a loan agreement with the St. Marys Area Airport 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, 2019 was \$39,000, which has been fully reserved in Allowance for Uncollectible Due from Governments.

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 Area Airport Authority and guaranteed by the City. Total outstanding for the Airport Authority debt as of December 31, 2019 is \$30,851.

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, 2019 is \$15,000.

On January 19, 2018, City Council and the St. Marys Area 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 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 29th of 2012 and guaranteed the 2012 Guarantee Agreement with the Golf Authority on July 6th of 2012. The city paid the June and July 2015 payments of \$12,270 and \$1,505 for each month. Total payments made in behalf of the Golf Authority is \$27,550.

In 2019, the Benzinger Township Municipal Golf Authority defaulted on their 2012 Note Modification Guarantee Agreement loan with Northwest Savings Bank. The City made the June's payment of \$12,270; and paid \$10,000 towards the July, August, and Septembers' payments and paid the \$12,270 payment due in October of 2019. The Golf Authority did repay the City \$12,270 in December of 2019. Total payments made in behalf of the Golf Authority for 2019 is \$42,270. Total outstanding due the City for years 2015 and 2019 total \$69,820. The \$69,820 has been fully reserved in Allowance for Uncollectible Due from Governments. City Council is working with the Golf Authority to rectify the issues concerning the finances of the Authority.



# CITY OF SAINT MARYS, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2019

### Note 8 - Interfund Balances

Interfund balances as December 31, 2019 consist of the following:

Due To:	Due From:						Totals
	General Fund	Airport Industrial Park Fund	Parking Garage Fund	Capital Reserve Fund	CDBG Fund	Sewage Treatment Fund	
General Fund					\$9,946	\$45,759	\$55,705
Capital Reserve Fund	\$11,282		\$366,696				377,978
2016 Capital Projects Fd				\$55,861			55,861
Airport Industrial Park Fund- Loan		\$659,720					659,720
I & I Fund						18,336	18,336
Sewer Line Replace Fd						18,336	18,336
<b>Totals</b>	<b>\$11,282</b>	<b>\$659,720</b>	<b>\$366,696</b>	<b>\$55,861</b>	<b>\$9,946</b>	<b>\$82,431</b>	<b>\$1,185,936</b>

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 payment 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 Area Airport Authority. See Footnote 10 for further information.

The Parking Garage Fund as a negative fund balance of \$282,468. 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, 2019 consisted of the following:

Transfers To:	Transfer Froms:								
	General Fund	Capital Reserve Fund	2016 Capital Prj Fund	Fire Protection Fund	Debt Fund	Liquid Fuels Tax Fund	Sewage Treatment Fund	Keystone Façade Fund	Totals
General Fund						\$521,051			\$521,051
Airport Indust Park Fund					\$36				36
Parking Garage Fund	\$20,000								20,000
Capital Reserve Fund	1,061,590		\$291,652						1,353,242
2016 Capital Projects Fd		\$225,654							225,654
Recreation Fund								\$2,265	2,265
Debt Fund	218,307			\$12,355					230,662
Shade Tree Fund	7,500								7,500
Sewer Fund							\$199,485		199,485
I & I Fund							229,996		229,996
Sewer Line Replace Fd							219,996		219,996
<b>Totals</b>	<b>\$1,307,397</b>	<b>\$225,654</b>	<b>\$291,652</b>	<b>\$12,355</b>	<b>\$36</b>	<b>\$521,051</b>	<b>\$649,477</b>	<b>\$2,265</b>	<b>\$3,009,887</b>

# CITY OF SAINT MARYS, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

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

Advance Refunding

During 2016, the City defeased the General Obligation Bonds, Series of 2011 by placing the proceeds of the General Obligation Bonds, Series of 2016 in an irrevocable trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial statement reporting purposes, the debt has been considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of December 31, 2019, the amount of defeased debt outstanding and removed from the Statements of Net Position amounted to \$2,065,000.

The following presents a summary of government long-term liability transactions of the City during the year ended December 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental Activities</b>					
Notes and Bonds Payable:					
Notes Payable	\$ 965,790	\$ -	\$ (214,941)	\$ 750,849	\$ 218,480
General Obligation Bonds -2016	4,460,000	-	(305,000)	4,155,000	310,000
Plus: Bond Premium	40,374	-	(3,105)	37,269	
Less: Bond Issue Costs	<u>(64,965)</u>	<u>4,997</u>	<u>-</u>	<u>(59,968)</u>	
Total Bonds	<u>4,435,409</u>	<u>4,997</u>	<u>(308,105)</u>	<u>4,132,301</u>	
Total Notes & Bonds Payable	5,401,199	4,997	(523,046)	4,883,150	
Compensated Absences	108,455	9,619	-	118,074	-
Other Post-Employment Benefits	<u>207,598</u>	<u>-</u>	<u>(8,585)</u>	<u>199,013</u>	<u>-</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 5,717,252</u>	<u>\$ 14,616</u>	<u>\$ (531,631)</u>	<u>\$ 5,200,237</u>	<u>\$ 528,480</u>
<b>Business-Type Activities</b>					
Compensated Absences	<u>\$ 16,818</u>	<u>\$ 964</u>	<u>\$ -</u>	<u>\$ 17,782</u>	<u>\$ -</u>
Business-Type Activities					
Long-Term Liabilities	<u>\$ 16,818</u>	<u>\$ 964</u>	<u>\$ -</u>	<u>\$ 17,782</u>	<u>\$ -</u>

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2019

Note 10 - Long-Term Debt - (Continued)

A detailed summary of long-term debt outstanding at December 31, 2019 is as follows:

<u>Amount of Original Issue</u>		<u>Balance Outstanding</u>
\$ 1,000,000	General Obligation Note issued to the Commonwealth of Pennsylvania Department 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	\$ 619,229
\$ 1,000,000	General Obligation Note issued to the Commonwealth of Pennsylvania Department 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	\$ 107,408
\$ 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 .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 \$1.825 M by extending the term of the bond period by 6 years to December 01, 2031. These proceeds will provide financing for public works capital projects.	\$ 4,155,000
\$ 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, 2020.	\$ 24,212
<u>\$ 7,385,000</u>		<u>\$ 4,905,849</u>

# CITY OF SAINT MARYS, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

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:

Year	Principal	Interest	Total
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	440,691	69,988	510,679
2025-2029	1,882,408	230,820	2,113,228
2030-2031	765,000	34,650	799,650
	<u>\$ 4,905,849</u>	<u>\$ 698,995</u>	<u>\$ 5,604,844</u>
Deferred Amounts:			
Bond Premium	37,269		37,269
Bond Issue Cost	(59,968)		(59,968)
	<u>\$ 4,883,150</u>	<u>\$ 698,995</u>	<u>\$ 5,582,145</u>

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.

