

CITY OF FARRELL

MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Black, Bashor & Porsch, LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF FARRELL

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of Council
City of Farrell
Farrell, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farrell, Pennsylvania, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Farrell, Pennsylvania's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farrell, Pennsylvania, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As more fully discussed in Note "13", the City of Farrell is still currently considered a distressed community under the provisions of the "Municipalities Financial Recovery Act" (Act 47) of the Commonwealth of Pennsylvania and continues to operate under a financial recovery plan. Our opinion is not modified with respect to this matter.

OTHER MATTERS

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan information, and retiree health plan information on pages 4 to 10, 67 to 70, 71 to 76, and 77, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Farrell, Pennsylvania's basic financial statements. The accompanying supplementary schedules identified in the table of contents as supplementary information, such as the combining and individual non-major funds, agency funds, and private purpose trust funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major funds, agency funds, and private purpose trust funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for the employees' pension plan information on pages 71 to 76, and general fund and revolving loan community development fund budget and actual on pages 67 to 70, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial

City of Farrell

statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major funds, agency funds, and private purpose trust funds financial statements are fairly stated in all material respects in relation to the financial statements taken as a whole.

The information on pages 67 to 77 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Black, Bashor & Porsch, LLP

Sharon, Pennsylvania
June 21, 2017

CITY OF FARRELL

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2016

UNAUDITED

The management's discussion and analysis of the City of Farrell's (City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2016. The intent of the management's discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the financial statements and related footnotes to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2016 are as follows:

- In total, net position decreased \$ 3 thousand. Net position of governmental activities decreased by \$ 52 thousand and business-type activities increased by \$ 49 thousand. The decrease in governmental activities is primarily the result of increases in community development expenses. The increase in business-type activities is primarily the result of increases in charges for services.
- Total revenues and other sources were \$ 4.9 million. General revenues accounted for \$ 2.9 million of revenue or 59 percent of all revenues. Program revenues in the form of charges for services, fees, fines and forfeitures, and grants accounted for \$ 2.0 million or 41 percent of total revenues. Governmental activities revenue totalled \$ 3.8 million.
- The City had \$ 3.8 million in expenses related to governmental activities, \$ 950 thousand of these expenses were offset by program revenues consisting of program charges for services and both operating and capital grants and contributions. General revenues (primarily taxes) of \$ 2.8 million were not sufficient to cover the remainder of the expenses; and there was a decrease in net position of \$ 52 thousand.
- At the end of the current fiscal year, the unassigned fund balance of the general fund was \$ 1,002 thousand.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements and related footnotes to those statements. These statements are organized so the reader can understand City of Farrell, Pennsylvania, as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole city, presenting both an aggregate view of the City's finances and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the City's most significant funds. In the case of the City of Farrell, the general fund is by far the most significant fund.

CITY OF FARRELL

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2016

UNAUDITED

REPORTING THE CITY AS A WHOLE

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position and the Statement of Activities -

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer that question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector entities. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two (2) statements report the City's net position and changes in that position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base and other factors.

In the statement of net position and the statement of activities, the City is divided into two (2) kinds of activities:

- Governmental Activities - Most of the City's programs and services are reported here including operations and support services.
- Business-Type Activities - These services are provided on a charge for goods or services basis to recover the expenses of the goods or services provided. The City's sewer capital and sewer operation are reported as business activities.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

FUND FINANCIAL STATEMENTS

The analysis of the City's major funds begins on page 14. Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the General, Community Development Block Grant, E.D.P., Capital Projects, and Revolving Loan Community Development.

GOVERNMENTAL FUNDS

Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balance left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures

CITY OF FARRELL

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2016

UNAUDITED

cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationships (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 on pages 15 to 16, and 19 to 20, respectively.

PROPRIETARY FUNDS

Proprietary funds use the same basis of accounting as business-type activities; therefore, these fund financial statements will essentially match the government-wide financial statements.

THE CITY AS A WHOLE

The statement of net position provides the perspective of the City as a whole.

A comparison of the City's net position for 2016 compared to 2015 is as follows:

CITY OF FARRELL

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2016

UNAUDITED

	NET POSITION (IN THOUSANDS)					
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
ASSETS:-						
Current and Other Assets	\$ 4,374	\$ 4,742	\$ 210	\$ 121	\$ 4,584	\$ 4,863
Capital Assets	1,668	1,384	2,548	2,754	4,216	4,138
<u>TOTAL ASSETS:-</u>	<u>\$ 6,042</u>	<u>\$ 6,126</u>	<u>\$ 2,758</u>	<u>\$ 2,875</u>	<u>\$ 8,800</u>	<u>\$ 9,001</u>
DEFERRED OUTFLOWS OF RESOURCES:-						
Pension	\$ 369	\$ 269	\$ -	\$ -	\$ 369	\$ 269
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</u>	<u>\$ 6,411</u>	<u>\$ 6,395</u>	<u>\$ 2,758</u>	<u>\$ 2,875</u>	<u>\$ 9,169</u>	<u>\$ 9,270</u>
LIABILITIES:-						
Current and Other Liabilities	\$ 488	\$ 403	\$ 225	\$ 204	\$ 713	\$ 607
Long-Term Liabilities	2,426	2,348	586	773	3,012	3,121
<u>TOTAL LIABILITIES:-</u>	<u>\$ 2,914</u>	<u>\$ 2,751</u>	<u>\$ 811</u>	<u>\$ 977</u>	<u>\$ 3,725</u>	<u>\$ 3,728</u>
DEFERRED INFLOWS OF RESOURCES:-						
Pensions	\$ 236	\$ 331	\$ -	\$ -	\$ 236	\$ 331
NET POSITION:-						
Net Investment in Capital Assets	\$ 1,476	\$ 1,302	\$ 1,815	\$ 1,737	\$ 3,291	\$ 3,039
Restricted for Specific Use	1,559	1,429	9	16	1,568	1,445
Unrestricted	226	582	123	145	349	727
<u>TOTAL NET POSITION:-</u>	<u>\$ 3,261</u>	<u>\$ 3,313</u>	<u>\$ 1,947</u>	<u>\$ 1,898</u>	<u>\$ 5,208</u>	<u>\$ 5,211</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION:-</u>	<u>\$ 6,411</u>	<u>\$ 6,395</u>	<u>\$ 2,758</u>	<u>\$ 2,875</u>	<u>\$ 9,169</u>	<u>\$ 9,270</u>

Total assets and deferred outflows of resources increased \$ 101 thousand, primarily the result of decreases in current assets \$ 280 thousand, an increase in capital assets of \$ 79 thousand and an increase in deferred outflow of resources of \$ 100 thousand.

Total liabilities and deferred inflow of resources decreased \$ 98 thousand, primarily as a result of the decrease in long-term debt of \$ 109 thousand, an increase in current liabilities of \$ 106 thousand, and a decrease in deferred outflows related to pensions of \$ 95 thousand.

A comparison of the City's revenues, expenses, and changes in net position for 2016 compared to 2015 is as follows:

CITY OF FARRELL

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2016

UNAUDITED

STATEMENT OF ACTIVITIES (IN THOUSANDS)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2016	2015	2016	2015	2016	2015
<u>REVENUES AND OTHER SOURCES:-</u>						
<u>Program Revenues -</u>						
Operating Grants and Contributions	\$ 830	\$ 487	\$ -	\$ -	\$ 830	\$ 487
Capital Grants and Contributions	-	312	-	-	-	312
Charges for Services	95	150	1,124	1,117	1,219	1,267
<u>General Revenues -</u>						
Property Taxes, Earned, Local Service, and Other Taxes	2,177	2,481	-	-	2,177	2,481
License and Permits	131	91	-	-	131	91
Unrestricted Investment Earnings	53	49	-	-	53	49
Rents	22	38	-	-	22	38
Miscellaneous	83	44	-	-	83	44
Police Fines & Violations	45	-	-	-	45	-
Sale of Land	143	4	-	-	143	4
<u>TOTAL REVENUES:-</u>	<u>\$ 3,579</u>	<u>\$ 3,656</u>	<u>\$ 1,124</u>	<u>\$ 1,117</u>	<u>\$ 4,703</u>	<u>\$ 4,773</u>
<u>PROGRAM EXPENSES AND OTHER USES:-</u>						
<u>Operations -</u>						
General Government	\$ 831	\$ 799	\$ -	\$ -	\$ 831	\$ 799
Public Safety - Police	1,141	1,568	-	-	1,141	1,568
Public Safety - Fire	340	292	-	-	340	292
Health and Human Services	69	68	-	-	69	68
<u>Public Works -</u>						
Maintenance and Sanitation	26	15	-	-	26	15
Highways and Streets	615	436	-	-	615	436
Sewer Services	-	-	851	821	851	821
<u>Support Services -</u>						
Culture and Recreation	62	90	-	-	62	90
Library	74	133	-	-	74	133
Community Development	435	663	-	-	435	663
Intergovernmental Community	24	22	-	-	24	22
Interest on Long - Term Debt	38	38	-	-	38	38
Depreciation	186	150	-	-	186	150
<u>TOTAL EXPENSES:-</u>	<u>\$ 3,841</u>	<u>\$ 4,274</u>	<u>\$ 851</u>	<u>\$ 821</u>	<u>\$ 4,692</u>	<u>\$ 5,095</u>
Changes in Net Position Before Transfers	\$ (262)	\$ (618)	\$ 273	\$ 296	\$ 11	\$ (322)
Transfers	210	294	(225)	(294)	(15)	-
Change in Net Position After Transfers	<u>\$ (52)</u>	<u>\$ (324)</u>	<u>\$ 48</u>	<u>\$ 2</u>	<u>\$ (4)</u>	<u>\$ (322)</u>

CITY OF FARRELL

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2016

UNAUDITED

GOVERNMENTAL ACTIVITIES

Governmental activities for 2016 resulted in a decrease in net position of \$ 52 thousand. The decrease is primarily the result of decreases in public safety – police and community development expenses, offset by a decrease in property taxes, and an increase in transfers.

