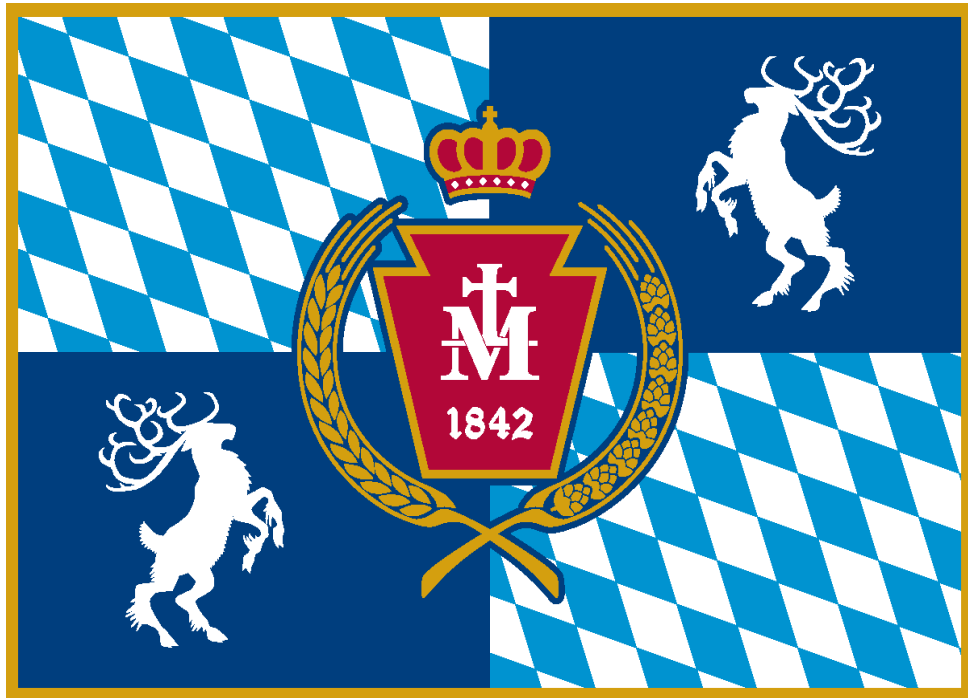


**CITY OF SAINT MARYS, PENNSYLVANIA
DECEMBER 31, 2020**



CITY OF SAINT MARYS, PENNSYLVANIA

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

December 31, 2020

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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, 2020 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, 2020, 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 3–18 and 76–82 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

September 9, 2022

CITY OF SAINT MARYS, PENNSYLVANIA

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, 2020. 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 2020 by \$29.21 million. Of this amount, \$24.32 million is from governmental activities and from this \$4.19 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 \$2.25 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 \$802,054 or 3.4% and the net position of the business-type activities increased by \$385,628 or 8.6%.
- Total revenue of the governmental activities decreased by \$407,095 compared to last year's revenue; and total expenditures of the governmental activities decreased by \$239,121 or 2.75 percent compared to last year.
- In the City's business-type activities, total revenue decreased by \$102,486 or 3.3% and expenses decreased by \$169,996 or 6.2 percent.
- Net investment in capital assets (net capital assets net of related debt) was \$19,889,102 at December 31, 2020, an increase of \$710,074.
- 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 used for the reconstruction of roads, streets and bridges.
- The police pension plan net position held in trust to pay pension benefits increased \$649,838 or 6.64% and the non-uniformed pension plan net position increased 328,681 or 6.4% in 2020.

CITY OF SAINT MARYS, PENNSYLVANIA

Management's Discussion and Analysis

- As of December 31, 2020, the governmental funds reported a combined ending fund balance of \$5,996,836 a decrease of \$36,761 from the prior year. Of the ending fund balance, \$92,702 is non-spendable, \$1,584 is restricted for various projects, \$1,334,860 is committed based on tax levies, \$1,974,723 is committed for capital projects, \$297,723 is assigned for other post-employment benefits and compensated absences, and \$170,440 is assigned for increases in pension liability; and \$2,124,804 is unassigned and available for any purpose and to fund any fund balance that is negative.
- The General Fund reported a fund balance of \$3,599,441. The fund balance increased \$525,602 or 17% from the prior year. There were no transfers from the General Fund to the Capital Reserve Fund in 2020, due to uncertainty of stability with the COVID-19 pandemic.
- Of the \$1.8 million additional proceeds from the refunding of the 2011 bond series, the City spent the remaining funds of \$55,861 left in the 2016 Capital Projects Fund as of December 31, 2020.
- The City guarantees 2.28 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.

CITY OF SAINT MARYS, PENNSYLVANIA

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 19 and 20 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 governmental-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.

CITY OF SAINT MARYS, PENNSYLVANIA

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, I & I Fund and the Sewer 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 other proprietary fund is the Sewer Line Replacement Fund and is considered a non-major proprietary fund. Since this fund is a stand alone fund, it is shown with the major proprietary funds 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 basic proprietary fund financial statements can be found on pages 25-27 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.*

CITY OF SAINT MARYS, PENNSYLVANIA

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 28-29 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 33-84 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 85 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 \$29,214,244 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 (10 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	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current Assets	9,304,894	8,964,463	2,593,249	2,288,551	11,898,143	11,253,014
Other Assets	489,916	466,587	-	-	489,916	466,587
Capital Assets, net	22,602,578	21,621,292	2,643,086	2,440,886	25,245,664	24,062,178
Total Assets	<u>32,397,388</u>	<u>31,052,342</u>	<u>5,236,335</u>	<u>4,729,437</u>	<u>37,633,723</u>	<u>35,781,779</u>
DEFERRED OUTFLOWS OF RESOURCES						
	<u>1,134,151</u>	<u>1,534,890</u>	<u>-</u>	<u>-</u>	<u>1,134,151</u>	<u>1,534,890</u>
LIABILITIES						
Long-Term Liabilities	5,221,574	4,472,744	21,560	17,782	5,243,134	4,490,526
Other Liabilities	2,030,283	2,089,210	320,593	203,101	2,350,876	2,292,311
Total Liabilities	<u>7,251,857</u>	<u>6,561,954</u>	<u>342,153</u>	<u>220,883</u>	<u>7,594,010</u>	<u>6,782,837</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>1,959,620</u>	<u>2,507,270</u>	<u>-</u>	<u>-</u>	<u>1,959,620</u>	<u>2,507,270</u>
NET POSITION						
Invested in Capital Assets, net of debt	17,246,016	16,738,142	2,643,086	2,440,886	19,889,102	19,179,028
Restricted	2,887,311	3,426,345	-	-	2,887,311	3,426,345
Unrestricted	4,186,735	3,353,521	2,251,096	2,067,668	6,437,831	5,421,189
Total Net Position	<u>24,320,062</u>	<u>23,518,008</u>	<u>4,894,182</u>	<u>4,508,554</u>	<u>29,214,244</u>	<u>28,026,562</u>

Table 1 shows Total Primary Government net position increased by \$1,187,682 this year. Governmental Activities had an increase of \$802,054 while the Business-Type Activities had an increase of \$385,628. The increase in current assets in the government activities is \$340,431; cash and cash investments increased \$274,024 as the net pension asset increased 156,204; taxes receivable, increased \$17,084 and interfund receivables decreased \$73,523 .

Capital Assets, net, for primary government, had increases from last year of \$1,183,486. (capital assets of \$3,052,657 less depreciation of \$1,869,171) while *net position invested in capital assets, net of debt* had an increase of \$710,074 for the City combined. The increase of depreciation (1,869,171) counter balances the decrease in debt payments of \$528,480

Governmental Activities unrestricted net position increased from last year by \$833,214 while the Business-Type Activities unrestricted net position increased from last year by \$183,428 or 8.9%. For the Business-Type Activities, the unrestricted net position in 2019 increased by \$37,516 and in 2018 the increase was \$257,948. 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
	2020	2019	2020	2019	2020	2019	
Revenues:							
Program Revenues:							
Charges for Services	\$ 468,927	\$ 557,114	\$ 2,942,224	\$ 3,035,568	\$ 3,411,151	\$ 3,592,682	-5.05%
Operating Grants and Contributions	195,900	125,728	579		196,479	125,728	56.27%
Capital Grants and Contributions	419,492	732,743			419,492	732,743	-42.75%
General Revenue:							
Taxes:							
Total Taxes	6,577,069	6,651,515			6,577,069	6,651,515	-1.12%
Grants and Contributions not restricted to specific programs	1,122,404	1,120,402			1,122,404	1,120,402	0.18%
Sale of Fixed Assets	46,876	39,377	4,144		51,020	39,377	29.57%
Investment Earnings	64,675	166,462	7,815	20,468	72,490	186,930	-61.22%
Miscellaneous	356,669	265,766	3,600	4,812	360,269	270,578	33.15%
Total Revenue	\$ 9,252,012	\$ 9,659,107	\$ 2,958,362	\$ 3,060,848	\$ 12,210,374	\$ 12,719,955	-4.01%
Expenses:							
General Government	\$ 1,618,506	\$ 1,757,752			\$ 1,618,506	\$ 1,757,752	-7.92%
Public Safety	2,393,758	2,541,569			2,393,758	2,541,569	-5.82%
Public Works	3,505,869	3,449,154			3,505,869	3,449,154	1.64%
Human Services	6,134	2,269			6,134	2,269	170.34%
Community & Economic Development	294,773	180,901			294,773	180,901	62.95%
Culture and Recreation	511,305	628,252			511,305	628,252	-18.61%
Interest on Long Term Debt	119,613	129,182			119,613	129,182	-7.41%
Sewage Treatment/Sewer Lines			\$ 2,572,734	\$ 2,742,730	2,572,734	2,742,730	-6.20%
Total Expenditures	\$ 8,449,958	\$ 8,689,079	\$ 2,572,734	\$ 2,742,730	\$ 11,022,692	\$ 11,431,809	-3.58%
Increase in Net Position	\$ 802,054	\$ 970,028	\$ 385,628	\$ 318,118	\$ 1,187,682	\$ 1,288,146	-7.80%
Net Position - January 1	\$ 23,127,520	\$ 21,654,399	\$ 4,508,554	\$ 4,190,436	\$ 27,636,074	\$ 25,844,835	6.93%
Net Position - Adjustment of Net Position	390,488	503,093	-	-	390,488	503,093	
Net Position - December 31	\$ 24,320,062	\$ 23,127,520	\$ 4,894,182	\$ 4,508,554	\$ 29,214,244	\$ 27,636,074	5.71%

Governmental Activities

Table 2 shows revenue and expenditures for both governmental and business-type activities for years 2020 and 2019. Governmental activities revenue for 2020 had a decrease from last year of \$407,095 or 4.2%. Total expenditures for governmental activities decreased by \$239,121 or by (2.75%).

CITY OF SAINT MARYS, PENNSYLVANIA

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:

- **Tax Revenue:** Decrease of \$147,703; EIT of \$149,694 and LST of \$40,551 with an increase in Real Estate Tax of \$20,594; Real Estate Transfer of \$20,954
- **Investment Earnings:** Decrease of \$101,787
- **Charges for Services:** (\$88,187); **Public Works** decreased \$68,789 -Building permits of \$31,733 and parking facilities of \$30,659. **Culture and Recreation** had a decrease of \$32,421 which entailed fees for services at the parks & pool.
- **Operating Grants & Contributions:** \$70,172; **Public Safety** increase of \$58,820; Drug Task Force of \$39,239; COVID-19 grant of \$25,050 **Culture & Recreation** of \$11,352; decrease in Stackpole Hall & PHEAA of \$9,402; received a GBG of \$17,710.
- **Capital Grants & Contributions:** (\$313,251); **Public Works** (\$52,222); decrease in the ECMS Access Rd Project of \$55,073; **Culture & Recreation** (\$244,960) received a PA Greenways grant for the Downtown Event Park of \$225,000 in 2019. And for the **General Government:** In 2019 received an Early Intervention Grant of \$14,613.
- **Miscellaneous Revenue:** An increase of \$90,903 for 2020.