A. 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, 2019 was \$455,000.

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

Year	Principal	Interest	Total
2020	\$ 455,000	\$ 8,925	\$ 463,925
Total Payments	<u>\$ 455,000</u>	<u>\$ 8,925</u>	<u>\$ 463,925</u>
Deferred Amounts:			
Issuance Premium	\$ 12,448	\$ -	\$ 12,448
	<u>\$ 467,448</u>	<u>\$ 8,925</u>	<u>\$ 476,373</u>

# CITY OF SAINT MARYS, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2019

Note 10 - Long-Term Debt - (Continued)

Contingencies - (Continued)

A. 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. Loan proceeds funded a portion of the permanent financing requirements for a sewer construction project. The outstanding balance of the loan was \$1,258,314 at December 31, 2019.

Debt service requirements remain on the Pennvest loan are:

Year	Principal	Interest	Total
2020	\$ 315,873	\$ 12,875	\$ 328,748
2021	319,542	9,206	\$ 328,748
2022	323,257	5,491	\$ 328,748
2023	299,642	1,713	\$ 301,355
Total	<u>\$ 1,258,314</u>	<u>\$ 29,285</u>	<u>\$ 1,287,599</u>

B. Benzinger Township Golf Course Authority - Guaranteed Debt

2012 Note Modification Guarantee Agreement

On May 29, 2012, the City of St. 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, than 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 3.395 percent rate is:

Year	Principal	Interest	Total
2020	\$ 52,860	\$ 20,760	\$ 73,620
2021	54,758	18,862	73,620
2022	56,664	16,956	73,620
2023	58,635	14,985	73,620
2024	60,638	12,982	73,620
2025-2029	326,672	31,566	358,238
Totals	<u>\$ 610,227</u>	<u>\$ 116,111</u>	<u>\$ 726,338</u>

# CITY OF SAINT MARYS, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 10 - Long-Term Debt - (Continued)

Contingencies - (Continued)

B. Benzinger Township Golf Course Authority - Guaranteed Debt

2012 Guarantee Agreement

On July 6, 2012, the City of St. 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 with the payment of \$1,545 and current 3.5 percent rate is:

Year	Principal	Interest	Total
2020	\$ 7,218	\$ 2,053	\$ 9,271
2021	7,482	1,789	9,271
2022	7,751	1,520	9,271
2023	8,029	1,242	9,271
2024	8,314	957	9,271
2025-2027	20,193	1,061	21,254
Totals	<u>\$ 58,987</u>	<u>\$ 8,622</u>	<u>\$ 67,609</u>

2013 Guarantee Agreement

On June 26, 2013, the City of St. 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 26th 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
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	<u>\$ 32,588</u>	<u>\$ 2,156</u>	<u>\$ 34,744</u>

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

### Note 10 - Long-Term Debt - (Continued)

#### Contingencies - (Continued)

#### C. 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 on May 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 \$659,720 at December 31, 2019. 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.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

### Note 11 - Police Pension Plan - (Continued)

#### 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 Worker's 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.

#### Post Retirement 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.



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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 11 - Police Pension Plan - (Continued)

Contributions

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

	Police Plan
MMO	\$ 220,674
Contributions:	
City	\$ -
Allocation of State Aid	228,666
Total	\$ 228,666
Employee	53,465
Total Contributions	\$ 282,131
Covered Payroll	\$ 907,349
Employee contributions as a % of covered payroll	5.89%

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, 2019

Membership of the plan consisted of the following at December 31, 2019, the date of the latest actuarial reporting for purposes of Governmental Accounting Standards Board Statement Nos. 67 and 68:

Deferred Retirement Option Program Members	2
Inactive Members or Beneficiaries Currently Receiving Benefits	12
Inactive Members Entitled to but not yet Receiving Benefits	0
Active Members	<u>13</u>
Total Membership	<u>27</u>

# CITY OF SAINT MARYS, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 11 - Police Pension Plan - (Continued)

Net Pension Liability

The net pension liability was measured as of December 31, 2019, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

	Police Pension Plan
Total Pension Liability	\$ 8,635,944
Plan Fiduciary Net Position	<u>(9,793,846)</u>
Net Pension Liability (Asset)	<u><u>\$ (1,157,902)</u></u>
Plan fiduciary net position as a percentage of the total pension Asset	<u><u>(113.41%)</u></u>

Changes in the Net Pension Liability

The changes in the net pension liability (asset) of the City for the year ended December 31, 2019, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance as of 12/31/2018	\$ 8,927,156	\$ 8,363,395	\$ 563,761
Service Cost	231,063		231,063
Interest Cost	615,131		615,131
Changes of Benefit Terms	-		-
Changes for Experience	(950,052)		(950,052)
Changes of Assumptions	177,617		177,617
Contributions - Employer		228,666	(228,666)
Contributions - Member		53,465	(53,465)
Net Investment Income		1,525,321	(1,525,321)
Benefit Payments, Including Refunds of			
Member Contributions	(364,971)	(364,971)	-
Administrative Expenses		(12,030)	12,030
Other Charges	-	-	-
Net Changes	<u>\$ (291,212)</u>	<u>\$ 1,430,451</u>	<u>\$ (1,721,663)</u>
Balance as of 12/31/2019	<u><u>\$ 8,635,944</u></u>	<u><u>\$ 9,793,846</u></u>	<u><u>\$ (1,157,902)</u></u>
Plan fiduciary net position as a percentage of the total pension liability (asset)			<u><u>113.41%</u></u>

# CITY OF SAINT MARYS, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 11 - Police Pension Plan - (Continued)

Sensitivity of the Net Position Liability to changes in the Discount Rate

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Plan's Net Pension Liability	\$ (32,123)	\$ (1,157,902)	\$ (2,085,421)

Actuarial Assumptions

The total pension liability in the January 1, 2019 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)
Post-Retirement Cost of Living Increase	3.00%	

Mortality rates were based on the PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

*Long Term Expected Rate of Return* - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

# CITY OF SAINT MARYS, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2019

Note 11 - Police Pension Plan - (Continued)

Actuarial Assumptions - (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, 2019, the annual money-weighted rate of return for the City of Saint Marys Police Pension Fund account is 19.31%.

