

CITY OF FARRELL

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AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

**CITY OF FARRELL**  
MERCER COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

WITH REPORT BY  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED  
DECEMBER 31, 2018**

**CITY OF FARRELL**  
**MERCER COUNTY, PENNSYLVANIA**

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**MERCER COUNTY, PENNSYLVANIA**

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**To the Members of City Council  
City of Farrell**

## **Independent Auditor's Report**

### **Report on Financial Statements**

I have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farrell, Mercer County, Pennsylvania as of and for the year ended December 31, 2018, 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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 City'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 City's internal control. Accordingly, I 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 financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farrell, Mercer County, Pennsylvania as of December 31, 2018 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

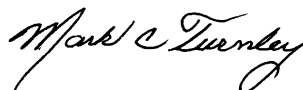
### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iii-xv and the additional other required supplementary information on pages 59-65, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Farrell's basic financial statements. The supplementary information on pages 49-58 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records use 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 my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Mark C. Turnley, CPA

July 23, 2019  
New Brighton, Pennsylvania

**CITY OF FARRELL**  
**MERCER COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2018**

**INTRODUCTION**

This discussion and analysis of the City of Farrell's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2018. The intent of Management's Discussion and Analysis (MD&A) is to provide readers with an appreciation for the financial status of the City, the challenges faced and accomplishments achieved. The reader should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the City's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain comparative information between the current year and the prior year is required to be presented in the MD& A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2018 are as follows:

- The net position of the City's governmental and business-type activities remained fairly stable in calendar year 2018. The City's governmental activities net position increased \$130,579 in 2018 to \$3,252,014. The City's business-type activities (Sewer Fund and Sewer Capital Fund) net position increased \$26,431 in 2018 to \$2,106,743.
- Total program-related revenues and general revenues (mainly taxes) of the City increased from \$5,482,276 in 2017 to \$5,798,388 (5.8%). Total expenditures increased from \$5,118,791 in 2017 to \$5,641,378 (10.2%).
- The City's combined governmental fund balance increased from \$4,116,979 at December 31, 2017 to \$4,222,103 at December 31, 2018 (2.6%). The fund balance of the City's General Fund increased \$255,186 in calendar year 2018 to \$1,511,755 (20%).
- On September 23, 1987, the City of Farrell was designated a Financially Distressed Municipality by the Pennsylvania Department of Community and Economic Development (DCED) pursuant to the Municipalities Financial Recovery Act (Act 47 of 1987). Based upon the results of the review of the Act 47 Financial Condition Assessment and Recommendation Report, the Commonwealth of Pennsylvania on February 8, 2019 terminated the City of Farrell's financially distress municipality status.

**CITY OF FARRELL  
MERCER COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
DECEMBER 31, 2018**

**USING THE ANNUAL FINANCIAL REPORT**

The Annual Financial Report consists of the Management Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the City of Farrell as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the City's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the City's operations in more detail than the government-wide statements. The governmental funds statements tell how general City services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about financial relationships where the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. The City maintains three (3) Agency Funds for the collection of taxes for other governmental units (Schedule 5), and four (4) Private Purpose Trust Funds as detailed in Schedules 6 and 7).

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:



**CITY OF FARRELL  
MERCER COUNTY, PENNSYLVANIA  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
DECEMBER 31, 2018**

**USING THE ANNUAL FINANCIAL REPORT (Continued)**

**Figure A-1  
Required Components of  
City of Farrell’s Financial Report**

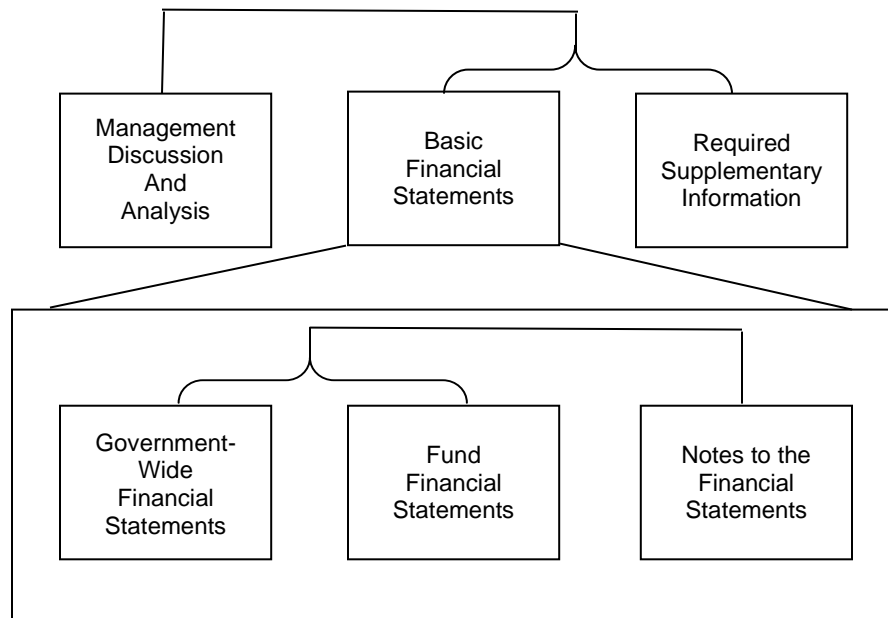


Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

**CITY OF FARRELL  
MERCER COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
DECEMBER 31, 2018**

**USING THE ANNUAL FINANCIAL REPORT (Continued)**

**Figure A-2  
Major Features of the City of Farrell  
Government-wide and Fund Financial Statements**

|                                               | <b>GOVERNMENT-WIDE STATEMENTS</b>                                                    | <b>FUND STATEMENTS</b>                                                                                                                                                                     |                                                                                                 |
|-----------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
|                                               |                                                                                      | <b>GOVERNMENTAL FUNDS</b>                                                                                                                                                                  | <b>FIDUCIARY FUNDS</b>                                                                          |
| <b>SCOPE</b>                                  | Entire City (except fiduciary funds)                                                 | The activities of the City that are not proprietary or fiduciary, such as public safety, public works and general administration                                                           | Instances in which the City is the trustee or agent to someone else's resources – Pension Funds |
| <b>REQUIRED FINANCIAL STATEMENTS</b>          | Statement of net position<br>Statement of activities                                 | Balance Sheet<br>Statement of revenues, expenditures, and changes in fund balance                                                                                                          | Statement of fiduciary net position<br>Statement of changes in fiduciary net position           |
| <b>ACCOUNTING BASIS AND MEASUREMENT FOCUS</b> | Accrual accounting and economic resources focus                                      | Modified accrual accounting and current financial resources focus                                                                                                                          | Accrual accounting and economic resources focus                                                 |
| <b>TYPE OF ASSET/LIABILITY INFORMATION</b>    | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included                                                            | All assets and liabilities, both short-term and long-term                                       |
| <b>TYPE OF INFLOW-OUTFLOW INFORMATION</b>     | All revenues and expenses during year, regardless of when cash is received or paid   | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid              |

**CITY OF FARRELL**  
**MERCER COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2018**

**OVERVIEW OF FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE STATEMENTS**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position, the difference between the City's assets and liabilities, are one way to measure the City's financial health. Over time, increases or decreases in the City's net position is an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the City, you need to consider additional non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure (roads and sewers).

The government-wide financial statements of the City consist of the following category:

- Governmental activities – All of the City's basic services are included here, such as general administration, community development, public safety and public works. Property and Act 511 taxes and state grants finance most of these activities.
- Business-type activities – The City operates a sewer fund and sewer capital fund and charges user fees to cover the costs of operating the City's sewer system including the repayment of debt for improvements to the sewer system.

**FUND FINANCIAL STATEMENTS**

The City's fund financial statements, which begin on Page 3, provide detailed information about the most significant funds – not the City as a whole. The general and liquid fuels (highway aid) funds are required by state law.

**CITY OF FARRELL  
MERCER COUNTY, PENNSYLVANIA  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
DECEMBER 31, 2018**

**OVERVIEW OF FINANCIAL STATEMENTS (Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

**Governmental Funds** – Most of the City’s activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Enterprise Funds** – The City operates a sewer fund.

**Fiduciary Funds** – The City is the trustee, or fiduciary, for funds received for the benefit of other governmental units or dedicated for private purposes (Schedules 5-7). All of the City’s fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on Pages 11 and 12. We exclude these activities from the City’s other financial statements because the City cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The City has presented its financial statements using the reporting model required by Government Accounting Standards Board Statement No. 34 (GASB Statement #34), “Basic Financial Statements and Management’s Discussion and Analysis (MD&A) for State and Local Governments for several years. Comparative information from the prior year is shown as reflected below.

**CITY OF FARRELL  
MERCER COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
DECEMBER 31, 2018**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)**

The City's net position on December 31, 2018 and 2017 is presented below:

Table A-1

**Summary of Statement of Net Position  
Year Ended December 31, 2018 and 2017**

|                                                   | ----- DECEMBER 31, 2018 ----- |                             |                     | -MEMO-              |
|---------------------------------------------------|-------------------------------|-----------------------------|---------------------|---------------------|
|                                                   | GOVERNMENTAL<br>ACTIVITIES    | BUSINESS-TYPE<br>ACTIVITIES | 2018<br>TOTAL       | 2017<br>TOTAL       |
| Current Assets                                    | \$ 3,122,274                  | \$ 220,322                  | \$ 3,342,596        | \$ 2,710,508        |
| Non-Current and Other Assets                      | 3,034,595                     | 2,418,227                   | 5,452,822           | 5,905,855           |
| Deferred Outflows                                 | 477,442                       | -                           | 477,442             | 887,160             |
| <b>TOTAL ASSETS AND<br/>DEFERRED OUTFLOWS</b>     | <b>\$ 6,634,311</b>           | <b>\$ 2,638,549</b>         | <b>\$ 9,272,860</b> | <b>\$ 9,503,523</b> |
| Current Liabilities                               | \$ 563,772                    | \$ 98,373                   | \$ 662,145          | \$ 430,046          |
| Long-term Liabilities                             | 1,843,949                     | 433,433                     | 2,277,382           | 3,669,363           |
| Deferred Inflows                                  | 974,576                       | -                           | 974,576             | 202,367             |
| <b>TOTAL LIABILITIES AND<br/>DEFERRED INFLOWS</b> | <b>\$ 3,382,297</b>           | <b>\$ 531,806</b>           | <b>\$ 3,914,103</b> | <b>\$ 4,301,776</b> |
| Net Investment in                                 |                               |                             |                     |                     |
| Capital Assets                                    | \$ 746,491                    | \$ 1,990,747                | \$ 2,737,238        | \$ 3,246,297        |
| Restricted - Highways/Streets                     | 3,587,547                     | 70,921                      | 3,658,468           | 3,711,833           |
| Unrestricted (Deficit)                            | (1,082,024)                   | 45,075                      | (1,036,949)         | (1,756,383)         |
| <b>TOTAL NET POSITION</b>                         | <b>\$ 3,252,014</b>           | <b>\$ 2,106,743</b>         | <b>\$ 5,358,757</b> | <b>\$ 5,201,747</b> |

The increase in current assets is mainly attributable to an increase in cash and cash equivalents of approximately \$591,553, basically attributable to 1) the excess of revenues over expenditures of the governmental funds and 2) the timing of when bills are paid at or near calendar year end. Current liabilities increased mainly as a result of an increase in accounts payable of \$337,270. The change in noncurrent assets and the net investment in capital assets represents the excess of depreciation expense over capital outlays during the calendar year 2018. The change in long-term liabilities, deferred outflows and deferred inflows is directly related to the updated actuarial valuation received by the City from the Pennsylvania Municipal Retirement System (PMRS) related to its pension plan obligations as of 12/31/2018.

**CITY OF FARRELL**  
**MERCER COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2018**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)**

The results of this year's operations as a whole are reported in the Statement of Activities on Page 2. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the City's activities that are supported by other general revenues. The largest general revenues are local taxes assessed to and derived from community taxpayers.

Table A-2 takes the information from the Statement of Activities, rearranges it slightly, so you can see our total revenues, expenses, and change to the net position for 2018 and 2017.

Table A-2  
Year ended December 31, 2018 and 2017  
Changes in Net Position

|                                       | <b>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> | <b>2018<br/>TOTAL</b> | <b>2017<br/>TOTAL</b> |
|---------------------------------------|------------------------------------|-------------------------------------|-----------------------|-----------------------|
| <b>REVENUES</b>                       |                                    |                                     |                       |                       |
| <b>Program Revenues:</b>              |                                    |                                     |                       |                       |
| Charges for Services                  | \$ 270,487                         | \$ 1,144,448                        | \$ 1,414,935          | \$ 1,116,235          |
| Operating Grants and Contributions    | 845,610                            | -                                   | 845,610               | 929,621               |
| <b>General Revenues:</b>              |                                    |                                     |                       |                       |
| Property Taxes                        | 1,076,378                          | -                                   | 1,076,378             | 1,105,575             |
| Other Taxes/Payment in Lieu of Taxes  | 2,178,506                          | -                                   | 2,178,506             | 2,045,967             |
| Cable Franchise Fees                  | 65,067                             | -                                   | 65,067                | 55,674                |
| Investment Earnings                   | 68,810                             | -                                   | 68,810                | 41,031                |
| Miscellaneous                         | 141,463                            | 7,619                               | 149,082               | 189,273               |
| Transfers                             | 150,000                            | (150,000)                           | -                     | (1,100)               |
| <b>TOTAL REVENUES</b>                 | <b>\$ 4,796,321</b>                | <b>\$ 1,002,067</b>                 | <b>\$ 5,798,388</b>   | <b>\$ 5,482,276</b>   |
| <b>EXPENSES</b>                       |                                    |                                     |                       |                       |
| General Government                    | \$ 805,944                         | \$ -                                | \$ 805,944            | \$ 932,690            |
| Public Safety - Police                | 1,263,060                          | -                                   | 1,263,060             | 1,244,619             |
| Public Safety - Fire                  | 352,113                            | -                                   | 352,113               | 318,059               |
| Public Safety - Other                 | 78,906                             | -                                   | 78,906                | 93,984                |
| Public Works                          | 882,127                            | -                                   | 882,127               | 661,699               |
| Culture and Recreation                | 104,821                            | -                                   | 104,821               | 130,245               |
| Community Development                 | 866,880                            | -                                   | 866,880               | 555,138               |
| Intergovernmental Expenses            | 39,823                             | -                                   | 39,823                | 24,736                |
| Debt Service/Refund of Prior Year     | 42,712                             | -                                   | 42,712                | 36,664                |
| Unallocated Depreciation              | 229,356                            | -                                   | 229,356               | 216,639               |
| Sewer Operations - Operating Expenses | -                                  | 975,636                             | 975,636               | 904,318               |
| <b>TOTAL EXPENSES</b>                 | <b>\$ 4,665,742</b>                | <b>\$ 975,636</b>                   | <b>\$ 5,641,378</b>   | <b>\$ 5,118,791</b>   |
| <b>CHANGE IN NET POSITION</b>         | <b>\$ 130,579</b>                  | <b>\$ 26,431</b>                    | <b>\$ 157,010</b>     | <b>\$ 363,485</b>     |

**CITY OF FARRELL**  
**MERCER COUNTY, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2018**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)**

Total governmental activities revenues of \$4,796,321 were derived primarily from Act 511 taxes representing 45% of the total. Property taxes made up the next largest source of revenue of 23%, followed by operating grants and contributions at 18%.

Table A-3  
Year ended December 31, 2018 and 2017  
Governmental Activities

|                                                            | 2018                             |                                | 2017                             |                                |
|------------------------------------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|                                                            | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> |
| <b>EXPENSES</b>                                            |                                  |                                |                                  |                                |
| General Government                                         | \$ 805,944                       | \$ 558,571                     | \$ 932,690                       | \$ 560,257                     |
| Public Safety - Police                                     | 1,263,060                        | 1,174,337                      | 1,244,619                        | 1,244,619                      |
| Public Safety - Fire                                       | 352,113                          | 338,292                        | 318,059                          | 318,059                        |
| Public Safety - Other                                      | 78,906                           | 43,719                         | 93,984                           | 93,984                         |
| Public Works                                               | 882,127                          | 603,521                        | 661,699                          | 467,095                        |
| Culture and Recreation                                     | 104,821                          | 104,821                        | 130,245                          | 102,120                        |
| Community Development                                      | 866,880                          | 460,465                        | 555,138                          | 112,964                        |
| Intergovernmental Expenses                                 | 39,823                           | 39,823                         | 24,736                           | 24,736                         |
| Debt Service/Refund of Prior Year                          | 42,712                           | 42,712                         | 36,664                           | 36,664                         |
| Unallocated Depreciation                                   | 229,356                          | 229,356                        | 216,639                          | 216,639                        |
| <b>TOTAL EXPENSES</b>                                      | <b>\$ 4,665,742</b>              | <b>\$ 3,595,617</b>            | <b>\$ 4,214,473</b>              | <b>\$ 3,177,137</b>            |
| <b>Less:</b>                                               |                                  |                                |                                  |                                |
| Unrestricted Grants, Subsidies                             |                                  | -                              |                                  | -                              |
| <b>TOTAL NEEDS FROM LOCAL TAXES<br/>AND OTHER REVENUES</b> |                                  | <b>\$ 3,595,617</b>            |                                  | <b>\$ 3,177,137</b>            |

Table A-4 reflects the activities of the Sewer Fund, the business-type activities of the City for the year 2018 and 2017.

Table A-4  
Year ended December 31, 2018 and 2017  
Business-Type Activities

|                                                  | 2018                             |                                | 2017                             |                                |
|--------------------------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|                                                  | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> |
| <b>EXPENSES</b>                                  |                                  |                                |                                  |                                |
| Sewer Operations                                 | \$ 975,636                       | \$ 168,812                     | \$ 904,318                       | \$ 250,237                     |
| Interest/Miscellaneous                           |                                  | 7,619                          |                                  | -                              |
| Debt Service/Transfers/Refinancing Costs         |                                  | (150,000)                      |                                  | (100,000)                      |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES NET INCOME</b> |                                  | <b>\$ 26,431</b>               |                                  | <b>\$ 150,237</b>              |

**CITY OF FARRELL  
MERCER COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
DECEMBER 31, 2018**

**THE CITY FUNDS**

The following table compares the revenues, expenditures and change in fund balance of the City's General Fund for the years 2018 and 2017:

|                                                 | <u>2018</u>                | <u>2017</u>                |
|-------------------------------------------------|----------------------------|----------------------------|
| <b>REVENUES</b>                                 |                            |                            |
| Taxes                                           | \$ 3,224,573               | \$ 3,140,085               |
| Licenses and Permits                            | 102,504                    | 121,488                    |
| Fines and Forfeitures                           | 46,143                     | 61,955                     |
| Interest and Rents                              | 18,203                     | 15,427                     |
| Intergovernmental                               | 370,556                    | 197,349                    |
| Charges for Services                            | 79,459                     | 48,313                     |
| Miscellaneous                                   | 95,463                     | 124,381                    |
| <b>TOTAL REVENUES</b>                           | <b><u>\$ 3,936,901</u></b> | <b><u>\$ 3,708,998</u></b> |
| <b>EXPENSES</b>                                 |                            |                            |
| General Government                              | \$ 859,649                 | \$ 849,107                 |
| Public Safety                                   | 1,743,343                  | 1,582,701                  |
| Public Works                                    | 434,030                    | 383,939                    |
| Culture and Recreation                          | 84,721                     | 110,613                    |
| Community Development                           | 106,486                    | 24,736                     |
| Debt Service                                    | -                          | 217                        |
| Miscellaneous                                   | 39,823                     | -                          |
| <b>TOTAL EXPENSES</b>                           | <b><u>\$ 3,268,052</u></b> | <b><u>\$ 2,951,313</u></b> |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                            |                            |
| Operating Transfers In                          | \$ 169,722                 | \$ 198,565                 |
| Refund of Prior Years Receipts/Expenses         | 36,390                     | -                          |
| Operating Transfers Out                         | (619,775)                  | (701,791)                  |
| <b>TOTAL OTHER FINANCING SOURCES AND (USES)</b> | <b><u>\$ (413,663)</u></b> | <b><u>\$ (503,226)</u></b> |
| <b>NET CHANGE IN FUND BALANCE</b>               | <b><u>\$ 255,186</u></b>   | <b><u>\$ 254,459</u></b>   |

The increase in Intergovernmental revenues is related to a state grant received in connection with the City's Affordable Homes Program in the amount of \$125,000. The increase in public safety expenses is mainly related to an increase in salaries and benefits in the police and fire departments. The decrease in culture and recreation expenses is primarily related to a decrease in community event expenses. The increase in community development expenses is related to the expenditures incurred in connection with the aforementioned Affordable Homes grant funding totaling \$106,486.

**GENERAL FUND BUDGET**

In December of 2017, the City of Farrell adopted its annual budget for the General Fund in the amount of \$3,507,118. A schedule showing the City's original and final budget amounts compared with amounts actually paid and received is provided in summary form on Page 7, and more detailed in Schedules 1 and 2 on pages 49-53 of the report.



**CITY OF FARRELL  
MERCER COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
DECEMBER 31, 2018**

**PROPRIETARY FUNDS (SEWER FUND AND SEWER CAPITAL FUND)**

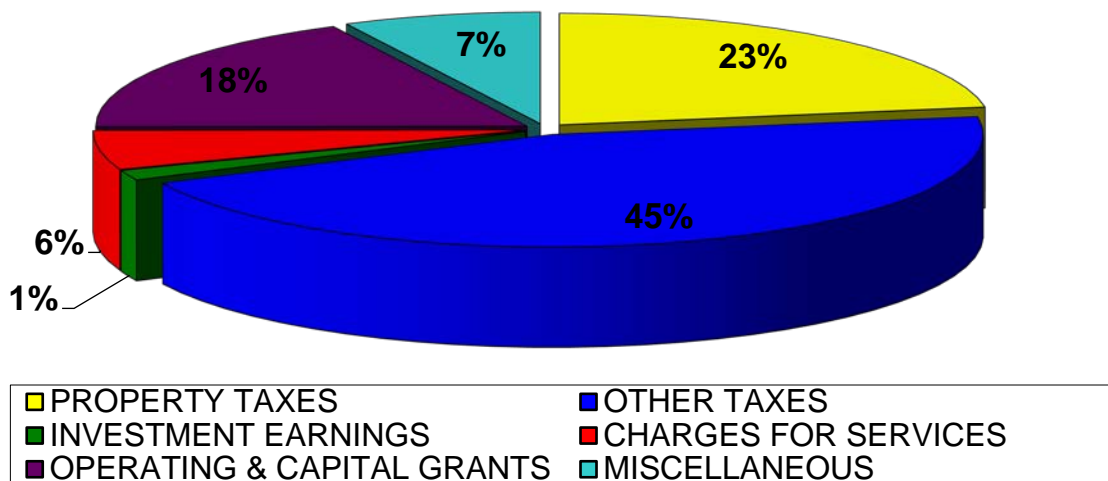
The following table compares the revenues, expenses and change in net position of the City's Proprietary Funds for the year 2018 and 2017:

|                                                | SEWER FUND        |                   |
|------------------------------------------------|-------------------|-------------------|
|                                                | 2018              | 2017              |
| Operating Revenues                             | \$ 1,144,448      | \$ 1,154,555      |
| Operating Expenses                             | (962,350)         | (885,077)         |
| <b>OPERATING INCOME (LOSS)</b>                 | <b>\$ 182,098</b> | <b>\$ 269,478</b> |
| Nonoperating Revenues (Expenses) and Transfers | \$ (155,667)      | \$ (119,241)      |
| <b>CHANGE IN NET POSITION</b>                  | <b>\$ 26,431</b>  | <b>\$ 150,237</b> |

**PROGRAM REVENUE**

The following chart graphically depicts the government-wide program revenues for the year ended December 31, 2018.