Expenses:

- **General Government** expenses decreased \$139,246 - 8%. Decrease of \$31,000 in HR contract negotiations in 2019; decrease in personnel administration of \$62,000; which included compensated absences to employees and pension cost. Decrease in other expenses of \$66,256 which included transfers to authorities.
- **Public Safety** expenses decreased \$147,811 - 5.8%. Operational cost increased 2.7%; or \$63,856 and net pension expense decreased \$211,715.
- **Public Works** expenses increased \$56,715 or 1.6%. Increase in depreciation cost of \$58,000; decrease in net pension expense of \$68,000 increase of \$72,000 in admin. cost.
- **Community & Economic Development** expenses increased \$113,872. Increase in projects that were completed in 2020 compared to 2019
- **Culture & Recreation** expenses decreased \$116,947. Decrease of \$44,000 in wages & benefits and the difference in operating cost.
- **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 a decrease to pension expense of \$279,175. 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 2021 and future years. The calculation is only for government-wide financial statement purposes.

The following chart shows the decrease in pension expense for 2020 according to GASB Statement No. 68.

<u>Pension Expenses for GASB 68</u>	GASB 68 Pension Expense for Defined Benefit Pension Plans		
	2020	2019	Inc/(Dec)
Governmental Activities:			
General Government	\$ (4,209)	\$ 13,394	\$ (17,603)
Public Works	(16,077)	52,149	(68,226)
Community & Economic Dev.	(659)	2,159	(2,818)
Culture & Recreation	(464)	876	(1,340)
Public Safety:			
Police Officers	(255,148)	(54,680)	(200,468)
Other	(2,618)	8,629	(11,247)
Total Increase/(Decrease) for GASB 68 Pension Expense	\$ (279,175)	\$ 22,527	\$ (301,702)
Pension Expense per Commonwealth of PA	\$ 315,125	\$ 322,591	\$ (7,466)
Total Pension Expense for GASB 68 Pension Expense	\$ 35,950	\$ 345,118	\$ (309,168)

The cost of governmental activities for this year is \$8,449,958 compared to \$8,689,079 from last year a decrease of \$239,121. However, as shown in the Statement of Activities on page 20, the amount that our taxpayers ultimately financed for these activities through City taxes was \$7,365,639 because some of the cost was paid by those who directly benefited from the programs (\$468,927) or by other governments and organizations that subsidized certain programs with grants and contributions (\$615,392).

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	
	2020	2019	2020	2019
General Government	1,618,506	1,757,752	1,468,338	1,597,850
Public Safety	2,393,758	2,541,569	2,201,783	2,412,807
Public Works	3,505,869	3,449,154	3,284,424	3,106,698
Community & Economic Development	294,773	180,901	(80,226)	(191,803)
Culture and Recreation	511,305	628,252	365,573	216,491
All Others	125,747	131,451	125,747	131,451
Totals	8,449,958	8,689,079	7,365,639	7,273,494

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) decreased by \$102,486 and expenditures decreased by \$169,996 from last year. Operating revenue for 2020 is \$2,958,362 and operating expenses are \$2,572,734 leaving a positive balance of \$385,628. The increase in net position increased in 2020 compared to 2019 by \$67,510. In 2018, base rate and consumption charges were \$2,780,572; in 2019 they were \$2,912,250; and in 2020 they were \$2,865,360. So the increase from 2018 to 2019 was \$131,678 and from 2018 to 2020 the increase was \$84,788. But in both years the base rate should have increased by at least \$220,000. City Council raised the base rate \$4 a month on all customers. With 4,586 customers, this should have increased revenue by \$220,128 for 2019 and 2020. In the past few years, the City has experienced a decline in the consumption charge revenue for sewer service. In 2019 the revenue decreased \$88,000 from 2018, and in 2020 the decrease from 2019 to 2020 was \$46,000. This \$4 increase in the monthly sewer base rate charges is for the replacement of sewer lines. Expenditures from 2019 to 2020 decreased \$169,996. Part of this was from the 2015 bond issue being paid off in 2019. Debt expense for 2019 was \$972,214 and for 2020 it was \$790,032 a difference of \$182,182.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 21) reported a combined fund balance of \$5,996,836, which is lower than last year's total of \$6,033,597 or a decrease of \$36,761. The General Funds' *fund balance* increased \$525,602 in 2020. This year there were no transfers from the General Fund to the Capital Reserve fund for capital projects. The City would transfer a % of the unrestricted fund balance, but due to the COVID-19 crisis it was best to wait.

The capital reserve fund and the 2016 capital projects fund recorded lower fund balances in 2020 compared to 2019. The 2016 capital projects fund was completely expensed out in 2020 and the fund was closed. For the capital reserve fund, expenditures exceeded the amount that was transferred into the fund for 2020

CITY OF SAINT MARYS, PENNSYLVANIA

Management's Discussion and Analysis

For the General Fund, revenue collected was under budget by \$200,978. The City was under budget by \$170,400 in tax revenue; Earned Income tax was \$181,310 and Local Service Tax was \$40,895. Other revenue sources under budget was Licenses & Permits by \$8,818; Fines by 5,032, Interest Earnings of \$39,861 and Parking Facilities of \$22,086. The City did receive more than budgeted in Capital & Operating Grants by \$80,812 and Charges for Services of \$22,277.

Operating expenditures were under budget projections by \$726,580. All departments in the General Fund were under their budgeted amounts. General Government by \$147,179; Public Safety by \$85,328; Public Works by \$410,509; Economic Development by \$61,392; Miscellaneous and Interfund Operating Transfers of \$22,172. With the pandemic it was hard to complete projects with the lack of services and supplies that were not available.

The Airport Industrial Park Project Fund had a negative fund balance at the end of 2020 of \$658,867 a decrease of \$2 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 2020 is \$659,719. In 2021, the loan due to the CFA was incorporated into the refinancing of the 2016 bond issue which closed this loan due to the CFA.

The Parking Garage Fund's *fund balance* has a negative balance of \$262,341 as of December 31, 2020. This is a decrease of \$20,127 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 \$705,659. The total fund balance of \$1,974,723 is considered a committed fund balance. The Capital Reserve Fund is reserved for future capital projects and equipment. In 2020 there was \$2,951,581 budgeted for capital expenditures, and actual expenses of \$2,409,302. Construction work on Access Rd paid through the ECMS grant was not completed in 2020 but was in the budget. Budgeted amount of this project was \$569,404. A transfer of \$493,354 was made to the Streets, Roads, Bridges and Storm Sewers account for future road projects.

The Debt Fund had a fund balance of \$321,927 as of December 31, 2020. This is an increase of \$1,248 from 2019. This fund balance is considered committed as it is solely used to receive and pay for outstanding debt of the City. This fund shows total annual debt service of the City by principal and interest. The City does commit 1.908 mills of real estate tax revenue to cover the debt of the 2016 bond issue.

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. The remaining funds of \$55,861 was used in 2020 for the road construction project. This fund is considered closed.

CITY OF SAINT MARYS, PENNSYLVANIA

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 2020. Total cost reimbursed by the CDBG program for 2020 was \$374,349. Project cost consisted of \$149,056 towards housing rehabilitation; \$6,650 towards park projects; \$41,347 towards the sidewalk program; \$117,122 towards spot and blight buildings and \$60,174 towards administration cost.

The Street Lighting Tax Fund has a fund balance of \$190,800 a decrease of \$33,257 as of December 31, 2020. 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. \$54,193 went towards the lighting in the new downtown event park.

The Fire Protection Fund had a fund balance of \$596,959 and increase of \$127,882 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 \$196,908 at the end of 2020 with an increase of \$77,128. 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 \$126,429 and conveys this to the St. Marys Public Library for their services and the Ambulance Fund receives .10 of a mill annually or \$21,798 and this is turned over to the St. Marys Ambulance Service. The fund balance of \$6,056 for the Library Fund and \$5,093 for the Ambulance Fund is considered a committed fund balance.

The Fire Hydrant Fund receives .3 of a mill annually or \$65,394. 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 \$1,760 for 2020 with an ending balance of \$15,097. 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 \$934 as of the end of 2020. This money is received from the Commonwealth of Pennsylvania, Department of Transportation. The City receives this funding every year and it pays for snow removal, street repairs, traffic signal cost and maintenance; and storm sewers and drainage. The funding also pays for the street improvement loans through the Pennsylvania Infrastructure Bank. The City 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.

CITY OF SAINT MARYS, PENNSYLVANIA

Management's Discussion and Analysis

The Shade Tree Fund had a fund balance of \$9,456 as of December 31, 2020 with an increase in fund balance of \$1,777. 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 2020, there were no changes made to the original budget adopted by Council in 2019. Total program revenue for the General Fund is \$6,616,743 and total program expenditures are \$5,851,617 with an excess of revenues over expenditures of \$765,126. Capital asset sales for 2020 were \$782 and total funds transferred into the General Fund was \$506,011 and funds transferred out to other City funds was \$746,317 leaving an increase in fund balance of \$525,602 for 2020. Total actual revenue received was \$200,978 less than budgeted revenue and total actual expenditures incurred were \$726,580 less than budgeted expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2020, the City had \$25,245,664 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 \$1,183,486 or 4.9%, 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	
	2020	2019	2020	2019	2020	2019
Land	658,810	604,426	11,692	11,692	670,502	616,118
Construction in Progress	1,242,252	849,456	51,872	51,872	1,294,124	901,328
Building & Improvements	10,501,355	10,757,096	162,959	171,298	10,664,314	10,928,394
Equipment	2,124,708	1,964,635	832,408	691,480	2,957,116	2,656,115
Improvements	385,355	406,347	10,017	-	395,372	406,347
Infrastructure	7,690,098	7,039,332	1,574,138	1,514,544	9,264,236	8,553,876
Totals	\$ 22,602,578	\$ 21,621,292	\$ 2,643,086	\$ 2,440,886	\$ 25,245,664	\$ 24,062,178

CITY OF SAINT MARYS, PENNSYLVANIA

Management's Discussion and Analysis

This year's major additions include:

General Administration capital cost totaled \$133,843. This includes major additions of:

- Computer Replacements of \$6,561
- Renovations City Hall 3rd floor offices and bathroom of \$24,132
- Renovations to the HVAC units of \$103,150

Public Safety capital cost totaled \$28,908. This includes:

- 2021 Chevy Colorado truck - Code Enforcement office of \$28,908

Public Works capital cost totaled \$2,032,365. This includes major additions of:

- 2021 Freightliner - Dump truck with radio: \$153,691
- 2021 Freightliner - Combo Leaf/Sewer/Radio: \$203,986
- 2020 Ford F550 Truck/Bed/Radio: \$82,292
- Bobcat L28 Loader/Radio: \$40,931
- Asphalt Recycling trailer: \$42,482
- 2020 Street Paving Project: \$1,447,657
- Screening Project: \$25,719
- McGill Street Realignment Project: \$35,607

Culture & Recreation cost totaled \$24,082. This includes major additions of:

- Ice Skating Rink - Benzinger Park: \$4,769
- Computer Replacements: \$1,603
- Benzinger Park Upgrade to the Softball Fields: \$17,710