*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 on the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

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

For the year ended December 31, 2019, the City recognized pension expense of \$173,986. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Police Pension</u>
<u>Deferred Outflow of Resources:</u>	
Change of Assumptions	\$ 225,427
Difference Between Projected and Actual Investment Earnings on Pension Plans	651,871
Total deferred outflows of resources	<u>\$ 877,298</u>
	<u>Police Pension</u>
<u>Deferred Inflows of Resources:</u>	
Difference Between Expected and Actual Experience	\$ (894,570)
Difference Between Projected and Actual Investment Earnings on Pension Plans	(894,188)
Total deferred inflows of resources	<u>\$ (1,788,758)</u>

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 11 - Police Pension Plan - (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - (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:

Year ended December 31,	
2020	(140,714)
2021	(145,324)
2022	(58,884)
2023	(276,878)
2024	(96,555)
2025-2026	(193,105)
Total	<u>\$ (911,460)</u>

Note 12 - Non-Uniformed Employee's 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 years 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. Society Security is calculated using only wages form 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.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

### Note 12 - Non-Uniformed Employee's Pension Plan (Continued)

#### 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.

#### 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	0%
1	14.25%
2	28.50%
3	42.75%
4	57%
5	71.25%
6	85.50%
7 or More Years	100.00%

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

# CITY OF SAINT MARYS, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 12 - Non-Uniformed Employee's Pension Plan (Continued)

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.

Contributions

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

	Non-Uniformed Plan
MMO	\$ 90,642
Contributions:	
City	\$ -
Allocation of State Aid	93,925
Total	\$ 93,925
Employee	49,028
Total Contributions	\$ 142,953
Covered Payroll	\$ 1,793,139
Employee contributions as a % of covered payroll	2.73%

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2019

Note 12 - Non-Uniformed Employee's Pension Plan (Continued)

Service

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

Plan Membership at December 31, 2019

Membership of the plan consisted of the following at December 31, 2019, the date of the latest actuarial reporting for purposes of Governmental Accounting Standards Board Statements Nos. 67 and 68.

Inactive Members or Beneficiaries Currently Receiving Benefits	21
Inactive Members Entitled to but not yet Receiving Benefits	2
Active Members	<u>35</u>
Total Membership	<u>58</u>

Net Pension Liability

The net pension liability was measured as of December 31, 2019, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

	Non-Uniformed Pension Plan
Total Pension Liability	\$ 5,133,761
Plan Fiduciary Net Position	<u>(5,154,520)</u>
Net Pension Liability (Asset)	<u>\$ (20,759)</u>
Plan fiduciary net position as a percentage of the total pension Asset	100.40%



# CITY OF SAINT MARYS, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 12 - Non-Uniformed Employee's Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Plan's Net Pension Liability	\$ 602,859	\$ (20,759)	\$ (548,543)

Changes in the Net Pension Liability (Asset)

The changes in the net pension liability (asset) of the City for the year ended December 31, 2019, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance as of 12/31/2018	\$ 4,778,555	\$ 4,426,402	\$ 352,153
Service Cost	121,590		121,590
Interest Cost	365,341		365,341
Changes of Benefit Terms	-		-
Changes for Experience	(134,416)		(134,416)
Changes of Assumptions	208,289		208,289
Contributions - Employer		93,925	(93,925)
Contributions - Member		49,028	(49,028)
Net Investment Income		800,539	(800,539)
Benefit Payments, Including Refunds of			
Member Contributions	(205,598)	(205,598)	-
Administrative Expenses		(9,776)	9,776
Other Charges	-	-	-
Net Changes	\$ 355,206	\$ 728,118	\$ (372,912)
Balance as of 12/31/2019	\$ 5,133,761	\$ 5,154,520	\$ (20,759)
Plan fiduciary net position as a percentage of the total pension liability (asset)			100.40%

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 12 - Non-Uniformed Employee's Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the January 1, 2019 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)
Post-Retirement Cost of Living Increase	0.00%	

Mortality rates were based on the PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

For the Actuarial Value of Assets, the 5 year smoothed value assumption was used.

*Long Term Expected Rate of Return* - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	52.00%	5.50% - 7.50%
International Equity	11.00%	4.50% - 6.50%
Fixed Income	33.00%	1.00% - 3.00%
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, 2019, the annual money-weighted rate of return for the City of Saint Marys Non-Uniformed Pension Fund account is 19.30%.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 12 - Non-Uniformed Employee's Pension Plan (Continued)

Actuarial Assumptions - (Continued)

*Discount Rate* - The discount rate used to measure the total pension liability was 7.5%. 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 Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2019, the City recognized pension expense of \$171,132. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Uniformed Pension
Deferred Outflow of Resources:	
Change of Assumptions	\$ 303,282
Difference Between Projected and Actual Investment Earnings on Pension Plan	354,310
Total deferred outflows of resources	\$ 657,592
	Non-Uniformed Pension
Deferred Inflows of Resources:	
Difference Between Expected and Actual Experience	\$ (248,642)
Difference Between Projected and Actual Investment Earnings on Pension Plan	(469,870)
Total deferred inflows of resources	\$ (718,512)

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 12 - Non-Uniformed Employee's Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - (Continued)

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

<u>Year ended December 31,</u>	
2020	(13,707)
2021	(17,457)
2022	28,970
2023	(87,886)
2024	6,370
2025-2027	22,790
Total	<u><u>\$ (60,920)</u></u>

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 Post Retirement Medical Plan. All non-uniformed employees who retire from the City at or after age 60 shall receive medical and prescription drug insurance for themselves until age 65. During the COBRA period, the retiree can elect to remain on the City's plan. After the COBRA period expires, the retiree must get coverage from elsewhere. The City will pay 50% of the premium for such coverage, and the retiree will pay the remaining 50%. Spouses and non-spouse dependents are not eligible to receive coverage. In the event that the retiree dies, coverage shall cease.

Funding Policy

The plan is unfunded. However, City Council did assign a portion of the unrestricted fund balance to other post-employment benefits. Total assigned to other post-employment benefits as of December 31, 2019 is \$199,013.

Plan Membership at December 31, 2019

Membership of the plan consisted of the following as of December 31, 2019, the date of the latest actuarial reporting for the purpose of Governmental Accounting Standards Board Statements No. 75:

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

# CITY OF SAINT MARYS, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 13 - Other Post-Employment Benefits Plan - (Continued)

Total OPEB Liability

The City's total OPEB liability of \$199,013 was measured as of December 31, 2019 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 31, 2018; and rolled forward to December 31, 2019, using the following actuarial assumptions, applied to all periods in the measurement:

- Actuarial Cost Method - Entry Age Normal Cost
- Discount Rate - 3.64%
- Retirement Age - Later of age 63 and completion of 20 years 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 for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.
- 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 - 6.0% 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, 2019.