**SOURCE OF REVENUES  
TOTAL REVENUES: \$4,796,321**



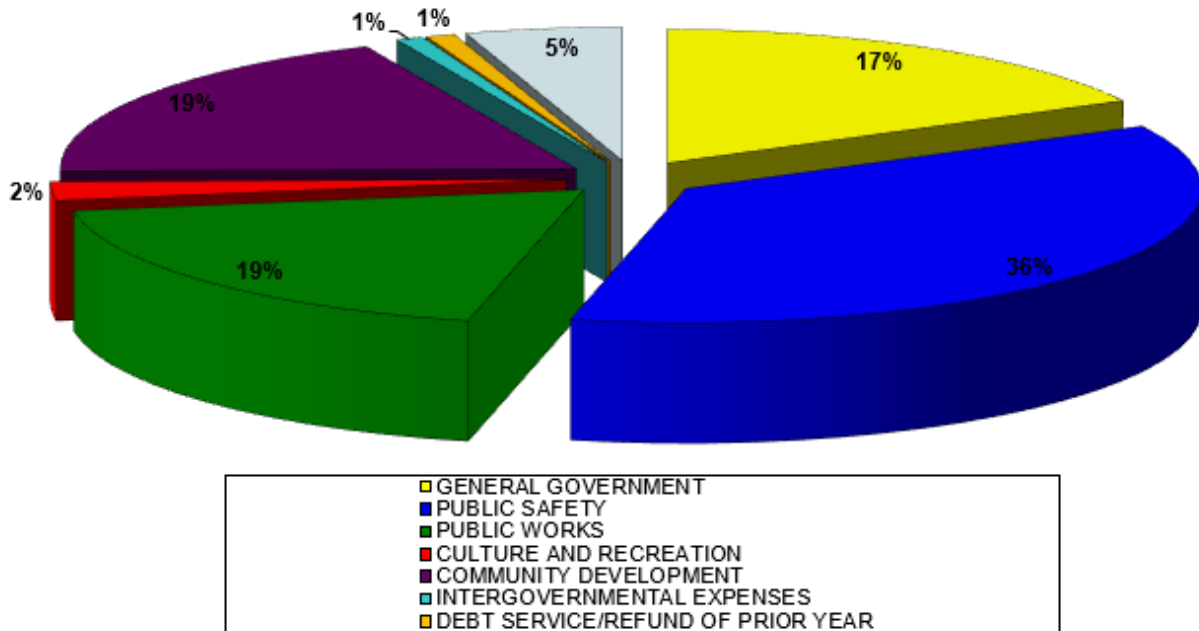
**CITY OF FARRELL  
MERCER COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
DECEMBER 31, 2018**

**PROGRAM EXPENSE**

Total expenses for all governmental activities in 2018 were \$4,665,742. The expenses reflect the delivery of a wide range of services, with the three largest areas being public safety at 36.3%, public works at 18.9%, and community development at 18.6%. General government expenses were 17.3% of total expenses.

The following chart graphically depicts the government-wide program expenses for the fiscal year ended December 31, 2018.

**PROGRAM EXPENSES  
TOTAL EXPENSES: \$4,665,742**



**CITY OF FARRELL  
MERCER COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
DECEMBER 31, 2018**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At December 31, 2018, the City had \$3,785,377 invested in capital assets, including land, buildings and improvements, vehicles, and furniture and equipment net of depreciation. This amount represents a net decrease (including additions, deletions and depreciation) of \$168,788 or approximately 4.3% from last year. The City had approximately \$163,154 in capital additions during the 2018 year which is comprised mainly of the purchase of a police vehicle for \$29,786, a public works truck for \$30,248, and a scum pump for its' sewer department for \$72,500.

**Long Term Debt**

On December 31, 2018, the City had \$1,048,139 of debt outstanding. This represents a decrease of 15% from December 31, 2017. Details of the City's long-term debt obligations are detailed in Notes 9 through 11 in the report. The City is scheduled to make debt service principal and interest payments of \$196,190 during 2019.

**FOR THE FUTURE**

The financial outlook for the City is a concern. The City relies heavily on the local taxpayers and on the state and federal government for subsidies and grants. Any significant reductions in these funding sources due to economic factors could adversely affect the City's continued ability to provide quality services to the general public.

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

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

**CONTACTING THE CITY**

This financial report is designed to provide our residents, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Michael Ceci, City Manager  
City of Farrell  
500 Roemer Blvd.  
Farrell, PA 16121

**CITY OF FARRELL**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

**EXHIBIT A**

|                                                                           | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>        |
|---------------------------------------------------------------------------|------------------------------------|-------------------------------------|---------------------|
| <b>ASSETS</b>                                                             |                                    |                                     |                     |
| <b>Current Assets:</b>                                                    |                                    |                                     |                     |
| Cash and Cash Equivalents                                                 | \$ 1,853,740                       | \$ 308,147                          | \$ 2,161,887        |
| Taxes Receivable (Net)                                                    | 580,181                            | -                                   | 580,181             |
| Due from Other Governmental Units                                         | 70,324                             | -                                   | 70,324              |
| Sewer Fees Receivable (Net)                                               | -                                  | 165,121                             | 165,121             |
| Other Accounts Receivable                                                 | 65,083                             | -                                   | 65,083              |
| Internal Balances                                                         | 252,946                            | (252,946)                           | -                   |
| Notes Receivable (Current)                                                | 300,000                            | -                                   | 300,000             |
| <b>Total Current Assets</b>                                               | <b>\$ 3,122,274</b>                | <b>\$ 220,322</b>                   | <b>\$ 3,342,596</b> |
| <b>Noncurrent Assets:</b>                                                 |                                    |                                     |                     |
| Land                                                                      | \$ 134,015                         | \$ 123,800                          | \$ 257,815          |
| Buildings and Improvements (Net)                                          | 707,872                            | 2,291,446                           | 2,999,318           |
| Vehicles (Net)                                                            | 463,858                            | 2,981                               | 466,839             |
| Furniture and Equipment (Net)                                             | 61,405                             | -                                   | 61,405              |
| <b>Total Noncurrent Assets</b>                                            | <b>\$ 1,367,150</b>                | <b>\$ 2,418,227</b>                 | <b>\$ 3,785,377</b> |
| <b>Other Assets:</b>                                                      |                                    |                                     |                     |
| Loans Receivable (Net)                                                    | \$ 1,667,445                       | \$ -                                | \$ 1,667,445        |
| <b>Total Noncurrent Assets</b>                                            | <b>\$ 1,667,445</b>                | <b>\$ -</b>                         | <b>\$ 1,667,445</b> |
| <b>TOTAL ASSETS</b>                                                       | <b>\$ 6,156,869</b>                | <b>\$ 2,638,549</b>                 | <b>\$ 8,795,418</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                     |                                    |                                     |                     |
| Deferred Outflows Related to Pensions                                     | \$ 477,442                         | \$ -                                | \$ 477,442          |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                               | <b>\$ 477,442</b>                  | <b>\$ -</b>                         | <b>\$ 477,442</b>   |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | <b>\$ 6,634,311</b>                | <b>\$ 2,638,549</b>                 | <b>\$ 9,272,860</b> |
| <b>LIABILITIES</b>                                                        |                                    |                                     |                     |
| <b>Current Liabilities:</b>                                               |                                    |                                     |                     |
| Accounts Payable                                                          | \$ 370,008                         | \$ 44,256                           | \$ 414,264          |
| Payroll Payable                                                           | 70,764                             | 9,359                               | 80,123              |
| Accrued Interest Payable                                                  | 11,083                             | -                                   | 11,083              |
| Unearned Revenue                                                          | 613                                | -                                   | 613                 |
| Current Portion Long-Term Debt                                            | 111,304                            | 44,758                              | 156,062             |
| <b>Total Current Liabilities</b>                                          | <b>\$ 563,772</b>                  | <b>\$ 98,373</b>                    | <b>\$ 662,145</b>   |
| <b>Noncurrent Liabilities:</b>                                            |                                    |                                     |                     |
| Note Payable - HUD - Long-Term Portion                                    | \$ 460,000                         | \$ -                                | \$ 460,000          |
| Notes Payable - FNB - Long-Term Portion                                   | 49,355                             | 382,722                             | 432,077             |
| Net Pension Liability                                                     | 862,029                            | -                                   | 862,029             |
| Net OPEB Liability                                                        | 380,990                            | 17,952                              | 398,942             |
| Compensated Absences                                                      | 91,575                             | 32,759                              | 124,334             |
| <b>Total Noncurrent Liabilities</b>                                       | <b>\$ 1,843,949</b>                | <b>\$ 433,433</b>                   | <b>\$ 2,277,382</b> |
| <b>TOTAL LIABILITIES</b>                                                  | <b>\$ 2,407,721</b>                | <b>\$ 531,806</b>                   | <b>\$ 2,939,527</b> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                                    |                                     |                     |
| Deferred Inflows Related to Pensions                                      | \$ 974,576                         | \$ -                                | \$ 974,576          |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>\$ 974,576</b>                  | <b>\$ -</b>                         | <b>\$ 974,576</b>   |
| <b>NET POSITION</b>                                                       |                                    |                                     |                     |
| Net Investment in Capital Assets                                          | \$ 746,491                         | \$ 1,990,747                        | \$ 2,737,238        |
| Restricted                                                                | 3,587,547                          | 70,921                              | 3,658,468           |
| Unrestricted (Deficit)                                                    | (1,082,024)                        | 45,075                              | (1,036,949)         |
| <b>TOTAL NET POSITION</b>                                                 | <b>\$ 3,252,014</b>                | <b>\$ 2,106,743</b>                 | <b>\$ 5,358,757</b> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b>\$ 6,634,311</b>                | <b>\$ 2,638,549</b>                 | <b>\$ 9,272,860</b> |

The accompanying notes are an integral part of these financial statements

**CITY OF FARRELL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

| Functions/Programs                                          | Expenses            | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                       |
|-------------------------------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|-----------------------|
|                                                             |                     | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities | Total                 |
| <b>Governmental Activities:</b>                             |                     |                      |                                    |                                  |                                                   |                          |                       |
| General Government                                          | \$ 805,944          | \$ 62,908            | \$ 196,744                         | \$ -                             | \$ (546,292)                                      |                          | \$ (546,292)          |
| Public Safety - Police                                      | 1,263,060           | 88,723               | -                                  | -                                | (1,174,337)                                       |                          | (1,174,337)           |
| Public Safety - Fire                                        | 352,113             | -                    | 13,821                             | -                                | (338,292)                                         |                          | (338,292)             |
| Public Safety - Other                                       | 78,906              | 22,908               | -                                  | -                                | (55,998)                                          |                          | (55,998)              |
| Public Works - Maintenance                                  | 27,565              | -                    | -                                  | -                                | (27,565)                                          |                          | (27,565)              |
| Public Works - Highways                                     | 854,562             | 65,571               | 230,660                            | -                                | (558,331)                                         |                          | (558,331)             |
| Culture and Recreation                                      | 104,821             | -                    | 28,347                             | -                                | (76,474)                                          |                          | (76,474)              |
| Community Development                                       | 866,880             | 30,377               | 376,038                            | -                                | (460,465)                                         |                          | (460,465)             |
| Intergovernmental Expenses                                  | 39,823              | -                    | -                                  | -                                | (39,823)                                          |                          | (39,823)              |
| Debt Service/Refund of Prior Year Receipts                  | 42,712              | -                    | -                                  | -                                | (42,712)                                          |                          | (42,712)              |
| Unallocated Depreciation                                    | 229,356             | -                    | -                                  | -                                | (229,356)                                         |                          | (229,356)             |
| <b>Total Governmental Activities</b>                        | <b>\$ 4,665,742</b> | <b>\$ 270,487</b>    | <b>\$ 845,610</b>                  | <b>\$ -</b>                      | <b>\$ (3,549,645)</b>                             |                          | <b>\$ (3,549,645)</b> |
| <b>Business-Type activities:</b>                            |                     |                      |                                    |                                  |                                                   |                          |                       |
| Sewer                                                       | \$ 975,636          | \$ 1,144,448         | \$ -                               | \$ -                             |                                                   | \$ 168,812               | \$ 168,812            |
| <b>Total Business-Type Activities</b>                       | <b>\$ 975,636</b>   | <b>\$ 1,144,448</b>  | <b>\$ -</b>                        | <b>\$ -</b>                      |                                                   | <b>\$ 168,812</b>        | <b>\$ 168,812</b>     |
| <b>Total Primary Government</b>                             | <b>\$ 5,641,378</b> | <b>\$ 1,414,935</b>  | <b>\$ 845,610</b>                  | <b>\$ -</b>                      | <b>\$ (3,549,645)</b>                             | <b>\$ 168,812</b>        | <b>\$ (3,380,833)</b> |
| <b>General Revenues:</b>                                    |                     |                      |                                    |                                  |                                                   |                          |                       |
| Taxes:                                                      |                     |                      |                                    |                                  |                                                   |                          |                       |
| Property Taxes, Levied for General Purposes (net)           |                     |                      |                                    |                                  | \$ 1,076,378                                      | \$ -                     | \$ 1,076,378          |
| Act 511 Taxes                                               |                     |                      |                                    |                                  | 2,150,298                                         | -                        | 2,150,298             |
| Payment in Lieu of Taxes/PURTA/Alcohol Beverage Tax         |                     |                      |                                    |                                  | 28,208                                            | -                        | 28,208                |
| Cable Franchise Fees                                        |                     |                      |                                    |                                  | 65,067                                            | -                        | 65,067                |
| Investment Earnings                                         |                     |                      |                                    |                                  | 68,810                                            | -                        | 68,810                |
| Gain on Sale of Assets                                      |                     |                      |                                    |                                  | 6,142                                             | -                        | 6,142                 |
| Miscellaneous                                               |                     |                      |                                    |                                  | 135,321                                           | 7,619                    | 142,940               |
| Transfers between Governmental and Business-Type Activities |                     |                      |                                    |                                  | 150,000                                           | (150,000)                | -                     |
| <b>Total General Revenues</b>                               |                     |                      |                                    |                                  | <b>\$ 3,680,224</b>                               | <b>\$ (142,381)</b>      | <b>\$ 3,537,843</b>   |
| <b>Change in Net Position</b>                               |                     |                      |                                    |                                  | <b>\$ 130,579</b>                                 | <b>\$ 26,431</b>         | <b>\$ 157,010</b>     |
| Net Position — January 1, 2018                              |                     |                      |                                    |                                  | 3,121,435                                         | 2,080,312                | 5,201,747             |
| <b>Net Position — December 31, 2018</b>                     |                     |                      |                                    |                                  | <b>\$ 3,252,014</b>                               | <b>\$ 2,106,743</b>      | <b>\$ 5,358,757</b>   |

The accompanying notes are an integral part of these financial statements

**CITY OF FARRELL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

**EXHIBIT C**

|                                                                            | GENERAL<br>FUND     | REDEVELOPMENT<br>AUTHORITY<br>LITTLE<br>LEAGUE<br>FUND | E.D.P.<br>FUND      | CAPITAL<br>PROJECTS<br>FUND | REVOLVING<br>LOAN<br>COMMUNITY<br>DEVELOPMENT<br>FUND | NON-MAJOR<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|----------------------------------------------------------------------------|---------------------|--------------------------------------------------------|---------------------|-----------------------------|-------------------------------------------------------|------------------------------------|--------------------------------|
| <b>ASSETS:</b>                                                             |                     |                                                        |                     |                             |                                                       |                                    |                                |
| Cash and Cash Equivalents                                                  | \$ 333,758          | \$ 5,579                                               | \$ 269,478          | \$ 854,052                  | \$ 228,417                                            | \$ 162,456                         | \$ 1,853,740                   |
| Taxes Receivable (Net)                                                     | 1,416,243           | -                                                      | -                   | -                           | -                                                     | -                                  | 1,416,243                      |
| Due from Other Governmental Units                                          | -                   | -                                                      | -                   | -                           | -                                                     | 70,324                             | 70,324                         |
| Due from Other Funds                                                       | 811,724             | -                                                      | 1,108,760           | -                           | 117,045                                               | -                                  | 2,037,529                      |
| Loans Receivable                                                           | -                   | -                                                      | 1,720,788           | -                           | 246,657                                               | -                                  | 1,967,445                      |
| Other Receivables                                                          | 58,668              | -                                                      | -                   | -                           | -                                                     | 6,415                              | 65,083                         |
| <b>TOTAL ASSETS</b>                                                        | <b>\$ 2,620,393</b> | <b>\$ 5,579</b>                                        | <b>\$ 3,099,026</b> | <b>\$ 854,052</b>           | <b>\$ 592,119</b>                                     | <b>\$ 239,195</b>                  | <b>\$ 7,410,364</b>            |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>       |                     |                                                        |                     |                             |                                                       |                                    |                                |
| <b>LIABILITIES:</b>                                                        |                     |                                                        |                     |                             |                                                       |                                    |                                |
| Accounts Payable                                                           | \$ 48,794           | \$ 159,076                                             | \$ 456              | \$ 80,875                   | \$ 70,324                                             | \$ 10,484                          | \$ 370,009                     |
| Payroll Payable                                                            | 70,764              | -                                                      | -                   | -                           | -                                                     | -                                  | 70,764                         |
| Due to Other Funds                                                         | 27,388              | 973,000                                                | -                   | 521,218                     | 135,761                                               | 127,216                            | 1,784,583                      |
| Unearned Revenue                                                           | -                   | -                                                      | -                   | -                           | -                                                     | 613                                | 613                            |
| <b>TOTAL LIABILITIES</b>                                                   | <b>\$ 146,946</b>   | <b>\$ 1,132,076</b>                                    | <b>\$ 456</b>       | <b>\$ 602,093</b>           | <b>\$ 206,085</b>                                     | <b>\$ 138,313</b>                  | <b>\$ 2,225,969</b>            |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                      |                     |                                                        |                     |                             |                                                       |                                    |                                |
| Delinquent Real Estate Taxes                                               | \$ 961,692          | \$ -                                                   | \$ -                | \$ -                        | \$ -                                                  | \$ -                               | \$ 961,692                     |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                 | <b>\$ 961,692</b>   | <b>\$ -</b>                                            | <b>\$ -</b>         | <b>\$ -</b>                 | <b>\$ -</b>                                           | <b>\$ -</b>                        | <b>\$ 961,692</b>              |
| <b>FUND BALANCES:</b>                                                      |                     |                                                        |                     |                             |                                                       |                                    |                                |
| Restricted                                                                 | \$ -                | \$ -                                                   | \$ 3,098,570        | \$ -                        | \$ 386,034                                            | \$ 102,943                         | \$ 3,587,547                   |
| Assigned                                                                   | -                   | -                                                      | -                   | 251,959                     | -                                                     | -                                  | 251,959                        |
| Unassigned (Deficit)                                                       | 1,511,755           | (1,126,497)                                            | -                   | -                           | -                                                     | (2,061)                            | 383,197                        |
| <b>TOTAL FUND BALANCES (Deficit)</b>                                       | <b>\$ 1,511,755</b> | <b>\$ (1,126,497)</b>                                  | <b>\$ 3,098,570</b> | <b>\$ 251,959</b>           | <b>\$ 386,034</b>                                     | <b>\$ 100,882</b>                  | <b>\$ 4,222,703</b>            |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b> | <b>\$ 2,620,393</b> | <b>\$ 5,579</b>                                        | <b>\$ 3,099,026</b> | <b>\$ 854,052</b>           | <b>\$ 592,119</b>                                     | <b>\$ 239,195</b>                  | <b>\$ 7,410,364</b>            |

The accompanying notes are an integral part of these financial statements

**CITY OF FARRELL**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

**Total Fund Balances - Governmental Funds** \$ 4,222,703

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different from amounts reported for governmental funds on the balance sheet (Exhibit C) because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$4,884,092, and the accumulated depreciation is \$3,516,942. 1,367,150

Property taxes receivable in the statement of net position, which will not be available soon enough to pay for the current period's expenditures (i.e., within 90 days of year-end), are deferred and not recognized as revenue in governmental funds. 125,631

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

|                                                    |  |           |
|----------------------------------------------------|--|-----------|
| Deferred outflows of resources related to pensions |  | 477,442   |
| Deferred inflows of resources related to pensions  |  | (974,576) |

Long term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.

Long-term liabilities at year end consist of:

|                       |            |  |             |
|-----------------------|------------|--|-------------|
| Notes payable         | \$ 620,659 |  |             |
| Accrued interest      | 11,083     |  |             |
| Net pension liability | 862,029    |  |             |
| Net OPEB liability    | 380,990    |  |             |
| Compensated absences  | 91,575     |  |             |
|                       |            |  | (1,966,336) |

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ 3,252,014**

The accompanying notes are an integral part of these financial statements

**CITY OF FARRELL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                                              | GENERAL FUND        | REDEVELOPMENT<br>AUTHORITY<br>LITTLE<br>LEAGUE<br>FUND | E.D.P.<br>FUND      | CAPITAL<br>PROJECTS<br>FUND | REVOLVING<br>LOAN<br>COMMUNITY<br>DEVELOPMENT<br>FUND | NON-MAJOR<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--------------------------------------------------------------|---------------------|--------------------------------------------------------|---------------------|-----------------------------|-------------------------------------------------------|------------------------------------|--------------------------------|
| <b>REVENUES</b>                                              |                     |                                                        |                     |                             |                                                       |                                    |                                |
| Taxes                                                        | \$ 3,224,573        | \$ -                                                   | \$ -                | \$ -                        | \$ -                                                  | \$ -                               | \$ 3,224,573                   |
| Licenses and Permits                                         | 102,504             | -                                                      | -                   | -                           | -                                                     | -                                  | 102,504                        |
| Fines and Forfeitures                                        | 46,143              | -                                                      | -                   | -                           | -                                                     | -                                  | 46,143                         |
| Interest and Rents                                           | 18,203              | -                                                      | 47,957              | 2,084                       | 13,382                                                | 930                                | 82,556                         |
| Intergovernmental                                            | 370,556             | -                                                      | -                   | -                           | 81,275                                                | 373,768                            | 825,599                        |
| Charges for Services                                         | 79,459              | -                                                      | -                   | -                           | -                                                     | 65,571                             | 145,030                        |
| Miscellaneous                                                | 95,463              | 3,196                                                  | -                   | 17,625                      | 30,376                                                | 28,347                             | 175,007                        |
| <b>Total Revenue</b>                                         | <b>\$ 3,936,901</b> | <b>\$ 3,196</b>                                        | <b>\$ 47,957</b>    | <b>\$ 19,709</b>            | <b>\$ 125,033</b>                                     | <b>\$ 468,616</b>                  | <b>\$ 4,601,412</b>            |
| <b>EXPENDITURES</b>                                          |                     |                                                        |                     |                             |                                                       |                                    |                                |
| General Government                                           | \$ 859,649          | \$ -                                                   | \$ -                | \$ -                        | \$ 1,986                                              | \$ 60                              | \$ 861,695                     |
| Public Safety                                                | 1,743,343           | -                                                      | -                   | 26,695                      | -                                                     | -                                  | 1,770,038                      |
| Public Works                                                 | 434,030             | -                                                      | -                   | 283,870                     | -                                                     | 225,094                            | 942,994                        |
| Culture and Recreation                                       | 84,721              | -                                                      | -                   | -                           | -                                                     | 19,601                             | 104,322                        |
| Community Development                                        | 106,486             | 289,109                                                | 36,768              | 8,950                       | 236,142                                               | 187,438                            | 864,893                        |
| Debt Service                                                 | -                   | -                                                      | -                   | -                           | 83,095                                                | -                                  | 83,095                         |
| Miscellaneous                                                | 39,823              | -                                                      | -                   | -                           | -                                                     | -                                  | 39,823                         |
| <b>Total Expenditures</b>                                    | <b>\$ 3,268,052</b> | <b>\$ 289,109</b>                                      | <b>\$ 36,768</b>    | <b>\$ 319,515</b>           | <b>\$ 321,223</b>                                     | <b>\$ 432,193</b>                  | <b>\$ 4,666,860</b>            |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ 668,849</b>   | <b>\$ (285,913)</b>                                    | <b>\$ 11,189</b>    | <b>\$ (299,806)</b>         | <b>\$ (196,190)</b>                                   | <b>\$ 36,423</b>                   | <b>\$ (65,448)</b>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                                                        |                     |                             |                                                       |                                    |                                |
| Refund of Prior Year Expenses                                | \$ 36,390           | \$ -                                                   | \$ -                | \$ -                        | \$ -                                                  | \$ 272                             | \$ 36,662                      |
| Refund of Prior Year (Revenues)                              | -                   | -                                                      | -                   | -                           | (14,547)                                              | (443)                              | (14,990)                       |
| Operating Transfers In                                       | 169,722             | 20,000                                                 | -                   | 600,000                     | 21,095                                                | -                                  | 810,817                        |
| Operating Transfers (Out)                                    | (619,775)           | -                                                      | -                   | (20,000)                    | -                                                     | (21,542)                           | (661,317)                      |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ (413,663)</b> | <b>\$ 20,000</b>                                       | <b>\$ -</b>         | <b>\$ 580,000</b>           | <b>\$ 6,548</b>                                       | <b>\$ (21,713)</b>                 | <b>\$ 171,172</b>              |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ 255,186</b>   | <b>\$ (265,913)</b>                                    | <b>\$ 11,189</b>    | <b>\$ 280,194</b>           | <b>\$ (189,642)</b>                                   | <b>\$ 14,710</b>                   | <b>\$ 105,724</b>              |
| FUND BALANCE - JANUARY 1, 2018 (Deficit)                     | 1,256,569           | (860,584)                                              | 3,087,381           | (28,235)                    | 575,676                                               | 86,172                             | 4,116,979                      |
| <b>FUND BALANCE - DECEMBER 31, 2018 (Deficit)</b>            | <b>\$ 1,511,755</b> | <b>\$ (1,126,497)</b>                                  | <b>\$ 3,098,570</b> | <b>\$ 251,959</b>           | <b>\$ 386,034</b>                                     | <b>\$ 100,882</b>                  | <b>\$ 4,222,703</b>            |