Public Works - Sanitary Sewer capital cost totaled \$386,279. This includes major additions of:

- Equipment: \$67,041
- 2021 Freightliner truck/Hook Lift - Jetter: \$118,631
- 2021 Chevy 3500T Silverado Dump truck: \$60,015
- Sewage Treatment Plant Infrastructure Projects: \$140,592

Construction in Progress total cost to date is \$447,180. This includes major additions of:

- Downtown Event Park project - \$329,438
- Access Road project - \$32,259
- Sara Road Bridge project - \$85,483

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	
	2020	2019	2019	2018	2019	2018
General Obligation Notes	\$ 1,532,369	\$ 750,849	\$ -	\$ -	\$ 1,532,369	\$ 750,849
Revenue Bonds	3,845,000	4,155,000	-	-	3,845,000	4,155,000
Totals	\$ 5,377,369	\$ 4,905,849	\$ -	\$ -	\$ 5,377,369	\$ 4,905,849

CITY OF SAINT MARYS, PENNSYLVANIA

A summary of long-term debt as of December 31, 2020:

●	Fire Trucks	\$12,231
●	Street Improvements	\$1,520,138
●	Bond Issue	\$3,845,000

A summary of long-term debt that the City guarantees as of December 31, 2020:

●	2007 Airport Industrial Park;	\$659,719
●	Pennvest Loan; (Municipal Authority)	\$942,441
●	2012 Benzinger Twp. Golf Note Modify;	\$594,465
●	2012 Benzinger Twp. Golf Note	\$56,447
●	2013 Benzinger Twp. Golf Note	\$27,137

The City's Standard & Poor's Underlying rating is: "AA" / Stable Outlook and insured rating is "A+". The City's borrowing base for 2021 is \$8,282,541 - (250% of this for Net non-electoral debt limitation (\$20,706,353) and 350% of this for net non-electoral debt plus lease rental debt. (\$28,988,894).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2021 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 12/31/2020 was 7.7%; in 2019 it was 7% and in 2018 the unemployment rate was 3.9%. The COVID-19 pandemic hit the St. Marys area with unemployment in April and May with rates at 26.8% and 20.5%. The unemployment rate did not drop until October with a rate of 7.5%.

The City's Total Governmental Funds budget for 2021 is \$12,773,968 and the Enterprise Funds budget for 2021 is \$3,609,692.

The 2021 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 \$3,876,710 and taxable assessed value of property is estimated at \$220,150,180. The General Fund will receive \$2,624,364 of this total. 2021's General Fund's budget is 2.6% more than last year with a total of \$7,514,404.

The Earned Income Tax rate remained the same as 2020's at .7%. This is estimated to generate \$2,100,000 in tax revenue. \$498,000 of this will be used for the reconstruction of streets, roads and bridges.

For 2021, City Council took a conservative approach to budgeting revenue and expenditures. With the pandemic, tax revenue was reduced and the budget was balanced using unrestricted fund balance monies and no transfer was budgeted to the capital reserve fund.

CITY OF SAINT MARYS, PENNSYLVANIA

For the Business-Type Funds budget for 2021, City Council voted to change the sewer rates for residential customers. The base rate was changed from \$26.50 to \$50.50. The consumption rate was dropped for residential customers, so residents pay \$50.50 a month for sewer service. For industry and other customers, the rates stayed the same, with industry at \$54.00 for a base rate and other customers paying \$34.00 a month for a base rate and both pay a consumption rate of \$4.91 per thousand gallons of water usage. With this increase in the residential rates, an additional \$500,000 was generated for future repairs and replacements of sewer lines within the City. The City was able to balance the Enterprise Funds budget for 2021 with the elimination of the 2015 bond issue. Total budget for the Enterprise funds for 2021 is \$3,609,692 with \$1.4M going towards capital projects.

In 2021, the sewer rates for industry and other customers will be analyzed and changed to meet the needs to upgrade the buildings and infrastructure at the sewage treatment plant.

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, 2020

ASSETS	Governmental	Primary Government	Total
	Activities	Business-Type Activities	
Cash and Cash Investments	\$ 6,257,524	\$ 2,219,346	\$ 8,476,870
Taxes Receivable	1,102,343		1,102,343
Accounts Receivable, Net	43,437	324,411	367,848
Due From Other Governments	166,822		166,822
Allowance for Uncollectible Due from Governments	(108,820)		(108,820)
Interfund Receivables	416,021	36,656	452,677
Prepaid Expenses	92,702	12,836	105,538
Net Pension Asset	1,334,865		1,334,865
Capital Assets:			
Construction In Progress	1,242,252	51,872	1,294,124
Infrastructure	15,060,327	1,746,181	16,806,508
Land	658,810	21,751	680,561
Buildings & Building Improvements	14,579,127	212,526	14,791,653
Equipment	8,097,922	2,417,027	10,514,949
Improvements	1,430,395		1,430,395
Accumulated Depreciation	(18,466,255)	(1,806,271)	(20,272,526)
Other Assets: Long-Term Note Receivable (net)	489,916		489,916
Total Assets	32,397,388	5,236,335	37,633,723
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources for pensions	1,105,553		1,105,553
Deferred Outflows of Resources for other post employment benefits	28,598		28,598
Total Deferred Outflows of Resources	1,134,151	-	1,134,151
LIABILITIES			
Accounts Payable and Payroll Taxes	333,230	159,327	492,557
Other Accrued Liabilities	105,747	14,252	119,999
Due To Other Governments		60,875	60,875
Interfund Payables	1,029,356	83,039	1,112,395
Unearned Revenue	37,379	3,100	40,479
Unavailable Revenue	3,736		3,736
Compensated Absences - long -term portion	154,154	21,560	175,714
Other Post-Employment Benefits	231,693		231,693
Notes Payable - current portion	205,835		205,835
Notes Payable - long - term portion	1,326,534		1,326,534
Bonds Payable - current portion	315,000		315,000
Bonds Payable - long -term portion	3,509,193		3,509,193
Total Liabilities	7,251,857	342,153	7,594,010
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources for pensions	1,954,962		1,954,962
Deferred Inflows of Resources for other postemployment benefits	4,658		4,658
Total Deferred Inflows of Resources	1,959,620	-	1,959,620
NET POSITION			
Invested in Capital Assets, Net of Related Debt	\$ 17,246,016	\$ 2,643,086	\$ 19,889,102
Restricted For:			
Capital Projects	1,974,723		1,974,723
Airport Industrial Park Project	(658,867)		(658,867)
Parking Garage	(262,341)		(262,341)
Community Development Projects	489,916		489,916
Debt Services	321,927		321,927
Other Purposes	1,021,953		1,021,953
Unrestricted	4,186,735	2,251,096	6,437,831
Total Net Position	\$ 24,320,062	\$ 4,894,182	\$ 29,214,244

CITY OF SAINT MARYS, PENNSYLVANIA

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2020

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	\$ 1,618,506	\$ 150,168			\$ (1,468,338)		\$ (1,468,338)
Public Safety	2,393,758	88,284	\$ 101,191	2,500	(2,201,783)		(2,201,783)
Public Works	3,505,869	185,952		35,493	(3,284,424)		(3,284,424)
Human Services	6,134				(6,134)		(6,134)
Community and Economic Development	294,773			374,999	80,226		80,226
Culture and Recreation	511,305	44,523	94,709	6,500	(365,573)		(365,573)
Interest On Long- Term Debt	119,613				(119,613)		(119,613)
Total Governmental Activities	<u>\$ 8,449,958</u>	<u>\$ 468,927</u>	<u>\$ 195,900</u>	<u>\$ 419,492</u>	<u>\$ (7,365,639)</u>	<u>-</u>	<u>\$ (7,365,639)</u>
Business-Type Activities:							
Sewer	\$ 2,572,734	\$ 2,942,224	579			\$ 370,069	\$ 370,069
Total Business-Type Activities	<u>2,572,734</u>	<u>2,942,224</u>	<u>579</u>	<u>-</u>	<u>-</u>	<u>370,069</u>	<u>370,069</u>
Total Primary Government	<u>\$ 11,022,692</u>	<u>\$ 3,411,151</u>	<u>\$ 196,479</u>	<u>\$ 419,492</u>	<u>\$ (7,365,639)</u>	<u>\$ 370,069</u>	<u>\$ (6,995,570)</u>
General Revenues:							
Taxes							
Real Estate					\$ 4,061,685		\$ 4,061,685
Per Capita					40,635		40,635
Real Estate Transfer					144,845		144,845
Earned Income					2,020,799		2,020,799
Local Service Tax					309,105		309,105
Intergovernmental Revenues					1,122,404		1,122,404
Interest					64,675	\$ 7,815	72,490
Gain on Sale of Capital Assets					46,876	4,144	51,020
Miscellaneous					356,669	3,600	360,269
Total General Revenues and Transfers					<u>\$ 8,167,693</u>	<u>\$ 15,559</u>	<u>\$ 8,183,252</u>
Changes in Net Position					\$ 802,054	\$ 385,628	\$ 1,187,682
Net Position - Beginning - Restated					<u>23,518,008</u>	<u>4,508,554</u>	<u>28,026,562</u>
Net Position - Ending					<u>\$ 24,320,062</u>	<u>\$ 4,894,182</u>	<u>\$ 29,214,244</u>

CITY OF SAINT MARYS, PENNSYLVANIA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

<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	\$ 3,079,850	\$ 852	\$ 84,355	\$ 1,765,752	\$ 1,326,715	\$ 6,257,524
Taxes Receivable	965,930				136,413	1,102,343
Accounts Receivable	43,437				-	43,437
Due from other Governments	24,065			39,000	103,757	166,822
Allowance for Uncollectible Due From Other Governments				(39,000)	(69,820)	(108,820)
Interfund Receivables	59,754			356,267	-	416,021
Prepaid Items	85,266				7,436	92,702
Total Assets	\$ 4,258,302	\$ 852	\$ 84,355	\$ 2,122,019	\$ 1,504,501	\$ 7,970,029
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts Payable and Payroll Taxes	\$ 173,239			\$ 147,296	\$ 12,695	\$ 333,230
Accrued Liabilities	104,279				1,468	105,747
Interfund Payables	9,571	\$ 659,719	\$ 346,696		13,370	1,029,356
Unearned Revenue	11,040				26,339	37,379
Unavailable Revenue	3,736					3,736
Unavailable Revenue- Taxes	356,996				106,749	463,745
Total Liabilities	\$ 658,861	\$ 659,719	\$ 346,696	\$ 147,296	\$ 160,621	\$ 1,973,193
 Fund Balances:						
Nonspendable:	\$ 85,266				\$ 7,436	\$ 92,702
Restricted:					1,584	1,584
Committed:				\$ 1,974,723	1,334,860	3,309,583
Assigned:	468,163				-	468,163
Unassigned:	3,046,012	\$ (658,867)	\$ (262,341)		-	2,124,804
Total Fund Balances	\$ 3,599,441	\$ (658,867)	\$ (262,341)	\$ 1,974,723	\$ 1,343,880	\$ 5,996,836
Total Liabilities and Fund Balances	\$ 4,258,302	\$ 852	\$ 84,355	\$ 2,122,019	\$ 1,504,501	\$ 7,970,029

CITY OF SAINT MARYS, PENNSYLVANIA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2020

Fund Balances - Total Governmental Funds \$ 5,996,836

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	\$ 41,068,833	
Less: accumulated depreciation	<u>(18,466,255)</u>	
		22,602,578