The City's revenues consist of: local (taxes and other) 74 percent; grants and contributions 23 percent; charges for services (general government) 3 percent.

The City's program expenses are 79 percent for operations and public works, 21 percent for support services.

The City's reliance on state, federal, and local revenues is apparent. A decrease in state and federal funding in subsidies and grants would have a severe impact on the City. A decrease would require a substantial increase in local revenue to meet the City's needs.

BUSINESS-TYPE ACTIVITIES

Business-type activities are the sewer operation and sewer capital fund. The sewer operation and sewer capital fund had revenues of \$ 1.1 million and expenses of \$ 1.05 million (including transfers out of \$ 225 thousand). The program does not receive local support from tax revenues.

THE CITY'S FUNDS

Financial information related to the City's governmental funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 5.1 million and expenditures of \$ 4.8 million. The total net other financing sources was \$ 210 thousand. The net increase of \$ 506 thousand in fund balances was primarily due to an operating excess for the year for the general, E.D.P., and Capital Projects Funds offset by a deficit in the various non-major funds.

GENERAL FUND BUDGET HIGHLIGHTS

The City is required to pass a budget by December 31 of each year for the upcoming calendar year. The most significant fund is the general fund. The revenue and other financing sources budget for the general fund was \$ 2.9 million. Actual revenue and other sources were over budgeted by \$ 921 thousand. This was primarily the result of taxes, licenses and permit and intergovernmental revenues over budget by \$ 914 thousand.

The expenditure and other financing uses budget was \$ 3.0 million. Actual expenditures and other financing sources were over budgeted by \$ 55 thousand.

CITY OF FARRELL

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2016

UNAUDITED

This was primarily the result of public safety fire, public works - highways and streets and culture and recreation being over budget by 132 thousand offset by public safety - police being under budget \$ 90 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2016, the City's governmental activities reported \$ 1.7 million invested in land, buildings, and equipment (cost \$ 4.9 million, less accumulated depreciation of \$ 3.2 million). During 2016, capital asset additions amounted to \$ 469 thousand.

At the end of 2016, the City's business-type activities reported \$ 2.5 million invested in land, buildings, and equipment (cost \$ 7.8 million, less accumulated depreciation of \$ 5.3 million). The business-type activities receive low interest loans from PENNVEST to install capital improvements. The total outstanding loan balance at December 31, 2016, was \$ 733 thousand. No new capital investment purchases were made in 2016.

DEBT ADMINISTRATION

At December 31, 2016, the City's governmental activities had \$ 622 thousand in bonds outstanding; \$ 54 thousand is due within one (1) year. Also, at December 31, 2016, the City's governmental activities had \$ 192 thousand in notes outstanding, \$ 56 thousand is due within one (1) year.

At December 31, 2016, the City's business-type activities had \$ 733 thousand in notes outstanding; \$ 187 thousand is due within one (1) year.

FOR THE FUTURE

The financial outlook for the City is a concern. The City was able to add to the general fund balance only in one (1) of the last five (5) years. The City relies heavily on the local taxpayers and on state and federal subsidies and grants.

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 operations in future years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Farrell, Administrative Office, 500 Roemer Boulevard, Farrell, Pennsylvania 16121.

CITY OF FARRELL
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>		<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS:-</u>							
<u>CURRENT ASSETS:-</u>				<u>LIABILITIES:-</u>			
Cash and Cash Equivalents	\$ 1,254,692	\$ 111,545	\$ 1,366,237	<u>CURRENT LIABILITIES:-</u>			
Grant Receivable	16,233	-	16,233	Current Portion of Bonds and Notes Payable	\$ 110,235	\$ 187,408	\$ 297,643
Service Charges Receivables	64,695	-	64,695	Accrued Payroll and Withholdings	91,625	8,510	100,135
Sewer Fees Receivable, Net	-	159,014	159,014	Accounts Payable	273,103	28,706	301,809
Taxes Receivable, Net of Allowances	541,160	-	541,160	Accrued Interest Expense	13,580	-	13,580
Due from (to) Other Funds	61,014	(61,014)	-				
Current Portion of Notes Receivables	339,775	-	339,775	<u>TOTAL CURRENT LIABILITIES:-</u>	<u>\$ 488,543</u>	<u>\$ 224,624</u>	<u>\$ 713,167</u>
<u>TOTAL CURRENT ASSETS:-</u>	<u>\$ 2,277,569</u>	<u>\$ 209,545</u>	<u>\$ 2,487,114</u>	<u>NON-CURRENT LIABILITIES:-</u>			
<u>NON-CURRENT ASSETS:-</u>				Reserve for Restricted Cash and Cash			
Cash and Cash Equivalents - Restricted	\$ 616	\$ -	\$ 616	Equivalents	\$ 613	\$ -	\$ 613
<u>Non-Depreciable Capital Assets -</u>				Compensated Absences	92,301	36,615	128,916
Land	\$ 144,968	\$ 123,800	\$ 268,768	Other Post-Employment Benefits	90,802	4,256	95,058
<u>Capital Assets Net of Accumulated</u>				Notes Payable, Net of Current Portion	136,190	545,535	681,725
<u>Depreciation -</u>				Bonds Payable, Net of Current Portion	568,000	-	568,000
Buildings and Improvements	1,013,771	2,417,100	3,430,871	Net Pension Liability	1,538,486	-	1,538,486
Vehicles	435,270	4,200	439,470				
Furniture, Equipment, and Other Fixed				<u>TOTAL NON-CURRENT LIABILITIES:-</u>	<u>\$ 2,426,392</u>	<u>\$ 586,406</u>	<u>\$ 3,012,798</u>
Assets	74,036	2,981	77,017	<u>TOTAL LIABILITIES:-</u>	<u>\$ 2,914,935</u>	<u>\$ 811,030</u>	<u>\$ 3,725,965</u>
<u>TOTAL CAPITAL ASSETS (NET OF ACCUMULATED</u>				<u>DEFERRED INFLOWS OF RESOURCES:-</u>			
<u>DEPRECIATION):-</u>	<u>\$ 1,668,045</u>	<u>\$ 2,548,081</u>	<u>\$ 4,216,126</u>	Amounts Related to Pensions	\$ 235,766	\$ -	\$ 235,766
<u>Other Assets -</u>							
Notes Receivable, Net of Current Portion				<u>NET POSITION:-</u>			
and Allowances for Uncollectable Accounts	\$ 2,095,937	\$ -	\$ 2,095,937	Net Investment in Capital Assets	\$ 1,475,620	\$ 1,815,138	\$ 3,290,758
<u>TOTAL NON-CURRENT ASSETS:-</u>	<u>\$ 3,764,598</u>	<u>\$ 2,548,081</u>	<u>\$ 6,312,679</u>	Restricted for Specific Use	1,558,988	8,405	1,567,393
<u>TOTAL ASSETS:-</u>	<u>\$ 6,042,167</u>	<u>\$ 2,757,626</u>	<u>\$ 8,799,793</u>	Unrestricted	226,065	123,053	349,118
<u>DEFERRED OUTFLOWS OF RESOURCES:-</u>				<u>TOTAL NET POSITION:-</u>	<u>\$ 3,260,673</u>	<u>\$ 1,946,596</u>	<u>\$ 5,207,269</u>
Pension	\$ 369,207	\$ -	\$ 369,207	<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF</u>			
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF</u>				<u>RESOURCES, AND NET POSITION:-</u>	<u>\$ 6,411,374</u>	<u>\$ 2,757,626</u>	<u>\$ 9,169,000</u>
<u>RESOURCES:-</u>	<u>\$ 6,411,374</u>	<u>\$ 2,757,626</u>	<u>\$ 9,169,000</u>				