The accompanying notes are an integral part of these financial statements



**CITY OF FARRELL**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 105,724**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$229,356) exceeds capital outlays (\$81,154). (148,202)

Proceeds from the sale of Borough assets are reported as revenues in the governmental funds. When Borough assets are disposed the remaining net asset value at the time of disposition in excess of the proceeds received from the fixed asset disposition is reported as a loss on the disposition of assets in the statement of activities. 6,142

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. 50,234

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,372

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 109,674

Because certain property taxes will not be collected for several months after the Borough's year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased during the calendar year 2018. 2,104

In the statement of activities, certain operating expenses - compensated absences and OPEB - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid). This is the amount by which compensated absences earned exceeded the amount paid. 3,531

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 130,579**

**CITY OF FARRELL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                                               | Budgeted Amounts    |                     | Actual<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------------------------------|---------------------|---------------------|-----------------------------|---------------------------------------------------------|
|                                                               | Original            | Final               |                             |                                                         |
| <b>REVENUES</b>                                               |                     |                     |                             |                                                         |
| Taxes                                                         | \$ 2,710,000        | \$ 2,710,000        | \$ 3,224,573                | \$ 514,573                                              |
| Licenses and Permits                                          | 93,300              | 93,300              | 102,504                     | 9,204                                                   |
| Fines and Forfeitures                                         | 36,500              | 36,500              | 46,143                      | 9,643                                                   |
| Interest and Rents                                            | 15,200              | 15,200              | 18,203                      | 3,003                                                   |
| Intergovernmental                                             | 217,618             | 217,618             | 370,556                     | 152,938                                                 |
| Charges for Services                                          | 67,000              | 67,000              | 79,459                      | 12,459                                                  |
| Miscellaneous                                                 | 85,000              | 85,000              | 95,463                      | 10,463                                                  |
| <b>Total Revenues</b>                                         | <b>\$ 3,224,618</b> | <b>\$ 3,224,618</b> | <b>\$ 3,936,901</b>         | <b>\$ 712,283</b>                                       |
| <b>EXPENDITURES</b>                                           |                     |                     |                             |                                                         |
| General Government                                            | \$ 883,622          | \$ 883,622          | \$ 859,649                  | \$ 23,973                                               |
| Public Safety                                                 | 1,604,858           | 1,604,858           | 1,743,343                   | (138,485)                                               |
| Public Works                                                  | 395,756             | 395,756             | 434,030                     | (38,274)                                                |
| Culture and Recreation                                        | 84,400              | 84,400              | 84,721                      | (321)                                                   |
| Community Development                                         | -                   | -                   | 106,486                     | (106,486)                                               |
| Debt Service                                                  | 500                 | 500                 | -                           | 500                                                     |
| Miscellaneous                                                 | 38,982              | 38,982              | 39,823                      | (841)                                                   |
| <b>Total Expenditures</b>                                     | <b>\$ 3,008,118</b> | <b>\$ 3,008,118</b> | <b>\$ 3,268,052</b>         | <b>\$ (259,934)</b>                                     |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ 216,500</b>   | <b>\$ 216,500</b>   | <b>\$ 668,849</b>           | <b>\$ 452,349</b>                                       |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                     |                     |                             |                                                         |
| Sale of City Property                                         | \$ 2,500            | \$ 2,500            | \$ -                        | \$ (2,500)                                              |
| Refund of Prior Year Expenses                                 | -                   | -                   | 36,390                      | 36,390                                                  |
| Operating Transfers In                                        | 280,000             | 280,000             | 169,722                     | (110,278)                                               |
| Operating Transfers Out                                       | (499,000)           | (499,000)           | (619,775)                   | (120,775)                                               |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ (216,500)</b> | <b>\$ (216,500)</b> | <b>\$ (413,663)</b>         | <b>\$ (197,163)</b>                                     |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ 255,186</b>           | <b>\$ 255,186</b>                                       |
| FUND BALANCE - JANUARY 1, 2018                                | -                   | -                   | 1,256,569                   | 1,256,569                                               |
| <b>FUND BALANCE - DECEMBER 31, 2018</b>                       | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ 1,511,755</b>         | <b>\$ 1,511,755</b>                                     |

The accompanying notes are an integral part of these financial statements

**CITY OF FARRELL**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2018**

|                                           | <u>SEWER FUND</u>   | <u>SEWER<br/>CAPITAL<br/>FUND</u> | <u>TOTAL</u>        |
|-------------------------------------------|---------------------|-----------------------------------|---------------------|
| <b>ASSETS</b>                             |                     |                                   |                     |
| <b>Current Assets:</b>                    |                     |                                   |                     |
| Cash and Cash Equivalents                 | \$ 220,874          | \$ 87,273                         | \$ 308,147          |
| Sewer Fees Receivables (Net)              | 165,121             | -                                 | 165,121             |
| <b>Total Current Assets</b>               | <b>\$ 385,995</b>   | <b>\$ 87,273</b>                  | <b>\$ 473,268</b>   |
| <b>Noncurrent Assets:</b>                 |                     |                                   |                     |
| Land                                      | \$ 123,800          | \$ -                              | \$ 123,800          |
| Buildings and Improvements (Net)          | 2,291,446           | -                                 | 2,291,446           |
| Furniture and Equipment (Net)             | 2,981               | -                                 | 2,981               |
| <b>Total Noncurrent Assets</b>            | <b>\$ 2,418,227</b> | <b>\$ -</b>                       | <b>\$ 2,418,227</b> |
| <b>TOTAL ASSETS</b>                       | <b>\$ 2,804,222</b> | <b>\$ 87,273</b>                  | <b>\$ 2,891,495</b> |
| <b>LIABILITIES</b>                        |                     |                                   |                     |
| <b>Current Liabilities:</b>               |                     |                                   |                     |
| Accounts Payable                          | \$ 31,654           | \$ 12,602                         | \$ 44,256           |
| Payroll Payable                           | 9,359               | -                                 | 9,359               |
| Due to Other Funds                        | 249,196             | 3,750                             | 252,946             |
| Current Portion Long-Term Debt            | 44,758              | -                                 | 44,758              |
| <b>Total Current Liabilities</b>          | <b>\$ 334,967</b>   | <b>\$ 16,352</b>                  | <b>\$ 351,319</b>   |
| <b>Noncurrent Liabilities:</b>            |                     |                                   |                     |
| Notes Payable - Long Term portion         | \$ 382,722          | \$ -                              | \$ 382,722          |
| Net OPEB Liability                        | 17,952              | -                                 | 17,952              |
| Compensated Absences                      | 32,759              | -                                 | 32,759              |
| <b>Total Noncurrent Liabilities</b>       | <b>\$ 433,433</b>   | <b>\$ -</b>                       | <b>\$ 433,433</b>   |
| <b>TOTAL LIABILITIES</b>                  | <b>\$ 768,400</b>   | <b>\$ 16,352</b>                  | <b>\$ 784,752</b>   |
| <b>NET POSITION</b>                       |                     |                                   |                     |
| Net Investment in Capital Assets          | \$ 1,990,747        | \$ -                              | \$ 1,990,747        |
| Restricted                                | -                   | 70,921                            | 70,921              |
| Unrestricted                              | 45,075              | -                                 | 45,075              |
| <b>TOTAL NET POSITION</b>                 | <b>\$ 2,035,822</b> | <b>\$ 70,921</b>                  | <b>\$ 2,106,743</b> |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b>\$ 2,804,222</b> | <b>\$ 87,273</b>                  | <b>\$ 2,891,495</b> |

The accompanying notes are an integral part of these financial statements

**CITY OF FARRELL**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                                      | SEWER<br>FUND       | SEWER<br>CAPITAL<br>FUND | TOTAL               |
|------------------------------------------------------|---------------------|--------------------------|---------------------|
| <b><u>OPERATING REVENUES:</u></b>                    |                     |                          |                     |
| Charges for Services (Sewer Fees)                    | \$ 1,144,448        | \$ -                     | \$ 1,144,448        |
| <b>Total Operating Revenues</b>                      | <b>\$ 1,144,448</b> | <b>\$ -</b>              | <b>\$ 1,144,448</b> |
| <b><u>OPERATING EXPENSES:</u></b>                    |                     |                          |                     |
| Salaries                                             | \$ 209,036          | \$ -                     | \$ 209,036          |
| Employee benefits                                    | 53,536              | -                        | 53,536              |
| Utilities and Telephone                              | 130,249             | -                        | 130,249             |
| Supplies                                             | 15,519              | -                        | 15,519              |
| Plant Operations                                     | 224,431             | 174,642                  | 399,073             |
| Contracted Services                                  | 55,709              | -                        | 55,709              |
| Depreciation                                         | 99,228              | -                        | 99,228              |
| <b>Total Operating Expenses</b>                      | <b>\$ 787,708</b>   | <b>\$ 174,642</b>        | <b>\$ 962,350</b>   |
| <b>TOTAL OPERATING INCOME &lt;LOSS&gt;</b>           | <b>\$ 356,740</b>   | <b>\$ (174,642)</b>      | <b>\$ 182,098</b>   |
| <b><u>NON-OPERATING REVENUE &lt;EXPENSE&gt;:</u></b> |                     |                          |                     |
| Insurance Claim Recovery                             | \$ -                | \$ 7,619                 | \$ 7,619            |
| Interest Expense                                     | (13,286)            | -                        | (13,286)            |
| <b>TOTAL NON-OPERATING REVENUE &lt;EXPENSE&gt;</b>   | <b>\$ (13,286)</b>  | <b>\$ 7,619</b>          | <b>\$ (5,667)</b>   |
| <b>INCOME &lt;LOSS&gt; BEFORE TRANSFERS</b>          | <b>\$ 343,454</b>   | <b>\$ (167,023)</b>      | <b>\$ 176,431</b>   |
| <b><u>TRANSFERS:</u></b>                             |                     |                          |                     |
| Transfer from (to) Other Funds                       | \$ (302,500)        | \$ 152,500               | \$ (150,000)        |
| <b>TOTAL TRANSFERS</b>                               | <b>\$ (302,500)</b> | <b>\$ 152,500</b>        | <b>\$ (150,000)</b> |
| <b>CHANGES IN NET POSITION</b>                       | <b>\$ 40,954</b>    | <b>\$ (14,523)</b>       | <b>\$ 26,431</b>    |
| NET POSITION - JANUARY 1, 2018                       | 1,994,868           | 85,444                   | 2,080,312           |
| <b>NET POSITION - DECEMBER 31, 2018</b>              | <b>\$ 2,035,822</b> | <b>\$ 70,921</b>         | <b>\$ 2,106,743</b> |

The accompanying notes are an integral part of these financial statements

**CITY OF FARRELL**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                                                                                                  | <u>SEWER<br/>FUND</u> | <u>SEWER<br/>CAPITAL<br/>FUND</u> | <u>TOTAL</u>        |
|------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------------------|---------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>                                                              |                       |                                   |                     |
| Cash received from user charges                                                                                  | \$ 1,165,485          | \$ -                              | \$ 1,165,485        |
| Cash paid to employees for wages and benefits                                                                    | (259,222)             | -                                 | (259,222)           |
| Cash paid to vendors for goods and services                                                                      | (276,714)             | (230,790)                         | (507,504)           |
| <b>Net cash provided (used) by operating activities</b>                                                          | <b>\$ 629,549</b>     | <b>\$ (230,790)</b>               | <b>\$ 398,759</b>   |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCIAL ACTIVITIES:</u></b>                                      |                       |                                   |                     |
| Capital construction and purchases                                                                               | \$ (72,500)           | \$ -                              | \$ (72,500)         |
| Note principal payments                                                                                          | (118,055)             | -                                 | (118,055)           |
| Interest paid on notes                                                                                           | (13,286)              | -                                 | (13,286)            |
| Insurance Recovery                                                                                               | -                     | 7,619                             | 7,619               |
| <b>Net cash provided (used) by capital and related financing activities</b>                                      | <b>\$ (203,841)</b>   | <b>\$ 7,619</b>                   | <b>\$ (196,222)</b> |
| <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u></b>                                                  |                       |                                   |                     |
| Interfund transfers                                                                                              | \$ (302,500)          | \$ 225,000                        | \$ (77,500)         |
| <b>Net cash provided (used) by non-capital financing activities</b>                                              | <b>\$ (302,500)</b>   | <b>\$ 225,000</b>                 | <b>\$ (77,500)</b>  |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                                      | <b>\$ 123,208</b>     | <b>\$ 1,829</b>                   | <b>\$ 125,037</b>   |
| <b>Cash and cash equivalents - January 1, 2018</b>                                                               | <b>97,666</b>         | <b>85,444</b>                     | <b>183,110</b>      |
| <b>Cash and cash equivalents - December 31, 2018</b>                                                             | <b>\$ 220,874</b>     | <b>\$ 87,273</b>                  | <b>\$ 308,147</b>   |
| <b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET<br/>CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u></b> |                       |                                   |                     |
| Operating Income (Loss)                                                                                          | \$ 356,740            | \$ (247,142)                      | \$ 109,598          |
| Adjustments to reconcile excess revenues over expenditures<br>provided by (used in) operating activities:        |                       |                                   |                     |
| Depreciation                                                                                                     | 99,228                | -                                 | 99,228              |
| Changes in assets and liabilities:                                                                               |                       |                                   |                     |
| (Increase) decrease in sewer fees receivable                                                                     | 21,037                | -                                 | 21,037              |
| Increase (decrease) in accounts payable                                                                          | 6,371                 | 12,602                            | 18,973              |
| Increase (decrease) in payroll payable                                                                           | 2,436                 | -                                 | 2,436               |
| Increase (decrease) in due to other funds                                                                        | 142,823               | 3,750                             | 146,573             |
| Increase (decrease) in compensated absences                                                                      | 914                   | -                                 | 914                 |
| <b>Net cash provided (used) by operating activities</b>                                                          | <b>\$ 629,549</b>     | <b>\$ (230,790)</b>               | <b>\$ 398,759</b>   |

The accompanying notes are an integral part of these financial statements

**CITY OF FARRELL**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2018**

|                                           | <b><u>PRIVATE<br/>PURPOSE<br/>TRUST FUNDS</u></b> | <b><u>AGENCY<br/>FUNDS</u></b> |
|-------------------------------------------|---------------------------------------------------|--------------------------------|
| <b>ASSETS</b>                             |                                                   |                                |
| Cash and Cash Equivalents                 | \$ 29,623                                         | \$ 25,790                      |
| <b>TOTAL ASSETS</b>                       | <b><u>\$ 29,623</u></b>                           | <b><u>\$ 25,790</u></b>        |
| <br><b>LIABILITIES AND NET POSITION</b>   |                                                   |                                |
| <b>LIABILITIES</b>                        |                                                   |                                |
| Due to Other Governments                  | \$ -                                              | \$ 25,790                      |
| <b>TOTAL LIABILITIES</b>                  | <b><u>\$ -</u></b>                                | <b><u>\$ 25,790</u></b>        |
| <br><b>NET POSITION</b>                   |                                                   |                                |
| Restricted for Future Expenditures        | \$ 29,623                                         |                                |
| <b>TOTAL NET POSITION</b>                 | <b><u>\$ 29,623</u></b>                           |                                |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b><u>\$ 29,623</u></b>                           |                                |

The accompanying notes are an integral part of these financial statements

**CITY OF FARRELL**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                         | <b>PRIVATE<br/>PURPOSE<br/>TRUST<br/>FUNDS</b> |
|-----------------------------------------|------------------------------------------------|
| <b>ADDITIONS</b>                        |                                                |
| Contributions and Donations             | \$ 11,126                                      |
| Escrow Deposits                         | 33,058                                         |
| Transfers from Other Funds              | <u>1,500</u>                                   |
| <b>TOTAL ADDITIONS</b>                  | <b><u>\$ 45,684</u></b>                        |
| <b>DEDUCTIONS</b>                       |                                                |
| Culture and Recreation                  | \$ 11,784                                      |
| Public Works Storm Management Costs     | 903                                            |
| Escrow and Related Payments             | 35,538                                         |
| Transfer to other Funds                 | <u>1,000</u>                                   |
| <b>TOTAL DEDUCTIONS</b>                 | <b><u>\$ 49,225</u></b>                        |
| <b>CHANGES IN NET POSITION</b>          | <b>\$ (3,541)</b>                              |
| <b>NET POSITION - JANUARY 1, 2018</b>   | <u>33,164</u>                                  |
| <b>NET POSITION - DECEMBER 31, 2018</b> | <b><u>\$ 29,623</u></b>                        |

The accompanying notes are an integral part of these financial statements

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**DESCRIPTION**

The City of Farrell, Pennsylvania (City) was incorporated in 1930 and operates under the Home Rule Charter form of government. The City's Council (Council) is the basic level of government which has oversight responsibility and control over all activities related to the City. Council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. The City's major services include Police, Fire, Streets, Sanitation, Health, Planning and Zoning and General Administrative Services.

The financial statements of the City of Farrell have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The most significant of the City's accounting policies are as follows:

**REPORTING ENTITY**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City of Farrell consists of all funds, departments, boards and agencies that are not legally separate from the City. As defined by the Governmental Accounting Standards Board, component units are legally separate entities that are included in the City's reporting entity because of the significance of their operating or financial relationships with the City. Based on the application of these criteria, the City of Farrell has no component units.

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) 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 those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. That is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations (Exhibits D and F) with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues for the City's business-type activities (sewage fund operations) and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants, subsidies and contributions that are restricted to meeting the operational or capital requirements of a particular program. The City allocates the following program revenues under the column 'charges for services' to each functional disbursement category as follows:



**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)**

- General Government – Rental Licenses and real estate tax office reimbursements from County and School District
- Public Safety (Police) – Fines and forfeitures, regional lock-up rent, and special police services
- Public Safety (Other) – Other licenses and permits
- Public Works (Highways) – Gasoline account reimbursements
- Community Development – Loan proceeds

Revenues which are not classified as program revenues are presented as general revenues of the City. General revenue consists mainly of taxes, cable franchise fees, unrestricted grants, and other miscellaneous receipts not earmarked for a specific function. The comparison of direct disbursements with program receipts identifies the extent to which the business-type activity or government function is self-financing or draws from the general receipts of the City.

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Major funds represent the City's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. Each major fund is presented in a separate column. In Exhibit C, non-major funds are segregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the source (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING**

The City uses funds to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Fund categories are defined as follows:

**Governmental Funds** – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major and non-major governmental funds:

**MAJOR GOVERNMENTAL FUNDS:**

**GENERAL FUND** - Established to account for the general operations of the City. Income in this fund is derived mainly from assessed revenues such as real estate taxes, local taxes established under Act 511, intergovernmental grants and allocations, charges for services, and other miscellaneous revenues not designated for other restricted fund purposes. These revenues are used for general ongoing government services such as public safety, public works, culture and recreation, general administration of the City, and other miscellaneous operating expenses.

**SPECIAL REVENUE FUNDS** - Established to account for the income received from specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are considered major governmental funds:

- Redevelopment Authority Little League Fund
- E.D.P. Fund
- Revolving Loan Community Development Fund

**CAPITAL PROJECT FUND** – Established by City Council to account for appropriations from the City's General Fund earmarked for capital projects within the City.

**NON-MAJOR GOVERNMENTAL FUNDS:**

**SPECIAL REVENUE FUNDS** - Established to account for the income received from specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are considered non-major governmental funds:

- Library Fund
- Liquid Fuels Fund
- Farrell Recreation Commission Fund
- HOME Façade Fund
- Revolving Loan Rehabilitation Fund
- Gasoline Account Fund
- Community Development Block Grant Fund

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

**Proprietary Funds** - used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the City (internal service funds). The Sewer Fund and Sewer Capital Funds are the two proprietary (enterprise) funds maintained by the City. Based on the criteria for determining major funds as set forth in GASB Statement No. 34, the City's proprietary funds are considered major funds.

**Fiduciary Funds** – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature and do not involve measuring income or any other results from operations. The City's Agency Funds represent taxes collected for and due other governmental units. The City currently has four (4) private-purpose trust funds and three (3) agency funds as follows:

**PRIVATE-PURPOSE TRUST FUNDS**

- Centennial Fund
- Juneteenth Fund
- Fire Escrow Fund
- Storm Water Management Escrow Fund

**AGENCY FUNDS:**

- County Tax Escrow Fund
- Earned Income Tax Fund
- Real Estate Tax Fund

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Business-type activities in the government-wide financial statements and proprietary fund financial statements are prepared using the accrual basis of accounting. Governmental activities in the government-wide financial statements and government funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenue for business-type activities resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of fiscal year-end.

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (Continued)**

Revenue resulting from non-exchange transactions, in which the City receives value without directly giving equal value in return, includes property taxes, grants and contributions. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be 'available' (as previously defined) before it can be recognized.

The management of the City of Farrell has determined that the revenues most susceptible to accrual at December 31, 2018 are **1)** delinquent real estate taxes collected within 60 days of calendar year-end **2)** certain taxpayer assessed Act 511 taxes, and **3)** other miscellaneous revenues estimable and available to the City for 2018 but not as yet collected at December 31, 2018. On the governmental fund financial statements, receivables that will not be collected within the 'available' period have been reported as 'deferred inflows of resources'.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at December 31, 2018 are those for which the City's intention was to expense these items as budgeted for in the 2018 official budget, and for which the City has incurred an obligation during 2018 but has not paid as of December 31, 2018.

Allocations of costs such as depreciation expense, are not recognized in governmental funds but are included as part of expenses in the government-wide statement of activities.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the City's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**BUDGETS**

On December 18, 2017, the City of Farrell adopted its 2018 annual budget for its General Fund totaling \$3,507,118 in accordance with the provisions of the Commonwealth of Pennsylvania City Code. The City is required to advertise that a copy of their proposed budget is available for public inspection thirty (30) days prior to adoption of their final budget. The budget is prepared utilizing the modified accrual method of accounting in accordance with generally accepted accounting principles. Budgetary transfers among various expenditure line items are performed as approved by City Council. The adjusted budgetary amounts, if any, are reflected in these financial statements (Exhibit G). For the calendar year 2018, General Fund expenditures exceeded budgeted expenditures. All appropriations lapse at the end of each calendar year.

Although not required by Commonwealth Law, the City also adopts budgets for other City Funds including its Sewer and Sewer Capital Funds, Liquid Fuels Fund, Economic Development/Revolving Loan Fund, and Capital Project Fund.

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CASH AND CASH EQUIVALENTS**

For purposes of the accompanying financial statements, cash and cash equivalents include amounts in demand deposit accounts and all highly liquid short-term investments with original maturity terms of less than three months.

**RECEIVABLES**

Utility (sewage) receivables, and other accounts receivable are reflected at net realizable value as of December 31, 2018. The City maintains an allowance for un-collectable accounts for its sewer utility receivables of \$15,296 based on management's estimate of past collection experience.