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	
Taxes receivable	463,745	
Present Value Adjustment of Long-Term note receivable	<u>(480,084)</u>	
		953,661

The net pension asset is not reflected on the fund statements. 1,334,865

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. (825,469)

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	\$ (231,693)	
Compensated absences	(154,154)	
Notes payable	(1,532,369)	
Bonds payable	<u>(3,824,193)</u>	
		<u>(5,742,409)</u>

Net Position of Governmental Activities \$ 24,320,062

CITY OF SAINT MARYS, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2020

	General Fund	Airport Industrial Park Fund	Parking Garage Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 5,198,558				\$ 1,305,254	\$ 6,503,812
Intergovernmental	731,724			\$ 18,388	904,235	1,654,347
Charges for Services	261,024				44,346	305,370
Licenses and Permits	22,732				-	22,732
Fines and Forfeitures	72,967				-	72,967
Interest and Rentals	83,031	\$ 1	\$ 127	17,439	8,604	109,202
Miscellaneous	246,707			109,206	84,206	440,119
Total Revenues	<u>\$ 6,616,743</u>	<u>\$ 1</u>	<u>\$ 127</u>	<u>\$ 145,033</u>	<u>\$ 2,346,645</u>	<u>\$ 9,108,549</u>
Expenditures:						
Current:						
General Government	\$ 1,398,586					\$ 1,398,586
Public Safety	2,138,026				\$ 253,950	2,391,976
Public Works	2,135,135				90,926	2,226,061
Human Services	6,134					6,134
Community and Economic Development	35,865				257,227	293,092
Culture and Recreation					449,279	449,279
Debt Service:						
Principal					528,480	528,480
Interest					117,721	117,721
Capital Outlays				\$ 2,409,302	249,840	2,659,142
Other	137,871				800	138,671
Total Expenditures	<u>\$ 5,851,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,409,302</u>	<u>\$ 1,948,223</u>	<u>\$ 10,209,142</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 765,126</u>	<u>\$ 1</u>	<u>\$ 127</u>	<u>\$ (2,264,269)</u>	<u>\$ 398,422</u>	<u>\$ (1,100,593)</u>
Other Financing Sources (Uses):						
Capital Assets Sales	\$ 782			\$ 58,100	4,950	\$ 63,832
Transfers In	506,011	\$ 1	\$ 20,000	500,510	238,162	1,264,684
Transfers Out	(746,317)				(518,367)	(1,264,684)
Notes Issued				1,000,000		1,000,000
Total Other Financing Sources (Uses)	<u>\$ (239,524)</u>	<u>\$ 1</u>	<u>\$ 20,000</u>	<u>\$ 1,558,610</u>	<u>\$ (275,255)</u>	<u>\$ 1,063,832</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 525,602</u>	<u>\$ 2</u>	<u>\$ 20,127</u>	<u>\$ (705,659)</u>	<u>\$ 123,167</u>	<u>\$ (36,761)</u>
Fund Balance - Beginning	<u>\$ 3,073,839</u>	<u>\$ (658,869)</u>	<u>\$ (282,468)</u>	<u>\$ 2,680,382</u>	<u>\$ 1,220,713</u>	<u>\$ 6,033,597</u>
Fund Balance - Ending	<u>\$ 3,599,441</u>	<u>\$ (658,867)</u>	<u>\$ (262,341)</u>	<u>\$ 1,974,723</u>	<u>\$ 1,343,880</u>	<u>\$ 5,996,836</u>

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, 2020

Net Changes in Fund Balances - Total Governmental Funds \$ (36,761)

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	\$ 2,666,378	
Less: current year depreciation	<u>(1,668,136)</u>	998,242

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		(16,956)
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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	\$ 23,329	23,329
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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	(36,080)	
Other Post-Employment Benefits	<u>(32,680)</u>	(70,652)

Net revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

73,257

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	\$ 528,480	
Notes Issued	<u>(1,000,000)</u>	(471,520)

Changes in the net other postemployment benefits liability and related deferred inflows and outflows of resources do not affect current financial resources and, therefore, are not reflected on the fund statements.

	\$ 23,940	23,940
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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.

	\$ 279,175	<u>279,175</u>
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Change in Net Position of Governmental Activities

\$ 802,054

CITY OF SAINT MARYS, PENNSYLVANIA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2020

ASSETS	Business-Type Activities - Enterprise Funds				Total
	Sewage Treatment Fund	Sewer Fund	I & I Fund	Sewer Line Replacement Fund	
Current Assets:					
Cash and Cash Investments	\$ 860,530	\$ 348,332	\$ 588,534	\$ 421,950	\$ 2,219,346
Accounts Receivable, Net	324,411				324,411
Interfund Receivables			18,328	18,328	36,656
Prepaid Items	12,836				12,836
Total Current Assets	\$ 1,197,777	\$ 348,332	\$ 606,862	\$ 440,278	\$ 2,593,249
Noncurrent Assets:					
Capital Assets:					
Construction in Progress			\$ 51,872		\$ 51,872
Infrastructure	\$ 1,308,323	\$ 137,858	\$ 300,000		1,746,181
Land & Land Improvements	11,692	10,059	-		21,751
Buildings and Building Improvements	150,080	62,446			212,526
Equipment	1,985,875	414,045	17,107		2,417,027
Accumulated Depreciation	(1,733,213)	(59,659)	(13,399)		(1,806,271)
Total Noncurrent Assets	\$ 1,722,757	\$ 564,749	\$ 355,580	\$ -	\$ 2,643,086
Total Assets	\$ 2,920,534	\$ 913,081	\$ 962,442	\$ 440,278	\$ 5,236,335
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts Payable and Payroll Taxes	\$ 57,667	\$ 101,660			\$ 159,327
Accrued Liabilities	14,252				14,252
Due To Other Governments	60,875				60,875
Interfund Payables	83,039				83,039
Unearned Revenue	3,100				3,100
Total Current Liabilities	\$ 218,933	\$ 101,660	\$ -	\$ -	\$ 320,593
Non-Current Liabilities:					
Compensated Absences - Long Term Portion	\$ 21,560			-	\$ 21,560
Total Non-Current Liabilities	\$ 21,560	\$ -	\$ -	\$ -	\$ 21,560
Total Liabilities	\$ 240,493	\$ 101,660	\$ -	\$ -	\$ 342,153
Net Position:					
Invested in Capital Assets, Net of Related Debt	\$ 1,722,757	\$ 564,749	\$ 355,580	\$ -	\$ 2,643,086
Unrestricted	957,284	246,672	606,862	440,278	2,251,096
Total Net Position	\$ 2,680,041	\$ 811,421	\$ 962,442	\$ 440,278	\$ 4,894,182
Total Liabilities and Net Position	\$ 2,920,534	\$ 913,081	\$ 962,442	\$ 440,278	\$ 5,236,335

CITY OF SAINT MARYS, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 For The Year Ended December 31, 2020

	Business-Type Activities - Enterprise Funds				Total
	Sewage Treatment Fund	Sewer Fund	I & I Fund	Sewer Line Replacement Fund	
Operating Revenues:					
Charges for Services	\$ 2,940,074	\$ 2,150	\$ -	\$ -	\$ 2,942,224
Miscellaneous	206	-	-	-	206
Total Operating Revenues	<u>\$ 2,940,280</u>	<u>\$ 2,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,942,430</u>
Operating Expenses:					
Public Works	\$ 2,495,945	\$ 33,023	\$ 43,766	-	\$ 2,572,734
Operating Income	<u>\$ 444,335</u>	<u>\$ (30,873)</u>	<u>\$ (43,766)</u>	<u>\$ -</u>	<u>\$ 369,696</u>
Non-Operating Revenues (Expenditures):					
Intergovernmental	\$ 579				\$ 579
Interest Income	4,609	\$ 353	\$ 2,475	\$ 378	\$ 7,815
Sale of General Fixed Assets	4,144				4,144
Refunds from Prior Year Expenditures	3,319				3,319
Refunds from Prior Year Revenue					-
Uncollectible Receivables	75				75
Total Non-Operating Revenues (Expenditures)	<u>\$ 12,726</u>	<u>\$ 353</u>	<u>\$ 2,475</u>	<u>\$ 378</u>	<u>\$ 15,932</u>
Income Before Transfers	\$ 457,061	\$ (30,520)	\$ (41,291)	\$ 378	\$ 385,628
Transfers In	-	440,902	229,820	219,820	890,542
Transfers Out	(890,542)	-	-	-	(890,542)
Changes In Net Position	\$ (433,481)	\$ 410,382	\$ 188,529	\$ 220,198	\$ 385,628
Total Net Position - Beginning	<u>\$ 3,113,522</u>	<u>\$ 401,039</u>	<u>\$ 773,913</u>	<u>\$ 220,080</u>	<u>\$ 4,508,554</u>
Total Net Position- Ending	<u>\$ 2,680,041</u>	<u>\$ 811,421</u>	<u>\$ 962,442</u>	<u>\$ 440,278</u>	<u>\$ 4,894,182</u>

CITY OF SAINT MARYS, PENNSYLVANIA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For The Year Ended December 31, 2020

	Business-Type Activities - Enterprise Funds				Total
	Sewage Treatment Fund	Sewer Fund	I & I Fund	Sewer Line Replacement Fund	
Cash Flows from Operating Activities:					
Receipts from Customers	\$ 2,939,469	\$ 2,150	\$ -		\$ 2,941,619
Payments to Suppliers	(1,923,478)	99,112	(31,200)		(1,855,566)
Payments to Employees	(408,808)	-	-	-	(408,808)
Net Cash Provided by Operating Activities	<u>\$ 607,183</u>	<u>\$ 101,262</u>	<u>\$ (31,200)</u>	<u>\$ -</u>	<u>\$ 677,245</u>
Cash Flows from Noncapital Financing Activities:					
Transfers In	\$ -	\$ 440,902	\$ 229,820	\$ 219,820	\$ 890,542
Transfers Out	(890,542)			-	(890,542)
Increase (Decrease) in Interfund Payables	608			-	608
(Increase) Decrease in Interfund Receivables		-	8	8	16
Operating Grants	579	-	-	-	579
Net Cash Provided by (Used In) NonCapital Financing Activities	<u>\$ (889,355)</u>	<u>\$ 440,902</u>	<u>\$ 229,828</u>	<u>\$ 219,828</u>	<u>\$ 1,203</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets		\$ (369,172)	\$ (17,107)	\$ -	\$ (386,279)
Proceeds from Capital Contributions	4,144			-	4,144
Net Cash Used in Capital and Related Financing Activities	<u>\$ 4,144</u>	<u>\$ (369,172)</u>	<u>\$ (17,107)</u>	<u>\$ -</u>	<u>\$ (382,135)</u>
Cash Flows from Investing Activities & Refunds of Prior Year Expenditures (Revenue):					
Interest	\$ 4,609	\$ 353	\$ 2,475	\$ 378	\$ 7,815
Refunds of Prior Year Expenditures	3,319			-	3,319
Refunds of Prior Year Revenues				-	-
Net Cash Provided From Investing Activities & Refunds of Prior Year Expenditures (Revenue)	<u>\$ 7,928</u>	<u>\$ 353</u>	<u>\$ 2,475</u>	<u>\$ 378</u>	<u>\$ 11,134</u>
Net Increase in Cash and Cash Investments	\$ (270,100)	\$ 173,345	\$ 183,996	\$ 220,206	\$ 307,447
Cash and Cash Equivalents:					
Beginning	<u>\$ 1,130,630</u>	<u>\$ 174,987</u>	<u>\$ 404,538</u>	<u>\$ 201,744</u>	<u>\$ 1,911,899</u>
Ending	<u>\$ 860,530</u>	<u>\$ 348,332</u>	<u>\$ 588,534</u>	<u>\$ 421,950</u>	<u>\$ 2,219,346</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income	\$ 444,335	\$ (30,873)	\$ (43,766)	\$ -	\$ 369,696
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	138,489	\$ 33,023	\$ 12,566		184,078
Uncollectable Receivables	75				75
(Increase) decrease in:					
Accounts Receivable	(811)				(811)
Prepaid Items	3,544				3,544
Increase (decrease) in:					
Accounts Payable	14,957	99,112	-		114,069
Accrued Liabilities	2,816				2,816
Compensated Absences	3,778				3,778
Net Cash Provided by Operating Activities	<u>\$ 607,183</u>	<u>\$ 101,262</u>	<u>\$ (31,200)</u>	<u>\$ -</u>	<u>\$ 677,245</u>