Changes in the Total OPEB Liability

The changes in the net OPEB liability for the City for year ended December 31, 2019 were as follows:

	Total OPEB Liability
Balance as of January 1, 2019	\$ 207,598
Charges for the year:	
Service Cost	11,991
Interest	6,566
Changes of Benefit Terms	-
Differences between Expected and Actual Experience	-
Changes of Assumptions	(5,374)
Benefit Payments	(21,768)
Other Changes	-
Net Changes	(8,585)
Balance as of December 31, 2019	\$ 199,013

# CITY OF SAINT MARYS, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Note 13 - Other Post-Employment Benefits Plan - (Continued)

*Changes in Actuarial Assumptions* - The discount rate changed from 3.16% to 3.64%. The trend and mortality assumptions were updated.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* - The following presents the net OPEB liability of the Plan, as well as what the Plan's net 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 (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Net OPEB Liability	\$ 210,188	\$ 199,013	\$ 187,831

*Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rates* - The following presents the net OPEB liability of the Plan, as well as what the Plan's net 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 (4.50%)	Healthcare Cost Trend Rates (5.50%)	1% Increase (6.50%)
Net OPEB Liability	\$ 176,348	\$ 199,013	\$ 225,682

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

For the year ended December 31, 2019, the City recognized negative OPEB expense of \$18,649. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following source:

	<u>Deferred Outflows of Resources</u>
Changes of Assumptions	\$ 5,845
	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 5,016

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2019

Note 13 - Other Post-Employment Benefits Plan - (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - (Continued)

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

Fiscal Year Ending:		
December 31, 2020	\$	92
December 31, 2021		92
December 31, 2022		92
December 31, 2023		92
December 31, 2024		92
Thereafter		369

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, 2019. Future minimum lease income for the next five years and thereafter is as follows:

Year	Amount
2020	49,296
2021	49,296
2022	49,296
2023	49,296
2024	49,296
2025	28,756
	\$ 275,236

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 St. 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.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

### 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 the 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 \$295,706 to future compensated absences and other post-employment benefits and \$169,477 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.

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.



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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

### 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, 2019, the City had nine 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, 2019.

#### 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. Part of this project included a bridge from the newly constructed park that connects a walkway to Bruxelles Street. Placing a park and bridge in this area will encourage community organizations to host festivals; events and community activities at the park and away from the downtown area. Total cost to date is \$546,637 which includes funding through grants, bond funding, and City operating funds. Projects remaining to be completed in 2020 are installing conduit and wire and grading and manicuring the grounds. Total budget funds remaining towards the project as of December 31, 2019 are \$8,792.

#### 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 \$27,930 towards the project as of December 31, 2019.

#### St. Marys Airport Industrial Park Access Road

The City entered into an agreement with the Pennsylvania Department of Transportation for the design and improvements to the St. Marys Airport Industrial Park Access Road. Total project estimated costs are \$975,661.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

### Note 18 - Construction in Progress - (Continued)

#### St. Marys Airport Industrial Park Access Road - (Continued)

The City's project cost is \$70,060 or 7.18% of total projected estimated cost and will be reimbursed for the remaining 92.82% of the projected estimated cost or \$905,601 through Federal ARC funding. Total engineering cost as of December 31, 2019 is \$128,880. Completion date for the project is the end of 2021.

#### Sara Road Bridge

In 2019, City Council increased the Earned Income Tax on residents from .5% to .7%. This additional tax revenue was allocated for the repair and replacement of City streets, roads and bridges. One approved project is to replace the Sara Road Bridge with an estimated cost of \$750,000. As of December 31, 2019, the City spent \$2,139 on engineering cost for the design of the bridge with a contracted cost with Keller Engineers of \$125,000. Completion date for the project is the end of 2022.

#### Route 120 Project

The City was awarded 3.5 million dollars from the Department of Community and Economic Development for the funding of transportation and infrastructure improvements to the City. The funding will go to the construction of the SR 120 connector road to bypass the Diamond. Funding for the project will be provided by the Transportation Infrastructure Investments Funds (TIIF). The City will coordinate with The Department of Transportation on administrating this project. Cost spent to date is \$35,186 which includes the Multimodal Transportation Analysis Report that provided the plan to construct the SR 120 connector road.

#### Erie Avenue & Washington Street Sewer Project

The City plans to design and construct the replacement of the vitrified clay sewer pipe along Erie Avenue and Washington Street. Total project estimated cost is 2.434 million dollars. The City has applied for grant funding of 1.5 million dollars for this sewer replacement project. As of December 31, 2019 the City has spent \$51,872 in engineering cost to KLH Engineers, Inc.

#### Re-Align McGill Street - West Mill Street Intersection

In 2019, the City purchased the property located at 345 West Mill Street. The cost of purchasing, demolishing and leveling the property was \$54,384. This is in preparation of re-aligning the intersection of West Mill Street and McGill Street. The City has appropriated funds in the reserves in the Street and Roads account of \$75,000 in the 2020 budget to complete this project.

### 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.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2019

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

The following GASB Statements were adopted for the year ended December 31, 2019:

**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. 88**, "*Certain Disclosures Related To Debt, Including Direct Borrowings And Direct Placements*", effective for fiscal years beginning after June 15, 2018 (the City's financial statements for the year ending December 31, 2019). The primary objective of this Statement is to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

**GASB Statement No. 90**, "*Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*", effective for fiscal years beginning after December 15, 2018 (the City's financial statements for the year ending December 31, 2019). The primary objectives of the Statement are to improve the consistency and comparability of reporting a governments' majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

These statements had no significant impact on the City's financial statements for the year ended December 31, 2019.

### Pending Pronouncements

GASB has issued statements that will become effective in future years including:

GASB Statement No. 87 - Leases

GASB Statement No. 84 - Fiduciary Activities

GASB Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period

GASB Statement No. 91 - Conduit Debt Obligations

GASB Statement No. 93 - Replacement of Interbank Offered Rates

### Note 21 - Prior Period Adjustment

At December 31, 2018, the Balance Sheet taxes receivable was understated by \$478,502 and unassigned Fund Balance was understated by the same amount. This occurred due to real estate and wages taxes receivable were not recorded.

### Note 21 - Subsequent Events

The City has evaluated subsequent events through **June 30, 2020** the date which the financial statements were available to be issued.