**NOTES RECEIVABLE**

The City has established loan funds to provide financing to qualifying businesses in the Shenango Valley area. Notes receivable under the loan programs are for various terms up to 15 years at interest rates ranging from one (1) to three (3) percent. The loans are secured by a first or second mortgage on real estate, and a lien on property and/or equipment. It is the City's policy to provide for future losses on loans based on an evaluation of the current loan portfolio, current economic conditions, and such other factors which, in the City's judgement, may impact collectability. At December 31, 2018, the total allowance for uncollectable loans amounted to \$358,963.

**INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the governmental funds balance sheet. For the purposes of the government-wide statement of net position, governmental interfund receivables and payables have been eliminated. Amounts due between governmental activities and business-type activities, if any, are presented as off-setting internal balances on the statement of net position.

**CAPITAL ASSETS AND DEPRECIATION**

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets are reported as part of governmental activities on the government-wide statement of net position.

All capital assets are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at fair value at the time of receipt. The City maintains a capitalization dollar threshold minimum of \$1,500. Routine repair and maintenance costs that do not add to the value of the asset or extend its useful life are charged as an expense in the government-wide statement of activities.

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CAPITAL ASSETS AND DEPRECIATION (Continued)**

All reported capital assets, except land and construction in progress, are depreciated using the straight-line method over the following useful lives:

| <b><u>CATEGORY</u></b>                 | <b><u>USEFUL<br/>LIFE</u></b> |
|----------------------------------------|-------------------------------|
| Buildings and Improvements             | 40 years                      |
| Sewer Facility                         | 40 years                      |
| Equipment, Furniture, and Other Assets | 5-20 years                    |
| Vehicles                               | 5-10 years                    |

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit E). The results of capitalizing fixed assets net of depreciation on the government-wide statement of net position and statement of activities, as opposed to recording these same assets as an expenditure in the fund financial statements (Exhibit E), is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**COMPENSATED ABSENCES**

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, 'Accounting for Compensated Absences'. Upon retirement, resignation or termination, members of the American Federation of State, County and Municipal Employees, District Council 85 Local 200, and other City employees covered under the personnel policies and procedures of the City of Farrell, are permitted upon retirement or resignation to receive compensation for unused sick days at their daily rate of pay to a maximum of 100 days, or 50 days if hired after 1/1/2015. Members of the Fraternal Order of Police, Lodge No. 34 are permitted to receive compensation for unused sick days at their daily rate of pay to a maximum of 50 days. The entire compensated absences liability of \$124,334 is shown as a long-term liability in the government-wide statement of net position. For governmental fund financial statements, compensated absences are recorded as expenditures when paid rather than accrued when earned.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources.

However, the non-current portion of compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, liabilities that mature or come due for payment within 60 days of the end of the fiscal year-end, are considered to be paid with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The City's General Fund is typically used to liquidate long-term liability obligations.

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)**

The results of recognizing these long-term obligations as liabilities on the government-wide statement of net position and statement of activities, as opposed to recording these same obligations as an expenditure in the fund financial statements (Exhibit E) only when paid, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**PENSIONS**

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

**OTHER POSTEMPLOYMENT BENEFITS**

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

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City of Farrell, these revenues are sewer usage charges and other miscellaneous revenues directly related to the operations of the City's Sewer System Fund. Operating expenses are the necessary costs incurred to operate the City's sewer and sewer capital funds. Non-operating revenues of the City's Sewer Fund consist of insurance recovery proceeds. Non-operating expenses consist of interest expense related to the City's Sewer Fund note obligations.

**UNEARNED REVENUE**

Unearned revenue arises when the City receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets and liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows and/or inflows of resources. These separate financial statement elements represent a decrease and/or increase in net position that applies to a future period and will not be recognized as an outflow and/or inflow of resources (expense/expenditure or income/revenue) in the current period.

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**LONG-TERM DEBT FINANCING COSTS**

Bond and note issue costs are recorded as expenditures in the governmental or proprietary fund financial statements in the year paid. During the 2018 calendar year, the City incurred no bond/note issuance costs.

**NET POSITION**

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy City obligations. Net position is classified as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets. Restricted net position totaling \$3,658,468 is detailed by Fund on the Governmental Funds Balance Sheet (Exhibit C) and the Proprietary Fund Statement of Net position (Exhibit H).
- Unrestricted – Consists of net position that does not meet the definition of ‘restricted’ or ‘net investment in capital assets’. The City’s governmental activities has a deficit unrestricted net position of \$1,082,024 at December 31, 2018.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**FUND EQUITY**

In the Balance Sheet – Governmental Funds (Exhibit C), fund balances are reported in specific categories to make the nature and extent of the constraints placed on any entity’s fund balance more transparent in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. The fund balance of the City’s E.D.P. Fund, Revolving Loan Community Development Fund, and certain non-major governmental funds as detailed in Schedule 3 are considered restricted for specific purposes.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint.



**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND EQUITY (Continued)**

- Assigned fund balance – amounts the City 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 \$251,959 of its combined governmental fund balance for capital projects.
- Unassigned fund balance – amounts that are available for any purpose. As of December 31, 2018, the City's Redevelopment Authority Little League Fund and Community Development Block Grant Funds maintained deficit fund balances of \$1,126,497 and \$2,061 respectively,

The City of Farrell establishes (and modifies and rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Council has given authority to the City Manager to assign fund balance.

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend the committed resources first, followed by assigned amounts and then unassigned amounts.

**ADOPTION OF GASB PRONOUNCEMENTS**

The requirements of the following GASB Statements were adopted for the City's 2018 financial statements. Except where noted, the adoption of these pronouncements did not have a significant impact on the City's financial statements.

The GASB issued Statement No. 85, '*Omnibus 2017*'. The primary objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The GASB issued Statement No. 86, '*Certain Debt Extinguishment Issues*'. The primary objective of this Statement is to improve consistency in accounting and financial reporting for certain debt extinguishments and to enhance the decision-usefulness of that information.

**PENDING GASB PRONOUNCEMENTS**

In November of 2016, the GASB issued Statement No. 83, '*Certain Asset Retirement Obligations*'. The primary objective of this Statement is to provide financial statement users with information about 'asset retirement obligations (ARO) that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. The provisions of this Statement are effective for the City's December 31, 2019 financial statements.

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PENDING GASB PRONOUNCEMENTS (Continued)**

In January of 2017, the GASB issued Statement No. 84, '*Fiduciary Activities*'. The primary objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The provisions of this Statement are effective for the City's December 31, 2019 financial statements.

In June of 2017, the GASB issued Statement No. 87, '*Leases*'. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. The provisions of this Statement are effective for the City's December 31, 2020 financial statements.

In March 9 of 2018, the GASB issued Statement No. 88, '*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*'. The primary objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. The provisions of this Statement are effective for the City's December 31, 2019 financial statements.

In June of 2018, the GASB issued Statement No. 89, '*Accounting for Interest Cost Incurred before the end of a Construction Period*'. The primary objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and, (b) to simplify accounting for certain interest costs. The provisions of this Statement are effective for the City's December 31, 2020 financial statements.

In August of 2018, the GASB issued Statement No. 90, '*Majority Equity Interests (an amendment of GASB Statements No. 14 and No. 61)*'. The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for the City's December 31, 2019 financial statements.

The effects of implementing the aforementioned GASB Statements on the City's financial statements have not yet been determined.

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2 - CASH DEPOSITS**

The following represents the bank balance and carrying value for the City of Farrell's cash and cash equivalents at December 31, 2018:

|                              | <b>Bank<br/>Balance</b> | <b>Carrying<br/>Value</b> |
|------------------------------|-------------------------|---------------------------|
| General Fund                 | \$ 354,325              | \$ 333,758                |
| Redevelopment Authority LL   | 5,579                   | 5,579                     |
| E.D.P. Fund                  | 269,478                 | 269,478                   |
| Revolving Loan CD Fund       | 228,417                 | 228,417                   |
| Capital Projects Fund        | 854,322                 | 854,052                   |
| Non-Major Governmental Funds | 162,456                 | 162,456                   |
| Enterprise Funds             | 308,147                 | 308,147                   |
| Fiduciary Funds              | 71,198                  | 55,413                    |
| <b>Totals</b>                | <b>\$ 2,253,922</b>     | <b>\$ 2,217,300</b>       |

The difference between the bank balance and carrying value represents year-end reconciling items such as deposits in transit and outstanding checks, and petty cash. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposits accounts, and certificates of deposit.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a separate policy for custodial credit risk in addition to the requirements of the City Code. As of December 31, 2018, \$2,003,922 of the demand deposit bank balance, is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the City's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**NOTE 3 - PROPERTY TAXES**

The City of Farrell levies property taxes March 1st of each calendar year. The calendar dates for payment of these taxes is as follows:

**PAYMENT PERIOD**

|                          |                   |
|--------------------------|-------------------|
| March 1 – April 30, 2018 | (Discount period) |
| May 1 – June 30, 2018    | (Face period)     |
| July 1 and after         | (Penalty period)  |

The tax millage assessment for the 2018 calendar year is 27.67 mills on the assessed value of land and buildings, which represents \$27.67 of revenue for every \$1,000 of assessed value. Taxpayers are entitled to a 2% discount if taxes are paid prior to May 1st. Collections after June 30th are assessed a 10% penalty.

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 3 - PROPERTY TAXES (Continued)**

Taxes unpaid as of December of the year following levy are liened and collected through the Mercer County Tax Claim Bureau. As of December 31, 2018, \$146,945 of 2018 real estate taxes are unpaid which represents 13% of the total assessed property taxes for 2018.

For purposes of the governmental fund financial statements, a portion of the total property taxes receivable, although measurable, does not meet the available criteria to finance current fiscal year operations. Accordingly, this amount of \$961,692 is equally off-set as a credit to 'deferred inflows of resources' in the fund financial statements (Exhibit C). The effect of recognizing property tax revenue when taxes are levied, as opposed to when they are received using the 'measurable and available' criteria under the modified accrual basis of accounting, is reflected in the required reconciliations of fund balance to net position and the changes in fund balances to the changes in net position. Taxes receivable are comprised of the following at December 31, 2018:

|                                 | <b>GENERAL<br/>FUND</b> | <b>GOVERNMENTAL<br/>ACTIVITIES</b> |
|---------------------------------|-------------------------|------------------------------------|
| Delinquent real estate          | \$ 983,602              | \$ 983,602                         |
| Earned income tax               | 432,641                 | 432,641                            |
|                                 | <b>\$ 1,416,243</b>     | \$ 1,416,243                       |
| Allowance for Doubtful Accounts |                         | (836,062)                          |
|                                 |                         | <b>\$ 580,181</b>                  |

Management has established a provision for uncollectable delinquent real estate taxes of approximately 85% for the purposes of the governmental activities.

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

Due from other governments of \$70,324 represents monies due from Department of Housing and Urban Development (HUD) through the Commonwealth of Pennsylvania for Community Development Block Grant expenditures incurred in 2018 and reimbursed in calendar year 2019.

**NOTE 5 - NOTES RECEIVABLE**

**E.D.P. PROGRAM**

The E.D.P. Program of the City was initiated in 1995 from a grant of \$4,000,000 received from the Commonwealth of Pennsylvania's Department of Commerce. The City was permitted and has established a revolving loan fund to encourage industrial development on property in the Shenango Valley area. The E.D.P. Fund notes receivable from local industries amounted to \$1,720,788 at December 31, 2018.

**REVOLVING LOAN COMMUNITY DEVELOPMENT PROGRAM**

The City's Revolving Loan Community Development Program (Program) provides low interest loans for local businesses for improvements and expansion to promote economic development for the City. These low interest notes are then repaid by the businesses to the City, generally over a 15-year period. The total outstanding notes' balances for local businesses at December 31, 2018 were \$246,657.

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 - NOTES RECEIVABLE (Continued)**

**THE REDEVELOPMENT AUTHORITY OF THE CITY OF FARRELL**

In March of 2007, the City loaned the Redevelopment Authority of the City of Farrell (Authority) \$135,000. The loan was used to assist the Authority in constructing a Little League Field Complex with attending structures. The terms of the note required repayment of the loan over 15 years at an annual fixed interest rate of three (3) percent. The note requires that the Authority pay interest only for the first 36 months, followed by subsequent monthly payments of principal and interest totaling \$932. In addition, the Authority may forego the payment of any interest installment in the first 36 months. Any such unpaid interest will be added to principal obligation and, as such, will increase the principal obligation and the monthly installments of principal and interest to be determined at the time of the first monthly principal and interest installment. As of December 31, 2018, no payments were received from this loan. The City expects that the Authority will not be able to repay the amount of the loan. As such, an allowance for uncollectable amount of \$135,000 was created.

The following is a summary of the City's notes receivable as of December 31, 2018:

|                                                    |  |                     |
|----------------------------------------------------|--|---------------------|
| E.D.P. Program                                     |  | \$ 1,720,788        |
| Revolving Loan Community Development Program       |  | 470,620             |
| The Redevelopment Authority of the City of Farrell |  | 135,000             |
| TOTAL NOTES RECEIVABLE                             |  | \$ 2,326,408        |
| LESS: Allowance for Uncollectable                  |  | (358,963)           |
| <b>TOTAL NET NOTES RECEIVABLE</b>                  |  | <b>\$ 1,967,445</b> |

Management estimates that approximately \$300,000 of notes receivable will be collected within one year. Loan repayments reduce outstanding balances while loans made increase outstanding balances. The City recognizes the interest portion of loan repayments as revenue.

**NOTE 6 – ANALYSIS OF INTERFUND TRANSACTIONS**

Inter-fund receivables and payables at December 31, 2018 are comprised of the following:

|                              | <b>RECEIVABLE</b>   | <b>PAYABLE</b>      |
|------------------------------|---------------------|---------------------|
| General Fund                 | \$ 811,724          | \$ 27,388           |
| Redevelopment Authority LL   | -                   | 973,000             |
| E.D.P. Fund                  | 1,108,760           | -                   |
| Revolving Loan CD Fund       | 117,045             | 135,761             |
| Capital Projects Fund        | -                   | 521,218             |
| Non-Major Governmental Funds | -                   | 127,216             |
| Enterprise Funds             | -                   | 252,946             |
|                              | <b>\$ 2,037,529</b> | <b>\$ 2,037,529</b> |

Due from/to other funds on the balance sheet represents monies due between funds for operating costs advanced over the years between funds.

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 6 – ANALYSIS OF INTERFUND TRANSACTIONS (Continued)**

Interfund transfers for the year ended December 31, 2018 were comprised of the following amounts:

|                              | <b><u>Transfers In</u></b> | <b><u>Transfers Out</u></b> |
|------------------------------|----------------------------|-----------------------------|
| General Fund                 | \$ 169,722                 | \$ 619,775                  |
| Redevelopment Authority LL   | 20,000                     | -                           |
| Revolving Loan CD Fund       | 21,095                     | -                           |
| Capital Projects Fund        | 600,000                    | 20,000                      |
| Non-Major Governmental Funds | -                          | 21,542                      |
| Enterprise Funds             | -                          | 150,000                     |
| Fiduciary Funds              | 1,500                      | 1,000                       |
|                              | <b><u>\$ 812,317</u></b>   | <b><u>\$ 812,317</u></b>    |

During calendar year 2018, the General Fund transferred \$600,000 and \$19,775 to the Capital Project Fund and Revolving Loan CD Fund respectively. The Sewer Fund transferred \$150,000 to the General Fund. The Capital Projects Fund transferred \$20,000 to the Redevelopment Authority Little League Fund. The Community Development Block Grant Fund transferred \$19,519 and \$1,820 to the General Fund and Revolving Loan CD Fund respectively. The Library Fund was closed during calendar year 2018 with the balance of fund totaling \$203 transferred to the general Fund. All transfers were mainly to provide additional operating support to another Fund, or reimburse for costs paid in advance by the other Fund.

**NOTE 7 – OTHER ACCOUNTS RECEIVABLE**

Other accounts receivable consists of the following at December 31, 2018:

|                                          |                         |
|------------------------------------------|-------------------------|
| <b>GENERAL FUND:</b>                     |                         |
| Cable franchise fees                     | \$ 31,438               |
| Deed Transfer Tax                        | 1,550                   |
| Tax Office Reimbursement County/School   | 25,680                  |
|                                          | <b><u>\$ 58,668</u></b> |
| <br><b>NON-MAJOR GOVERNMENTAL FUNDS:</b> |                         |
| Fuel Purchase Reimbursements             | \$ 6,415                |
|                                          | <b><u>\$ 6,415</u></b>  |

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 8 - CAPITAL ASSETS**

**GOVERNMENTAL ACTIVITIES**

A summary of the governmental fixed asset activity for the 2018 calendar year was as follows:

|                                                    | <b>Balance<br/>1/1/2018</b> | <b>Additions</b>           | <b>Deletions</b>         | <b>Balance<br/>12/31/2018</b> |
|----------------------------------------------------|-----------------------------|----------------------------|--------------------------|-------------------------------|
| Land                                               | \$ 134,015                  | \$ -                       | \$ -                     | \$ 134,015                    |
| Buildings and Improvements                         | 3,264,615                   | 10,391                     | -                        | 3,275,006                     |
| Vehicles                                           | 1,110,400                   | 60,034                     | (10,075)                 | 1,160,359                     |
| Furniture and Equipment                            | 294,483                     | 20,229                     | -                        | 314,712                       |
|                                                    | <u>\$ 4,803,513</u>         | <u>\$ 90,654</u>           | <u>\$ (10,075)</u>       | <u>\$ 4,884,092</u>           |
| <b>Less: Accumulated depreciation</b>              |                             |                            |                          |                               |
| Buildings and Improvements                         | (2,478,462)                 | (88,672)                   | -                        | (2,567,134)                   |
| Vehicles                                           | (580,367)                   | (122,851)                  | 6,717                    | (696,501)                     |
| Furniture and Equipment                            | (235,474)                   | (17,833)                   | -                        | (253,307)                     |
|                                                    | <u>\$ (3,294,303)</u>       | <u>\$ (229,356)</u>        | <u>\$ 6,717</u>          | <u>\$ (3,516,942)</u>         |
| <b>Governmental Activities Capital Assets, Net</b> | <u><b>\$ 1,509,210</b></u>  | <u><b>\$ (138,702)</b></u> | <u><b>\$ (3,358)</b></u> | <u><b>\$ 1,367,150</b></u>    |

Depreciation expense for calendar year 2018 totaled \$229,356. This amount is reflected as an unallocated expense in the statement of activities.

**BUSINESS-TYPE ACTIVITIES**

A summary of the business-type fixed asset activity for the 2018 calendar year was as follows:

|                                                    | <b>Balance<br/>1/1/2018</b> | <b>Additions</b>          | <b>Deletions</b>   | <b>Balance<br/>12/31/2018</b> |
|----------------------------------------------------|-----------------------------|---------------------------|--------------------|-------------------------------|
| Land                                               | \$ 123,800                  | \$ -                      | \$ -               | \$ 123,800                    |
| Buildings and Improvements                         | 7,518,956                   | 72,500                    | -                  | 7,591,456                     |
| Vehicles                                           | 21,000                      | -                         | -                  | 21,000                        |
| Furniture and Equipment                            | 149,029                     | -                         | -                  | 149,029                       |
|                                                    | <u>\$ 7,812,785</u>         | <u>\$ 72,500</u>          | <u>\$ -</u>        | <u>\$ 7,885,285</u>           |
| <b>Less: Accumulated depreciation</b>              |                             |                           |                    |                               |
| Buildings and Improvements                         | (5,200,782)                 | (99,228)                  | -                  | (5,300,010)                   |
| Vehicles                                           | (21,000)                    | -                         | -                  | (21,000)                      |
| Furniture and Equipment                            | (146,048)                   | -                         | -                  | (146,048)                     |
|                                                    | <u>\$ (5,367,830)</u>       | <u>\$ (99,228)</u>        | <u>\$ -</u>        | <u>\$ (5,467,058)</u>         |
| <b>Governmental Activities Capital Assets, Net</b> | <u><b>\$ 2,444,955</b></u>  | <u><b>\$ (26,728)</b></u> | <u><b>\$ -</b></u> | <u><b>\$ 2,418,227</b></u>    |

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 9 – LONG-TERM DEBT OBLIGATIONS – GOVERNMENTAL ACTIVITIES**

**NOTE PAYABLE – HUD**

During calendar year 2008, the City of Farrell issued the U.S. Department of Housing and Urban Development (HUD) a variable/fixed rate Note – Series 2008-A in the amount of \$1,000,000 guaranteed pursuant to Section 108 of the Housing and Community Development Act. The Note is secured by the City's annual Community Development Block Grant (CDBG) proceeds and the City's Revolving Loan Community Development Funds cash and investments. The terms of the Note call for annual principal payments of \$54,000 plus semi-annual interest at rates ranging between 4.63 and 5.38%. The Note is scheduled to mature on August 1, 2027.

A schedule of the December 31, 2018 debt service requirements on the HUD Note is as follows:

| <b>Year End<br/>31-Dec</b> | <b>Principal</b>  | <b>Interest</b>   | <b>Total</b>      |
|----------------------------|-------------------|-------------------|-------------------|
| 2019                       | \$ 54,000         | \$ 26,600         | \$ 80,600         |
| 2020                       | 54,000            | 23,970            | 77,970            |
| 2021                       | 54,000            | 21,292            | 75,292            |
| 2022                       | 54,000            | 18,565            | 72,565            |
| 2023                       | 54,000            | 15,975            | 69,975            |
| 2024-2027                  | 244,000           | 34,856            | 278,856           |
|                            | <b>\$ 514,000</b> | <b>\$ 141,258</b> | <b>\$ 655,258</b> |

**NOTES PAYABLE – FNB**

On May 11, 2016, the City issued a promissory note to First National Bank in the amount of \$71,887 for the purchase of a 2016 Ford Explorer. The terms of the lease call for 48 monthly payments of \$1,577.02 at an annual interest rate of 2.55%. The note is scheduled to mature on May 1, 2020. A summary of the remaining debt service obligations on this note obligation at December 31, 2018 is as follows:

| <b>Year End<br/>Dec 31</b> | <b>Principal</b> | <b>Interest</b> | <b>Total</b>     |
|----------------------------|------------------|-----------------|------------------|
| 2019                       | \$ 18,512        | \$ 412          | \$ 18,924        |
| 2020                       | 6,105            | 32              | 6,137            |
|                            | <b>\$ 24,617</b> | <b>\$ 444</b>   | <b>\$ 25,061</b> |

On November 4, 2016, the City issued a promissory note to First National Bank in the amount of \$76,692 for the purchase of a 2017 Ford Interceptor. The terms of the lease call for 48 monthly payments of \$1,689.91 at an annual interest rate of 2.75%. The note is scheduled to mature on November 1, 2020. A summary of the remaining debt service obligations on this note obligation at December 31, 2018 is as follows:



**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 9 – LONG-TERM DEBT OBLIGATIONS – GOVERNMENTAL ACTIVITIES (Continued)**

**NOTES PAYABLE – FNB (Continued)**

| <b>Year End</b> |                  |                 |                  |  |
|-----------------|------------------|-----------------|------------------|--|
| <b>Dec 31</b>   | <b>Principal</b> | <b>Interest</b> | <b>Total</b>     |  |
| 2019            | \$ 19,484        | \$ 795          | \$ 20,279        |  |
| 2020            | 18,322           | 298             | 18,620           |  |
|                 | <b>\$ 37,806</b> | <b>\$ 1,093</b> | <b>\$ 38,899</b> |  |

On March 10, 2017, the City issued a promissory note to First National Bank in the amount of \$76,692 for the purchase of a 2017 Ford Explorer. The terms of the lease call for 48 monthly payments of \$1,696.15 at an annual interest rate of 2.95%. The note is scheduled to mature on March 1, 2021. A summary of the remaining debt service obligations on this note obligation at December 31, 2018 is as follows:

| <b>Year End</b> |                  |                 |                  |  |
|-----------------|------------------|-----------------|------------------|--|
| <b>Dec 31</b>   | <b>Principal</b> | <b>Interest</b> | <b>Total</b>     |  |
| 2019            | \$ 19,308        | \$ 1,045        | \$ 20,353        |  |
| 2020            | 18,203           | 517             | 18,720           |  |
| 2021            | 6,725            | 272             | 6,997            |  |
|                 | <b>\$ 44,236</b> | <b>\$ 1,834</b> | <b>\$ 46,070</b> |  |