The Accompanying Notes are an Integral Part of These Statements

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:-							
OPERATIONS -							
General Government	\$ 831,467	\$ 95,041	\$ 220,085	\$ -	\$ (516,341)	\$ -	\$ (516,341)
Public Safety - Police	1,141,228	-	93,604	-	(1,047,624)	-	(1,047,624)
Public Safety - Fire	340,210	-	8,244	-	(331,966)	-	(331,966)
Health and Human Services	68,549	-	-	-	(68,549)	-	(68,549)
Public Works -							
Maintenance and Sanitation	25,862	-	-	-	(25,862)	-	(25,862)
Highways and Streets	615,150	-	186,020	-	(429,130)	-	(429,130)
TOTAL OPERATIONS:-	\$ 3,022,466	\$ 95,041	\$ 507,953	\$ -	\$ (2,419,472)	\$ -	\$ (2,419,472)
SUPPORT SERVICES -							
Culture and Recreation	\$ 62,299	\$ -	\$ 20,765	\$ -	\$ (41,534)	\$ -	\$ (41,534)
Library	74,457	-	83,516	-	9,059	-	9,059
Community Development	434,854	-	217,850	-	(217,004)	-	(217,004)
Intergovernmental Community	24,142	-	-	-	(24,142)	-	(24,142)
TOTAL SUPPORT SERVICES:-	\$ 595,752	\$ -	\$ 322,131	\$ -	\$ (273,621)	\$ -	\$ (273,621)
UNALLOCATED EXPENSES -							
Interest on Long-Term Debt	\$ 37,659	\$ -	\$ -	\$ -	\$ (37,659)	\$ -	\$ (37,659)
Depreciation	185,579	-	-	-	(185,579)	-	(185,579)
TOTAL UNALLOCATED EXPENSES:-	\$ 223,238	\$ -	\$ -	\$ -	\$ (223,238)	\$ -	\$ (223,238)
TOTAL GOVERNMENTAL ACTIVITIES:-	\$ 3,841,456	\$ 95,041	\$ 830,084	\$ -	\$ (2,916,331)	\$ -	\$ (2,916,331)
BUSINESS-TYPE ACTIVITIES:-							
Sewer Services	\$ 850,553	\$ 1,124,255	\$ -	\$ -	\$ -	\$ 273,702	\$ 273,702
TOTAL PRIMARY GOVERNMENT:-	\$ 4,692,009	\$ 1,219,296	\$ 830,084	\$ -	\$ (2,916,331)	\$ 273,702	\$ (2,642,629)

The Accompanying Notes are an Integral Part of These Statements

STATEMENT OF ACTIVITIESYEAR ENDED DECEMBER 31, 2016

	<u>NET (EXPENSES) REVENUES AND CHANGES IN</u>		
	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>	<u>TOTAL</u>
<u>TAXES -</u>			
Property Taxes, Levied for General Purposes	\$ (2,280)	\$ -	\$ (2,280)
Earned Income	2,040,438	-	2,040,438
Local Services Tax	94,564	-	94,564
Real Estate Transfer Taxes	44,758	-	44,758
Licenses and Permits	131,375	-	131,375
Unrestricted Investment Earnings	52,576	-	52,576
Rents	21,750	-	21,750
Miscellaneous	82,831	-	82,831
Police Fines & Violations	45,213	-	45,213
Sale of Land	142,690	-	142,690
Transfers	210,000	(225,000)	(15,000)
<u>TOTAL GENERAL REVENUES AND TRANSFERS:-</u>	<u>\$ 2,863,915</u>	<u>\$ (225,000)</u>	<u>\$ 2,638,915</u>
<u>CHANGES IN NET POSITION:-</u>	<u>\$ (52,416)</u>	<u>\$ 48,702</u>	<u>\$ (3,714)</u>
<u>NET POSITION - BEGINNING OF YEAR:-</u>	<u>\$ 3,313,089</u>	<u>\$ 1,897,894</u>	<u>\$ 5,210,983</u>
<u>NET POSITION - END OF YEAR:-</u>	<u>\$ 3,260,673</u>	<u>\$ 1,946,596</u>	<u>\$ 5,207,269</u>

The Accompanying Notes are an Integral Part of These Statements

CITY OF FARRELL
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	MAJOR FUNDS						TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	COMMUNITY DEVELOPMENT BLOCK GRANT	E.D.P.	CAPITAL PROJECTS	REVOLVING LOAN COMMUNITY DEVELOPMENT	NON-MAJOR FUNDS	
ASSETS:-							
Cash and Cash Equivalents	\$ 217,602	\$ -	\$ 397,283	\$ 130,368	\$ 442,572	\$ 66,867	\$ 1,254,692
Cash and Cash Equivalents - Restricted	-	616	-	-	-	-	616
Taxes Receivable	1,359,560	-	-	-	-	-	1,359,560
Grant Receivables	-	16,233	-	-	-	-	16,233
Service Charges Receivable	61,494	-	-	-	-	3,201	64,695
Notes Receivable	-	-	2,049,114	5,832	369,908	10,860	2,435,714
Due from Other Funds	437,802	-	631,728	-	34,124	26,090	1,129,744
TOTAL ASSETS:-	\$ 2,076,458	\$ 16,849	\$ 3,078,125	\$ 136,200	\$ 846,604	\$ 107,018	\$ 6,261,254
LIABILITIES:-							
Accrued Payroll and Withholdings	\$ 91,626	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,626
Accounts Payable	40,920	-	-	-	5,638	227,090	273,648
Due to Other Funds	-	16,851	-	505,351	25,980	520,000	1,068,182
Restricted Cash and Cash Equivalents	-	613	-	-	-	-	613
TOTAL LIABILITIES:-	\$ 132,546	\$ 17,464	\$ -	\$ 505,351	\$ 31,618	\$ 747,090	\$ 1,434,069
DEFERRED INFLOWS OF RESOURCES:-							
Unrecognized Revenue from Notes Receivable	\$ -	\$ -	\$ 2,049,114	\$ 5,832	\$ 369,908	\$ 10,859	\$ 2,435,713
Unavailable Revenue - Property Taxes	941,802	-	-	-	-	-	941,802
TOTAL DEFERRED INFLOWS OF RESOURCES:-	\$ 941,802	\$ -	\$ 2,049,114	\$ 5,832	\$ 369,908	\$ 10,859	\$ 3,377,515
FUND BALANCE (DEFICIT):-							
Fund Balance - Restricted -							
DCNR Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90	\$ 90
Home Façade	-	-	-	-	-	579	579
E.D.P.	-	-	1,029,011	-	-	-	1,029,011
Library	-	-	-	-	-	263	263
Revolving Loan Community Development	-	-	-	-	445,078	-	445,078
Farrell Recreation	-	-	-	-	-	11,197	11,197
Revolving Loan Rehabilitation	-	-	-	-	-	5,999	5,999
Gasoline Program	-	-	-	-	-	36,032	36,032
Special Highway	-	-	-	-	-	30,739	30,739
Fund Balance - Unassigned	1,002,110	(615)	-	(374,983)	-	(735,830)	(109,318)
TOTAL FUND BALANCES (DEFICIT):-	\$ 1,002,110	\$ (615)	\$ 1,029,011	\$ (374,983)	\$ 445,078	\$ (650,931)	\$ 1,449,670
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:-	\$ 2,076,458	\$ 16,849	\$ 3,078,125	\$ 136,200	\$ 846,604	\$ 107,018	\$ 6,261,254

The Accompanying Notes are an Integral Part of These Statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2016

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS: \$ 1,449,670

Amounts Reported for Governmental Activities
in the Statement of Net Position are Different
Because:

Real Estate Transfer, Earned Income, and Local
Service Taxes Receivable will be Collected Next
Year, but are Not "Available" Soon Enough to Pay
for the Current Period's Expenditures. (818,400)

Capital Assets Used in Governmental
Activities are Not Financial Resources and,
Therefore, are Not Reported as Assets in
Governmental Funds. The Cost of the Governmental
Capital Assets was \$ 4,928,226 and Accumulated
Depreciation is \$ 3,260,181. 1,668,045

Deferred Outflows of Resources Related to
Pensions are Applicable to Future Periods
and Therefore, are not Reported in the
Funds:

Deferred Outflows of Resources Related to Pensions 369,207

Current Liabilities from Long-Term Debt, Including
Bonds Payable, are Not Due and Payable in the
Current Period and, Therefore, are Not Reported as
Liabilities in Governmental Funds Financial
Statements. Current Liabilities from Long-Term
Debt at Year-End Consist of:

Accrued Interest	\$ (13,580)	
Bonds and Notes Payable	<u>(110,235)</u>	(123,815)