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CITY OF SAINT MARYS,  
PENNSYLVANIA

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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\*

	2019	2018	2017	2016	2015
<b>Total Pension Liability:</b>					
Service Cost	\$ 231,063	\$ 221,810	\$ 211,248	\$ 174,959	\$ 166,628
Interest	615,131	634,372	599,881	567,156	536,217
Differences between expected and actual experience	(950,052)	-	(126,548)	-	-
Changes of assumptions	177,617	-	140,026	-	-
Benefit payments, including refunds of member contributions	<u>(364,971)</u>	<u>(331,025)</u>	<u>(392,587)</u>	<u>(318,517)</u>	<u>(278,795)</u>
<b>Net Changes in Total Pension Liability</b>	(291,212)	525,157	432,020	423,598	424,050
<b>Total Pension Liability - Beginning</b>	<u>8,927,156</u>	<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><u>8,635,944</u></u>	<u><u>8,927,156</u></u>	<u><u>\$ 8,401,999</u></u>	<u><u>\$ 7,969,979</u></u>	<u><u>\$ 7,546,381</u></u>
<b>Plan Fiduciary Net Position:</b>					
Contributions - employer	\$ 228,667	\$ 187,356	\$ 107,375	\$ 112,960	\$ 208,639
Contributions - member	53,465	51,911	46,451	46,071	47,395
Net investment income	1,525,320	(416,352)	1,030,565	549,503	(82,164)
Benefit payments, including refunds of members contributions	(364,971)	(331,025)	(392,587)	(318,517)	(278,795)
Administrative expense	<u>(12,030)</u>	<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>	1,430,451	(521,426)	783,254	385,597	(113,205)
<b>Plan Fiduciary Net Position - Beginning</b>	<u>8,363,395</u>	<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><u>\$ 9,793,846</u></u>	<u><u>\$ 8,363,395</u></u>	<u><u>\$ 8,884,821</u></u>	<u><u>\$ 8,101,567</u></u>	<u><u>\$ 7,715,970</u></u>
<b>Net Pension Liability (Asset) - Ending (a-b)</b>	<u><u>\$ (1,157,902)</u></u>	<u><u>\$ 563,761</u></u>	<u><u>\$ (482,822)</u></u>	<u><u>\$ (131,588)</u></u>	<u><u>\$ (169,589)</u></u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<u>113.41%</u>	<u>93.68%</u>	<u>105.75%</u>	<u>101.65%</u>	<u>102.25%</u>
<b>Covered Employee Payroll</b>	<u>907,349</u>	<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>	(127.61%)	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.

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\*

	2019	2018	2017	2016	2015
<b>Total Pension Liability:</b>					
Service Cost	\$ 121,590	\$ 110,060	\$ 104,819	\$ 87,921	\$ 83,734
Interest	365,341	340,010	321,748	305,805	292,340
Differences between expected and actual experience	(134,416)	-	(193,742)	-	-
Changes of assumptions	208,289	-	177,203	-	-
Benefit payments, including refunds of member contributions	(205,598)	(189,836)	(186,811)	(176,215)	(225,239)
<b>Net Changes in Total Pension Liability</b>	355,206	260,234	223,217	217,511	150,835
<b>Total Pension Liability - Beginning</b>	4,778,555	4,518,321	4,295,104	4,077,593	3,926,758
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 5,133,761</u>	<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	\$ 93,925	\$ 93,707	\$ 49,571	\$ 46,476	\$ 131,202
Contributions - member	49,028	45,277	42,614	39,828	35,684
Net investment income	800,540	(232,499)	548,950	284,128	(21,636)
Benefit payments, including refunds of members contributions	(205,598)	(189,836)	(186,811)	(176,215)	(225,239)
Administrative expense	(9,777)	(11,820)	(8,900)	(2,650)	(8,770)
<b>Net Change in Plan Fiduciary Net Position</b>	728,118	(295,171)	445,424	191,567	(88,759)
<b>Plan Fiduciary Net Position - Beginning</b>	4,426,402	4,721,573	4,276,149	4,084,582	4,173,341
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 5,154,520</u>	<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>\$ (20,759)</u>	<u>\$ 352,153</u>	<u>\$ (203,252)</u>	<u>\$ 18,955</u>	<u>\$ (6,989)</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<u>100.40%</u>	<u>92.63%</u>	<u>104.50%</u>	<u>99.56%</u>	<u>100.17%</u>
<b>Covered Employee Payroll</b>	<u>1,793,139</u>	<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 of Covered Employee Payroll</b>	(1.16%)	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\*

	2019	2018	2017	2016	2015
<b>POLICE PENSION PLAN:</b>					
<b>Schedule of City's Contributions</b>					
Actuarially determined contribution	\$ 220,674	\$ 97,574	\$ 102,060	\$ 112,960	\$ 208,639
Contributions in relation to the actuarially determined contribution	228,666	187,356	107,375	112,960	208,639
Contributions deficiency (excess)	<u>\$ (7,992)</u>	<u>\$ (89,782)</u>	<u>\$ (5,315)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 907,349</u>	<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	25.20%	18.37%	10.50%	12.66%	20.32%
<b>Investment Returns</b>					
Annual money-weighted rate of return, net of investment expense	19.31%	(4.57%)	14.00%	7.81%	(0.59%)
<b>NON-UNIFORMED EMPLOYEES' PLAN:</b>					
<b>Schedule of City's Contributions</b>					
Actuarially determined contribution	\$ 86,199	\$ 48,802	\$ 47,117	\$ 46,476	\$ 131,202
Contributions in relation to the actuarially determined contribution	93,925	93,707	49,571	46,476	131,202
Contributions deficiency (excess)	<u>\$ (7,726)</u>	<u>\$ (44,905)</u>	<u>\$ (2,454)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 1,793,139</u>	<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	5.24%	5.49%	3.20%	3.09%	9.46%
<b>Investment Returns</b>					
Annual money-weighted rate of return, net of investment expense	19.30%	(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.



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CITY OF SAINT MARYS, PENNSYLVANIA

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NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES  
PENSION TRUST FUNDS  
ACTUARIAL METHODS AND ASSUMPTIONS  
YEAR ENDED DECEMBER 31, 2019

	Police Plan	Non-Uniformed Plan
Actuarial valuation date	1/1/2017	1/1/2017
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Closed
Asset valuation method	Market Value of assets as determined by the trustee	Market Value of assets as determined by the trustee
Remaining amortization period	N/A Years	15 Years
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases	5.00%	5.00%
Inflation rate	3.00%	3.00%
Retirement Age	Normal Retirement Age	Age 63 and completion of 20 years
Mortality table	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.	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.