CITY OF SAINT MARYS, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

December 31, 2020

	Police Pension Plan	Non-Uniformed Employees Pension Plan	Custodial Fund
<u>ASSETS</u>			
Cash and Cash Investments	\$ 211,309	\$ 72,835	\$ 4,931
Due From Airport Industrial Park Fund Investments, at Fair Value:			659,719
Money Market	87,949	77,445	
U.S. Government Obligations	1,783,645	940,751	
U.S. Government Related Obligations	716,225	372,473	
Corporate Bonds	1,268,668	659,516	
Mortgage Backed Securities	48,730	-	
Common Stocks	5,189,774	2,750,130	
International Mutual Funds	1,137,384	610,051	
Total Investments	\$ 10,232,375	\$ 5,410,366	\$ -
Total Assets	\$ 10,443,684	\$ 5,483,201	\$ 664,650
<u>LIABILITIES</u>			
Accounts Payable and Escrow Liabilities	\$ 89,504	\$ 3,751	\$ 664,650
Total Liabilities	\$ 89,504	\$ 3,751	\$ 664,650
<u>NET POSITION</u>			
Restricted for Pensions	\$ 10,354,180	\$ 5,479,450	\$ -
Total Net Position	\$ 10,354,180	\$ 5,479,450	\$ -

CITY OF SAINT MARYS, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2020

	Police Pension Plan	Non-Uniformed Employees Pension Plan
<u>ADDITIONS</u>		
Contributions:		
Plan Members	\$ 47,682	\$ 52,408
State	226,754	88,371
City Contributions	-	-
Total Contributions	\$ 274,436	\$ 140,779
Net Investment Income (Loss):		
Net Appreciation (Depreciation) in fair value of Investments	\$ 92,512	\$ 46,292
Interest/Dividends	256,869	132,918
Net Realized Gains (Losses)	444,497	242,256
Total Investment Income (Loss)	\$ 793,878	\$ 421,466
Less Investment Expenses	40,313	21,210
Net Investment Income	753,565	400,256
Total Additions (Deductions)	\$ 1,028,001	\$ 541,035
<u>DEDUCTIONS</u>		
Benefits	\$ 460,171	\$ 212,905
Administrative Expenses	4,190	3,200
Total Deductions	\$ 464,361	\$ 216,105
Change in Net Position	563,640	324,930
Net Position - Beginning	9,790,540	5,154,520
Net Position - Ending	\$ 10,354,180	\$ 5,479,450

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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:

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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, the I & I Fund, and the Sewer Fund are the City's major enterprise funds. The Sewer Line Replacement Fund is a non-major fund, but for reporting purposes it is listed with the major funds in this report.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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	\$ 422,408
Per Capita Taxes Receivable	347
R.E. Transfer Tax Receivable	29,735
Earned Income Tax Receivable	564,432
Local Service Tax Receivable	<u>85,421</u>
Taxes Receivable, Gross	1,102,343
Less: Uncollected Taxes	<u>(463,745)</u>
Taxes Receivable, Net	<u>\$ 638,598</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

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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 \$2,887,311 of restricted net position, of which \$1,584 is restricted by enabling legislation. These amounts are net of the \$921,208 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. Sick leave shall be earned on an accrual bases of 4.615 hours per pay period (26). Officers can carry over up to 10 days of vacation from one calendar 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

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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 2020 were \$175,714

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.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020

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, 2020. 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, 2020, the carrying amount of the City's cash deposits with financial institutions was \$8,757,845 and the financial institutions balances totaled \$8,876,798 which is categorized as follows:

Category 1	\$ 577,560
Category 3	<u>8,299,238</u>
Total Cash Deposits	<u><u>\$ 8,876,798</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, 2020

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, 2020, the credit quality ratings of the Pension Trust Funds' investments are as follows:

Investment Type	Fair Value	Rating
US Government Obligations:		
US Treasury Bonds	\$ 2,724,396	AA+
US Government Related Obligations:		
US Agency Bonds	\$ 1,088,698	AA+
Mortgage Backed Securities:	\$ 48,730	AA+
Corporate Bonds:		
Domestic	16,075	BBB-
Domestic	210,328	BBB
Domestic	575,861	BBB+
Domestic	161,160	AA-
Domestic	530,200	A-
Domestic	145,858	A
Domestic	124,565	A+
Domestic	46,830	AA
Domestic	60,680	AA+
Domestic	56,627	AAA
Total Corporate Bonds	\$ 1,928,184	
Domestic Equities:		
Common Stocks	7,249,619	N/A
Class A	118,728	N/A
Class B	101,250	N/A
Class C	179,121	N/A
COM USD1	82,236	N/A
COM USD0.01 WI	30,272	
Conti Val Rights WI	1,035	N/A
PFD Customer Service	177,643	BBB-
Total Domestic Equities	\$ 7,939,904	N/A
International Equities:		
International Mutual funds	\$ 1,747,435	N/A
Money Market Funds	\$ 165,394	N/A
Total Investments	\$ 15,642,741	

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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, 2020 included the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturities (Years)</u>		
		<u>0-5</u>	<u>6-10</u>	<u>11-15</u>
US Government Obligations	\$ 2,724,396	\$ 1,869,617	\$ 854,779	-
US Govt. Agency Obligations	1,088,698	862,006	226,692	-
Corporate Bonds	1,928,184	1,175,839	715,747	36,598
Mortgage Backed Securities	48,730	-	-	\$ 48,730
Total by Maturity Dates	<u>\$ 5,790,008</u>	<u>\$ 3,907,462</u>	<u>\$ 1,797,218</u>	<u>\$ 85,328</u>
Domestic Equities	7,939,904			
International Equities	1,747,435			
Money Market Funds	165,394			
Total Investments	<u>\$ 15,642,741</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, 2020:

<u>Investments by Fair value Level</u>	<u>Total</u>	<u>Fair Value Measurements</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed Income:				
Bond mutual funds	\$ 5,790,008	\$ 5,347,291	\$ 442,717	\$ -
Equity Mutual funds:				
Domestic - Large Cap Core	7,939,904	7,939,904	-	-
International	1,747,435	-	1,747,435	-
Total Equity Mutual Funds	9,687,339	7,939,904	1,747,435	-
Short - Term Funds	165,394	165,394	-	-
Total Investments by Fair Value Level	<u>\$ 15,642,741</u>	<u>\$ 13,452,589</u>	<u>\$ 2,190,152</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, 2020

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	\$ 1,747,435
	\$ 1,747,435

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At December 31, 2020, \$1,747,435 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	\$ 77,009
Public Safety	229,337
Public Works	1,291,777
Culture and Recreation	70,013
Total Depreciation Expense	\$ 1,668,136

Business-type Activities	Depreciation Expense
Sewer	\$ 184,078

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

Note 4 - Capital Assets - (Continued)

Capital asset activity for the year ended December 31, 2020 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 658,810	\$ -		\$ 658,810
Construction in progress	795,072	447,180		1,242,252
Total capital assets not being depreciated	<u>1,453,882</u>	<u>447,180</u>	<u>-</u>	<u>1,901,062</u>
Capital assets being depreciated:				
Buildings & Building Improvements	14,451,845	127,282		14,579,127
Equipment	7,701,561	565,223	(168,862)	8,097,922
Land Improvements	1,412,685	17,710		1,430,395
Infrastructure	13,551,344	1,508,983		15,060,327
Total capital assets being depreciated	<u>37,117,435</u>	<u>2,219,198</u>	<u>(168,862)</u>	<u>39,167,771</u>
Less accumulated depreciation for:				
Buildings & Building Improvements	(3,694,749)	(383,023)		(4,077,772)
Equipment	(5,736,926)	(388,194)	151,906	(5,973,214)
Land Improvements	(1,006,338)	(38,702)		(1,045,040)
Infrastructure	(6,512,012)	(858,217)		(7,370,229)
Total accumulated depreciation	<u>(16,950,025)</u>	<u>(1,668,136)</u>	<u>151,906</u>	<u>(18,466,255)</u>
Total capital assets being depreciated, net	<u>20,167,410</u>	<u>551,062</u>	<u>(16,956)</u>	<u>20,701,516</u>
Government activities capital assets, net	<u>\$ 21,621,292</u>	<u>\$ 998,242</u>	<u>\$ (16,956)</u>	<u>\$ 22,602,578</u>
<u>Business-Type Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 11,692			\$ 11,692
Construction in progress	51,872			51,872
Total capital assets not being depreciated	<u>63,564</u>	<u>-</u>	<u>-</u>	<u>63,564</u>
Capital assets being depreciated:				
Buildings & Building Improvements	212,526			212,526
Land Improvements	-	10,059		10,059
Equipment	2,157,785	275,729	(16,487)	2,417,027
Infrastructure	1,645,690	100,491		1,746,181
Total capital assets being depreciated:	<u>4,016,001</u>	<u>386,279</u>	<u>(16,487)</u>	<u>4,385,793</u>
Less accumulated depreciation for:				
Buildings & Building Improvements	(41,228)	(8,339)		(49,567)
Land Improvements	-	(42)		(42)
Equipment	(1,466,306)	(134,800)	16,487	(1,584,619)
Infrastructure	(131,146)	(40,897)		(172,043)
Total accumulated depreciation	<u>(1,638,680)</u>	<u>(184,078)</u>	<u>16,487</u>	<u>(1,806,271)</u>
Total capital assets being depreciated, net	<u>2,377,321</u>	<u>202,201</u>	<u>-</u>	<u>2,579,522</u>
15 Business-type activities capital assets, net	<u>\$ 2,440,885</u>	<u>\$ 202,201</u>	<u>\$ -</u>	<u>\$ 2,643,086</u>

Construction in progress amounts listed above includes capital projects not completed as of December 31, 2020. The projects are further discussed in Note 18.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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, 2020, the face amount of Long-term account receivable is valued at \$970,000 with an unamortized present value adjustment of \$480,084.

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 2020 was \$219,894,424. The real estate tax millage rate for 2020 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.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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, 2020 is \$78,655.

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, 2020 is \$17,856.

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.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

Note 7 - Due From Other Governments

Due from other governments includes grant funds receivable from grantor agencies of \$22,435. Additionally, it also includes amounts due from the St. Marys Area Airport Authority and The Benzinger Township Municipal Golf Course Authority of \$144,387.

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, 2020 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, 2020 is \$20,567.