**NOTE 10 – LONG-TERM DEBT OBLIGATIONS – BUSINESS-TYPE ACTIVITIES**

**PENNVEST**

During calendar year 2006, the City borrowed \$889,294 from the Pennsylvania Infrastructure Investment Authority (PENNVEST) in the form of a promissory note for sewer system improvements. The terms of the note agreements call for principal and interest payments of \$4,669.47 per month at an interest rate of 2.77% per annum, with the note scheduled to mature on May 1, 2027. The gross receipts of the City secure the note. A summary of the City's remaining debt obligations on this note as of December 31, 2018 is as follows:

| <b>Year End</b> |                   |                  |                   |  |
|-----------------|-------------------|------------------|-------------------|--|
| <b>Dec 31</b>   | <b>Principal</b>  | <b>Interest</b>  | <b>Total</b>      |  |
| 2019            | \$ 44,758         | \$ 11,276        | \$ 56,034         |  |
| 2020            | 46,014            | 10,020           | 56,034            |  |
| 2021            | 47,304            | 8,730            | 56,034            |  |
| 2022            | 48,632            | 7,402            | 56,034            |  |
| 2023            | 49,996            | 6,038            | 56,034            |  |
| 2024-2027       | 190,776           | 10,009           | 200,785           |  |
|                 | <b>\$ 427,480</b> | <b>\$ 53,475</b> | <b>\$ 480,955</b> |  |

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 11 – CHANGES IN LONG-TERM DEBT OBLIGATIONS**

The following represents the changes in the City's long-term liabilities during the 2018 calendar year:

|                                                            | <u>Balance</u><br><u>1/1/2018</u> | <u>Additions</u> | <u>Reductions</u>   | <u>Balance</u><br><u>12/31/2018</u> | <u>Due Within</u><br><u>One Year</u> |
|------------------------------------------------------------|-----------------------------------|------------------|---------------------|-------------------------------------|--------------------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                             |                                   |                  |                     |                                     |                                      |
| HUD/FNB Notes                                              | \$ 730,356                        | \$ -             | \$ 109,697          | \$ 620,659                          | \$ 111,304                           |
| Net Pension Liability                                      | 2,094,190                         | -                | 1,232,161           | 862,029                             | -                                    |
| Net OPEB Liability                                         | 396,068                           | -                | 15,078              | 380,990                             | -                                    |
| Compensated Absences                                       | 80,027                            | 11,548           | -                   | 91,575                              | -                                    |
| <b>Total long-term debt -<br/>Governmental activities</b>  | <b>\$ 3,300,641</b>               | <b>\$ 11,548</b> | <b>\$ 1,356,936</b> | <b>\$ 1,955,253</b>                 | <b>\$ 111,304</b>                    |
| <b>BUSINESS-TYPE ACTIVITIES</b>                            |                                   |                  |                     |                                     |                                      |
| PENNVEST Notes                                             | \$ 545,535                        | \$ -             | \$ 118,055          | \$ 427,480                          | \$ 44,758                            |
| Net OPEB Liability                                         | 18,564                            | -                | 612                 | 17,952                              | -                                    |
| Compensated Absences                                       | 31,845                            | 914              | -                   | 32,759                              | -                                    |
| <b>Total long-term debt -<br/>Business-Type Activities</b> | <b>\$ 595,944</b>                 | <b>\$ 914</b>    | <b>\$ 118,667</b>   | <b>\$ 478,191</b>                   | <b>\$ 44,758</b>                     |

**NOTE 12 - CITY PENSION PLANS**

**PLAN DESCRIPTIONS**

The City of Farrell administers three single-employer defined benefit pension plans as follows:

- Police Pension Plan
- Firefighters Pension Plan
- Non-Uniform Pension Plan

The pension plans were established under the provisions of City Ordinances pursuant to Act 15 of 1974 of the Commonwealth of Pennsylvania. The plans are governed by the City of Farrell Council, who is responsible for the management of plan assets. All plans participate in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office or visiting their website at [pmrs.state.pa.us](http://pmrs.state.pa.us).

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 12 - CITY PENSION PLANS (Continued)**

**PLAN MEMBERSHIP**

Plan membership as of January 1, 2017 was comprised of:

|                                                                         | <u>POLICE</u> | <u>FIREFIGHTERS</u> | <u>NON-UNIFORM</u> |
|-------------------------------------------------------------------------|---------------|---------------------|--------------------|
| Active employees                                                        | 11            | 0                   | 14                 |
| Retirees and beneficiaries currently receiving benefits                 | 18            | 12                  | 17                 |
| Terminated employees entitled to benefits<br>but not yet receiving them | 6             | 0                   | 0                  |
| Total                                                                   | <u>35</u>     | <u>12</u>           | <u>31</u>          |

**PLAN PROVISIONS**

**POLICE PENSION PLAN:**

**PARTICIPANTS -**

All eligible policemen of the City.

**ELIGIBILITY -**

**Normal:** Age 50 with at least 12 years of credited service or early retirement criteria of age 45 with 20 years of credited service.

**BENEFITS -**

A monthly benefit equal to 2% of final average salary as defined by the Plan.

**DEATH BENEFIT -**

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

**DISABILITY BENEFITS -**

Participants are eligible for disability retirement benefits for both related and nonservice-related disabilities. For qualified service-related disabilities, benefits are limited to 50% of the final average salary, as defined in the Plan if hired on or after 1/1/2016 and will be offset with any worker compensation benefits. For qualified nonservice-related disabilities, benefits are limited to 30% of the final average salary, as defined in the Plan if hired on or after 1/1/2016 and requires a minimum of 10 years of service. For participants hired prior to 1/1/2016, the maximum benefit is limited to 45% of the final average salary, and requires a minimum of 25 years of service.

**VESTING -**

A participant shall be entitled to a vested deferred benefit after 10 years of credited service if hired prior to 1/1/2016, and 12 years of credited service if hired subsequent to that date.

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 12 - CITY PENSION PLANS (Continued)**

**PLAN PROVISIONS (Continued)**

**FIREFIGHTERS PENSION PLAN:**

|                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><u>PARTICIPANTS</u></b> -        | All eligible firemen of the City.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b><u>ELIGIBILITY</u></b> -         | <b>Normal:</b> Age 50 with at least 10 years of credited service if hired prior to 1/24/2001, or age 50 with 12 years of credited service if hired subsequent to that date. Participants are eligible for early retirements benefits at age 45 with 20 years of credited service if hired prior to 1/24/2001.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b><u>BENEFITS</u></b> -            | A monthly benefit equal to 2% of final average salary as defined by the Plan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b><u>DEATH BENEFIT</u></b> -       | For participants hired prior to 1/1/2016, death benefits are payable at 100% upon the death of a member who is eligible to retire or retired at the time of death. For participants hired subsequent to 1/1/2016, death benefits are payable at 50% upon the death of a member who is eligible to retire or retired at the time of death.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b><u>DISABILITY BENEFITS</u></b> - | Participants are eligible for disability retirement benefits for both related and nonservice-related disabilities. For qualified service-related disabilities, benefits are 50% of the monthly salary, reduced by 5% of monthly salary for each year before normal retirement age; increased by 5% of monthly salary per years of service in excess of 25 years with a maximum benefit of 45% of monthly salary. For qualified nonservice-related disabilities, benefits are limited to participants hired prior to 1/24/2001 with at least 25 years of credited service and who are unable to perform gainful employment. Benefits are 50% of monthly salary reduced by 5% of monthly salary for each year before normal retirement age; increased by 5% of monthly salary per years of service in excess of 25 years with a maximum benefit of 45% of monthly salary. |
| <b><u>VESTING</u></b> -             | A participant shall be entitled to a vested deferred benefit after 12 years of credited service.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

**NON-UNIFORM PENSION PLAN:**

|                              |                                                                                                                                                          |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><u>PARTICIPANTS</u></b> - | All eligible non-uniformed employees of the City.                                                                                                        |
| <b><u>ELIGIBILITY</u></b> -  | <b>Normal:</b> All participants are eligible for retirement benefits provided that they have attained the age of 60 or completion of 10 years of credit. |

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 12 - CITY PENSION PLANS (Continued)**

**PLAN PROVISIONS (Continued)**

**NON-UNIFORM PENSION PLAN (Continued):**

|                                     |                                                                                                                                 |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| <b><u>BENEFITS</u></b> -            | Benefits are generally equal to 2.5% of final average salary as defined in the Plan.                                            |
| <b><u>DEATH BENEFIT</u></b> -       | Death benefits are payable at 100% upon the death of a member who is eligible to retire or retired at the time of death.        |
| <b><u>DISABILITY BENEFITS</u></b> - | Participants are eligible for unreduced accrued disability retirement benefits upon completion of 15 years of credited service. |
| <b><u>VESTING</u></b> -             | A participant shall be entitled to a vested deferred benefit after 10 years of credited service.                                |

**PLAN CONTRIBUTION REQUIREMENTS**

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the plan's most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. Total employer contributions to the three pension plans totaled \$199,790 for calendar year 2018. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state contributions must be funded by the employer.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plans and funded through the MMO and/or plan earning.

**TOTAL PENSION LIABILITY, PLAN FIDUCIARY NET POSITION, AND NET PENSION LIABILITY**

The City's final total pension liability (TPL) was measured as of December 31, 2017 and is based upon the actuarial valuation as of December 31, 2016. The TPL reflects the assumption changes as passed by the Board of Trustees effective for actuarial valuations as of December 31, 2016 and any plan changes identified in the prior year's report. The beginning of the year TPL as of December 31, 2016 is based upon the actuarial valuation of the same date. There were no other significant changes during the projection period, such as plan changes to the pension benefits.

The following shows the changes in the Total Pension Liability (TPL), the Plan Fiduciary Net Position (fair value of plan assets), and the Net Pension Liability (NPL) as of the Measurement date.

**CITY OF FARRELL**  
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**DECEMBER 31, 2018**

**NOTE 12 - CITY PENSION PLANS (Continued)**

**TOTAL PENSION LIABILITY, PLAN FIDUCIARY NET POSITION, AND NET PENSION LIABILITY (Continued)**

**POLICE PENSION PLAN:**

|                                                       | <b>Total Pension<br/>Liability<br/>( a )</b> | <b>Plan Fiduciary<br/>Net Position<br/>( b )</b> | <b>Net Pension<br/>Liability<br/>( c )</b> |
|-------------------------------------------------------|----------------------------------------------|--------------------------------------------------|--------------------------------------------|
| <b>Balances at 12/31/16</b>                           | \$ 7,283,180                                 | \$ 6,564,245                                     | \$ 718,935                                 |
| Changes for the year:                                 |                                              |                                                  |                                            |
| Service cost                                          | 133,443                                      | -                                                | 133,443                                    |
| Interest                                              | 379,892                                      | -                                                | 379,892                                    |
| Changes of benefits                                   | -                                            | -                                                | -                                          |
| Changes of assumptions                                | -                                            | -                                                | -                                          |
| Differences between expected<br>and actual experience | -                                            | -                                                | -                                          |
| Contributions - employer                              | -                                            | 14,645                                           | (14,645)                                   |
| Contributions - PMRS Assessment                       | -                                            | 60                                               | (60)                                       |
| Contributions - member                                | -                                            | 35,540                                           | (35,540)                                   |
| PMRS investment income                                | -                                            | 353,996                                          | (353,996)                                  |
| Market value investment income*                       | -                                            | 788,075                                          | (788,075)                                  |
| Transfers                                             | -                                            | -                                                | -                                          |
| Benefit payments                                      | (365,864)                                    | (365,864)                                        | -                                          |
| PMRS administrative expense                           | -                                            | (380)                                            | 380                                        |
| Additional administrative expense                     | -                                            | (16,280)                                         | 16,280                                     |
| Net changes                                           | <u>\$ 147,471</u>                            | <u>\$ 809,792</u>                                | <u>\$ (662,321)</u>                        |
| <b>Balances at 12/31/17</b>                           | <u>\$ 7,430,651</u>                          | <u>\$ 7,374,037</u>                              | <u>\$ 56,614</u>                           |

\* Reflects the net investment income/(loss) of \$794,870 and income/(loss) due to the difference between expected and actual asset values of (\$6,795) which includes the impact from allocation of assets in support of the underlying retiree liabilities.

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12 - CITY PENSION PLANS (Continued)**

**TOTAL PENSION LIABILITY, PLAN FIDUCIARY NET POSITION, AND NET PENSION LIABILITY (Continued)**

**FIREFIGHTERS PENSION PLAN:**

|                                                       | <b>Total Pension<br/>Liability<br/>( a )</b> | <b>Plan Fiduciary<br/>Net Position<br/>( b )</b> | <b>Net Pension<br/>Liability<br/>( c )</b> |
|-------------------------------------------------------|----------------------------------------------|--------------------------------------------------|--------------------------------------------|
|                                                       | <u>                    </u>                  | <u>                    </u>                      | <u>                    </u>                |
| <b>Balances at 12/31/16</b>                           | \$ 1,917,235                                 | \$ 1,148,668                                     | \$ 768,567                                 |
| Changes for the year:                                 |                                              |                                                  |                                            |
| Service cost                                          | -                                            | -                                                | -                                          |
| Interest                                              | 96,002                                       | -                                                | 96,002                                     |
| Changes of benefits                                   | -                                            | -                                                | -                                          |
| Changes of assumptions                                | -                                            | -                                                | -                                          |
| Differences between expected<br>and actual experience | -                                            | -                                                | -                                          |
| Contributions - employer                              | -                                            | 113,539                                          | (113,539)                                  |
| Contributions - PMRS Assessment                       | -                                            | 260                                              | (260)                                      |
| Contributions - member                                | -                                            | -                                                | -                                          |
| PMRS investment income                                | -                                            | 59,975                                           | (59,975)                                   |
| Market value investment income*                       | -                                            | 143,224                                          | (143,224)                                  |
| Transfers                                             | -                                            | -                                                | -                                          |
| Benefit payments                                      | (179,536)                                    | (179,536)                                        | -                                          |
| PMRS administrative expense                           | -                                            | (260)                                            | 260                                        |
| Additional administrative expense                     | -                                            | (2,758)                                          | 2,758                                      |
| Net changes                                           | <u>(83,534)</u>                              | <u>134,444</u>                                   | <u>(217,978)</u>                           |
| <b>Balances at 12/31/17</b>                           | <u>\$ 1,833,701</u>                          | <u>\$ 1,283,112</u>                              | <u>\$ 550,589</u>                          |

\* Reflects the net investment income/(loss) of \$134,670 and income/(loss) due to the difference between expected and actual asset values of \$8,554, which includes the impact from allocation of assets in support of the underlying retiree liabilities.

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 12 - CITY PENSION PLANS (Continued)**

**TOTAL PENSION LIABILITY, PLAN FIDUCIARY NET POSITION, AND NET PENSION LIABILITY (Continued)**

**NON-UNIFORM PENSION PLAN:**

|                                                       | <b>Total Pension<br/>Liability<br/>( a )</b> | <b>Plan Fiduciary<br/>Net Position<br/>( b )</b> | <b>Net Pension<br/>Liability<br/>( c )</b> |
|-------------------------------------------------------|----------------------------------------------|--------------------------------------------------|--------------------------------------------|
| <b>Balances at 12/31/16</b>                           | \$ 3,632,115                                 | \$ 3,025,427                                     | \$ 606,688                                 |
| Changes for the year:                                 |                                              |                                                  |                                            |
| Service cost                                          | 80,541                                       | -                                                | 80,541                                     |
| Interest                                              | 189,175                                      | -                                                | 189,175                                    |
| Changes of benefits                                   | -                                            | -                                                | -                                          |
| Changes of assumptions                                | -                                            | -                                                | -                                          |
| Differences between expected<br>and actual experience | -                                            | -                                                | -                                          |
| Contributions - employer                              | -                                            | 78,976                                           | (78,976)                                   |
| Contributions - PMRS Assessment                       | -                                            | 660                                              | (660)                                      |
| Contributions - member                                | -                                            | 20,541                                           | (20,541)                                   |
| PMRS investment income                                | -                                            | 162,901                                          | (162,901)                                  |
| Market value investment income*                       | -                                            | 366,652                                          | (366,652)                                  |
| Transfers                                             | -                                            | -                                                | -                                          |
| Benefit payments                                      | (221,471)                                    | (221,471)                                        | -                                          |
| PMRS administrative expense                           | -                                            | (660)                                            | 660                                        |
| Additional administrative expense                     | -                                            | (7,492)                                          | 7,492                                      |
| Net changes                                           | <u>48,245</u>                                | <u>400,107</u>                                   | <u>(351,862)</u>                           |
| <b>Balances at 12/31/17</b>                           | <u>\$ 3,680,360</u>                          | <u>\$ 3,425,534</u>                              | <u>\$ 254,826</u>                          |

\* Reflects the net investment income/(loss) of \$365,780 and income/(loss) due to the difference between expected and actual asset values of \$872, which includes the impact from allocation of assets in support of the underlying retiree liabilities.



**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 12 - CITY PENSION PLANS (Continued)**

**TOTAL PENSION LIABILITY, PLAN FIDUCIARY NET POSITION, AND NET PENSION LIABILITY (Continued)**

The above does not reflect changes in benefits or assumptions after January 1, 2018. Because the beginning and end of year TPL are based upon the same actuarial valuation dates, there is no difference between expected and actual experience reported this year. The beginning of year TPL is based upon the January 1, 2017 actuarial valuation with liabilities measured at December 31, 2016 and reflecting the impact of assumption changes and plans changes, if applicable. The end of year TPL is based upon the same actuarial valuation with liabilities rolled forward to December 31, 2017. The TPL as of December 31, 2017 was based upon the following actuarial methods and assumptions:

- **Actuarial Cost Method** – Entry Age Normal
- **Rates of Pre-Retirement Mortality** – RP 2000 male non-annuitant table projected 15 years with Scale AA. RP 2000 female non-annuitant table projected 15 years with Scale AA and then setback five years.
- **Rates of Post-Retirement Mortality** – RP 2000 male annuitant table projected 5 years with Scale AA. RP 2000 female annuitant table projected 10 years with Scale AA.
- **Disabled Life Mortality Rates:** RP 2000 male and female combined table set forward 10 years.
- **Termination Rates Before Retirement:** Uniform - Less than 25 active members – sliding scale 1 year 15% down to 10 plus years at 2.5%. More than 25 active members – sliding scale 1 year 18% down to 10 plus years at 4%. Non-Uniform – Less than 25 active members – sliding scale 1 year 12% down to 10 plus years at 3%. More than 25 active members – sliding scale 13% down to 10 plus years at 3%.
- **Disability Incidence Rates:** 40% (Non-uniform) and 60% (Uniformed) of 1964 OASDI (Social Security).
- **Workers Compensation:** Service-related disability benefits payable from municipal plans are offset by 25% of final average salary
- **Salary Scale:** Sliding scale - age 25 (7.05%) down to age 65 (2.8%)
- **Rates of Retirement:** Uniform - Under age 45 (2%), age 45 (8%), age 46 (10%), age 47-50 (15%), age 51-54 (17%), age 55 (22%), age 56-59 (14%), age 60-64 (18%), age 65 (25%), age 66-74 (20%), age 75 (100%). Non-Uniform – Under age 49 (0%), age 50 (30%), age 51-54 (10%), age 55 (25%), age 56-58 (20%), age 59-60 (15%), age 61 (20%), age 62 (30%), age 63-64 (20%), age 65 (30%), age 66 plus (100%).
- **Marital Status and Spouse's Age (if applicable):** 80% of active members, and are assumed to be married for retirees with the 50% J&S form of payment. Male spouses are assumed to be 3 years older than female spouses
- **Social Security Projections (if applicable):** Social security wage base will increase 3.3% compounded annually. CPI will increase 2.8% compounded annually, average total wages will increase 3.3% compounded annually
- **Post-Retirement Cost of Living Increases:** 2.8% per year, subject to plan limitations
- **Investment Return:** 5.25% compounded annually, net of expenses
- **Administrative expenses:** The expense assumption is based upon the expected expenses for the current year

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 12 - CITY PENSION PLANS (Continued)**

**TOTAL PENSION LIABILITY, PLAN FIDUCIARY NET POSITION, AND NET PENSION LIABILITY (Continued)**

These assumptions are based upon the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the Actuary in July of 2015 as well as subsequent board approved assumption changes. These assumptions were first used for the December 31, 2015 measurement date. Effective with the December 31, 2016 measurement date, the Investment Return Assumption for municipal assets decreased from 5.50% to 5.25%.

According to Governmental Accounting Standards Board (GASB) Statements No. 67 and 68, PMRS is required to allocate/distribute all funds to the respective participating employers for financial reporting purposes, to determine the respective employer 'plan fiduciary net position.' PMRS has determined that net investment income or loss and administrative expenses will be allocated to the employer/municipality accounts pro-rata based on their beginning Fiduciary Net Position balance adjusted for cash flows throughout the year. The 'Additional administrative expenses' are the expenses in excess of the 'PMRS administrative expense' (i.e. \$20 per participant expense paid by each plan). The 'PMRS investment income' is based upon the regular and excess interest used to credit accounts annually. The 'Market value investment income' reflects the investment income/loss during the year net of PMRS investment income and the income/loss due to the difference between expected and actual asset values, including the impact from allocation of assets in support of the underlying retiree liabilities.

The impact of investment gains or losses for expensing is recognized over a period of five years. The impact of experience gains or losses and assumption changes on the TPL are recognized in the pension expense over the average expected remaining service live of all active and inactive members of the Plan. There were experience gains or losses between the beginning of the year and end of year liabilities because the liabilities are based upon two different actuarial valuation dates. Also, assumption changes as of the Measurement Date have been reflected.

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

The following is a schedule of collective deferred inflows and outflows as of December 31, 2018:

**POLICE PENSION PLAN:**

|                                                                                  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|----------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience                               | \$ -                                          | \$ 2,185                                     |
| Changes of assumptions                                                           | 67,845                                        | -                                            |
| Net difference between projected and actual earnings on pension plan investments | -                                             | 442,837                                      |
| Contributions after measurement date                                             | 11,518                                        | -                                            |
| TOTAL                                                                            | \$ 79,363                                     | \$ 445,022                                   |

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 12 - CITY PENSION PLANS (Continued)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES**  
**AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

**FIREFIGHTERS PENSION PLAN:**

|                                                                                  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|----------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience                               | \$ -                                          | \$ -                                         |
| Changes of assumptions                                                           | -                                             | -                                            |
| Net difference between projected and actual earnings on pension plan investments | -                                             | 171,971                                      |
| Contributions after measurement date                                             | 105,984                                       | -                                            |
| <b>TOTAL</b>                                                                     | <b>\$ 105,984</b>                             | <b>\$ 171,971</b>                            |

**NON-UNIFORM PENSION PLAN:**

|                                                                                  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|----------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience                               | \$ 147,618                                    | \$ 72,134                                    |
| Changes of assumptions                                                           | 62,189                                        | -                                            |
| Net difference between projected and actual earnings on pension plan investments | -                                             | 285,449                                      |
| Contributions after measurement date                                             | 82,288                                        | -                                            |
| <b>TOTAL</b>                                                                     | <b>\$ 292,095</b>                             | <b>\$ 357,583</b>                            |

Amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions, prior to recognition of the contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

| <b>Year ended</b>   | <b>POLICE</b>              | <b>FIREFIGHTERS</b>        | <b>NON-UNIFORM</b>         |
|---------------------|----------------------------|----------------------------|----------------------------|
| <b>December 31,</b> | <b><u>PENSION PLAN</u></b> | <b><u>PENSION PLAN</u></b> | <b><u>PENSION PLAN</u></b> |
| 2018                | \$ (37,239)                | \$ (61,048)                | \$ (31,513)                |
| 2019                | (91,048)                   | (40,565)                   | (26,125)                   |
| 2020                | (91,275)                   | (41,714)                   | (16,806)                   |
| 2021                | (157,615)                  | (28,644)                   | (73,332)                   |
| Thereafter          | -                          | -                          | -                          |

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 12 - CITY PENSION PLANS (Continued)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES**  
**AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

The annual pension expense recognized can be calculated two different ways. First, it is the change in the amounts reported on for the Employer's Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, the change in Net Pension Liability (NPL) plus the changes in deferred outflows and deferred inflows plus employer contributions.

Alternatively, annual pension expense can be calculated by its individual components. Although not required by GASB, PMRS provides an example of this calculation at [pmrs.state.pa.us/yearendrptg](http://pmrs.state.pa.us/yearendrptg).