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\*

	2019	2018
<b>Total OPEB liability</b>		
Service Cost	\$ 11,991	\$ 10,406
Interest	6,566	7,414
Changes of Benefit Terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of Assumptions or other inputs	(5,374)	6,745
Benefit Payments	(21,768)	(13,953)
<b>Net change in Total OPEB liability</b>	(8,585)	10,612
<b>Total OPEB Liability - Beginning</b>	207,598	196,986
<b>Total OPEB Liability - Ending</b>	\$ 199,013	\$ 207,598
<b>Covered -employee payroll</b>	\$ 1,520,404	\$ 1,520,404
<b>Total OPEB Liability as a percentage of covered-employee payroll</b>	13.09%	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:

2019	3.64%
2018	3.16%

CITY OF SAINT MARYS, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

For The Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 5,383,686	\$ 5,383,686	\$ 5,352,976	\$ (30,710)
Intergovernmental	572,565	572,565	639,810	67,245
Charges for Services	258,840	258,840	309,083	50,243
Licenses and Permits	33,950	33,950	27,935	(6,015)
Fines and Forfeitures	81,500	81,500	76,206	(5,294)
Interest and Rentals	97,158	97,158	126,348	29,190
Miscellaneous	296,131	296,131	255,572	(40,559)
<b>Total Revenues</b>	<b>\$ 6,723,830</b>	<b>\$ 6,723,830</b>	<b>\$ 6,787,930</b>	<b>\$ 64,100</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	\$ 1,571,491	1,571,491	\$ 1,476,901	\$ 94,590
Public Safety	2,202,298	2,202,298	2,079,067	123,231
Public Works	2,458,824	2,458,824	2,059,301	399,523
Human Services	8,000	8,000	2,269	5,731
Community and Economic Development	95,519	95,519	47,755	47,764
Culture and Recreation				
<b>Debt Service:</b>				
Principal				
Interest				
Capital Outlays			151,342	(151,342)
Other	162,511	162,511	160,039	2,472
<b>Total Expenditures</b>	<b>\$ 6,498,643</b>	<b>\$ 6,498,643</b>	<b>\$ 5,976,674</b>	<b>\$ 521,969</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>\$ 225,187</b>	<b>\$ 225,187</b>	<b>\$ 811,256</b>	<b>\$ 586,069</b>
<b>Other Financing Sources (Uses):</b>				
Capital Asset Sales			\$ 10,377	\$ 10,377
Transfers In	\$ 548,944	\$ 548,944	521,051	(27,893)
Transfers Out	(774,131)	(774,131)	(1,307,397)	(533,266)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (225,187)</b>	<b>\$ (225,187)</b>	<b>\$ (775,969)</b>	<b>\$ (550,782)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 35,287</b>	<b>\$ 35,287</b>
Fund Balance - Beginning	2,560,050	2,560,050	2,560,050	-
Fund Balance - Prior Year Adjustments			478,502	478,502
<b>Fund Balance - Ending</b>	<b>\$ 2,560,050</b>	<b>\$ 2,560,050</b>	<b>\$ 3,073,839</b>	<b>\$ 513,789</b>

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BUDGETARY COMPARISON SCHEDULES December 31, 2019

### 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.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BUDGETARY COMPARISON SCHEDULES December 31, 2019

### 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 balance 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 Street Lighting Tax Fund experienced a negative change in fund balance of \$682. The City appropriated \$10,429 towards the light poles at the new constructed park on Depot Street. Cash on hand was used to cover this deficit.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BUDGETARY COMPARISON SCHEDULES December 31, 2019

### Note 2 - Negative Change in Fund Balance - (Continued)

- 2) In the current year, the Recreation Fund experienced a negative change in fund balance of \$33,649. The Recreation Board used \$8,000 of its capital revenue towards the renovations of the Club House located at Memorial Park. The balance of the negative change of \$25,649 was covered by cash on hand.
- 3) In the current year, the Ambulance Fund experienced a negative change in fund balance of \$114. The St. Marys Ambulance Association is listed on the City's fuel accounts and the City pays for the fuel. Instead of the Ambulance Association reimbursing the City for its fuel charges and the City issuing the Ambulance Association for their tax allocation, the City credits the Ambulance Association their portion of tax revenue against their fuel purchases. For 2019, the City credited the Ambulance Association \$114 more in fuel cost compared to tax revenue collected.
- 4) In the current year, the Fire Hydrant Fund experienced a negative change in fund balance of \$1,443. Total tax revenue and interest collected was \$65,474 and the cost of 330 fire hydrants was \$66,825 and refunds of real estate tax revenue was \$92. Cash on hand was used to cover this deficit.
- 5) In the current year, the Debt Fund experienced a negative change in fund balance of \$40,022. In 2019, The Benzinger Township Golf Course Authority defaulted on their loan payments. The City made payments totaling \$42,270 towards the loan due to Northwest Savings Bank. Cash on hand was used to cover this deficit.
- 6) In the current year, the Liquid Fuels Tax Fund experienced a negative change in fund balance of \$694. Monies deposited into the Liquid Fuels Tax Fund from the PA Commonwealth are used for eligible expenditures related to public works expenditures. Remaining funds from previous years were used to cover expenditures in 2019.
- 7) In the current year, the Shade Tree Fund experienced a negative change in fund balance of \$1,452. Cash on hand was used to cover this deficit.
- 8) In the current year, the Capital Reserve fund experienced a negative change in fund balance of \$64,078. In 2019 City Council approved to appropriate \$54,384 to purchase the property at 345 W. Mill Street to re-align McGill Street intersection. City Council also approved the appropriation of funds towards the replacement of the HVAC units on the 1st Floor and the Basement of City Hall for an amount equal to \$78,345. Funds in reserve covered the cost of these expenditures.

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# CITY OF SAINT MARYS, PENNSYLVANIA

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## NOTES TO BUDGETARY COMPARISON SCHEDULES December 31, 2019

### Note 2 - Negative Change in Fund Balance - (Continued)

- 9) In the current year, the 2016 Capital Projects Fund experienced a negative change in fund balance of \$760,556. 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.

CITY OF SAINT MARYS, PENNSYLVANIA  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 December 31, 2019