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, 2020 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, 2020

Note 8 - Interfund Balances

Interfund balances as December 31, 2020 consist of the following:

Due To:	Due From:					Totals
	General Fund	Airport Industrial Park Fund	Parking Garage Fund	CDBG Fund	Sewage Treatment Fund	
General Fund				\$13,370	\$46,384	\$59,754
Capital Reserve Fund	\$9,571		\$346,696			356,267
Airport Industrial Park Fund- Loan		\$659,719				659,719
I & I Fund					18,328	18,328
Sewer Line Replace Fd					18,328	18,328
Totals	\$9,571	\$659,719	\$346,696	\$13,370	\$83,040	\$1,112,396

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 \$262,341. 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, 2020 consisted of the following:

Transfers To:	Transfer From:					Totals
	General Fund	Fire Protection Fund	Debt Fund	Liquid Fuels Tax Fund	Sewage Treatment Fund	
General Fund				\$506,011		\$506,011
Airport Indust Park Fund			\$1			1
Parking Garage Fund	\$20,000					20,000
Capital Reserve Fund	500,510					500,510
Debt Fund	218,307	\$12,355				230,662
Shade Tree Fund	7,500					7,500
Sewer Fund					\$440,902	440,902
I & I Fund					229,820	229,820
Sewer Line Replace Fd					219,820	219,820
Totals	\$746,317	\$12,355	\$1	\$506,011	\$890,542	\$2,155,226

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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, 2020, the amount of defeased debt outstanding and removed from the Statements of Net Position amounted to \$1,745,000.

The following presents a summary of government long-term liability transactions of the City during the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities					
Notes and Bonds Payable:					
Notes Payable	\$ 750,849	\$ 1,000,000	\$ (218,480)	\$ 1,532,369	\$ 205,835
General Obligation Bonds -2016	4,155,000	-	(310,000)	3,845,000	315,000
Plus: Bond Premium	37,269	-	(3,105)	34,164	
Less: Bond Issue Costs	<u>(59,968)</u>	<u>4,997</u>	<u>-</u>	<u>(54,971)</u>	
Total Bonds	<u>4,132,301</u>	<u>4,997</u>	<u>(313,105)</u>	<u>3,824,193</u>	
Total Notes & Bonds Payable	4,883,150	1,004,997	(531,585)	5,356,562	
Compensated Absences	118,074	36,080	-	154,154	-
Other Post-Employment Benefits	<u>199,013</u>	<u>32,680</u>	<u>-</u>	<u>231,693</u>	<u>-</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 5,200,237</u>	<u>\$ 1,073,757</u>	<u>\$ (531,585)</u>	<u>\$ 5,742,409</u>	<u>\$ 520,835</u>
Business-Type Activities					
Compensated Absences	<u>\$ 17,782</u>	<u>\$ 3,778</u>	<u>\$ -</u>	<u>\$ 21,560</u>	<u>\$ -</u>
Business-Type Activities					
Long-Term Liabilities	<u>\$ 17,782</u>	<u>\$ 3,778</u>	<u>\$ -</u>	<u>\$ 21,560</u>	<u>\$ -</u>

**CITY OF SAINT MARYS,
PENNSYLVANIA**

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020**

Note 10 - Long-Term Debt - (Continued)

A detailed summary of long-term debt outstanding at December 31, 2020 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 January 1st, beginning in 2022 through maturity on January 1, 2031, at \$109,154 with interest of 1.625 percent. This note is secured by future liquid fuels tax allocation	\$ 1,000,000
\$ 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	\$ 520,138
\$ 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.	\$ 3,845,000
\$ 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.	\$ 12,231
<u>\$ 7,385,000</u>		<u>\$ 5,377,369</u>

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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
2021	520,836	110,760	631,596
2022	521,751	101,181	622,932
2023	529,948	91,484	621,432
2024	538,197	81,635	619,832
2025	546,499	71,633	618,132
2026-2030	2,330,138	217,829	2,547,967
2031	390,000	11,700	401,700
	<u>\$ 5,377,369</u>	<u>\$ 686,222</u>	<u>\$ 6,063,591</u>
Deferred Amounts:			
Bond Premium	34,164		34,164
Bond Issue Cost	(54,971)		(54,971)
	<u>\$ 5,356,562</u>	<u>\$ 686,222</u>	<u>\$ 6,042,784</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 bonds were paid off in 2020 ending the bond debt for the Municipal Authority.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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 \$942,441 at December 31, 2020.

Debt service requirements remain on the Pennvest loan are:

Year	Principal	Interest	Total
2021	319,542	9,206	\$ 328,748
2022	323,257	5,491	\$ 328,748
2023	299,642	1,713	\$ 301,355
Total	<u>\$ 942,441</u>	<u>\$ 16,410</u>	<u>\$ 958,851</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. In 2020 the Bank has agreed to defer the installment payments due on May 30, June 30 and July 30 of 2020 providing that the interest accruing on said Note be paid in full and further provided that the terms of the Note not be extended beyond October 30, 2029 due to the COVID-19 disease.

Year	Principal	Interest	Total
2021	53,468	20,152	73,620
2022	55,328	18,292	73,620
2023	57,253	16,367	73,620
2024	59,204	14,416	73,620
2025	61,305	12,315	73,620
2026-2029	307,907	27,190	335,097
Totals	<u>\$ 594,465</u>	<u>\$ 108,732</u>	<u>\$ 703,197</u>

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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. In 2020, The Bank has agreed to defer the installment payments due on May 30, June 30, July 30 of 2020 on this Note provided that interest accruing on said Note be paid in full and further provided that the terms of the Note not be extended beyond July 30, 2027 due to the hardship of the COVID-19 disease.

Year	Principal	Interest	Total
2021	7,314	1,957	9,271
2022	7,577	1,694	9,271
2023	7,849	1,422	9,271
2024	8,127	1,144	9,271
2025	8,422	849	9,271
2026-2027	17,158	742	17,900
Totals	<u>\$ 56,447</u>	<u>\$ 7,808</u>	<u>\$ 64,255</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 \$1,886.99, 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 2.84 percent rate is :

Year	Principal	Interest	Total
2021	10,466	856	11,322
2022	10,906	416	11,322
2023	5,765	106	5,871
Totals	<u>\$ 27,137</u>	<u>\$ 1,378</u>	<u>\$ 28,515</u>

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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 \$659,719 at December 31, 2020. 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. In 2021, the City refinanced the 2016 bond issue and included the \$659,719 due to the Commonwealth Financing Authority as part of the refinancing. As of September 7th 2021, the loan due to the CFA is paid off.

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.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020

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.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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	\$ 221,181
Contributions:	
City	\$ -
Allocation of State Aid	226,754
Total	\$ 226,754
Employee	47,682
Total Contributions	\$ 274,436
Covered Payroll	\$ 938,482
Employee contributions as a % of covered payroll	5.08%

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, 2020

Membership of the plan consisted of the following at December 31, 2020, 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, 2020

Note 11 - Police Pension Plan - (Continued)

Net Pension Liability

The net pension liability was measured as of December 31, 2020, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2020. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

	Police Pension Plan
Total Pension Liability	\$ 9,152,979
Plan Fiduciary Net Position	<u>(10,443,684)</u>
Net Pension Liability (Asset)	<u>\$ (1,290,705)</u>
Plan fiduciary net position as a percentage of the total pension Asset	<u>(114.1%)</u>

Changes in the Net Pension Liability

The changes in the net pension liability (asset) of the City for the year ended December 31, 2020, were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance as of 12/31/2019 ¹	\$ 8,635,944	\$ 9,793,846	\$ (1,157,902)
Service Cost	242,616		242,616
Interest Cost	648,435		648,435
Changes of Benefit Terms	-		-
Changes for Experience	-		-
Changes of Assumptions	-		-
Contributions - Employer		226,754	(226,754)
Contributions - Member		47,682	(47,682)
Net Investment Income		753,608	(753,608)
Benefit Payments, Including Refunds of Member Contributions	(374,016)	(374,016)	-
Administrative Expenses		(4,190)	4,190
Other Charges	-	-	-
Net Changes	<u>\$ 517,035</u>	<u>\$ 649,838</u>	<u>\$ (132,803)</u>
Balance as of 12/31/2020 ¹	<u>\$ 9,152,979</u>	<u>\$ 10,443,684</u>	<u>\$ (1,290,705)</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)			<u>114.10%</u>

¹ Includes DROP account balances of \$3,142 at 12/31/2019 and \$89,504 at 12/31/2020.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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	\$ (107,412)	\$ (1,290,705)	\$ (2,265,291)

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, 2020

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, 2020, the annual money-weighted rate of return for the City of Saint Marys Police Pension Fund account is 8.42%.

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.

In 2020, the City adopted a change in the actuarial assumptions for the January 1, 2021, actuarial valuation report. The Discount Rate was changed from 7.50% to 7.25%.

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

For the year ended December 31, 2020, the City recognized pension expense of (\$28,394). At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police Pension
<u>Deferred Outflow of Resources:</u>	
Change of Assumptions	\$ 179,887
Difference Between Projected and Actual Investment Earnings on Pension Plans	431,508
Total deferred outflows of resources	\$ 611,395
	Police Pension
<u>Deferred Inflows of Resources:</u>	
Difference Between Expected and Actual Experience	\$ (754,722)
Difference Between Projected and Actual Investment Earnings on Pension Plans	(645,788)
Total deferred inflows of resources	\$ (1,400,510)

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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,	
2021	(149,916)
2022	(63,476)
2023	(281,470)
2024	(101,148)
2025	(96,555)
2026	(96,550)
Total	<u>\$ (789,115)</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 from the City. Final monthly average pay is the higher of the average pay during the last year or the average during the last five years.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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, 2020

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	\$ 86,199
Contributions:	
City	\$ -
Allocation of State Aid	88,371
Total	\$ 88,371
Employee	52,408
Total Contributions	\$ 140,779
 Covered Payroll	 \$ 1,731,235
 Employee contributions as a % of covered payroll	 3.03%

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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, 2020

Membership of the plan consisted of the following at December 31, 2020, 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	1
Active Members	<u>33</u>
 Total Membership	 <u>55</u>

Net Pension Liability

The net pension liability was measured as of December 31, 2020, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2020. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

	Non-Uniformed Pension Plan <hr/>
Total Pension Liability	\$ 5,439,041
Plan Fiduciary Net Position	<u>(5,483,201)</u>
Net Pension Liability (Asset)	<u><u>\$ (44,160)</u></u>
 Plan fiduciary net position as a percentage of the total pension Asset	 <u><u>100.81%</u></u>

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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	\$ 604,063	\$ (44,160)	\$ (593,115)

Changes in the Net Pension Liability (Asset)

The changes in the net pension liability (asset) of the City for the year ended December 31, 2020, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance as of 12/31/2019	\$ 5,133,761	\$ 5,154,520	\$ (20,759)
Service Cost	127,670		127,670
Interest Cost	386,764		386,764
Changes of Benefit Terms	-		-
Changes for Experience	-		-
Changes of Assumptions	-		-
Contributions - Employer		88,371	(88,371)
Contributions - Member		52,408	(52,408)
Net Investment Income		400,256	(400,256)
Benefit Payments, Including Refunds of			
Member Contributions	(209,154)	(209,154)	-
Administrative Expenses		(3,200)	3,200
Other Charges	-	-	-
Net Changes	\$ 305,280	\$ 328,681	\$ (23,401)
Balance as of 12/31/2020	\$ 5,439,041	\$ 5,483,201	\$ (44,160)

Plan fiduciary net position as a percentage
of the total pension liability (asset)

100.81%

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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, 2020, the annual money-weighted rate of return for the City of Saint Marys Non-Uniformed Pension Fund account is 8.55%.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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

In 2020, the City adopted a change in the actuarial assumptions for the January 1, 2021, actuarial valuation report. The Discount Rate was changed from 7.50% to 7.25%.