**INVESTMENT ASSET ALLOCATION**

The PMRS system's long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole and at different levels of probability or confidence.

There are four steps to the method as follows:

1. Expected future real rates of return are based primarily on the 20-year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the Board's opinion, any such asset classes are expected in the future to significantly vary from its 20-year historical returns. These nominal rates of return further assume that investment expenses will be offset by the additional return performance derived from active investment management.
2. The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 3% to produce real rates of return.
3. The real rates of return are further adjusted by weighing each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are shown below in the table labeled 'System Nominal and Real Rates of Return by Asset Class'.
4. These weighted real rates of return are then subjected to a probability simulation to understand the likelihood of success in achieving various portfolio return levels. Based on the most recent asset allocation study conducted by Dahab Associates, the minimum acceptable confidence level for the Board has been determined to be 70%. The table labeled 'Confidence Levels for System Nominal and Real Rates of Return' identifies simulated portfolio returns at various confidence levels.

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 12 - CITY PENSION PLANS (Continued)**

**INVESTMENT ASSET ALLOCATION (Continued)**

**System Nominal and Real Rates of Return by Asset Class**

| <b>Asset Class</b>                          | <b>Target<br/>Asset<br/>Allocation</b> | <b>Nominal<br/>Rate of<br/>Return</b> | <b>Long-Term<br/>Expected<br/>Real Rate<br/>of Return</b> |
|---------------------------------------------|----------------------------------------|---------------------------------------|-----------------------------------------------------------|
| Domestic Equities (large cap)               | 25%                                    | 8.6%                                  | 5.6%                                                      |
| Domestic Equities (small cap)               | 15%                                    | 10.2%                                 | 7.2%                                                      |
| International Equities (developing markets) | 15%                                    | 7.6%                                  | 4.6%                                                      |
| International Equities (emerging markets)   | 10%                                    | 11.7%                                 | 8.7%                                                      |
| Real Estate                                 | 20%                                    | 9.2%                                  | 6.2%                                                      |
| Fixed Income                                | 15%                                    | 5.1%                                  | 2.1%                                                      |
| Total Portfolio                             | 100%                                   | 8.6%                                  | 5.6%                                                      |

**Confidence Levels for System Nominal and Real Rates of Return**

| <b>Confidence<br/>Interval</b> | <b>Nominal<br/>Rate of<br/>Return</b> | <b>Long-Term<br/>Expected<br/>Real Rate<br/>of Return</b> |
|--------------------------------|---------------------------------------|-----------------------------------------------------------|
| 95%                            | 3.5%                                  | 0.5%                                                      |
| 90%                            | 4.4%                                  | 1.4%                                                      |
| 85%                            | 5.1%                                  | 2.1%                                                      |
| 80%                            | 5.7%                                  | 2.7%                                                      |
| 75%                            | 6.1%                                  | 3.1%                                                      |
| 70%                            | 6.5%                                  | 3.5%                                                      |
| 50%                            | 7.9%                                  | 4.9%                                                      |

Based on the four-part analysis, the Board established the System's Long-Term Expected Rate of Return at 7.3%.

In addition to determining the System's Long-Term Expected Rate of Return, PMRS also develops a Long-Term Expected Rate of Return for individual municipalities. The Long-Term Expected Rate of Return for individual participating municipalities is also referred to as the Regular Interest Rate. Under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), the Board is obligated to apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. Therefore, under the law, the Long-Term Expected Rate of Return for individual participating municipalities is equal to the Regular Interest Rate. The rationale for the difference between the System's Long-Term Expected Rate of Return and the individual participating municipalities' Regular Interest Rate is describe herein under the section 'Discount Rate'. As of December 31, 2017, this rate is equal to 5.25%.

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

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 12 – CITY PENSION PLANS (Continued)**

**DISCOUNT RATE**

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

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

The formula using these factors is as follows:

Regular Interest Rate = (Retiree Liability Percentage x Smoothed PBGC Annuity Rates) + (Active Employee Liability Percentage x System Long-Term Expected Rate of Return) – (Administrative Expenses as a percentage of assets)

The Board may then adjust the Regular Interest Rate derived from the formula due to a variety of qualitative factors such as the desire to minimize Regular Interest Rate volatility, trending of PBGC annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System's investment and actuarial consultants. The Discount Rate adopted by the Board and used to measure the individual participating municipalities' total pension liability was 5.25% as of December 31, 2017.

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

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

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 12 – CITY PENSION PLANS (Continued)**

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

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

| <b><u>POLICE PENSION PLAN</u></b>                                        | <b><u>1% Decrease<br/>(4.25%)</u></b> | <b><u>Current<br/>Discount Rate<br/>(5.25%)</u></b> | <b><u>1% Increase<br/>(6.25%)</u></b> |
|--------------------------------------------------------------------------|---------------------------------------|-----------------------------------------------------|---------------------------------------|
| Total Pension Liability                                                  | \$ 8,368,766                          | \$ 7,430,651                                        | \$ 6,654,812                          |
| Plan Fiduciary Net Position                                              | <u>7,374,037</u>                      | <u>7,374,037</u>                                    | <u>7,374,037</u>                      |
| Net Pension Liability                                                    | \$ 994,729                            | \$ 56,614                                           | \$ (719,225)                          |
| <br>Plan Fiduciary Net Position as a<br>% of the Total Pension Liability | <br>88.11%                            | <br>99.24%                                          | <br>110.81%                           |
| <br>                                                                     |                                       |                                                     |                                       |
| <b><u>FIREFIGHTERS PENSION PLAN</u></b>                                  | <b><u>1% Decrease<br/>(4.25%)</u></b> | <b><u>Current<br/>Discount Rate<br/>(5.25%)</u></b> | <b><u>1% Increase<br/>(6.25%)</u></b> |
| Total Pension Liability                                                  | \$ 2,013,952                          | \$ 1,833,701                                        | \$ 1,681,675                          |
| Plan Fiduciary Net Position                                              | <u>1,283,112</u>                      | <u>1,283,112</u>                                    | <u>1,283,112</u>                      |
| Net Pension Liability                                                    | \$ 730,840                            | \$ 550,589                                          | \$ 398,563                            |
| <br>Plan Fiduciary Net Position as a<br>% of the Total Pension Liability | <br>63.71%                            | <br>69.97%                                          | <br>76.30%                            |
| <br>                                                                     |                                       |                                                     |                                       |
| <b><u>NON-UNIFORM PENSION PLAN</u></b>                                   | <b><u>1% Decrease<br/>(4.25%)</u></b> | <b><u>Current<br/>Discount Rate<br/>(5.25%)</u></b> | <b><u>1% Increase<br/>(6.25%)</u></b> |
| Total Pension Liability                                                  | \$ 13,678,141                         | \$ 12,133,004                                       | \$ 10,817,217                         |
| Plan Fiduciary Net Position                                              | <u>11,465,176</u>                     | <u>11,465,176</u>                                   | <u>11,465,176</u>                     |
| Net Pension Liability                                                    | \$ 2,212,965                          | \$ 667,828                                          | \$ (647,959)                          |
| <br>Plan Fiduciary Net Position as a<br>% of the Total Pension Liability | <br>83.82%                            | <br>94.50%                                          | <br>105.99%                           |

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

**PLAN DESCRIPTION**

The City of Farrell administers a single-employer defined benefit healthcare plan (the Plan). The Plan provides medical insurance (including prescriptions) until retirees are Medicare eligible, and life insurance death benefits for eligible retirees for three (3) groups of employees – Police, Firefighters, and non-uniformed employees. The benefits are provided for the eligible retirees and their spouses through the City's health insurance plan which covers both active and inactive members. Benefit provisions are established through negotiations between the City and the unions or group representing City employees. In addition, coverage is provided for management and elected officials.

The plan is unfunded and does not issue a publicly available financial report. These benefits are accounted for in accordance with GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*.

**PLAN BENEFITS**

**POLICE** – No future retirees are eligible. In the event that an officer is killed in the line of duty, his/her surviving spouse will be eligible for medical and prescription drug coverage for 10 years or until Medicare eligibility if earlier. Dependent children of those killed in service are entitled to medical and prescription drug coverage until the age specified in the Affordable Care Act, or until they obtain healthcare from another source if earlier. Current eligible retirees and covered spouses will continue with medical coverage until each participant and spouse reaches age 65. Life Insurance is provided in the amount of \$15,000 to employees who retire or are permanently disabled. Two current retirees have life insurance in the amount of \$10,000. Normal retirement eligibility is age 50 with 12 years of service. Early retirement eligibility is age 45 with 20 years of service.

**FIREFIGHTERS** – No future retirees are eligible. Current eligible retirees and covered spouses will continue with medical and prescription drug coverage until each participant and spouse reaches age 65. Upon reaching age 65, retirees and spouses may continue to participate at their own expense subject to regulations of the City's health insurance company. Life Insurance is provided in the amount of \$15,000 to employees who retire after age 50 and completion of 25 years of service who incur a total and permanent disablement in the line of duty.

**NON-UNIFORMED** – Employees hired before 1/1/1992 who retire either after age 60 and completion of 10 years of service or who become permanently disabled after completing 15 years of service, and their spouse, will receive medical and prescription drug coverage until each individual attains age 65. Upon reaching age 65, retirees and spouses may continue to participate at their own expense subject to regulations of the City's health insurance company. Life Insurance is provided in the amount of \$15,000 to employees who retire after age 60 and completion of 10 years of service or are permanently disabled.



**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PARTICIPANT DATA**

The January 1, 2017 valuation reflected the following participant data:

|                                  | <b>MEDICAL<br/>INSURANCE</b> | <b>LIFE<br/>INSURANCE</b> |
|----------------------------------|------------------------------|---------------------------|
| Active employees                 | 1                            | 19                        |
| Retirees (with medical coverage) | 4                            | 23                        |
| Total                            | 5                            | 42                        |

**OPEB LIABILITY, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB**

The City's total OPEB liability of \$464,065 was measured as of January 1, 2017, and was determined by an actuarial valuation performed as of January 1, 2017 rolled forward to December 31, 2018. As the City's OPEB Plan is unfunded, the total OPEB liability is equal to the net OPEB liability. The January 1, 2017 valuation reflected the following total OPEB liability:

|                                                    |           |                |
|----------------------------------------------------|-----------|----------------|
| Balance at December 31, 2017                       | \$        | 414,632        |
| Changes for the year:                              |           |                |
| Service cost                                       |           | 4,333          |
| Interest                                           |           | 15,059         |
| Changes of benefit terms                           |           | -              |
| Differences between expected and actual experience |           | -              |
| Changes in assumptions or other inputs             |           | -              |
| Benefit payments                                   |           | (35,082)       |
| Net Changes                                        |           | (15,690)       |
| Balance at December 31, 2018                       | <b>\$</b> | <b>398,942</b> |

For the year ended December 31, 2018, the City of Farrell recognized approximate OPEB expense of \$19,392. The January 1, 2017 valuation reflected no deferred inflows or outflows of resources.

**ACTUARIAL ASSUMPTIONS AND OTHER INPUTS TO CALCULATE THE TOTAL OPEB LIABILITY**

- Actuarial Valuation Date – January 1, 2017
- Actuarial Valuation Method – Entry Age Normal
- Inflation Rate – 2.75%
- Discount Rate – 3.75%
- Projected Salary Increases – 3.75%
- Mortality Rates – RP 2014 Mortality Table with 50% Blue Collar Adjustment
- Medical Trend – 6% for 2018 decreasing by .25% to 5% in 2025 and later years.
- Withdrawal/Disablement/Killed in Service – None Assumed

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE AND HEALTHCARE COST TREND RATES**

**Sensitivity of the total OPEB liability to changes in the Discount Rate**

The following presents the net OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current rate:

|                    | <b>1%<br/>Decrease</b> | <b>Current<br/>Trend<br/>Rates</b> | <b>1%<br/>Increase</b> |
|--------------------|------------------------|------------------------------------|------------------------|
| Net OPEB Liability | \$ 437,957             | \$ 398,942                         | \$ 366,745             |

**Sensitivity of the total OPEB liability to changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% higher or lower than the current rate:

|                    | <b>1%<br/>Decrease</b> | <b>Current<br/>Trend<br/>Rates</b> | <b>1%<br/>Increase</b> |
|--------------------|------------------------|------------------------------------|------------------------|
| Net OPEB Liability | \$ 388,207             | \$ 398,942                         | \$ 410,271             |

**NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES**

**COMMUNITY DEVELOPMENT BLOCK GRANT AGREEMENT**

The City, in 2007, entered into an agreement with the Department of Housing and Urban Development for a Community Development Block Grant Section 108 Loan Guarantee Agreement to borrow \$1,000,000 to provide funding for street paving, curbs, and catch basin improvements. The City borrowed \$500,000 in both 2007 and 2008. The total cost that was incurred through December 31, 2008 was \$1,000,000. The City has pledged annual Community Development Block Grant funding and funds from the Revolving Loan Community Block Grant funding and funds from the Revolving Loan Community Development Fund (See Note 9).

**FEDERAL AND STATE FUNDING**

The City of Farrell's state and federally funded programs, including its pension funds, are subject to program compliance audits by various governmental agencies. The audit scopes of these program compliance audits are different than the scope of financial audits performed by an outside, independent certified public accounting firm. The City is potentially liable for any expenditure disallowed by the results of these program compliance audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**CITY OF FARRELL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

**LEGAL MATTERS**

The City of Farrell, in the normal course of operations, is party to various legal matters normally associated with municipalities such as real estate tax assessment appeals, personnel wage and benefits, and other miscellaneous legal matters. As of December 31, 2018, the City is unaware of any pending litigation that would be material to, and adversely affect, the financial position of the City.

**NOTE 15 – RISK MANAGEMENT**

The City of Farrell is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these

**NOTE 16 – RELATED PARTY TRANSACTION**

As discussed in Note 5, The City of Farrell administers a Revolving Loan Community Development Fund. As of December 31, 2018, a member of City Council participates in the program and has an outstanding balance due the City of \$4,510.

**NOTE 17 – SUBSEQUENT EVENTS**

On September 23, 1987, the City of Farrell was designated a Financially Distressed Municipality by the Pennsylvania Department of Community and Economic Development (DCED) pursuant to the Municipalities Financial Recovery Act (Act 47 of 1987). On January 7, 2019 the Act 47 Coordinator for the City filed a final report which recommended termination of the City's distressed status. In accordance with Section 255.1(a) of Act 47, on January 30, 2019, a public hearing was held at which a designated hearing officer received evidence regarding the potential termination of the City's distressed status. Based upon the results of the review of the Act 47 Financial Condition Assessment and Recommendation Report, the Commonwealth of Pennsylvania on February 8, 2019 terminated the City of Farrell's financially distress municipality status.

Management has determined that there are no other events, subsequent to December 31, 2018 through the July 23, 2019 of the 'Independent Auditor's Report' date, which is the date the financial statements were available to be issued, that require additional disclosure in the financial statements.

**SUPPLEMENTARY  
INFORMATION**

**CITY OF FARRELL**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                                       | BUDGET              | ACTUAL              | OVER<br>(UNDER)<br>BUDGET |
|-------------------------------------------------------|---------------------|---------------------|---------------------------|
| <b>TAXES:</b>                                         |                     |                     |                           |
| Real Estate Taxes - Current Yr                        | \$ 1,050,000        | \$ 947,465          | \$ (102,535)              |
| Real Estate Taxes - Prior Yr                          | 120,000             | 126,810             | 6,810                     |
| Real Estate Transfer Tax                              | 50,000              | 105,908             | 55,908                    |
| Earned Income Tax - Residents                         | 1,050,000           | 1,290,317           | 240,317                   |
| Earned Income Tax - Non-Resident                      | 350,000             | 649,926             | 299,926                   |
| LST Tax                                               | 90,000              | 104,148             | 14,148                    |
| <b>TOTAL TAXES</b>                                    | <b>\$ 2,710,000</b> | <b>\$ 3,224,573</b> | <b>\$ 514,573</b>         |
| <b>LICENSES AND PERMITS:</b>                          |                     |                     |                           |
| Beverage-Liquor License                               | \$ 1,800            | \$ 2,250            | \$ 450                    |
| Amusements                                            | 1,500               | 1,225               | (275)                     |
| Cable TV Franchise                                    | 55,000              | 65,067              | 10,067                    |
| Rental Licenses                                       | 15,000              | 11,054              | (3,946)                   |
| Other Licenses and Permits                            | 20,000              | 22,908              | 2,908                     |
| <b>TOTAL LICENSES AND PERMITS</b>                     | <b>\$ 93,300</b>    | <b>\$ 102,504</b>   | <b>\$ 9,204</b>           |
| <b>FINES AND FORFEITURES:</b>                         |                     |                     |                           |
| Police Fines/ Fees                                    | \$ 35,000           | \$ 45,818           | \$ 10,818                 |
| Parking Violations                                    | 1,500               | 325                 | (1,175)                   |
| <b>TOTAL FINES AND FORFEITURES</b>                    | <b>\$ 36,500</b>    | <b>\$ 46,143</b>    | <b>\$ 9,643</b>           |
| <b>INTEREST AND RENTS:</b>                            |                     |                     |                           |
| Interest Temp. Deposits                               | \$ 200              | \$ 4,453            | \$ 4,253                  |
| Regional Lock-Up Rent                                 | 15,000              | 13,750              | (1,250)                   |
| <b>TOTAL INTEREST AND RENTS</b>                       | <b>\$ 15,200</b>    | <b>\$ 18,203</b>    | <b>\$ 3,003</b>           |
| <b>INTERGOVERNMENTAL:</b>                             |                     |                     |                           |
| Public Utilities                                      | \$ 7,500            | \$ 3,158            | \$ (4,342)                |
| Pension State Aid                                     | 175,000             | 196,744             | 21,744                    |
| Volunteer FD Grant                                    | 15,000              | 13,821              | (1,179)                   |
| Affordable Homes Grant                                | -                   | 125,000             | 125,000                   |
| Act 13 Impact Fee                                     | -                   | 9,033               | 9,033                     |
| Payments in Lieu of Taxes - Housing Authority         | 20,118              | 22,800              | 2,682                     |
| <b>TOTAL INTERGOVERNMENTAL</b>                        | <b>\$ 217,618</b>   | <b>\$ 370,556</b>   | <b>\$ 152,938</b>         |
| <b>TAX COLLECTION ADMINISTRATIVE COSTS:</b>           |                     |                     |                           |
| Real Estate Tax Off. - County                         | \$ 25,000           | \$ 24,697           | \$ (303)                  |
| Real Estate Tax Off. - School                         | 25,000              | 25,932              | 932                       |
| <b>TOTAL TAX COLLECTION ADMINISTRATIVE COSTS</b>      | <b>\$ 50,000</b>    | <b>\$ 50,629</b>    | <b>\$ 629</b>             |
| <b>SPECIAL POLICE SERVICES:</b>                       |                     |                     |                           |
| Copies                                                | \$ 1,500            | \$ 1,350            | \$ (150)                  |
| Assigned Duty                                         | 15,000              | 27,480              | 12,480                    |
| Protective Inspection Fees                            | 500                 | -                   | (500)                     |
| <b>TOTAL SPECIAL POLICE SERVICES:</b>                 | <b>\$ 17,000</b>    | <b>\$ 28,830</b>    | <b>\$ 11,830</b>          |
| <b>MISCELLANEOUS:</b>                                 |                     |                     |                           |
| Contributions and Donations                           | \$ 35,000           | \$ 37,500           | \$ 2,500                  |
| Miscellaneous Revenue                                 | 50,000              | 57,963              | 7,963                     |
| <b>TOTAL MISCELLANEOUS</b>                            | <b>\$ 85,000</b>    | <b>\$ 95,463</b>    | <b>\$ 10,463</b>          |
| <b>OTHER FINANCIAL SOURCES:</b>                       |                     |                     |                           |
| Sale of Land                                          | \$ 2,500            | \$ -                | \$ (2,500)                |
| Refund of Prior Year Expenses                         | -                   | 36,390              | 36,390                    |
| Transfer from Sewer Fund                              | 200,000             | 150,000             | (50,000)                  |
| Transfer from Gas Account                             | 5,000               | -                   | (5,000)                   |
| Transfer from Library Fund                            | -                   | 203                 | 203                       |
| Transfer from CDBG Fund                               | 75,000              | 19,519              | (55,481)                  |
| <b>TOTAL OTHER FINANCIAL SOURCES</b>                  | <b>\$ 282,500</b>   | <b>\$ 206,112</b>   | <b>\$ (76,388)</b>        |
| <b>TOTAL REVENUES AND<br/>OTHER FINANCING SOURCES</b> | <b>\$ 3,507,118</b> | <b>\$ 4,143,013</b> | <b>\$ 635,896</b>         |

**CITY OF FARRELL**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                                      | <u>BUDGET</u>     | <u>ACTUAL</u>     | <u>(OVER)<br/>UNDER<br/>BUDGET</u> |
|------------------------------------------------------|-------------------|-------------------|------------------------------------|
| <b>GENERAL GOVERNMENT:</b>                           |                   |                   |                                    |
| <b>LEGISLATIVE BODY:</b>                             |                   |                   |                                    |
| Mayor's Salary                                       | \$ 5,400          | \$ 6,750          | \$ (1,350)                         |
| Council Salaries (6)                                 | 18,000            | 18,000            | -                                  |
| Treasurer Salary                                     | 3,600             | 3,750             | (150)                              |
| Travel Expense                                       | 4,000             | 11,884            | (7,884)                            |
| Technology                                           | 4,000             | 4,167             | (167)                              |
| <b>TOTAL LEGISLATIVE BODY</b>                        | <b>\$ 35,000</b>  | <b>\$ 44,551</b>  | <b>\$ (9,551)</b>                  |
| <b>EXECUTIVE:</b>                                    |                   |                   |                                    |
| Manager Salary                                       | \$ 70,000         | \$ 70,000         | \$ 0                               |
| Supplies                                             | 10,000            | 12,517            | (2,517)                            |
| Accounting & Auditing                                | 34,500            | 34,608            | (108)                              |
| Advertising & Printing                               | 6,000             | 2,786             | 3,214                              |
| Technology                                           | 5,000             | 8,105             | (3,105)                            |
| Insurance & Bonding                                  | 15,000            | 14,579            | 421                                |
| Dues & Memberships                                   | 5,000             | 5,903             | (903)                              |
| Contracted Services                                  | 15,000            | 24,497            | (9,497)                            |
| Human Relations                                      | 750               | 992               | (242)                              |
| SPED                                                 | 7,500             | 9,353             | (1,853)                            |
| <b>TOTAL EXECUTIVE</b>                               | <b>\$ 168,750</b> | <b>\$ 183,338</b> | <b>\$ (14,588)</b>                 |
| <b>TAX COLLECTION:</b>                               |                   |                   |                                    |
| Real Estate Tax Coll. Salary                         | \$ 32,900         | \$ 32,750         | \$ 150                             |
| Asst. Tax Collector Salary                           | 24,000            | 25,139            | (1,139)                            |
| Supplies - EIT Office                                | -                 | 70                | (70)                               |
| Supplies - Real Estate Tax Off.                      | 4,500             | 4,243             | 257                                |
| Postage, Mailing - Tax Office                        | 4,000             | 4,501             | (501)                              |
| Technology                                           | 1,500             | 1,906             | (406)                              |
| Advertising, Printing - Real Estate                  | 1,000             | 569               | 431                                |
| EIT, LST Collection Fees                             | 30,000            | 34,768            | (4,768)                            |
| <b>TOTAL TAX COLLECTION</b>                          | <b>\$ 97,900</b>  | <b>\$ 103,946</b> | <b>\$ (6,046)</b>                  |
| <b>LEGAL:</b>                                        |                   |                   |                                    |
| Solicitor's Retainer                                 | \$ 25,000         | \$ 25,000         | \$ 0                               |
| Legal Expenses                                       | 9,000             | 22,244            | (13,244)                           |
| Codification of Ordinances                           | 4,200             | -                 | 4,200                              |
| <b>TOTAL LEGAL</b>                                   | <b>\$ 38,200</b>  | <b>\$ 47,244</b>  | <b>\$ (9,044)</b>                  |
| <b>PERSONNEL ADMINISTRATION (EMPLOYEE BENEFITS):</b> |                   |                   |                                    |
| Worker's Comp. Insurance                             | \$ 40,000         | \$ 39,669         | \$ 331                             |
| Retiree Health Benefits                              | 80,000            | 62,932            | 17,068                             |
| Employee Health Benefits                             | 100,000           | 65,257            | 34,743                             |
| Fire Pension                                         | 105,984           | 106,114           | (130)                              |
| Farrell Police Pension                               | 11,500            | 12,277            | (777)                              |
| Non-Uniform Pension                                  | 82,288            | 84,288            | (2,000)                            |
| Life Insurance                                       | 10,000            | 9,382             | 618                                |
| Social Security (FICA)                               | 75,000            | 80,247            | (5,247)                            |
| Sick/Vacation Buy-Out                                | 18,000            | -                 | 18,000                             |
| Performance Incentive                                | 15,000            | 19,200            | (4,200)                            |
| Unemployment Compensation                            | 6,000             | 1,204             | 4,796                              |
| Payroll Deductions                                   | -                 | -                 | -                                  |
| <b>TOTAL PERSONNEL ADMIN (EMPLOYEE BENEFITS)</b>     | <b>\$ 543,772</b> | <b>\$ 480,570</b> | <b>\$ 63,202</b>                   |
| <b>TOTAL GENERAL GOVERNMENT</b>                      | <b>\$ 883,622</b> | <b>\$ 859,649</b> | <b>\$ 23,973</b>                   |