	Special Revenue Funds											Totals
	Street	Fire				Fire	Liquid	Shade	Community	2016		
	Lighting	Protection	Recreation	Library	Ambulance	Hydrant	Fuels Tax	Tree	Development	Capital	Debt	
Tax Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	
<u>ASSETS</u>												
Cash and Cash Investments	\$ 229,086	\$ 466,269	\$ 141,328	\$ 735	\$ 59	\$ 15,372	\$ 2,562	\$ 7,679	\$ 299	\$ -	\$ 280,381	\$ 1,143,770
Taxes Receivable	11,429	30,243	25,375	12,555	2,164	6,493	-	-	-	-	41,300	129,559
Accounts Receivable	-	2,337	-	-	-	-	-	-	-	-	-	2,337
Due from other Governments	-	-	-	-	-	-	-	-	9,946	-	100,671	110,617
Allowance for Uncollectible Due	-	-	-	-	-	-	-	-	-	-	-	-
From Other Governments	-	-	-	-	-	-	-	-	-	-	(69,820)	(69,820)
Interfund Receivables	-	-	-	-	-	-	-	-	-	55,861	-	55,861
Prepaid Items	-	7,051	1,850	-	-	-	-	-	-	-	-	8,901
<b>Total Assets</b>	<b>\$ 240,515</b>	<b>\$ 505,900</b>	<b>\$ 168,553</b>	<b>\$ 13,290</b>	<b>\$ 2,223</b>	<b>\$ 21,865</b>	<b>\$ 2,562</b>	<b>\$ 7,679</b>	<b>\$ 10,245</b>	<b>\$ 55,861</b>	<b>\$ 352,532</b>	<b>\$ 1,381,225</b>
<u>LIABILITIES AND FUND BALANCES</u>												
Liabilities:												
Accounts Payable & Payroll Taxes	\$ 7,680	\$ 13,507	\$ 2,330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,517
Accrued Liabilities	-	-	1,046	-	-	-	-	-	-	-	-	1,046
Interfund Payables	-	-	-	-	-	-	-	-	9,946	-	-	9,946
Unearned Revenue	-	-	25,788	-	-	-	-	-	299	-	-	26,087
Unavailable Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Unavailable Revenues - Real Estate Taxes	8,778	23,316	19,609	9,683	1,669	5,008	-	-	-	-	31,853	99,916
<b>Total Liabilities</b>	<b>\$ 16,458</b>	<b>\$ 36,823</b>	<b>\$ 48,773</b>	<b>9,683</b>	<b>1,669</b>	<b>5,008</b>	<b>-</b>	<b>-</b>	<b>\$ 10,245</b>	<b>\$ -</b>	<b>\$ 31,853</b>	<b>\$ 160,512</b>
Fund Balances:												
Nonspendable:	\$ -	\$ 7,051	\$ 1,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,901
Restricted	-	-	-	-	-	-	2,562	-	-	55,861	-	58,423
Committed	224,057	462,026	117,930	3,607	554	16,857	-	7,679	-	-	320,679	1,153,389
Assigned:	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned:	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>\$ 224,057</b>	<b>\$ 469,077</b>	<b>\$ 119,780</b>	<b>\$ 3,607</b>	<b>\$ 554</b>	<b>\$ 16,857</b>	<b>\$ 2,562</b>	<b>\$ 7,679</b>	<b>\$ -</b>	<b>\$ 55,861</b>	<b>\$ 320,679</b>	<b>\$ 1,220,713</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 240,515</b>	<b>\$ 505,900</b>	<b>\$ 168,553</b>	<b>\$ 13,290</b>	<b>\$ 2,223</b>	<b>\$ 21,865</b>	<b>\$ 2,562</b>	<b>\$ 7,679</b>	<b>\$ 10,245</b>	<b>\$ 55,861</b>	<b>\$ 352,532</b>	<b>\$ 1,381,225</b>



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, 2019

	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	2016 Capital Projects Fund	Debt Fund	
<b>Revenues:</b>												
Taxes	\$ 110,256	\$ 303,513	\$ 258,433	\$ 125,788	\$ 21,687	\$ 65,063	\$ -	\$ -	\$ -	\$ -	\$ 413,800	\$ 1,298,540
Intergovernmental	-	-	8,506	-	-	-	514,963	-	372,704	225,000	-	1,121,173
Charges for Services	-	-	82,265	-	-	-	-	-	-	-	-	82,265
Licenses and Permits	-	-	-	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Rentals	1,950	5,438	1,581	15	8	411	5,394	16	-	11,577	6,439	32,829
Miscellaneous	-	-	129,538	-	-	-	-	488	-	-	-	130,026
<b>Total Revenues</b>	<b>\$ 112,206</b>	<b>\$ 308,951</b>	<b>\$ 480,323</b>	<b>\$ 125,803</b>	<b>\$ 21,695</b>	<b>\$ 65,474</b>	<b>\$ 520,357</b>	<b>\$ 504</b>	<b>\$ 372,704</b>	<b>\$ 236,577</b>	<b>\$ 420,239</b>	<b>\$ 2,664,833</b>
<b>Expenditures:</b>												
<b>Current:</b>												
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	-	160,450	-	-	21,778	66,825	-	-	-	-	-	249,053
Public Works	102,234	-	-	-	-	-	-	-	-	-	-	102,234
Human Services	-	-	-	-	-	-	-	-	-	-	-	-
Community and Economic Development	-	-	-	-	-	-	-	-	130,041	-	-	130,041
Culture and Recreation	-	-	427,261	124,600	-	-	-	9,456	-	-	-	561,317
<b>Debt Service:</b>												
Principal	-	-	-	-	-	-	-	-	-	-	519,940	519,940
Interest	-	-	-	-	-	-	-	-	-	-	127,290	127,290
Capital Outlays	10,429	-	84,006	-	-	-	-	-	242,663	931,135	-	1,268,233
Other	225	407	298	178	31	92	-	-	-	-	43,657	44,888
<b>Total Expenditures</b>	<b>\$ 112,888</b>	<b>\$ 160,857</b>	<b>\$ 511,565</b>	<b>\$ 124,778</b>	<b>\$ 21,809</b>	<b>\$ 66,917</b>	<b>\$ -</b>	<b>\$ 9,456</b>	<b>\$ 372,704</b>	<b>\$ 931,135</b>	<b>\$ 690,887</b>	<b>\$ 3,002,996</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>\$ (682)</b>	<b>\$ 148,094</b>	<b>\$ (31,242)</b>	<b>\$ 1,025</b>	<b>\$ (114)</b>	<b>\$ (1,443)</b>	<b>\$ 520,357</b>	<b>\$ (8,952)</b>	<b>\$ -</b>	<b>\$ (694,558)</b>	<b>\$ (270,648)</b>	<b>\$ (338,163)</b>
<b>Other Financing Sources (Uses):</b>												
Capital Asset Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers In	-	-	2,265	-	-	-	-	7,500	-	225,654	230,662	466,081
Transfers Out	-	(12,355)	-	-	-	-	(521,051)	-	-	(291,652)	(36)	(825,094)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ (12,355)</b>	<b>\$ 2,265</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (521,051)</b>	<b>\$ 7,500</b>	<b>\$ -</b>	<b>\$ (65,998)</b>	<b>\$ 230,626</b>	<b>\$ (359,013)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>\$ (682)</b>	<b>\$ 135,739</b>	<b>\$ (28,977)</b>	<b>\$ 1,025</b>	<b>\$ (114)</b>	<b>\$ (1,443)</b>	<b>\$ (694)</b>	<b>\$ (1,452)</b>	<b>\$ -</b>	<b>\$ (760,556)</b>	<b>\$ (40,022)</b>	<b>\$ (697,176)</b>
<b>Fund Balance - Beginning</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>\$ 816,417</b>	<b>\$ 360,701</b>	<b>\$ 1,922,561</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>(4,672)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,672)</b>
<b>Fund Balance - Ending</b>	<b>\$ 224,057</b>	<b>\$ 469,077</b>	<b>\$ 119,780</b>	<b>\$ 3,607</b>	<b>\$ 554</b>	<b>\$ 16,857</b>	<b>\$ 2,562</b>	<b>\$ 7,679</b>	<b>\$ -</b>	<b>\$ 55,861</b>	<b>\$ 320,679</b>	<b>\$ 1,220,713</b>