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

For the year ended December 31, 2020, the City recognized pension expense of \$64,344. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Non-Uniformed Pension</u>
<u>Deferred Outflow of Resources:</u>	
Change of Assumptions	\$ 260,450
Difference Between Projected and Actual Investment Earnings on Pension Plan	233,708
Total deferred outflows of resources	<u><u>\$ 494,158</u></u>
	<u>Non-Uniformed Pension</u>
<u>Deferred Inflows of Resources:</u>	
Difference Between Expected and Actual Experience	\$ (212,180)
Difference Between Projected and Actual Investment Earnings on Pension Plan	(342,272)
Total deferred inflows of resources	<u><u>\$ (554,452)</u></u>

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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>
2021	(20,727)
2022	25,700
2023	(91,156)
2024	3,099
2025	6,373
2026	8,208
2027	8,209
Total	<u><u>\$ (60,294)</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, 2020 is \$297,723.

Plan Membership at December 31, 2020

Membership of the plan consisted of the following as of December 31, 2020, the date of the latest actuarial reporting for the purpose of Governmental Accounting Standards Board Statements No. 75:

Active Participants	35
Vested Former Participants	0
Retired Participants	<u>3</u>
Total Membership	<u><u>38</u></u>

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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

Total OPEB Liability

The City's total OPEB liability of \$231,693 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability was determined by an actuarial valuation as of January 1, 2020; and rolled forward to December 31, 2020, using the following actuarial assumptions, applied to all periods in the measurement:

- Actuarial Cost Method - Entry Age Normal Cost
- Discount Rate - 3.26%
- Retirement Age - Later of age 63 and completion of 20 years of service or the age on the valuation date.
- Mortality - PubG -2010 Generational Mortality MP-2018
- 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 - 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4% 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, 2020.

Changes in the Total OPEB Liability

The changes in the net OPEB liability for the City for year ended December 31, 2020 were as follows:

	Total OPEB Liability
Balance as of January 1, 2020	\$ 199,013
Charges for the year:	
Service Cost	11,589
Interest	7,447
Changes of Benefit Terms	-
Differences between Expected and Actual Experience	17,206
Changes of Assumptions	7,544
Benefit Payments	(11,106)
Other Changes	-
Net Changes	32,680
Balance as of December 31, 2020	\$ 231,693

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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

Changes in Actuarial Assumptions - The discount rate changed from 3.64% to 3.26%. The trend assumption was updated. The mortality assumption changed from IRS 2017 Static Combined Table for Small Plans to PubG-2010 mortality table with M--2018.

Sensitivity of Net 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% Increase (4.26%)	Current Discount Rate (3.26%)	1% Decrease (2.26%)
Net OPEB Liability (Asset)	\$ 219,410	\$ 231,693	\$ 243,886

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% Increase (6.50%)	Healthcare Cost Trend Rates (5.50%)	1% Decrease (4.50%)
Net OPEB Liability (Asset)	\$ 259,102	\$ 231,693	\$ 208,244

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

For the year ended December 31, 2020, the City recognized an OPEB expense of \$20,675. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources
Differences between Expected and Actual Experience	\$ 16,131
Changes of Assumptions	12,467
Total	\$ 28,598
	Deferred Inflows of Resources
Changes of Assumptions	\$ (4,658)

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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, 2021	\$	1,639
December 31, 2022		1,639
December 31, 2023		1,639
December 31, 2024		1,639
December 31, 2025		1,639
Thereafter		15,745
	\$	23,940

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, 2020. Future minimum lease income for the next five years and thereafter is as follows:

Year	Amount
2021	49,296
2022	49,296
2023	49,296
2024	49,296
2025	28,756
	\$ 225,940

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 terminated on December 31, 2020, when the system will be surrendered to the Authority. The City, currently operates the Sewer System and provide all necessary and ordinary repairs and maintenance and adequate insurance coverage without any agreement in place as of January 1, 2021.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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 \$297,723 to future compensated absences and other post-employment benefits and \$170,440 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.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

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, 2020, the City had 8 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, 2020.

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. The Recreation Board did receive a DCNR grant of \$40,000 with a 50% match towards a comprehensive plan for all parks and the pool complex.

Downtown Event 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 \$876,075 which includes funding through grants, bond funding, and City operating funds. Projects remaining to be completed in 2021 are installing the additional sidewalks, ADA parking, conduit and lighting, concrete pad and installation of the fitness court, benches, and the final landscaping of the park. Total project expenditures for 2021 is estimated at \$65,000.

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, 2020.

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 \$972,537.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2020

Note 18 - Construction in Progress - (Continued)

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

The City's cost for this project was \$70,060 of the engineering fees which totaled \$163,273. Total construction cost and inspection fees are estimated at \$809,264 which is reimbursed 100% through a Federal ARC Grant. Total cost as of December 31, 2020 is \$161,139. This project was completed in 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, 2020, the City spent \$87,622 on engineering cost for the design of the bridge with a contracted cost with Keller Engineers of \$192,200 and construction cost of \$557,000 with Charles J. Marlo, Inc. as the contractor. This project was completed in 2021.

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, 2020 the City has spent \$51,872 in engineering cost to KLH Engineers, Inc.

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.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020

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

The following GASB Statements were adopted for the year ended December 31, 2020:

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.

These statements had no significant impact on the City's financial statements for the year ended December 31, 2020.

Pending Pronouncements

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

GASB Statement No. 87 - Leases

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. 92 - Omnibus 2020

GASB Statement No. 93 - Replacement of Interbank Offered Rates

GASB Statement No. 94 - Public-Private and Public-Public Partnerships

GASB Statement No. 96 - Information Technology Arrangements

Management has not yet determined the impact of these statements on the financial statements.

Note 21 - COVID-19

The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings. While the disruption impacted various aspects of the City's operations, particularly in the Parking and Recreation functions and the reduction of earned income and local service tax along with interest earnings, the municipal financial position at the year end 2020 was not materially affected. However, city staff will continue to monitor operating results to mitigate any financial impacts that may arise.

Note 22 - Subsequent Events

The City has evaluated subsequent events through September 9, 2022, the date which the financial statements were available to be issued.

Note 23 -Restatement of Beginning Net Position

Beginning net position - governmental activities has been restated by an increase of \$390,488 due to the correction of an error.

CITY OF SAINT MARYS,
PENNSYLVANIA

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*

	2020	2019	2018	2017	2016	2015
Total Pension Liability:						
Service Cost	\$ 242,616	\$ 231,063	\$ 221,810	\$ 211,248	\$ 174,959	\$ 166,628
Interest	648,435	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	(374,016)	(364,971)	(331,025)	(392,587)	(318,517)	(278,795)
Net Changes in Total Pension Liability	517,035	(291,212)	525,157	432,020	423,598	424,050
Total Pension Liability - Beginning	8,635,944	8,927,156	8,401,999	7,969,979	7,546,381	7,122,331
Total Pension Liability - Ending (a)	<u>9,152,979</u>	<u>8,635,944</u>	<u>8,927,156</u>	<u>\$ 8,401,999</u>	<u>\$ 7,969,979</u>	<u>\$ 7,546,381</u>
Plan Fiduciary Net Position:						
Contributions - employer	\$ 226,754	\$ 228,667	\$ 187,356	\$ 107,375	\$ 112,960	\$ 208,639
Contributions - member	47,682	53,465	51,911	46,451	46,071	47,395
Net investment income	753,608	1,525,320	(416,352)	1,030,565	549,503	(82,164)
Benefit payments, including refunds of members contributions	(374,016)	(364,971)	(331,025)	(392,587)	(318,517)	(278,795)
Administrative expense	(4,190)	(12,030)	(13,316)	(8,550)	(4,420)	(8,280)
Net Change in Plan Fiduciary Net Position	649,838	1,430,451	(521,426)	783,254	385,597	(113,205)
Plan Fiduciary Net Position - Beginning	9,793,846	8,363,395	8,884,821	8,101,567	7,715,970	7,829,175
Plan Fiduciary Net Position - Ending (b)	<u>\$ 10,443,684</u>	<u>\$ 9,793,846</u>	<u>\$ 8,363,395</u>	<u>\$ 8,884,821</u>	<u>\$ 8,101,567</u>	<u>\$ 7,715,970</u>
Net Pension Liability (Asset) - Ending (a-b)	<u>\$ (1,290,705)</u>	<u>\$ (1,157,902)</u>	<u>\$ 563,761</u>	<u>\$ (482,822)</u>	<u>\$ (131,588)</u>	<u>\$ (169,589)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>114.10%</u>	<u>113.41%</u>	<u>93.68%</u>	<u>105.75%</u>	<u>101.65%</u>	<u>102.25%</u>
Covered Employee Payroll	<u>938,482</u>	<u>907,349</u>	<u>1,020,071</u>	<u>1,022,221</u>	<u>892,151</u>	<u>1,026,975</u>
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	(137.53%)	(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*

	2020	2019	2018	2017	2016	2015
Total Pension Liability:						
Service Cost	\$ 127,670	\$ 121,590	\$ 110,060	\$ 104,819	\$ 87,921	\$ 83,734
Interest	386,764	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	(209,154)	(205,598)	(189,836)	(186,811)	(176,215)	(225,239)
Net Changes in Total Pension Liability	305,280	355,206	260,234	223,217	217,511	150,835
Total Pension Liability - Beginning	5,133,761	4,778,555	4,518,321	4,295,104	4,077,593	3,926,758
Total Pension Liability - Ending (a)	<u>\$ 5,439,041</u>	<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>
Plan Fiduciary Net Position:						
Contributions - employer	\$ 88,371	\$ 93,925	\$ 93,707	\$ 49,571	\$ 46,476	\$ 131,202
Contributions - member	52,408	49,028	45,277	42,614	39,828	35,684
Net investment income	400,256	800,540	(232,499)	548,950	284,128	(21,636)
Benefit payments, including refunds of members contributions	(209,154)	(205,598)	(189,836)	(186,811)	(176,215)	(225,239)
Administrative expense	(3,200)	(9,777)	(11,820)	(8,900)	(2,650)	(8,770)
Net Change in Plan Fiduciary Net Position	328,681	728,118	(295,171)	445,424	191,567	(88,759)
Plan Fiduciary Net Position - Beginning	5,154,520	4,426,402	4,721,573	4,276,149	4,084,582	4,173,341
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,483,201</u>	<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>
Net Pension Liability (Asset) - Ending (a-b)	<u>\$ (44,160)</u>	<u>\$ (20,759)</u>	<u>\$ 352,153</u>	<u>\$ (203,252)</u>	<u>\$ 18,955</u>	<u>\$ (6,989)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>100.81%</u>	<u>100.40%</u>	<u>92.63%</u>	<u>104.50%</u>	<u>99.56%</u>	<u>100.17%</u>
Covered Employee Payroll	<u>1,731,235</u>	<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>
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	(2.55%)	(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*

	2020	2019	2018	2017	2016	2015
POLICE PENSION PLAN:						
Schedule of City's Contributions						
Actuarially determined contribution	\$ 221,181	\$ 220,674	\$ 97,574	\$ 102,060	\$ 112,960	\$ 208,639
Contributions in relation to the actuarially determined contribution	226,754	228,666	187,356	107,375	112,960	208,639
Contributions deficiency (excess)	<u>\$ (5,573)</u>	<u>\$ (7,992)</u>	<u>\$ (89,782)</u>	<u>\$ (5,315)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 938,482</u>	<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	24.16%	25.20%	18.37%	10.50%	12.66%	20.32%
Investment Returns						
Annual money-weighted rate of return, net of investment expense	8.42%	19.31%	(4.57%)	14.00%	7.81%	(0.59%)
NON-UNIFORMED EMPLOYEES' PLAN:						
Schedule of City's Contributions						
Actuarially determined contribution	\$ 86,199	\$ 90,642	\$ 48,802	\$ 47,117	\$ 46,476	\$ 131,202
Contributions in relation to the actuarially determined contribution	88,371	93,925	93,707	49,571	46,476	131,202
Contributions deficiency (excess)	<u>\$ (2,172)</u>	<u>\$ (3,283)</u>	<u>\$ (44,905)</u>	<u>\$ (2,454)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 1,731,235</u>	<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	5.10%	5.24%	5.49%	3.20%	3.09%	9.46%
Investment Returns						
Annual money-weighted rate of return, net of investment expense	8.55%	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.