**CITY OF FARRELL**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                | <u>BUDGET</u>       | <u>ACTUAL</u>       | <u>(OVER)<br/>UNDER<br/>BUDGET</u> |
|--------------------------------|---------------------|---------------------|------------------------------------|
| <b>PUBLIC SAFETY:</b>          |                     |                     |                                    |
| <b>POLICE PROTECTION:</b>      |                     |                     |                                    |
| Police Chief                   | \$ 68,290           | \$ 72,250           | \$ (3,960)                         |
| Detective Sergeant             | 57,738              | 59,900              | (2,162)                            |
| Sergeant (2)                   | 163,828             | 27,021              | 136,807                            |
| Patrol (7)                     | 379,250             | 528,377             | (149,127)                          |
| Part-Time Officers             | 20,000              | 26,784              | (6,784)                            |
| PR & Compliance Officer        | -                   | 2,911               | (2,911)                            |
| Administrative Assistant       | 41,000              | 38,432              | 2,568                              |
| Workers' Compensation          | 22,000              | 22,000              | -                                  |
| Healthcare                     | 105,000             | 120,468             | (15,468)                           |
| Life Insurance                 | 11,000              | 11,117              | (117)                              |
| FICA/Medicare                  | 14,000              | 10,524              | 3,476                              |
| Unemployment Compensation      | 3,000               | 4,625               | (1,625)                            |
| Training                       | 15,000              | 12,709              | 2,291                              |
| Sick Time Buy-Out              | 3,000               | -                   | 3,000                              |
| Holiday Pay                    | 18,200              | 12,700              | 5,500                              |
| Court/Hearing Pay              | 18,000              | 22,922              | (4,922)                            |
| Overtime                       | 25,000              | 38,429              | (13,429)                           |
| Uniform Allowance              | 15,000              | 14,695              | 305                                |
| Ammo/Guns                      | 5,000               | 15,120              | (10,120)                           |
| Miscellaneous Equipment        | 2,000               | 1,882               | 118                                |
| Miscellaneous Repairs          | 1,000               | 700                 | 300                                |
| Supplies                       | 3,000               | 6,500               | (3,500)                            |
| Miscellaneous                  | 5,000               | 13,694              | (8,694)                            |
| Fuel                           | 14,000              | 21,954              | (7,954)                            |
| Vehicle Repairs                | 4,000               | 25,875              | (21,875)                           |
| Legal                          | 3,000               | 20,523              | (17,523)                           |
| Lock-Up Fees                   | 25,000              | 24,750              | 250                                |
| Telephone                      | 3,500               | 2,978               | 522                                |
| Postage                        | 500                 | 636                 | (136)                              |
| Radio/Maintenance              | 1,000               | 746                 | 255                                |
| Software                       | 2,500               | 1,486               | 1,014                              |
| Technology                     | 7,500               | 15,711              | (8,211)                            |
| Printing/Advertising           | 2,000               | 2,485               | (485)                              |
| Liability Insurance            | 7,000               | 7,000               | -                                  |
| Vehicle Insurance              | 5,500               | 2,092               | 3,408                              |
| Regional Longevity             | 60,000              | 62,772              | (2,772)                            |
| Capital Funding                | 65,000              | 59,557              | 5,443                              |
| <b>TOTAL POLICE PROTECTION</b> | <b>\$ 1,195,806</b> | <b>\$ 1,312,325</b> | <b>\$ (116,519)</b>                |
| <b>FIRE PROTECTION:</b>        |                     |                     |                                    |
| Fire Chief Salary              | \$ 46,950           | \$ 36,931           | \$ 10,019                          |
| Asst. Fire Chief Salary        | -                   | 663                 | (663)                              |
| Holiday Pay                    | 7,000               | 11,728              | (4,728)                            |
| OIC Pay                        | 6,000               | 5,706               | 294                                |
| Overtime                       | 3,000               | 3,290               | (290)                              |
| Training                       | 5,000               | 1,073               | 3,928                              |
| Uniforms                       | 2,500               | 2,494               | 6                                  |
| Part-Time Firefighters         | 158,000             | 193,079             | (35,079)                           |
| Supplies                       | 4,000               | 8,033               | (4,033)                            |
| Vehicle Fuel                   | 4,000               | 3,238               | 762                                |
| Vehicle Repair and Maintenance | 6,000               | 5,146               | 854                                |
| Purchase Minor Equipment       | 4,000               | 6,620               | (2,620)                            |
| Hydrant Rental                 | 55,900              | 60,291              | (4,391)                            |
| Volunteer Grant Transfer       | 15,000              | 13,821              | 1,179                              |
| <b>TOTAL FIRE PROTECTION</b>   | <b>\$ 317,350</b>   | <b>\$ 352,113</b>   | <b>\$ (34,763)</b>                 |

**CITY OF FARRELL**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                    | <u>BUDGET</u>       | <u>ACTUAL</u>       | <u>(OVER)<br/>UNDER<br/>BUDGET</u> |
|------------------------------------|---------------------|---------------------|------------------------------------|
| <b>PUBLIC SAFETY: (Continued)</b>  |                     |                     |                                    |
| <b>CODE ENFORCEMENT:</b>           |                     |                     |                                    |
| Health & Code Officer              | \$ 43,002           | \$ 41,808           | \$ 1,194                           |
| Supplies & Maps                    | 3,000               | 2,230               | 770                                |
| Fuels                              | 1,000               | 991                 | 9                                  |
| Vehicle Maintenance                | 1,500               | 1,703               | (203)                              |
| Technology                         | 8,000               | 2,988               | 5,012                              |
| <b>TOTAL CODE ENFORCEMENT</b>      | <b>\$ 56,502</b>    | <b>\$ 49,721</b>    | <b>\$ 6,781</b>                    |
| <b>PUBLIC SERVICE:</b>             |                     |                     |                                    |
| Solicitor - Zoning Hearing Board   | \$ 4,200            | \$ 4,668            | \$ (468)                           |
| Supplies                           | 20,000              | 18,094              | 1,906                              |
| Rodent Control                     | 5,000               | 2,362               | 2,638                              |
| Lot Maintenance                    | -                   | 1,022               | (1,022)                            |
| Lot Maintenance                    | 6,000               | 3,039               | 2,961                              |
| <b>TOTAL PUBLIC SERVICE</b>        | <b>\$ 35,200</b>    | <b>\$ 29,185</b>    | <b>\$ 6,015</b>                    |
| <b>TOTAL PUBLIC SAFETY</b>         | <b>\$ 1,604,858</b> | <b>\$ 1,743,343</b> | <b>\$ (138,485)</b>                |
| <b>PUBLIC WORKS:</b>               |                     |                     |                                    |
| <b>MAINTENANCE:</b>                |                     |                     |                                    |
| Building & Grounds Maintenance     | \$ 20,000           | \$ 27,565           | \$ (7,565)                         |
| <b>TOTAL MAINTENANCE</b>           | <b>\$ 20,000</b>    | <b>\$ 27,565</b>    | <b>\$ (7,565)</b>                  |
| <b>HIGHWAYS AND STREETS:</b>       |                     |                     |                                    |
| Director of Public Works           | \$ 52,506           | \$ 58,362           | \$ (5,856)                         |
| Heavy Equip. Operator Wages        | 49,691              | 16,277              | 33,414                             |
| Truck Driver Wages                 | 95,559              | 98,156              | (2,597)                            |
| Overtime                           | 10,000              | 5,651               | 4,349                              |
| Part-Time Laborer                  | 50,000              | 69,501              | (19,501)                           |
| Supplies                           | 5,000               | 13,515              | (8,515)                            |
| Gas, Oil, Grease                   | 10,000              | 11,459              | (1,459)                            |
| Vehicle Maintenance                | 10,000              | 15,619              | (5,619)                            |
| Electronics Recycling              | 12,000              | 29,492              | (17,492)                           |
| Equipment Purchase & Repair        | 5,000               | 16,469              | (11,469)                           |
| Electricity                        | 30,000              | 21,535              | 8,465                              |
| Gas                                | 8,500               | 12,061              | (3,561)                            |
| Sewer                              | 1,000               | 903                 | 97                                 |
| Water                              | 3,500               | 4,146               | (646)                              |
| Telephone                          | 9,000               | 8,232               | 768                                |
| Building Maintenance & Repairs     | 15,000              | 14,928              | 72                                 |
| Traffic Signal Maintenance         | 1,000               | 1,383               | (383)                              |
| Highway Signs & Supplies           | 8,000               | 8,776               | (776)                              |
| <b>TOTAL HIGHWAYS AND STREETS</b>  | <b>\$ 375,756</b>   | <b>\$ 406,465</b>   | <b>\$ (30,709)</b>                 |
| <b>TOTAL PUBLIC WORKS</b>          | <b>\$ 395,756</b>   | <b>\$ 434,030</b>   | <b>\$ (38,274)</b>                 |
| <b>CULTURE AND RECREATION:</b>     |                     |                     |                                    |
| <b>PARKS AND PLAYGROUNDS:</b>      |                     |                     |                                    |
| Events                             | \$ 5,000            | \$ 500              | \$ 4,500                           |
| Improvements/Repairs               | 5,000               | 563                 | 4,437                              |
| Contribution to Recreation         | 20,000              | 21,600              | (1,600)                            |
| <b>TOTAL PARKS AND PLAYGROUNDS</b> | <b>\$ 30,000</b>    | <b>\$ 22,664</b>    | <b>\$ 7,336</b>                    |



**CITY OF FARRELL**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                                        | <u>BUDGET</u>       | <u>ACTUAL</u>       | <u>(OVER)<br/>UNDER<br/>BUDGET</u> |
|--------------------------------------------------------|---------------------|---------------------|------------------------------------|
| <b>CULTURE AND RECREATION: (Continued)</b>             |                     |                     |                                    |
| <b>LIBRARY:</b>                                        |                     |                     |                                    |
| Supplies                                               | \$ -                | \$ 160              | \$ (160)                           |
| Electricity                                            | 3,000               | 4,473               | (1,473)                            |
| Gas                                                    | 2,000               | 2,165               | (165)                              |
| Sewer                                                  | 400                 | 252                 | 148                                |
| Water                                                  | 500                 | 321                 | 179                                |
| Maintenance and Repairs                                | 1,500               | 1,294               | 206                                |
| Janitorial                                             | 7,000               | 5,453               | 1,547                              |
| Contracted Services                                    | 40,000              | 47,938              | (7,938)                            |
| <b>TOTAL LIBRARY</b>                                   | <b>54,400</b>       | <b>62,057</b>       | <b>\$ (7,657)</b>                  |
| <b>TOTAL CULTURE AND RECREATION</b>                    | <b>\$ 84,400</b>    | <b>\$ 84,721</b>    | <b>\$ (321)</b>                    |
| <b>COMMUNITY DEVELOPMENT:</b>                          |                     |                     |                                    |
| Affordable Homes Expenditures                          | \$ -                | \$ 106,486          | \$ (106,486)                       |
| <b>TOTAL COMMUNITY DEVELOPMENT</b>                     | <b>\$ -</b>         | <b>\$ 106,486</b>   | <b>\$ (106,486)</b>                |
| <b>DEBT SERVICE:</b>                                   |                     |                     |                                    |
| Tax Anticipation Interest                              | \$ 500              | \$ -                | \$ 500                             |
| <b>TOTAL DEBT SERVICE</b>                              | <b>\$ 500</b>       | <b>\$ -</b>         | <b>\$ 500</b>                      |
| <b>INTERGOVERNMENTAL EXPENSES:</b>                     |                     |                     |                                    |
| Council of Governments                                 | \$ 3,294            | \$ 1,749            | \$ 1,545                           |
| M.C. Regional Planning                                 | 5,325               | 3,543               | 1,782                              |
| S.V. Animal Shelter                                    | 21,000              | 25,868              | (4,868)                            |
| S.V. Shuttle Service                                   | 4,863               | 5,362               | (499)                              |
| IT Services                                            | 4,500               | 3,300               | 1,200                              |
| <b>INTERGOVERNMENTAL EXPENSES:</b>                     | <b>\$ 38,982</b>    | <b>\$ 39,822</b>    | <b>\$ (840)</b>                    |
| <b>INTERFUND OPERATING TRANSFERS:</b>                  |                     |                     |                                    |
| Transfer to Liquid Fuels                               | \$ -                | \$ -                | \$ -                               |
| Transfer to Other Funds                                | -                   | 1                   | (1)                                |
| Transfer to Capital Project Fund                       | 499,000             | 600,000             | (101,000)                          |
| Transfer to Revolving Loan Fund                        | -                   | 19,275              | (19,275)                           |
| Transfer to Centennial Fund                            | -                   | 500                 | (500)                              |
| <b>TOTAL INTERFUND OPERATING TRANSFERS</b>             | <b>\$ 499,000</b>   | <b>\$ 619,776</b>   | <b>\$ (120,776)</b>                |
| <b>TOTAL EXPENDITURES AND OTHER<br/>FINANCING USES</b> | <b>\$ 3,507,118</b> | <b>\$ 3,887,827</b> | <b>\$ (380,709)</b>                |

CITY OF FARRELL  
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2018

|                                                 | <u>LIBRARY<br/>FUND</u> | <u>LIQUID FUELS<br/>FUND</u> | <u>FARRELL<br/>RECREATION<br/>COMMISSION<br/>FUND</u> | <u>HOME<br/>FAÇADE<br/>FUND</u> | <u>REVOLVING<br/>LOAN<br/>REHABILITATION<br/>FUND</u> | <u>GASOLINE<br/>ACCOUNT<br/>FUND</u> | <u>COMMUNITY<br/>DEVELOPMENT<br/>BLOCK GRANT<br/>FUND</u> | <u>TOTAL</u>      |
|-------------------------------------------------|-------------------------|------------------------------|-------------------------------------------------------|---------------------------------|-------------------------------------------------------|--------------------------------------|-----------------------------------------------------------|-------------------|
| <b>ASSETS:</b>                                  |                         |                              |                                                       |                                 |                                                       |                                      |                                                           |                   |
| Cash and Cash Equivalents                       | \$ -                    | \$ 81,880                    | \$ 28,983                                             | \$ 585                          | \$ 6,002                                              | \$ 44,393                            | \$ 613                                                    | \$ 162,456        |
| Due from Other Governments                      | -                       | -                            | -                                                     | -                               | -                                                     | -                                    | 70,324                                                    | 70,324            |
| Accounts Receivable                             | -                       | -                            | -                                                     | -                               | -                                                     | 6,415                                | -                                                         | 6,415             |
| <b>TOTAL ASSETS</b>                             | <b>\$ -</b>             | <b>\$ 81,880</b>             | <b>\$ 28,983</b>                                      | <b>\$ 585</b>                   | <b>\$ 6,002</b>                                       | <b>\$ 50,808</b>                     | <b>\$ 70,937</b>                                          | <b>\$ 239,195</b> |
| <br><b><u>LIABILITIES AND FUND BALANCES</u></b> |                         |                              |                                                       |                                 |                                                       |                                      |                                                           |                   |
| <b>LIABILITIES:</b>                             |                         |                              |                                                       |                                 |                                                       |                                      |                                                           |                   |
| Accounts Payable                                | \$ -                    | \$ 7,118                     | \$ -                                                  | \$ -                            | \$ -                                                  | \$ 3,366                             | \$ -                                                      | \$ 10,484         |
| Due to Other Funds                              | -                       | 54,284                       | 547                                                   | -                               | -                                                     | -                                    | 72,385                                                    | 127,216           |
| Unearned Revenue                                | -                       | -                            | -                                                     | -                               | -                                                     | -                                    | 613                                                       | 613               |
| <b>TOTAL LIABILITIES</b>                        | <b>\$ -</b>             | <b>\$ 61,402</b>             | <b>\$ 547</b>                                         | <b>\$ -</b>                     | <b>\$ -</b>                                           | <b>\$ 3,366</b>                      | <b>\$ 72,998</b>                                          | <b>\$ 138,313</b> |
| <br><b>FUND BALANCE:</b>                        |                         |                              |                                                       |                                 |                                                       |                                      |                                                           |                   |
| Restricted                                      | \$ -                    | \$ 20,478                    | \$ 28,436                                             | \$ 585                          | \$ 6,002                                              | \$ 47,442                            | \$ -                                                      | \$ 102,943        |
| Unassigned (Deficit)                            | -                       | -                            | -                                                     | -                               | -                                                     | -                                    | (2,061)                                                   | (2,061)           |
| <b>TOTAL FUND BALANCES (Deficit)</b>            | <b>\$ -</b>             | <b>\$ 20,478</b>             | <b>\$ 28,436</b>                                      | <b>\$ 585</b>                   | <b>\$ 6,002</b>                                       | <b>\$ 47,442</b>                     | <b>\$ (2,061)</b>                                         | <b>\$ 100,882</b> |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>      | <b>\$ -</b>             | <b>\$ 81,880</b>             | <b>\$ 28,983</b>                                      | <b>\$ 585</b>                   | <b>\$ 6,002</b>                                       | <b>\$ 50,808</b>                     | <b>\$ 70,937</b>                                          | <b>\$ 239,195</b> |

**CITY OF FARRELL**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                                        | LIBRARY<br>FUND | LIQUID FUELS<br>FUND | FARRELL<br>RECREATION<br>COMMISSION<br>FUND | HOME<br>FAÇADE<br>FUND | REVOLVING LOAN<br>REHABILITATION<br>FUND | GASOLINE<br>ACCOUNT<br>FUND | COMMUNITY<br>DEVELOPMENT<br>BLOCK GRANT<br>FUND | TOTAL             |
|--------------------------------------------------------|-----------------|----------------------|---------------------------------------------|------------------------|------------------------------------------|-----------------------------|-------------------------------------------------|-------------------|
| <b>REVENUES:</b>                                       |                 |                      |                                             |                        |                                          |                             |                                                 |                   |
| Interest                                               | \$ -            | \$ 688               | \$ -                                        | \$ -                   | \$ -                                     | \$ 242                      | \$ -                                            | \$ 930            |
| Intergovernmental                                      | -               | 204,002              | -                                           | 3                      | -                                        | -                           | 169,763                                         | 373,768           |
| Charges for Services                                   | -               | -                    | -                                           | -                      | -                                        | 65,571                      | -                                               | 65,571            |
| Contributions                                          | -               | -                    | 28,347                                      | -                      | -                                        | -                           | -                                               | 28,347            |
| <b>TOTAL REVENUES</b>                                  | <b>\$ -</b>     | <b>\$ 204,690</b>    | <b>\$ 28,347</b>                            | <b>\$ 3</b>            | <b>\$ -</b>                              | <b>\$ 65,813</b>            | <b>\$ 169,763</b>                               | <b>\$ 468,616</b> |
| <b>OTHER FINANCING SOURCES:</b>                        |                 |                      |                                             |                        |                                          |                             |                                                 |                   |
| Refund of Prior Year Expenses                          | \$ -            | \$ 272               | \$ -                                        | \$ -                   | \$ -                                     | \$ -                        | \$ -                                            | \$ 272            |
| Transfer from Other Funds                              | -               | -                    | -                                           | -                      | -                                        | -                           | -                                               | -                 |
| <b>TOTAL OTHER FINANCING SOURCES</b>                   | <b>\$ -</b>     | <b>\$ 272</b>        | <b>\$ -</b>                                 | <b>\$ -</b>            | <b>\$ -</b>                              | <b>\$ -</b>                 | <b>\$ -</b>                                     | <b>\$ 272</b>     |
| <b>TOTAL REVENUES AND OTHER<br/>FINANCING SOURCES</b>  | <b>\$ -</b>     | <b>\$ 204,962</b>    | <b>\$ 28,347</b>                            | <b>\$ 3</b>            | <b>\$ -</b>                              | <b>\$ 65,813</b>            | <b>\$ 169,763</b>                               | <b>\$ 468,888</b> |
| <b>EXPENDITURES:</b>                                   |                 |                      |                                             |                        |                                          |                             |                                                 |                   |
| General Government                                     | \$ 60           | \$ -                 | \$ -                                        | \$ -                   | \$ -                                     | \$ -                        | \$ -                                            | \$ 60             |
| Highways and Streets                                   | -               | 165,436              | -                                           | -                      | -                                        | 59,658                      | -                                               | 225,094           |
| Culture and Recreation                                 | -               | -                    | 19,601                                      | -                      | -                                        | -                           | -                                               | 19,601            |
| Community Development                                  | -               | -                    | -                                           | -                      | -                                        | -                           | 187,438                                         | 187,438           |
| <b>TOTAL EXPENDITURES</b>                              | <b>\$ 60</b>    | <b>\$ 165,436</b>    | <b>\$ 19,601</b>                            | <b>\$ -</b>            | <b>\$ -</b>                              | <b>\$ 59,658</b>            | <b>\$ 187,438</b>                               | <b>\$ 432,193</b> |
| <b>OTHER FINANCING USES:</b>                           |                 |                      |                                             |                        |                                          |                             |                                                 |                   |
| Refund of Prior Year Receipts                          | \$ -            | \$ -                 | \$ -                                        | \$ -                   | \$ -                                     | \$ -                        | \$ 443                                          | \$ 443            |
| Transfers to other Funds                               | 203             | -                    | -                                           | -                      | -                                        | -                           | 21,339                                          | 21,542            |
| <b>TOTAL OTHER FINANCING USES</b>                      | <b>\$ 203</b>   | <b>\$ -</b>          | <b>\$ -</b>                                 | <b>\$ -</b>            | <b>\$ -</b>                              | <b>\$ -</b>                 | <b>\$ 21,782</b>                                | <b>\$ 21,985</b>  |
| <b>TOTAL EXPENDITURES AND OTHER<br/>FINANCING USES</b> | <b>\$ 263</b>   | <b>\$ 165,436</b>    | <b>\$ 19,601</b>                            | <b>\$ -</b>            | <b>\$ -</b>                              | <b>\$ 59,658</b>            | <b>\$ 209,220</b>                               | <b>\$ 454,178</b> |
| <b>EXCESS REVENUES OVER<br/>(UNDER) EXPENDITURES</b>   | <b>\$ (263)</b> | <b>\$ 39,526</b>     | <b>\$ 8,746</b>                             | <b>\$ 3</b>            | <b>\$ -</b>                              | <b>\$ 6,155</b>             | <b>\$ (39,457)</b>                              | <b>\$ 14,710</b>  |
| FUND BALANCE - January 1, 2018 (Deficit)               | 263             | (19,048)             | 19,690                                      | 582                    | 6,002                                    | 41,287                      | 37,396                                          | 86,172            |
| <b>FUND BALANCE - December 31, 2018 (Deficit)</b>      | <b>\$ -</b>     | <b>\$ 20,478</b>     | <b>\$ 28,436</b>                            | <b>\$ 585</b>          | <b>\$ 6,002</b>                          | <b>\$ 47,442</b>            | <b>\$ (2,061)</b>                               | <b>\$ 100,882</b> |