Unrecognized Revenue for Property Taxes Not Recognized
in the Governmental Activities Financial Statements. 941,802

Unrecognized Revenue for Economic Development Notes
Not Recognized in Governmental Activities Financial
Statements. 2,435,709

The Accompanying Notes are an Integral Part of These Statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2016

Long-Term Liabilities are Not Due and Payable in the Current Period and, Therefore, are Not Reported as Liabilities in the Funds. Long-Term Liabilities at Year-End Consist of:

Deferred Inflows of Resource		
Related to Pensions	\$ (235,766)	
Other Post-Employment		
Benefits	(90,802)	
Bonds and Notes		
Payable	(704,190)	
Compensated Absences	(92,301)	
Net Pension Liability	<u>(1,538,486)</u>	<u>(2,661,545)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES:-

\$ 3,260,673

The Accompanying Notes are an Integral Part of These Statements

Black, Bashor & Porsch, LLP
CERTIFIED PUBLIC ACCOUNTANTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)

GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2016

	MAJOR FUNDS						TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	COMMUNITY DEVELOPMENT BLOCK GRANT	E.D.P.	CAPITAL PROJECTS	REVOLVING LOAN COMMUNITY DEVELOPMENT	NON-MAJOR FUNDS	
REVENUES:-							
Real Estate and Other Local Taxes	\$ 3,269,991	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,269,991
Licenses and Permits	131,375	-	-	-	-	-	131,375
Intergovernmental Revenues	171,814	217,680	-	-	61,156	206,429	657,079
Interest	336	-	43,855	34	8,213	136	52,574
Charges for Services	50,658	-	-	-	-	44,385	95,043
Rents	13,750	-	-	-	8,000	-	21,750
Payments in Lieu of Taxes and Contributions	56,515	-	-	-	-	22,887	79,402
Fines, Fees, and Special Police Services	45,213	-	-	-	-	-	45,213
Note Repayments	-	-	125,118	-	266,509	-	391,627
Other Revenues	74,478	-	142,690	-	156,441	1,499	375,108
TOTAL REVENUES:-	\$ 3,814,130	\$ 217,680	\$ 311,663	\$ 34	\$ 500,319	\$ 275,336	\$ 5,119,162
EXPENDITURES:-							
Operations -							
General Government	\$ 979,588	\$ -	\$ -	\$ 48,922	\$ 43,177	\$ 42,299	\$ 1,113,986
Public Safety - Police	1,120,480	-	-	-	171,004	-	1,291,484
Public Safety - Fire	333,843	-	-	-	-	-	333,843
Health and Human Services	68,549	-	-	-	-	-	68,549
Public Works -							
Maintenance and Sanitation	25,862	-	-	-	-	-	25,862
Highways and Streets	386,219	-	-	-	-	228,931	615,150
Culture and Recreation	42,987	-	-	-	-	19,312	62,299
Library	50,195	-	-	-	66,936	25,837	142,968
Community Development	-	75,068	153,423	-	289,220	426,116	943,827
Intergovernmental Community	24,142	-	-	-	-	-	24,142
Debt Service -							
Principal	-	54,000	-	108,343	-	-	162,343
Interest and Fiscal Charges	228	33,977	-	4,579	-	-	38,784
TOTAL EXPENDITURES:-	\$ 3,032,093	\$ 163,045	\$ 153,423	\$ 161,844	\$ 570,337	\$ 742,495	\$ 4,823,237
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:-	\$ 782,037	\$ 54,635	\$ 158,240	\$ (161,810)	\$ (70,018)	\$ (467,159)	\$ 295,925

The Accompanying Notes are an Integral Part of These Statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)GOVERNMENTAL FUNDSYEAR ENDED DECEMBER 31, 2016

	<u>MAJOR FUNDS</u>					<u>NON-MAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
	<u>GENERAL FUND</u>	<u>COMMUNITY DEVELOPMENT BLOCK GRANT</u>	<u>E.D.P.</u>	<u>CAPITAL PROJECTS</u>	<u>REVOLVING LOAN COMMUNITY DEVELOPMENT</u>		
<u>OTHER FINANCING SOURCES (USES):-</u>							
Operating Transfers - In	\$ 280,250	\$ -	\$ -	\$ 250,649	\$ 87,400	\$ -	\$ 618,299
Operating Transfers - Out	(350,049)	(55,250)	-	-	(3,000)	-	(408,299)
<u>TOTAL OTHER FINANCING SOURCES (USES):-</u>	\$ (69,799)	\$ (55,250)	\$ -	\$ 250,649	\$ 84,400	\$ -	\$ 210,000
<u>NET CHANGE IN FUND BALANCES:-</u>	\$ 712,238	\$ (615)	\$ 158,240	\$ 88,839	\$ 14,382	\$ (467,159)	\$ 505,925
<u>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR:-</u>	289,872	-	870,771	(463,822)	430,696	(183,772)	943,745
<u>FUND BALANCES (DEFICIT) - END OF YEAR:-</u>	<u>\$ 1,002,110</u>	<u>\$ (615)</u>	<u>\$ 1,029,011</u>	<u>\$ (374,983)</u>	<u>\$ 445,078</u>	<u>\$ (650,931)</u>	<u>\$ 1,449,670</u>

The Accompanying Notes are an Integral Part of These Statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

TOTAL NET CHANGES IN FUND BALANCES (DEFICITS) -

GOVERNMENTAL FUNDS:-

\$ 505,925

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.

Capital Outlays in 2016	\$ 469,294		
Depreciation Expense for 2016	(185,579)	\$	283,715

Because Some Real Estate and Real Estate Transfer, Earned
Income, and Local Service Taxes will Not be Collected for
Several Months After the City's Year End, They are Not
Considered "Available" Revenues and are Unrecognized
Revenue in the Governmental Funds. The Change in Taxes
to be Collected in the Statement of Net Position. (767,723)

Small Business Notes Issued and Repayments Received are
Expenditures and Revenues in the Governmental Funds.
However, These Disbursements and Receipts Increase and
Decrease Notes Receivable Balances in the Statement of Net
Position. (167,175)

Disbursement of Note Payable Principal is an Expenditure
in the Governmental Funds, but the Principal Payments
Made Reduce Long-Term Liabilities in the Statement of
Net Position. 122,824

Amounts Accrued for Interest Expense Payable is Not Recorded
in the Governmental Funds, but the Expense is Recorded as
a Liability in the Statement of Net Position. Decrease in
Accrued Interest Expense. (1,124)

Termination Benefits 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 (Essentially, the
Amounts Actually Paid). Increase in Compensated
Absences. (16,116)

The Accompanying Notes are an Integral Part of These Statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

The Unfunded Annual Cost for Other Post-Employment Benefits is not Recorded in the Governmental Funds, but the Cost is Recorded as a Liability in the Statement of Net Position. Increase in Other Post-Employment Benefits.	(11,857)
Proceeds of Long-Term Debt is a Revenue in the Governmental Funds, but the Issuance Increases Long-Term Liabilities in The Statement of Activities	(148,579)
In the Statement of Activities, Pension Benefits are Measured by the Amounts Earned During the Year. In the Governmental Funds, However, Expenditures for this Item are Measured by the Amount of Financial Resources Used. This Amount Represents the Difference Between the Amount Earned Versus the Amount Used.	<u>147,694</u>
<u>CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES:-</u>	<u>\$ (52,416)</u>