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
PENSION TRUST FUNDS
ACTUARIAL METHODS AND ASSUMPTIONS
YEAR ENDED DECEMBER 31, 2020

	Police Plan	Non-Uniformed Plan
Actuarial valuation date	1/1/2019	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	PubS-2010 mortality table - includes rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 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*

	2020	2019	2018
Total OPEB liability			
Service Cost	\$ 11,589	\$ 11,991	\$ 10,406
Interest	7,447	6,566	7,414
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience	17,206	-	-
Changes of Assumptions or other inputs	7,544	(5,374)	6,745
Benefit Payments	(11,106)	(21,768)	(13,953)
Net change in Total OPEB liability	32,680	(8,585)	10,612
Total OPEB Liability - Beginning	199,013	207,598	196,986
Total OPEB Liability - Ending	\$ 231,693	\$ 199,013	\$ 207,598
Covered -employee payroll	\$ 1,793,140	\$ 1,520,404	\$ 1,520,404
Total OPEB Liability as a percentage of covered-employee payroll	12.92%	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:

Discount Rate: 3.26% 3.64% 3.16%

The trend assumption was updated. The mortality assumption changed from IRS 2017 Static Combined Table for Small Plans to PubG-2010 mortality table with PM-2018.

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

These figures are based on estimated benefit payments. These amounts may be adjusted for actual benefit payments made during the year.

CITY OF SAINT MARYS, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For The Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 5,368,958	\$ 5,368,958	\$ 5,198,558	\$ (170,400)
Intergovernmental	653,412	653,412	734,224	80,812
Charges for Services	260,834	260,834	261,024	190
Licenses and Permits	31,550	31,550	22,732	(8,818)
Fines and Forfeitures	78,000	78,000	72,967	(5,033)
Interest and Rentals	122,892	122,892	83,031	(39,861)
Miscellaneous	275,830	275,830	244,207	(31,623)
Total Revenues	\$ 6,791,476	\$ 6,791,476	\$ 6,616,743	\$ (174,733)
Expenditures:				
Current:				
General Government	\$ 1,545,765	1,545,765	\$ 1,398,586	\$ 147,179
Public Safety	2,223,354	2,223,354	2,138,026	85,328
Public Works	2,546,778	2,546,778	2,135,135	411,643
Human Services	5,000	5,000	6,134	(1,134)
Community and Economic Development	97,257	97,257	35,865	61,392
Culture and Recreation				-
Debt Service:				
Principal				
Interest				
Capital Outlays				-
Other	143,397	143,397	137,871	5,526
Total Expenditures	\$ 6,561,551	\$ 6,561,551	\$ 5,851,617	\$ 709,934
Excess (Deficiency) of Revenues over Expenditures	\$ 229,925	\$ 229,925	\$ 765,126	\$ 535,201
Other Financing Sources (Uses):				
Capital Asset Sales			\$ 782	\$ 782
Transfers In	\$ 533,038	\$ 533,038	506,011	(27,027)
Transfers Out	(762,963)	(762,963)	(746,317)	16,646
Total Other Financing Sources (Uses)	\$ (229,925)	\$ (229,925)	\$ (239,524)	\$ (9,599)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ -	\$ -	\$ 525,602	\$ 525,602
Fund Balance - Beginning	3,073,839	3,073,839	3,073,839	-
Fund Balance - Ending	\$ 3,073,839	\$ 3,073,839	\$ 3,599,441	\$ 525,602

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BUDGETARY COMPARISON SCHEDULES December 31, 2020

Note 1 - Budgetary Information

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

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

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BUDGETARY COMPARISON SCHEDULES December 31, 2020

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 \$33,257. The City appropriated \$54,193 towards a light pole and electrical wire and the installation of the wire for the lighting and electrical service at the Downtown Event Park. Cash on hand was used to cover the cost.

CITY OF SAINT MARYS, PENNSYLVANIA

NOTES TO BUDGETARY COMPARISON SCHEDULES December 31, 2020

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

- 2) In the current year, the Fire Hydrant Fund experienced a negative change in fund balance of \$1,760. Total tax revenue and interest collected was \$65,470 and the cost of 332 fire hydrants was \$67,230. Cash on hand was used to cover this deficit.

- 3) In the current year, the Liquid Fuels Tax Fund experienced a negative change in fund balance of \$1,628. 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 2020.

- 4) In the current year, the Capital Reserve fund experienced a negative change in fund balance of \$705,658. With the uncertainty of COVID-19, there was no unrestricted fund balance transfer from the general fund. When the budget was established, funds in reserve was used to cover the cost of the expenditures to balance the budget. These reserves were used to cover these expenditures.

- 5) In the current year, the 2016 Capital Projects Fund experienced a negative change in fund balance of \$55,861. 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. As of December 31, 2020, the fund expensed all "extra bond monies" and the fund is closed.

CITY OF SAINT MARYS, PENNSYLVANIA
 COMBINING SCHEDULE - BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 December 31, 2020

	Special Revenue Funds											Totals
	Street	Fire				Fire	Liquid	Shade	Community	2016		
	Lighting Tax Fund	Protection Fund	Recreation Fund	Library Fund	Ambulance Fund	Hydrant Fund	Fuels Tax Fund	Tree Fund	Development Block Grant Fund	Capital Projects Fund	Debt Fund	
ASSETS												
Cash and Cash Investments	\$ 196,031	\$ 585,393	\$ 220,649	\$ 3,181	\$ 4,597	\$ 13,611	\$ 934	\$ 9,456	\$ 960		\$ 291,903	\$ 1,326,715
Taxes Receivable	11,638	31,839	27,114	13,220	2,279	6,836					43,487	136,413
Accounts Receivable		-										-
Due from other Governments									13,370		90,387	103,757
Allowance for Uncollectible Due From Other Governments											(69,820)	(69,820)
Interfund Receivables												-
Prepaid Items		6,904	532									7,436
Total Assets	\$ 207,669	\$ 624,136	\$ 248,295	\$ 16,401	\$ 6,876	\$ 20,447	\$ 934	\$ 9,456	\$ 14,330	\$ -	\$ 355,957	\$ 1,504,501
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts Payable & Payroll Taxes	\$ 7,736	\$ 2,263	\$ 2,696									\$ 12,695
Accrued Liabilities			1,468									1,468
Interfund Payables									\$ 13,370			13,370
Unearned Revenue			26,029						310			26,339
Unavailable Revenue												-
Unavailable Revenues - Real Estate Taxes	9,133	24,914	21,194	10,345	1,783	5,350					34,030	106,749
Total Liabilities	\$ 16,869	\$ 27,177	\$ 51,387	10,345	1,783	5,350	-	-	\$ 13,680	\$ -	\$ 34,030	\$ 160,621
Fund Balances:												
Nonspendable:		\$ 6,904	\$ 532									\$ 7,436
Restricted							\$ 934		\$ 650			1,584
Committed	\$ 190,800	590,055	196,376	\$ 6,056	\$ 5,093	\$ 15,097		\$ 9,456			\$ 321,927	1,334,860
Assigned:												-
Unassigned:												-
Total Fund Balances	\$ 190,800	\$ 596,959	\$ 196,908	\$ 6,056	\$ 5,093	\$ 15,097	\$ 934	\$ 9,456	650	\$ -	\$ 321,927	\$ 1,343,880
Total Liabilities and Fund Balances	\$ 207,669	\$ 624,136	\$ 248,295	\$ 16,401	\$ 6,876	\$ 20,447	\$ 934	\$ 9,456	\$ 14,330	\$ -	\$ 355,957	\$ 1,504,501

CITY OF SAINT MARYS, PENNSYLVANIA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2020

	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	
Revenues:												
Taxes	\$ 109,327	\$ 305,153	\$ 261,243	\$ 126,429	\$ 21,798	\$ 65,394					\$ 415,910	\$ 1,305,254
Intergovernmental		481	25,778				\$ 502,977		\$ 374,999			904,235
Charges for Services			44,346									44,346
Licenses and Permits												-
Fines and Forfeitures												-
Interest and Rentals	1,019	3,688	687	20	13	76	1,406	17			\$ 1,678	8,604
Miscellaneous	98	363	82,215					1,530				84,206
Total Revenues	\$ 110,444	\$ 309,685	\$ 414,269	\$ 126,449	\$ 21,811	\$ 65,470	\$ 504,383	\$ 1,547	\$ 374,999	\$ -	\$ 417,588	\$ 2,346,645
Expenditures:												
Current:												
General Government												
Public Safety		\$ 169,448			\$ 17,272	\$ 67,230						\$ 253,950
Public Works	\$ 90,926											90,926
Human Services												-
Community and Economic Development									\$ 257,227			257,227
Culture and Recreation			\$ 318,009	\$ 124,000				\$ 7,270				449,279
Debt Service:												-
Principal											528,480	528,480
Interest											117,721	117,721
Capital Outlays	52,775		24,082						117,122	55,861		249,840
Other	-	-	-	-	-	-	-	-	-	-	800	800
Total Expenditures	\$ 143,701	\$ 169,448	\$ 342,091	\$ 124,000	\$ 17,272	\$ 67,230	-	\$ 7,270	\$ 374,349	\$ 55,861	\$ 647,001	\$ 1,948,223
Excess (Deficiency) of Revenues over Expenditures	\$ (33,257)	\$ 140,237	\$ 72,178	\$ 2,449	\$ 4,539	\$ (1,760)	\$ 504,383	\$ (5,723)	650	(55,861)	(229,413)	\$ 398,422
Other Financing Sources (Uses):												
Capital Asset Sales			\$ 4,950									\$ 4,950
Transfers In								\$ 7,500			230,662	\$ 238,162
Transfers Out		\$ (12,355)					\$ (506,011)				(1)	(518,367)
Total Other Financing Sources (Uses)	-	\$ (12,355)	\$ 4,950	-	-	-	\$ (506,011)	\$ 7,500	-	-	230,661	\$ (275,255)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ (33,257)	\$ 127,882	\$ 77,128	\$ 2,449	\$ 4,539	\$ (1,760)	\$ (1,628)	\$ 1,777	\$ 650	\$ (55,861)	\$ 1,248	\$ 123,167
Fund Balance - Beginning	\$ 224,057	\$ 469,077	\$ 119,780	\$ 3,607	\$ 554	\$ 16,857	\$ 2,562	\$ 7,679	-	55,861	320,679	\$ 1,220,713
Fund Balance - Ending	\$ 190,800	\$ 596,959	\$ 196,908	\$ 6,056	\$ 5,093	\$ 15,097	\$ 934	\$ 9,456	\$ 650	\$ -	\$ 321,927	\$ 1,343,880