**CITY OF FARRELL  
COMBINING BALANCE SHEET - AGENCY FUNDS  
DECEMBER 31, 2018**

|                           | <u>COUNTY TAX<br/>ESCROW</u> | <u>EARNED<br/>INCOME TAX</u> | <u>REAL ESTATE<br/>TAX</u> | <u>TOTAL</u>     |
|---------------------------|------------------------------|------------------------------|----------------------------|------------------|
| <b>ASSETS:</b>            |                              |                              |                            |                  |
| Cash and Cash Equivalents | \$ -                         | \$ 23,941                    | \$ 1,849                   | \$ 25,790        |
| <b>TOTAL ASSETS</b>       | <u>\$ -</u>                  | <u>\$ 23,941</u>             | <u>\$ 1,849</u>            | <u>\$ 25,790</u> |
| <b>LIABILITIES:</b>       |                              |                              |                            |                  |
| Due to Other Governments  | \$ -                         | \$ 23,941                    | \$ 1,849                   | \$ 25,790        |
| <b>TOTAL LIABILITIES</b>  | <u>\$ -</u>                  | <u>\$ 23,941</u>             | <u>\$ 1,849</u>            | <u>\$ 25,790</u> |

CITY OF FARRELL  
STATEMENT OF FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS  
DECEMBER 31, 2018

|                                    | <u>CENTENNIAL<br/>FUND</u> | <u>JUNETEENTH<br/>FUND</u> | <u>FIRE ESCROW<br/>FUND</u> | <u>STORM<br/>WATER<br/>MANAGEMENT<br/>ESCROW FUND</u> | <u>TOTAL</u>            |
|------------------------------------|----------------------------|----------------------------|-----------------------------|-------------------------------------------------------|-------------------------|
| <b>ASSETS:</b>                     |                            |                            |                             |                                                       |                         |
| Cash and Cash Equivalents          | \$ 344                     | \$ 502                     | \$ 24,460                   | \$ 4,317                                              | \$ 29,623               |
| <b>TOTAL ASSETS</b>                | <b><u>\$ 344</u></b>       | <b><u>\$ 502</u></b>       | <b><u>\$ 24,460</u></b>     | <b><u>\$ 4,317</u></b>                                | <b><u>\$ 29,623</u></b> |
| <b>NET POSITION:</b>               |                            |                            |                             |                                                       |                         |
| Restricted for Future Expenditures | \$ 344                     | \$ 502                     | \$ 24,460                   | \$ 4,317                                              | \$ 29,623               |
| <b>TOTAL NET POSITION</b>          | <b><u>\$ 344</u></b>       | <b><u>\$ 502</u></b>       | <b><u>\$ 24,460</u></b>     | <b><u>\$ 4,317</u></b>                                | <b><u>\$ 29,623</u></b> |

**CITY OF FARRELL**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PRIVATE PURPOSE TRUST FUNDS**  
**DECEMBER 31, 2018**

|                                         | <b>CENTENNIAL<br/>FUND</b> | <b>JUNETEENTH<br/>FUND</b> | <b>FIRE ESCROW<br/>FUND</b> | <b>STORM<br/>WATER<br/>MANAGEMENT<br/>ESCROW FUND</b> | <b>TOTAL</b>      |
|-----------------------------------------|----------------------------|----------------------------|-----------------------------|-------------------------------------------------------|-------------------|
| <b>ADDITIONS:</b>                       |                            |                            |                             |                                                       |                   |
| Contributions and Donations             | \$ 5,855                   | \$ 5,271                   | \$ -                        | \$ -                                                  | \$ 11,126         |
| Escrow Deposits                         | -                          | -                          | 31,055                      | 2,003                                                 | 33,058            |
| Transfer from Other Funds               | 500                        | 1,000                      | -                           | -                                                     | 1,500             |
| <b>TOTAL ADDITIONS</b>                  | <b>\$ 6,355</b>            | <b>\$ 6,271</b>            | <b>\$ 31,055</b>            | <b>\$ 2,003</b>                                       | <b>\$ 45,684</b>  |
| <b>DEDUCTIONS:</b>                      |                            |                            |                             |                                                       |                   |
| Culture and Recreation                  | \$ 5,067                   | \$ 6,717                   |                             |                                                       | \$ 11,784         |
| Public Works Storm Management Costs     | -                          | -                          | -                           | 903                                                   | 903               |
| Escrow and Related Payments             | -                          | -                          | 35,538                      | -                                                     | 35,538            |
| Transfer to Other Funds                 | 1,000                      | -                          | -                           | -                                                     | 1,000             |
| <b>TOTAL DEDUCTIONS</b>                 | <b>\$ 6,067</b>            | <b>\$ 6,717</b>            | <b>\$ 35,538</b>            | <b>\$ 903</b>                                         | <b>\$ 49,225</b>  |
| <b>CHANGES IN NET POSITION</b>          | <b>\$ 288</b>              | <b>\$ (446)</b>            | <b>\$ (4,483)</b>           | <b>\$ 1,100</b>                                       | <b>\$ (3,541)</b> |
| NET POSITION - January 1, 2018          | 56                         | 948                        | 28,943                      | 3,217                                                 | 33,164            |
| <b>NET POSITION - December 31, 2018</b> | <b>\$ 344</b>              | <b>\$ 502</b>              | <b>\$ 24,460</b>            | <b>\$ 4,317</b>                                       | <b>\$ 29,623</b>  |

**OTHER  
REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF FARRELL**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**POLICE PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2018**

|                                                                        | <u>12/31/2017</u>   | <u>12/31/2016</u>   | <u>12/31/2015</u>  | <u>12/31/2014</u> |
|------------------------------------------------------------------------|---------------------|---------------------|--------------------|-------------------|
| <b>Total pension liability-beginning</b>                               | \$ 7,283,180        | \$ 726,661          | \$ 757,499         | \$ 712,404        |
| Service Cost                                                           | 133,443             | 14,816              | -                  | -                 |
| Interest                                                               | 379,892             | 89,682              | 39,422             | 36,942            |
| Changes in benefit terms                                               | -                   | -                   | -                  | -                 |
| Differences between expected & actual experience                       | -                   | (6,553)             | -                  | 90,733            |
| Changes in assumptions                                                 | -                   | 203,533             | 12,320             | -                 |
| Transfers                                                              | -                   | 6,407,933           | -                  | -                 |
| Benefit payments                                                       | (365,864)           | (152,892)           | (82,580)           | (82,580)          |
| Net change in total pension liability                                  | <u>\$ 147,471</u>   | <u>\$ 6,556,519</u> | <u>\$ (30,838)</u> | <u>\$ 45,095</u>  |
| <b>Total pension liability-ending</b>                                  | <u>\$ 7,430,651</u> | <u>\$ 7,283,180</u> | <u>\$ 726,661</u>  | <u>\$ 757,499</u> |
| <br>                                                                   |                     |                     |                    |                   |
| Plan fiduciary net position-beginning                                  | \$ 6,564,245        | \$ 420,275          | \$ 428,799         | \$ 371,679        |
| Contributions-employer                                                 | 14,645              | 196,707             | 54,212             | 62,075            |
| Contributions - PMRS assessment                                        | 60                  | 800                 | 120                | -                 |
| Contributions-member                                                   | 35,540              | 12,970              | -                  | -                 |
| PMRS investment income                                                 | 353,996             | 122,952             | 21,889             | 19,238            |
| Market value investment income                                         | 788,075             | (331,696)           | (1,132)            | 59,245            |
| Transfers                                                              | -                   | 6,301,273           | -                  | -                 |
| Benefit payments                                                       | (365,864)           | (152,892)           | (82,580)           | (82,580)          |
| PMRS administrative expense                                            | (380)               | (120)               | (120)              | (120)             |
| Additional administrative expense                                      | (16,280)            | (6,024)             | (913)              | (738)             |
| Change in plan fiduciary net position                                  | <u>\$ 809,792</u>   | <u>\$ 6,143,970</u> | <u>\$ (8,524)</u>  | <u>\$ 57,120</u>  |
| <br>                                                                   |                     |                     |                    |                   |
| Plan fiduciary net position-ending                                     | <u>\$ 7,374,037</u> | <u>\$ 6,564,245</u> | <u>\$ 420,275</u>  | <u>\$ 428,799</u> |
| <br>                                                                   |                     |                     |                    |                   |
| Net pension liability (asset)-beginning                                | <u>\$ 718,935</u>   | <u>\$ 306,386</u>   | <u>\$ 328,700</u>  | <u>\$ 340,725</u> |
| <br>                                                                   |                     |                     |                    |                   |
| Net pension liability (asset)-ending                                   | <u>\$ 56,614</u>    | <u>\$ 718,935</u>   | <u>\$ 306,386</u>  | <u>\$ 328,700</u> |
| <br>                                                                   |                     |                     |                    |                   |
| <b>RATIOS:</b>                                                         |                     |                     |                    |                   |
| Plan fiduciary net position as a percentage of total pension liability | 99.24%              | 90.13%              | 57.84%             | 56.61%            |
| <br>                                                                   |                     |                     |                    |                   |
| Covered-employee payroll                                               | \$ 712,622          | \$ 576,647          | \$ -               | \$ -              |
| <br>                                                                   |                     |                     |                    |                   |
| Net pension liability as a percentage of covered-employee payroll      | 7.94%               | 124.68%             | N/A                | N/A               |

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for the four most recent years.



**CITY OF FARRELL**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**FIREFIGHTERS PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2018**

|                                                                        | <u>12/31/2017</u>   | <u>12/31/2016</u>   | <u>12/31/2015</u>   | <u>12/31/2014</u>   |
|------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total pension liability-beginning</b>                               | \$ 1,917,235        | \$ 1,998,780        | \$ 2,080,718        | \$ 2,056,022        |
| Service Cost                                                           | -                   | 7,530               | 10,293              | 23,301              |
| Interest                                                               | 96,002              | 104,558             | 110,134             | 110,319             |
| Changes in benefit terms                                               | -                   | -                   | (529)               | -                   |
| Differences between expected & actual experience                       | -                   | (22,493)            | -                   | 40,121              |
| Changes in assumptions                                                 | -                   | 42,244              | (22,300)            | -                   |
| Transfers                                                              | -                   | -                   | -                   | -                   |
| Benefit payments                                                       | (179,536)           | (213,384)           | (179,536)           | (149,045)           |
| Net change in total pension liability                                  | <u>\$ (83,534)</u>  | <u>\$ (81,545)</u>  | <u>\$ (81,938)</u>  | <u>\$ 24,696</u>    |
| Total pension liability-ending                                         | <u>\$ 1,833,701</u> | <u>\$ 1,917,235</u> | <u>\$ 1,998,780</u> | <u>\$ 2,080,718</u> |
| <br>                                                                   |                     |                     |                     |                     |
| Plan fiduciary net position-beginning                                  | \$ 1,148,668        | \$ 1,111,219        | \$ 1,115,925        | \$ 950,936          |
| Contributions-employer                                                 | 113,539             | 124,311             | 133,346             | 158,188             |
| Contributions - PMRS assessment                                        | 260                 | 260                 | 260                 | -                   |
| Contributions-member                                                   | -                   | 2,073               | 2,350               | 5,035               |
| PMRS investment income                                                 | 59,975              | 62,149              | 46,827              | 50,597              |
| Market value investment income                                         | 143,224             | 65,345              | (5,741)             | 102,414             |
| Transfers                                                              | -                   | -                   | -                   | -                   |
| Benefit payments                                                       | (179,536)           | (213,384)           | (179,536)           | (149,045)           |
| PMRS administrative expense                                            | (260)               | (260)               | (260)               | (260)               |
| Additional administrative expense                                      | (2,758)             | (3,045)             | (1,952)             | (1,940)             |
| Change in plan fiduciary net position                                  | <u>\$ 134,444</u>   | <u>\$ 37,449</u>    | <u>\$ (4,706)</u>   | <u>\$ 164,989</u>   |
| Plan fiduciary net position-ending                                     | <u>\$ 1,283,112</u> | <u>\$ 1,148,668</u> | <u>\$ 1,111,219</u> | <u>\$ 1,115,925</u> |
| <br>                                                                   |                     |                     |                     |                     |
| Net pension liability (asset)-beginning                                | <u>\$ 768,567</u>   | <u>\$ 887,561</u>   | <u>\$ 964,793</u>   | <u>\$ 1,105,086</u> |
| Net pension liability (asset)-ending                                   | <u>\$ 550,589</u>   | <u>\$ 768,567</u>   | <u>\$ 887,561</u>   | <u>\$ 964,793</u>   |
| <br>                                                                   |                     |                     |                     |                     |
| <b>RATIOS:</b>                                                         |                     |                     |                     |                     |
| Plan fiduciary net position as a percentage of total pension liability | 69.97%              | 59.91%              | 55.59%              | 53.63%              |
| <br>                                                                   |                     |                     |                     |                     |
| Covered-employee payroll                                               | \$ -                | \$ 41,316           | \$ 46,827           | \$ 97,446           |
| <br>                                                                   |                     |                     |                     |                     |
| Net pension liability as a percentage of covered-employee payroll      | N/A                 | 1860.22%            | 1895.40%            | 990.08%             |

**CITY OF FARRELL**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**NON-UNIFORM PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2018**

|                                                                        | <u>12/31/2017</u>   | <u>12/31/2016</u>   | <u>12/31/2015</u>   | <u>12/31/2014</u>   |
|------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total pension liability-beginning</b>                               | \$ 3,632,115        | \$ 3,282,798        | \$ 3,188,154        | \$ 3,338,658        |
| Service Cost                                                           | 80,541              | 67,570              | 82,202              | 80,641              |
| Interest                                                               | 189,175             | 178,012             | 174,963             | 182,704             |
| Changes in benefit terms                                               | -                   | -                   | -                   | -                   |
| Differences between expected & actual experience                       | -                   | 246,030             | -                   | (216,406)           |
| Changes in assumptions                                                 | -                   | 88,365              | 18,338              | -                   |
| Transfers                                                              | -                   | -                   | -                   | -                   |
| Benefit payments                                                       | (221,471)           | (230,660)           | (180,859)           | (197,443)           |
| Net change in total pension liability                                  | <u>\$ 48,245</u>    | <u>\$ 349,317</u>   | <u>\$ 94,644</u>    | <u>\$ (150,504)</u> |
| <b>Total pension liability-ending</b>                                  | <u>\$ 3,680,360</u> | <u>\$ 3,632,115</u> | <u>\$ 3,282,798</u> | <u>\$ 3,188,154</u> |
| <br>                                                                   |                     |                     |                     |                     |
| Plan fiduciary net position-beginning                                  | \$ 3,025,427        | \$ 2,938,259        | \$ 2,990,747        | \$ 2,938,056        |
| Contributions-employer                                                 | 78,976              | 88,270              | 86,306              | 56,677              |
| Contributions - PMRS assessment                                        | 660                 | 660                 | 640                 | -                   |
| Contributions-member                                                   | 20,541              | 16,273              | 19,976              | 17,833              |
| PMRS investment income                                                 | 162,901             | 153,732             | 162,613             | 155,244             |
| Market value investment income                                         | 366,652             | 67,065              | (133,745)           | 26,934              |
| Transfers                                                              | -                   | -                   | -                   | -                   |
| Benefit payments                                                       | (221,471)           | (230,660)           | (180,859)           | (197,443)           |
| PMRS administrative expense                                            | (660)               | (640)               | (640)               | (600)               |
| Additional administrative expense                                      | (7,492)             | (7,532)             | (6,779)             | (5,954)             |
| Change in plan fiduciary net position                                  | <u>\$ 400,107</u>   | <u>\$ 87,168</u>    | <u>\$ (52,488)</u>  | <u>\$ 52,691</u>    |
| <br>                                                                   |                     |                     |                     |                     |
| Plan fiduciary net position-ending                                     | <u>\$ 3,425,534</u> | <u>\$ 3,025,427</u> | <u>\$ 2,938,259</u> | <u>\$ 2,990,747</u> |
| <br>                                                                   |                     |                     |                     |                     |
| Net pension liability (asset)-beginning                                | <u>\$ 606,688</u>   | <u>\$ 344,539</u>   | <u>\$ 197,407</u>   | <u>\$ 400,602</u>   |
| <br>                                                                   |                     |                     |                     |                     |
| Net pension liability (asset)-ending                                   | <u>\$ 254,826</u>   | <u>\$ 606,688</u>   | <u>\$ 344,539</u>   | <u>\$ 197,407</u>   |
| <br>                                                                   |                     |                     |                     |                     |
| <b>RATIOS:</b>                                                         |                     |                     |                     |                     |
| Plan fiduciary net position as a percentage of total pension liability | 93.08%              | 83.30%              | 89.50%              | 93.81%              |
| <br>                                                                   |                     |                     |                     |                     |
| Covered-employee payroll                                               | \$ 647,015          | \$ 578,931          | \$ 665,737          | \$ 676,635          |
| <br>                                                                   |                     |                     |                     |                     |
| Net pension liability as a percentage of covered-employee payroll      | 39.38%              | 104.79%             | 51.75%              | 29.17%              |

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for the four most recent years.

**CITY OF FARRELL**  
**SCHEDULE OF ACTUARIALLY DETERMINED PENSION CONTRIBUTION AND RELATED RATIOS - POLICE PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2018**

|                                     | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2015</u> | <u>12/31/2014</u> |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Actuarially determined contribution | \$ 14,218         | \$ 197,507        | \$ 49,083         | \$ 53,254         |
| Contributions                       | <u>14,705</u>     | <u>197,507</u>    | <u>54,332</u>     | <u>62,075</u>     |
| Contribution deficiency (excess)    | <u>\$ (487)</u>   | <u>\$ -</u>       | <u>\$ (5,249)</u> | <u>\$ (8,821)</u> |

**RATIOS:**

|                                                           |            |            |      |      |
|-----------------------------------------------------------|------------|------------|------|------|
| Covered-employee payroll                                  | \$ 712,622 | \$ 576,647 | \$ - | \$ - |
| Contributions as a percentage of covered-employee payroll | 2.06%      | 34.25%     | N/A  | N/A  |

**NOTES TO SCHEDULE:**

Valuation Date - January 1, 2015

**Methods and assumptions used to determine contribution rates:**

|                           |                                                                              |
|---------------------------|------------------------------------------------------------------------------|
| Actuarial cost method     | Entry Age Normal                                                             |
| Amortization method       | Level dollar based upon the amortization periods in Act 205                  |
| Asset valuation method    | Based upon the municipal reserves                                            |
| Discount Rate             | 5.5%                                                                         |
| Inflation                 | 3.0%                                                                         |
| Salary increases          | Age related scale with merit and inflation component                         |
| COLA increases            | 3.0% for those eligible for a COLA                                           |
| Pre-Retirement Mortality  | Males - RP 2000 with 1 year set back, Females - RP 2000 with 5 year set back |
| Post-Retirement Mortality | Sex distinct RP-2000 Combined Health Mortality                               |

NOTE: Schedule requires information for past 10 calendar years.

**CITY OF FARRELL**  
**SCHEDULE OF ACTUARIALLY DETERMINED PENSION CONTRIBUTION AND RELATED RATIOS - FIREFIGHTERS PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2018**

|                                     | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2015</u> | <u>12/31/2014</u> |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Actuarially determined contribution | \$ 113,799        | \$ 124,551        | \$ 133,345        | \$ 158,188        |
| Contributions                       | <u>113,799</u>    | <u>124,571</u>    | <u>133,606</u>    | <u>158,188</u>    |
| Contribution deficiency (excess)    | <u>\$ -</u>       | <u>\$ (20)</u>    | <u>\$ (261)</u>   | <u>\$ -</u>       |

**RATIOS:**

|                                                           |      |           |           |           |
|-----------------------------------------------------------|------|-----------|-----------|-----------|
| Covered-employee payroll                                  | \$ - | \$ 41,316 | \$ 46,827 | \$ 97,446 |
| Contributions as a percentage of covered-employee payroll | N/A  | 301.51%   | 285.32%   | 162.33%   |

**NOTES TO SCHEDULE:**

Valuation Date - January 1, 2015

**Methods and assumptions used to determine contribution rates:**

|                           |                                                                              |
|---------------------------|------------------------------------------------------------------------------|
| Actuarial cost method     | Entry Age Normal                                                             |
| Amortization method       | Level dollar based upon the amortization periods in Act 205                  |
| Asset valuation method    | Based upon the municipal reserves                                            |
| Discount Rate             | 5.5%                                                                         |
| Inflation                 | 3.0%                                                                         |
| Salary increases          | Age related scale with merit and inflation component                         |
| COLA increases            | 3.0% for those eligible for a COLA                                           |
| Pre-Retirement Mortality  | Males - RP 2000 with 1 year set back, Females - RP 2000 with 5 year set back |
| Post-Retirement Mortality | Sex distinct RP-2000 Combined Health Mortality                               |

NOTE: Schedule requires information for past 10 calendar years.

**CITY OF FARRELL**  
**SCHEDULE OF ACTUARIALLY DETERMINED PENSION CONTRIBUTION AND RELATED RATIOS - NON-UNIFORM PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2018**

|                                     | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2015</u> | <u>12/31/2014</u> |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Actuarially determined contribution | \$ 79,636         | \$ 84,956         | \$ 86,946         | \$ 56,657         |
| Contributions                       | <u>79,636</u>     | <u>88,930</u>     | <u>86,946</u>     | <u>56,677</u>     |
| Contribution deficiency (excess)    | <u>\$ -</u>       | <u>\$ (3,974)</u> | <u>\$ -</u>       | <u>\$ (20)</u>    |

**RATIOS:**

|                                                           |            |            |            |            |
|-----------------------------------------------------------|------------|------------|------------|------------|
| Covered-employee payroll                                  | \$ 647,015 | \$ 578,931 | \$ 665,737 | \$ 676,635 |
| Contributions as a percentage of covered-employee payroll | 12.31%     | 15.36%     | 13.06%     | 8.38%      |

**NOTES TO SCHEDULE:**

Valuation Date - January 1, 2015

**Methods and assumptions used to determine contribution rates:**

|                           |                                                                              |
|---------------------------|------------------------------------------------------------------------------|
| Actuarial cost method     | Entry Age Normal                                                             |
| Amortization method       | Level dollar based upon the amortization periods in Act 205                  |
| Asset valuation method    | Based upon the municipal reserves                                            |
| Discount Rate             | 5.5%                                                                         |
| Inflation                 | 3.0%                                                                         |
| Salary increases          | Age related scale with merit and inflation component                         |
| COLA increases            | 3.0% for those eligible for a COLA                                           |
| Pre-Retirement Mortality  | Males - RP 2000 with 1 year set back, Females - RP 2000 with 5 year set back |
| Post-Retirement Mortality | Sex distinct RP-2000 Combined Health Mortality                               |

NOTE: Schedule requires information for past 10 calendar years.

**CITY OF FARRELL**  
**REQUIRED SUPPLEMENTARY INFORMATION-OPEB**  
**DECEMBER 31, 2018**

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**

|                                                                  | <u>1/1/2018</u>          | <u>1/1/2017</u>          |
|------------------------------------------------------------------|--------------------------|--------------------------|
| Service cost                                                     | \$ 4,333                 | \$ 4,217                 |
| Benefit payments                                                 | (35,082)                 | (69,912)                 |
| Interest                                                         | 15,059                   | 16,262                   |
| Changes of benefit terms                                         | -                        | -                        |
| Changes in assumptions or other inputs                           | -                        | -                        |
| Differences between expected and actual                          | -                        | -                        |
| <b>Net change in total OPEB liability</b>                        | <b>(15,690)</b>          | <b>(49,433)</b>          |
| <b>Total OPEB liability - beginning of year</b>                  | <b>414,632</b>           | <b>464,065</b>           |
| <b>Total OPEB liability - end of year</b>                        | <b><u>\$ 398,942</u></b> | <b><u>\$ 414,632</u></b> |
| <br>                                                             |                          |                          |
| Covered-employee payroll                                         | N/A                      | N/A                      |
| <br>                                                             |                          |                          |
| Total OPEB liability as a percentage of covered employee payroll | N/A                      | N/A                      |

**Notes to Schedule:**

- GASB 75 was implemented beginning with the year ended December 31, 2017.
- The Measurement and Valuation date is January 1, 2017.
- Assumption Changes:
  - Discount rate used for calendar year ending
    - 2018 3.75%
    - 2017 3.75%

\*This schedule is presented to illustrate the requirements to show information for a ten-year period. However, the information shown above is for the years which information is available.