The Accompanying Notes are an Integral Part of These Statements

Black, Bashor & Porsch, LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF FARRELL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	<u>BUSINESS-TYPE ACTIVITIES</u> ENTERPRISE FUNDS				<u>BUSINESS-TYPE ACTIVITIES</u> ENTERPRISE FUNDS		
	<u>SEWER SYSTEM</u>	<u>SEWER CAPITAL</u>	<u>TOTALS</u>		<u>SEWER SYSTEM</u>	<u>SEWER CAPITAL</u>	<u>TOTALS</u>
<u>ASSETS:-</u>				<u>LIABILITIES:-</u>			
<u>CURRENT ASSETS:-</u>				<u>CURRENT LIABILITIES:-</u>			
Cash and Cash Equivalents	\$ 103,140	\$ 8,405	\$ 111,545	Accounts Payable	\$ 28,706	\$ -	\$ 28,706
Sewer Fees Receivable, Net	159,014	-	159,014	Accrued Payroll and Withholdings	8,510	-	8,510
				Accrued Interest Expense	-	-	-
<u>TOTAL CURRENT ASSETS:-</u>	<u>\$ 262,154</u>	<u>\$ 8,405</u>	<u>\$ 270,559</u>	Due to Other Funds	61,014	-	61,014
				Current Portion of Notes Payable	187,408	-	187,408
				<u>TOTAL CURRENT LIABILITIES:-</u>	<u>\$ 285,638</u>	<u>\$ -</u>	<u>\$ 285,638</u>
<u>NON-CURRENT ASSETS:-</u>				<u>NON-CURRENT LIABILITIES:-</u>			
<u>Capital Assets Non-Depreciable -</u>				Notes Payable, Net of Current Portion	545,535	-	545,535
Land	\$ 123,800	\$ -	\$ 123,800	Other Post-Employment Benefits	4,256	-	4,256
<u>Capital Assets Depreciable, Net -</u>				Compensated Absences	36,615	-	36,615
Buildings and Improvements	2,417,100	-	2,417,100	<u>TOTAL NON-CURRENT LIABILITIES:-</u>	<u>\$ 586,406</u>	<u>\$ -</u>	<u>\$ 586,406</u>
Vehicles	4,200	-	4,200	<u>TOTAL LIABILITIES:-</u>	<u>\$ 872,044</u>	<u>\$ -</u>	<u>\$ 872,044</u>
Furniture, Equipment, and Other Fixed Assets	2,981	-	2,981	<u>NET POSITION:-</u>			
<u>TOTAL NON-CURRENT ASSETS:-</u>	<u>\$ 2,548,081</u>	<u>\$ -</u>	<u>\$ 2,548,081</u>	Net Investment in Capital Assets	\$ 1,815,138	\$ -	\$ 1,815,138
				Restricted for Sewer Capital Improvements	-	8,405	8,405
				Unrestricted	123,053	-	123,053
<u>TOTAL ASSETS:-</u>	<u>\$ 2,810,235</u>	<u>\$ 8,405</u>	<u>\$ 2,818,640</u>	<u>TOTAL NET POSITION:-</u>	<u>\$ 1,938,191</u>	<u>\$ 8,405</u>	<u>\$ 1,946,596</u>
				<u>TOTAL LIABILITIES AND NET POSITION:-</u>	<u>\$ 2,810,235</u>	<u>\$ 8,405</u>	<u>\$ 2,818,640</u>

The Accompanying Notes are an Integral Part of These Statements

CITY OF FARRELL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2016

	<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTALS</u>
	<u>ENTERPRISE FUNDS</u>		
	<u>SEWER SYSTEM</u>	<u>SEWER</u>	
<u>OPERATING REVENUES:-</u>			
Sewer Fees, Net of Allowances for Doubtful Accounts, Pledged as Security for	\$ 1,120,488	\$ 3,767	\$ 1,124,255
<u>OPERATING EXPENSES:-</u>			
Salaries	\$ 195,633	\$ -	\$ 195,633
Employee Benefits	64,647	-	64,647
Utilities and Telephone	148,700	-	148,700
Supplies	7,864	-	7,864
Plant Operations	216,833	40,754	257,587
Contracted Services	49,816	-	49,816
Depreciation	103,126	-	103,126
<u>TOTAL OPERATING EXPENSES:-</u>	<u>\$ 786,619</u>	<u>\$ 40,754</u>	<u>\$ 827,373</u>
<u>OPERATING INCOME (LOSS):-</u>	<u>\$ 333,869</u>	<u>\$ (36,987)</u>	<u>\$ 296,882</u>
<u>NON-OPERATING (EXPENSES):-</u>			
Interest Expense	\$ (23,180)	\$ -	\$ (23,180)
Miscellaneous Expense	-	-	-
<u>TOTAL NON-OPERATING (EXPENSES):-</u>	<u>\$ (23,180)</u>	<u>\$ -</u>	<u>\$ (23,180)</u>
<u>INCOME (LOSS) BEFORE TRANSFERS:-</u>	<u>\$ 310,689</u>	<u>\$ (36,987)</u>	<u>\$ 273,702</u>
<u>TRANSFERS FROM (TO) OTHER FUNDS:-</u>	<u>(255,000)</u>	<u>30,000</u>	<u>(225,000)</u>
<u>CHANGE IN NET POSITION:-</u>	<u>\$ 55,689</u>	<u>\$ (6,987)</u>	<u>\$ 48,702</u>
<u>NET POSITION - BEGINNING OF YEAR:-</u>	<u>1,882,502</u>	<u>15,392</u>	<u>1,897,894</u>
<u>NET POSITION - END OF YEAR:-</u>	<u>\$ 1,938,191</u>	<u>\$ 8,405</u>	<u>\$ 1,946,596</u>

The Accompanying Notes are an Integral Part of These Statements

Black, Bashor & Porsch, LLP
CERTIFIED PUBLIC ACCOUNTANTS

STATEMENT OF CASH FLOWSPROPRIETARY FUNDSYEAR ENDED DECEMBER 31, 2016

	<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTALS</u>
	<u>ENTERPRISE FUNDS</u>		
	<u>SEWER SYSTEM</u>	<u>SEWER CAPITAL</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:-</u>			
Cash Received from Customers, Sewer Fees	\$ 1,116,691	\$ 3,767	\$ 1,120,458
Cash Payments to Employees for Wages and Benefits	(260,555)	-	(260,555)
Cash Payments to Suppliers for Goods and Services	(344,728)	(40,754)	(385,482)
<u>NET CASH FLOWS FROM OPERATING ACTIVITIES:-</u>	<u>\$ 511,408</u>	<u>\$ (36,987)</u>	<u>\$ 474,421</u>
<u>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:-</u>			
Transfers Out	\$ (255,000)	\$ -	\$ (255,000)
Transfers In	-	30,000	30,000
<u>NET CASH FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:-</u>	<u>\$ (255,000)</u>	<u>\$ 30,000</u>	<u>\$ (225,000)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:-</u>			
Payments on Long-Term Debt	\$ (181,103)	\$ -	\$ (181,103)
Payments on Interest Expense	(25,545)	-	(25,545)
<u>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:-</u>	<u>\$ (206,648)</u>	<u>\$ -</u>	<u>\$ (206,648)</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:-</u>	<u>\$ 49,760</u>	<u>\$ (6,987)</u>	<u>\$ 42,773</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR:-</u>	<u>53,380</u>	<u>15,392</u>	<u>68,772</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR:-</u>	<u>\$ 103,140</u>	<u>\$ 8,405</u>	<u>\$ 111,545</u>

The Accompanying Notes are an Integral Part of These Statements

Black, Bashor & Porsch, LLP
 CERTIFIED PUBLIC ACCOUNTANTS

STATEMENT OF CASH FLOWSPROPRIETARY FUNDSYEAR ENDED DECEMBER 31, 2016

	<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTALS</u>
	<u>ENTERPRISE FUNDS</u>		
	<u>SEWER SYSTEM</u>	<u>SEWER CAPITAL</u>	
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>			
<u>TO NET CASH FROM OPERATING ACTIVITIES:-</u>			
Operating Income (Loss)	\$ 333,869	\$ (36,987)	\$ 296,882
<u>Adjustments to Reconcile Operating Income</u>			
<u>to Net Cash from Operating Activities -</u>			
Depreciation	103,126	-	103,126
<u>(Increase) Decrease of Assets -</u>			
Accounts Receivable, Net of Allowances	(3,797)	-	(3,797)
<u>Increase (Decrease) of Liabilities -</u>			
Accrued Payroll and Benefits	(1,107)	-	(1,107)
Accounts Payable	17,471	-	17,471
Interfund Payables	61,014	-	61,014
Compensated Absences	832	-	832
	<u>511,408</u>	<u>(36,987)</u>	<u>474,421</u>
<u>NET CASH FLOWS FROM OPERATING ACTIVITIES:-</u>	<u>\$ 511,408</u>	<u>\$ (36,987)</u>	<u>\$ 474,421</u>

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Black, Bashor & Porsch, LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF FARRELL
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS:-</u>		
Cash and Cash Equivalents	\$ 2,487	\$ 10,970
<u>LIABILITIES:-</u>		
Due to Other Governmental Entities	\$ -	\$ 10,970
<u>NET POSITION:-</u>		
Held in Trust for Future Expenditures	\$ 2,487	\$ -
<u>TOTAL LIABILITIES AND NET POSITION:-</u>	\$ 2,487	\$ 10,970

The Accompanying Notes are an Integral Part of These Statements

Black, Bashor & Porsch, LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF FARRELL
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS:-</u>	
Contributions and Donations	\$ 10,833
Other	<u>19,973</u>
<u>TOTAL ADDITIONS:-</u>	<u>\$ 30,806</u>
<u>DEDUCTIONS:-</u>	
Program Expenses	<u>\$ 47,116</u>
<u>CHANGE IN NET POSITION:-</u>	<u>\$ (16,310)</u>
<u>OTHER FINANCING SOURCES (USES):-</u>	
Operating Transfer - In	18,000
Operating Transfer - Out	<u>(3,000)</u>
<u>NET CHANGE IN FUND BALANCES:-</u>	<u>\$ (1,310)</u>
<u>NET POSITION - BEGINNING OF YEAR:-</u>	<u>3,797</u>
<u>NET POSITION - END OF YEAR:-</u>	<u><u>\$ 2,487</u></u>

The Accompanying Notes are an Integral Part of These Statements

Black, Bashor & Porsch, LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. NATURE OF ORGANIZATION AND OPERATIONS

REPORTING ENTITY

The City of Farrell, Pennsylvania (City) was incorporated in 1930. The City's voters approved a Home Rule Charter incorporating the Council-Manager form of government in 1974, which became effective in January 1976. The City's major services include Police, Fire, Streets, Sanitation, Health, Planning and Zoning, and General Administrative Services. As required by accounting principles generally accepted in the United States of America (U.S. GAAP), the financial statements of the reporting entity include those of the City (the primary government). There are no component units that are to be included in the City's financial statements.