CITY OF SAINT MARYS, PENNSYLVANIA  
 COMBINING STATEMENT OF NET POSITION  
 NON MAJOR PROPRIETARY FUNDS  
 December 31, 2019

<u>ASSETS</u>	Business-Type Activities - Enterprise Funds		
	Sewer Fund	Sewer Line Replacement Fund	Total
Current Assets:			
Cash and Cash Investments	\$ 174,987	\$ 201,744	\$ 376,731
Accounts Receivable, Net	-	-	-
Interfund Receivables	-	18,336	18,336
Prepaid Items	-	-	-
Total Current Assets	\$ 174,987	\$ 220,080	\$ 395,067
Noncurrent Assets:			
Capital Assets:			
Construction in Progress			
Infrastructure	37,367	-	\$ 37,367
Land	-	-	-
Buildings and Building Improvements	62,446	-	62,446
Equipment	155,423	-	155,423
Accumulated Depreciation	(26,636)	-	(26,636)
Total Noncurrent Assets	228,600	-	\$ 228,600
Total Assets	\$ 403,587	\$ 220,080	\$ 623,667
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Accounts Payable and Payroll Taxes	\$ 2,548	-	\$ 2,548
Accrued Liabilities	-	-	-
Due To Other Governments	-	-	-
Interfund Payables	-	-	-
Unearned Revenue	-	-	-
Total Current Liabilities	2,548	-	\$ 2,548
Non-Current Liabilities:			
Compensated Absences - Long Term Portion	-	-	-
Total Non-Current Liabilities	-	-	-
Total Liabilities	\$ 2,548	\$ -	\$ 2,548
Net Position:			
Invested in Capital Assets, Net of Related Debt	228,600	-	228,600
Unrestricted	172,439	\$ 220,080	392,519
Total Net Position	\$ 401,039	\$ 220,080	\$ 621,119
Total Liabilities and Net Position	\$ 403,587	\$ 220,080	\$ 623,667

CITY OF SAINT MARYS, PENNSYLVANIA  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 NON MAJOR PROPRIETARY FUNDS  
 For The Year Ended December 31, 2019

	Business-Type Activities - Enterprise Funds		
	Sewer Fund	Sewer Line Replacement Fund	Total
Operating Revenues:			
Charges for Services	\$ 6,500	-	\$ 6,500
Miscellaneous	-	-	-
Total Operating Revenues	<u>\$ 6,500</u>	<u>-</u>	<u>\$ 6,500</u>
Operating Expenses:			
Public Works	<u>\$ 32,159</u>	<u>-</u>	<u>\$ 32,159</u>
Operating Income	<u>\$ (25,659)</u>	<u>-</u>	<u>\$ (25,659)</u>
Non-Operating Revenues (Expenditures):			
Interest Income	\$ 703	\$ 84	\$ 787
Sale of General Fixed Assets	-	-	-
Refunds from Prior Year Expenditures	-	-	-
Refunds from Prior Year Revenue	-	-	-
Uncollectible Receivables	-	-	-
Total Non-Operating Revenues (Expenditures)	<u>\$ 703</u>	<u>\$ 84</u>	<u>\$ 787</u>
Income Before Transfers	\$ (24,956)	\$ 84	\$ (24,872)
Transfers In	199,485	219,996	419,481
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Changes In Net Position	\$ 174,529	\$ 220,080	\$ 394,609
Total Net Position - Beginning	<u>\$ 226,510</u>	<u>\$ -</u>	<u>\$ 226,510</u>
Total Net Position- Ending	<u><u>\$ 401,039</u></u>	<u><u>\$ 220,080</u></u>	<u><u>\$ 621,119</u></u>

CITY OF SAINT MARYS, PENNSYLVANIA  
 COMBINING STATEMENT OF CASH FLOWS  
 NON MAJOR PROPRIETARY FUNDS  
 For The Year Ended December 31, 2019

	Business-Type Activities - Enterprise Funds		
	Sewer Fund	Sewer Line Replacement Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 6,500	-	\$ 6,500
Payments to Suppliers	(28,293)	-	(28,293)
Payments to Employees	-	-	-
Net Cash Provided by Operating Activities	<u>\$ (21,793)</u>	<u>-</u>	<u>\$ (21,793)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers In	\$ 199,485	\$ 219,996	\$ 419,481
Transfers Out	-	-	-
Increase (Decrease) in Interfund Payables	-	-	-
(Increase) Decrease in Interfund Receivables	-	(18,336)	(18,336)
Increase (Decrease) in Revenue Collected in Advance	-	-	-
Net Cash Provided by (Used In) NonCapital Financing Activities	<u>\$ 199,485</u>	<u>\$ 201,660</u>	<u>\$ 401,145</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and Construction of Capital Assets	(81,122)	-	\$ (81,122)
Proceeds from Capital Contributions	-	-	-
Net Cash Used in Capital and Related Financing Activities	<u>(81,122)</u>	<u>-</u>	<u>\$ (81,122)</u>
<b>Cash Flows from Investing Activities &amp; Refunds of Prior Year Expenditures (Revenue):</b>			
Interest	\$ 703	\$ 84	\$ 787
Refunds of Prior Year Expenditures	-	-	-
Refunds of Prior Year Revenues	-	-	-
Net Cash Provided From Investing Activities & Refunds of Prior Year Expenditures (Revenue)	<u>\$ 703</u>	<u>\$ 84</u>	<u>\$ 787</u>
Net Increase in Cash and Cash Investments	\$ 97,273	\$ 201,744	\$ 299,017
<b>Cash and Cash Equivalents:</b>			
Beginning	<u>\$ 77,714</u>	<u>\$ -</u>	<u>\$ 77,714</u>
Ending	<u>\$ 174,987</u>	<u>\$ 201,744</u>	<u>\$ 376,731</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income	\$ (25,659)	\$ -	\$ (25,659)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>			
Depreciation	\$ 23,453	-	23,453
Uncollectable Receivables	-	-	-
(Increase) decrease in:	-	-	-
Accounts Receivable	-	-	-
Advances to Other Funds	-	-	-
Prepaid Items	-	-	-
Increase (decrease) in:	-	-	-
Accounts Payable	(19,587)	-	(19,587)
Accrued Liabilities	-	-	-
Compensated Absences	-	-	-
Net Cash Provided by Operating Activities	<u>\$ (21,793)</u>	<u>-</u>	<u>\$ (21,793)</u>