The City's Council (Council) is the basic level of government which has oversight responsibility and control over all activities related to the City. The Council receives funding from state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Council is not included in any other governmental "reporting entity" as defined in the Governmental Accounting Standards Board (GASB) pronouncements, since 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with U.S. GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and revenues and expenses of the primary government, excluding fiduciary activities.

The effect of interfund activity has been eliminated from these statements. The City does not allocate indirect expenses. The government-wide statements segregate governmental activities, which are normally supported by taxes and intergovernmental revenues, and business-type activities, if any, which rely on user fees and charges for support.

Statement of net position presents both governmental and business-type activities, if any, on the full accrual, economic resource basis, which incorporates long-term assets and receivables, as well as long-term debt and obligations.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Statement of activities presents the net cost of each individual function. Program revenues are presented as a reduction of the total cost of providing program services. Program revenues include charges for services, operating grants and contributions, and capital grants that are directly associated with a specific function. Taxes and other revenue sources not reported as program revenues are included as general revenue.

Proprietary fund and fiduciary fund statements also report using the same focus and basis of accounting although internal activity is not eliminated in these financial statements. Revenues are recognized when earned and expenses are recognized when the liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the "current financial resources measurement focus" and the "modified accrual basis of accounting". Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be "available" when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers most revenues to be available if collected within 60 days of year-end; however, grant revenues are considered to be available if they are collected within 180 days of year-end. Expenditures generally are recognized when a liability is incurred. However, debt service payments and expenditures related to compensated absences and claims and judgments are recognized only when payment is made. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all requirements imposed by the provider are met.

Property taxes, intergovernmental grants, and investment income associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period if recognition criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33 Accounting and Financial Reporting for Non-Exchange Transactions, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any interfund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various programs.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: 1) charges to citizens or users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

FUND FINANCIAL STATEMENTS

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns. Non-major funds are reported in the aggregate in a single column.

The City's accounts are maintained on the basis of accounting practices prescribed or permitted by the accrual basis of accounting. These accounting practices are consistent with U.S. GAAP. The accounts are organized on the basis of funds. The operations of each fund are accounted for with separate self-balancing accounts, which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Major revenue sources susceptible to accrual include property taxes. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary funds financial statements include revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for the proprietary funds are charges for sewer services. Principal operating expenses are the cost of providing services and include administrative expenses. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

FUND TYPES AND MAJOR FUNDS

GOVERNMENTAL FUND TYPES -

- General Fund - The general fund, classified as a major fund, is the general operating fund of the City and accounts for all revenues and expenditures of the City not encompassed within the other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the general fund.

- Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Included within this classification of funds are the Community Development Block Grant Program, Revolving Loan Community Development Program, and E.D.P. Fund. A large portion of the City's operations comes from the various special revenue funds.
- Capital Projects Fund - The capital projects fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction, and remodeling of facilities, and procurement of equipment for the City.
- Fiduciary Funds - The City handles various fiduciary funds for city and county government collections, revenues, and expenditures.
- Non-Major Funds - Non-major funds are presented in total in one (1) column.

PROPRIETARY FUND TYPES -

- Enterprise Funds - The enterprise fund is established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing services be recovered primarily through charges to users. The enterprise fund consists of the sewer and the sewer capital funds. These funds have been classified as major funds.

BUDGET ADOPTION AND ACCOUNTING

Formal budgetary accounting is employed as a management control for the general fund of the City. An annual operating budget is adopted each fiscal year through the passage of an annual budget resolution and amended as required. The budget is presented on the modified accrual basis of accounting, which is consistent with U.S. GAAP. Budgetary control is exercised at the sub-function/major object level. The general fund is the only fund for which a budget is legally required. The Council may make budget transfers appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania Code. Management may amend the budget at the sub-function/sub-object level with Council approval. All budget appropriations lapse at the end of each fiscal year. The final budget reported includes all necessary expenditure transfers approved by resolution of the Council as permitted by the Pennsylvania Municipal Code.

BUDGET PROCEDURES

The Pennsylvania Municipal Code dictates specific procedures relative to the adoption of the City's budget. The City is required to prepare an operating budget for the succeeding calendar year before levying annual taxes. The City publishes a notice by advertisement after their approval thirty days prior to adoption of the annual budget and is available for public inspection at the administrative office of the City.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

FUND BALANCE

In the fund financial statements, governmental funds report aggregate amounts for five (5) classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four (4) classifications: restricted, committed, assigned, and unassigned.

Restricted Fund Balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council - the City's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City's Manager has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned Fund Balance - This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

In the government-wide proprietary and fiduciary fund financial statements, equity is classified as net position and displayed in three (3) components:

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.

Restricted Net Position - Consists of net assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions on enabling legislation.

Unrestricted Net Position - Consists of all other assets that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted net positions are available for use, generally it is the City's policy to use restricted resources first. For projects funded with tax-exempt debt proceeds and other sources, the debt proceeds are used first.

CAPITAL ASSETS

The City has classified assets with an acquired individual cost of \$ 1,500, the threshold approved by the Council, with an estimated life of more than one (1) year to be capital assets. The classification of capital assets also includes group purchases of similar individual assets that exceed \$ 1,500. These assets are reported in the governmental or business-type activities in the government-wide financial statements as capital assets.

The City's historical cost is for all capital assets in excess of \$ 1,500. The actual cost of the assets was included when there was documentation to support the acquisition. Estimated historical costs were calculated for the items without support. Donated assets that exceed the City's threshold are stated at their fair value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from their respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives are as follows:

<u>ASSET CLASS -</u>	<u>YEARS</u>
Buildings and Improvements	40 years
Sewer Facility	40 years
Equipment, Furniture, and Other Assets	5 - 20 years
Vehicles	5 - 10 years

LONG-TERM DEBT AND OBLIGATIONS

The government-wide financial statements report the long-term debt and obligations as liabilities in the governmental activities.

INTERFUND BALANCES AND ACTIVITIES

Most interfund balances and activities are reclassified and eliminated in the government-wide financial statements.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

CASH FLOWS

The City has complied with GASB Statement No. 9 Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting, requirement. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with an initial maturity of three (3) months or less, to be cash equivalents.

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the statement of net position represent a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one (1) item that qualifies for reporting in this category. The item is related to pensions and represents the City's contributions to the pension plan (Pennsylvania Municipal Retirement System) subsequent to the pension liability measurement date under GASB No. 68.

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three (3) items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the government-wide financial statements, unavailable revenues are treated as revenue. The second item relates to pensions reported in the statement of net position. This represents the net difference between projected and actual earnings on pension plan investments and the changes in proportion and the difference between expended and actual experience. The third item is the unrecognized revenue includes E.D.P., Revolving Loan Community Development, and Non-Major Funds amounts for notes receivable from various businesses located in the City, and cash received in current and prior years, along with other City loan programs, which will be included in revenues of future fiscal years.

Unavailable revenue - property taxes represent receivables to be collected and included in revenues of future fiscal years, as well as amounts collected in advance that will be included in revenues of future fiscal years. General fund reserve for unpaid taxes of \$ 941,802 consist of delinquent taxes receivable, which were levied in the current and prior years, but will not be available to pay liabilities of the current period. Delinquent taxes receivable represent the gross face amount of taxes levied and the actual amount of future collections is unknown.

COMPARATIVE DATA AND RECLASSIFICATIONS

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the City to concentration of credit risk consist principally of cash and receivables.

Concentrations of credit risk with respect to receivables are due to nature of business, geographic region, and financial status of the users.

The Federal Deposit Insurance Corporation (FDIC) insures all deposit accounts, including checking and savings accounts, money market deposit accounts, and certificates of deposit. The standard insurance amount is \$ 250,000 per depositor, per insured bank, per ownership category. In the normal course of business, the City may have deposits in excess of federal insured coverage. As of December 31, 2016, the City had approximately \$ 1,177,000 in excess of FDIC insured limits. See Note "8" for additional information.

DEFICIT FUND BALANCE

At December 31, 2016, the City had three (3) separate funds that recorded a fund deficit (negative fund balance). The three (3) funds are the Community Development Block Grant, Capital Projects and Redevelopment Authority - Little League funds. It is the City's intention to offset these deficits in the future with operating transfers from other funds, or from proceeds through additional grants.

3. TAXES RECEIVABLE, NET OF ALLOWANCE

REAL ESTATE TAXES

The City has the power to levy and collect ad valorem taxes on all taxable real estate within its boundaries. Property is assessed by the City at 100 percent of fair market value. The assessed value for 2016 was \$ 42,005,450.

A unified tax levy for land and buildings is made annually on January 1 and collected by the City. Taxes are payable annually or in three (3) installments, at the taxpayers' option, normally due the last day of February, April 30, and July 31. A two (2) percent discount is allowed on either the first installment or the full year tax payment, normally if paid by February 10. If no payment is received by the last day of February, the installment payment privilege is forfeited and the entire tax for the year is considered delinquent. Penalty and interest are imposed on delinquent payments.

The Commonwealth of Pennsylvania provides a tax abatement program that the City participates in called the Keystone Opportunity Zone (KOZ). The program provides a tax abatement for twelve (12) years on state and local taxes, including real estate taxes, on commercial and residential property located on land designated as part of the KOZ. The abatement concludes in 2019.

City real estate taxes (property taxes) are based on the assessed value of the property as determined by Mercer County. The assessed value of a property is broken down by land value and building value. For 2016, the City's tax rate was 24.76 Mills based on the assessed value of the property. Property taxes receivable as of December 31, 2016, are as follows:

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

<u>YEAR OF LEVY</u>	<u>AMOUNT</u>
2016	\$ 175,376
2015	130,295
2014	73,964
2013	59,117
2012 and Prior	<u>524,103</u>
<u>TOTAL:-</u>	<u>\$ 962,855</u>

OTHER TAXES

The City also levies taxes under Act 511 of 1965 (Local Tax Enabling Act): one-half (1/2) of 2.1 percent earned income tax, one-half (1/2) of one (1) percent realty transfer tax, and a \$ 52 Local Services Tax.

Tax receivables of governmental activities in the entity-wide statement of net position consist of the following:

Wage Taxes Estimated, Net	\$ 396,705
Real Estate Taxes, Net	962,855
<u>LESS:</u> Allowance for Uncollectable Amount	(<u>818,400</u>)
<u>NET TOTAL:-</u>	<u>\$ 541,160</u>

SEWER FEES RECEIVABLE

Sewer fees receivable represent billed, uncollected amounts at December 31, 2016, due from users of the City's sewer system. Receivable balances at December 31, 2016, have been reduced by an allowance for uncollectable sewer fees. The allowance as of December 31, 2016, is \$ 16,000. The users are residential and commercial entities located in the Farrell area.

4. 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 City. The E.D.P. Program additional notes receivable from local industries amounted to \$ 2,049,114 at December 31, 2016.

REVOLVING LOAN COMMUNITY DEVELOPMENT PROGRAM

LOCAL BUSINESSES

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, 2016, were \$ 369,908.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

THE REDEVELOPMENT AUTHORITY OF THE CITY OF FARRELL

The City, in March 2007, 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. Then, at month 37, begin paying principal and interest payments 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, 2015, 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.

REVOLVING LOAN REHABILITATION PROGRAM

The City's Revolving Loan Rehabilitation Program lends funds to the citizens of the City for improvements to their residence to promote City neighborhoods. The outstanding notes' balances at December 31, 2016, were \$ 2,765.

STREET IMPROVEMENT PROGRAM

The City charged homeowners with an assessment for street improvements. The outstanding notes' balances at December 31, 2016, were \$ 3,152.

CAPITAL PROJECTS FUND

The City lent funds to Southwest Mercer County Regional Police Commission for the purchase of two (2) vehicles. The outstanding notes balances at December 31, 2016, were \$ 5,832.

The following is a summary of the City's notes receivable as of December 31, 2016:

E.D.P. Program	\$ 2,049,114
<u>Revolving Loan Community Development Program -</u>	
Local Businesses	516,735
The Redevelopment Authority of the City of Farrell	135,000
Redevelopment Authority	4,942
Revolving Loan Rehabilitation Program	2,765
Street Improvement Program	3,152
Capital Projects Fund	<u>5,832</u>
<u>TOTAL NOTES RECEIVABLE:-</u>	\$ 2,717,540
<u>LESS:</u> Allowance for Uncollectable	<u>(281,827)</u>
<u>TOTAL NET NOTES RECEIVABLE:-</u>	<u>\$ 2,435,713</u>

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

In the City's fund accounting, loan repayments are recorded as revenues when collected. Loans made are recorded as expenditures when disbursed. Accordingly, the outstanding balance of the loan is also recorded as unrecognized revenue on the balance sheet. In the City's entity-wide financial statements, loans issued increase outstanding balances, while loan repayments reduce outstanding balances. The only income recognized as revenue is interest income.

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2016, is as follows:

<u>RECEIVABLE</u>	<u>PAYABLE</u>	<u>AMOUNT</u>
Revolving Loan Community Development Fund	General Fund	\$ 85,748
Revolving Loan Community Development Fund	Capital Projects Fund	19,334
Revolving Loan Community Development Fund	Community Development Block Grant Fund	14,790
E.D.P Fund	Revolving Loan Community Development Fund	111,728
General Fund	Community Development Block Grant Fund	2,061
General Fund	Capital Projects Fund	486,017
General Fund	Recreation Fund	547
General Fund	Sewer Fund	61,014
Special Highway Fund	General Fund	26,090
E.D.P. Fund	Redevelopment Authority	<u>520,000</u>
<u>TOTAL:-</u>		<u>\$ 1,327,329</u>

Some amounts above are netted with the other funds for reporting purposes on the balance sheet for governmental funds.

Also, the general fund pays for a portion of the Revolving Loan Community Development, sewer, capital projects, and special highway funds operating expenses. The general fund is reimbursed as funding becomes available. The other funds interfund balances are due to advances. The advance from the E.D.P. Fund to the Redevelopment Authority of \$ 520,000 is not expected to be repeated within a year.

Interfund transfers:

<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>	<u>AMOUNT</u>
General Fund	Sewer Fund	\$ 225,000
General Fund	Community Development Block Grant Fund	55,250
Capital Projects Fund	General Fund	250,649
Revolving Loan Community Development Fund	General Fund	87,400

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>	<u>AMOUNT</u>
Sewer Capital Fund	Sewer Fund	30,000
Centennial Fund	General Fund	12,000
Centennial Fund	Revolving Loan Community Development Fund	3,000
Juneteenth Fund	Centennial Fund	<u>3,000</u>
<u>TOTAL:-</u>		<u>\$ 666,299</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Some amounts above are netted with the other fund for reporting purposes on the statement of revenues, expenditures, and changes in fund balances for proprietary funds.

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2016</u>
<u>Governmental Activities -</u>				
<u>Capital Asset Not Being</u>				
<u>Depreciated -</u>				
Land	\$ 144,968	\$ -	\$ -	\$ 144,968
<u>Capital Assets Being Depreciated -</u>				
Buildings and Improvements	3,204,974	216,874	-	3,421,848
Vehicles	810,473	229,589	-	1,040,062
Equipment, Furniture, and Other Assets	<u>298,517</u>	<u>22,831</u>	<u>-</u>	<u>321,348</u>
<u>TOTALS:-</u>	<u>\$ 4,458,932</u>	<u>\$ 469,294</u>	<u>\$ -</u>	<u>\$ 4,928,226</u>
<u>Accumulated Depreciation for -</u>				
Buildings and Improvements	(\$ 2,320,665)	(\$ 87,412)	\$ -	(\$ 2,408,077)
Vehicles	(533,147)	(71,645)		(604,792)
Equipment, Furniture, and Other Assets	<u>(220,790)</u>	<u>(26,522)</u>	<u>-</u>	<u>(247,312)</u>
<u>TOTAL ACCUMULATED</u> <u>DEPRECIATION:-</u>	<u>(\$ 3,074,602)</u>	<u>(\$ 185,579)</u>	<u>\$ -</u>	<u>(\$ 3,260,181)</u>
<u>Governmental Activities Capital</u> <u>Assets, Net -</u>	<u>\$ 1,384,330</u>	<u>\$ 283,715</u>	<u>\$ -</u>	<u>\$ 1,668,045</u>

Depreciation expense is included in the statement of activities as follows:

Unallocated	<u>\$ 185,579</u>
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CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2016</u>
<u>Business-Type Activities -</u>				
<u>Capital Asset Not Being</u>				
<u>Depreciated -</u>				
Land	\$ 123,800	\$ -	\$ -	\$ 123,800
<u>Capital Assets Being Depreciated -</u>				
Building and Improvements	7,518,956	-	-	7,518,956
Vehicles	21,000	-	-	21,000
Equipment, Furniture, and Other Assets	<u>149,029</u>	<u>-</u>	<u>-</u>	<u>149,029</u>
<u>TOTALS:-</u>	<u>\$ 7,812,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,812,785</u>
<u>Accumulated Depreciation for -</u>				
Buildings and Improvements	(\$ 5,002,930)	(\$ 98,926)	\$ -	(\$ 5,101,856)
Vehicles	(12,600)	(4,200)	-	(16,800)
Equipment, Furniture, and Other Assets	<u>(146,048)</u>	<u>-</u>	<u>-</u>	<u>(146,048)</u>
<u>TOTAL ACCUMULATED DEPRECIATION:-</u>	<u>(\$ 5,161,578)</u>	<u>(\$ 103,126)</u>	<u>\$ -</u>	<u>(\$ 5,264,704)</u>
<u>Business-Type Activities Capital Assets, Net -</u>	<u>\$ 2,651,207</u>	<u>(\$ 103,126)</u>	<u>\$ -</u>	<u>\$ 2,548,081</u>

Depreciation expense is included in the statement of activities as follows:

Sewer Services	<u>\$ 103,126</u>
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7. LONG-TERM LIABILITIES

Long-term liabilities as of December 31, 2016, consisted of the following:

GOVERNMENTAL ACTIVITIES:-

Serial coupon bonds, Series A-2008, that mature through August 2027, at fixed various interest rates. The bonds are secured by the City's annual Community Development Block Grant proceeds and the City's Community Development Revolving Loan Fund's cash and cash equivalents and investments.	\$ 622,000
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Notes payable to a local bank with monthly payments of \$ 1,577, including interest at 2.55 percent, due May 2020, secured by vehicle.	60,224
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Notes payable to a local bank with monthly payments of \$ 1,690, including interest at 2.75 percent, due November 2020, secured by vehicle.	75,138
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CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

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Notes payable to a local bank with monthly payments of \$ 1,793, including interest at 2.75 percent, due November 2020, secured by vehicle.

	<u>57,063</u>
<u>TOTAL NOTES AND BONDS PAYABLE:-</u>	\$ 814,425
Compensated Absences (Note "10")	92,301
Other Post-Employment Benefits (Note "15")	90,802
Reserve for Restricted Cash and Cash Equivalents	613
Net Pension Liability	<u>1,538,486</u>
<u>TOTAL:-</u>	\$ 2,536,627
<u>CURRENT PORTION:-</u>	(<u>110,235</u>)
<u>TOTAL LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES:-</u>	<u>\$ 2,426,392</u>

Governmental activities liability activity for the year ended December 31, 2016, was as follows:

	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2016</u>	<u>DUE</u> <u>WITHIN</u> <u>ONE YEAR</u>
2016 Note Payable	\$ -	\$ 71,887	(\$ 11,663)	\$ 60,224	\$ 17,594
2016 Note Payable	-	76,692	(1,554)	75,138	18,443
2011 Note Payable	13,981	-	(13,981)	-	-
2014 Note Payable	98,689	-	(41,626)	57,063	20,198
2008 Guaranteed Serial Coupon Bonds Series 2008-A	<u>676,000</u>	<u>-</u>	<u>(54,000)</u>	<u>622,000</u>	<u>54,000</u>
<u>SUBTOTAL - NOTES AND BONDS PAYABLE:-</u>	<u>\$ 788,670</u>	<u>\$ 148,579</u>	<u>(\$ 122,824)</u>	<u>\$ 814,425</u>	<u>\$ 110,235</u>
<u>COMPENSATED ABSENCES:-</u>	<u>\$ 76,185</u>	<u>\$ 16,116</u>	<u>\$ -</u>	<u>\$ 92,301</u>	<u>\$ -</u>
<u>OTHER POST-EMPLOYMENT BENEFITS:-</u>	<u>\$ 78,945</u>	<u>\$ 11,857</u>	<u>\$ -</u>	<u>\$ 90,802</u>	<u>\$ -</u>
<u>RESERVE FOR RESTRICTED CASH AND CASH EQUIVALENTS:-</u>	<u>\$ 613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 613</u>	<u>\$ -</u>
<u>NET PENSION LIABILITY:-</u>	<u>\$ 1,490,900</u>	<u>\$ 47,586</u>	<u>\$ -</u>	<u>\$ 1,538,486</u>	<u>\$ -</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES:-</u>	<u>\$ 2,435,313</u>	<u>\$ 224,138</u>	<u>(\$ 122,824)</u>	<u>\$ 2,536,627</u>	<u>\$ 110,235</u>

The above notes are generally paid through the general fund expenditures. The bonds are being paid from the City's annual Community Development Block Grant and by the Revolving Loan Community Development funds.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Interest expense incurred by the City for governmental activities totalled \$ 37,659 for the year ended December 31, 2016.

The following is a schedule of approximate annual debt service requirements to retire the governmental activities notes and bonds payable as of December 31, 2016:

<u>YEARS ENDING</u> <u>DECEMBER 31</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PAYMENTS</u>
2017	\$ 110,235	\$ 36,039	\$ 146,274
2018	111,765	32,047	143,812
2019	108,103	27,992	136,095
2020	78,322	24,253	102,575
2021	54,000	21,292	75,292
2022 - 2026	270,000	64,764	334,764
2027	<u>82,000</u>	<u>4,412</u>	<u>86,412</u>
<u>TOTAL:-</u>	<u>\$ 814,425</u>	<u>\$ 210,799</u>	<u>\$ 1,025,224</u>

BUSINESS-TYPE ACTIVITIES:-

The long-term liabilities of the enterprise fund for the year ended December 31, 2016, consisted of the following:

Guaranteed Sewer Revenue Series Note of 1998, principal amount of \$ 2,100,000, with monthly payments of \$ 12,551 to PENNVEST, including interest at 3.62 percent to maturity at June 2018.	\$ 219,576
Guaranteed Sewer Revenue Series of 2006, principal amount of \$ 889,294, with monthly payments of \$ 4,669 to PENNVEST, including interest at 2.77 percent to maturity at May 2027.	<u>513,367</u>

All notes are collateralized by gross sewer receipts and the full faith and credit of the City and a lien.

<u>TOTAL NOTES PAYABLE:-</u>	\$ 732,943
Compensated Absences (Note "10")	36,615
Other Post-Employment Benefits (Note "15")	<u>4,256</u>
<u>TOTAL:-</u>	\$ 773,814
<u>CURRENT PORTION:-</u>	(<u>187,408</u>)
<u>TOTAL LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES:-</u>	<u>\$ 586,406</u>

Business-type activities liability activity for the year ended December 31, 2016, was as follows:

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2016</u>	<u>DUE</u> <u>WITHIN</u> <u>ONE YEAR</u>
Guaranteed Sewer Revenue Series of 1998, Principal Amount of \$ 2,100,000	\$ 359,484	\$ -	(\$ 139,908)	\$ 219,576	\$ 145,058
Guaranteed Sewer Revenue Series of 2006, Principal Amount of \$ 889,294	<u>554,562</u>	<u>-</u>	<u>(41,195)</u>	<u>513,367</u>	<u>42,350</u>
<u>SUBTOTAL - NOTES PAYABLE:-</u>	\$ 914,046	\$ -	(\$ 181,103)	\$ 732,943	\$ 187,408
Compensated Absences	35,783	832	-	36,615	-
Other Post-Employment Benefits	<u>4,256</u>	<u>-</u>	<u>-</u>	<u>4,256</u>	<u>-</u>
<u>TOTAL BUSINESS-TYPE ACTIVITIES:-</u>	<u>\$ 954,085</u>	<u>\$ 832</u>	<u>(\$ 181,103)</u>	<u>\$ 773,814</u>	<u>\$ 187,408</u>

The above liabilities are paid through sewer fund appropriations.

Interest expense incurred by the City for business-type activities totalled \$ 23,180 for the year ended December 31, 2016.

The following is a schedule of approximate annual debt service requirements to retire the business-type activities notes payable as of December 31, 2016:

<u>YEARS ENDING</u> <u>DECEMBER 31</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PAYMENTS</u>
2017	\$ 187,408	\$ 19,242	\$ 206,650
2018	105,544	13,246	118,790
2019	57,274	11,735	69,009
2020	46,016	10,018	56,034
2021	47,307	8,727	56,034
2022 - 2026	257,201	22,967	280,168
2027	<u>32,193</u>	<u>295</u>	<u>32,488</u>
<u>TOTAL:-</u>	<u>\$ 732,943</u>	<u>\$ 86,230</u>	<u>\$ 819,173</u>

OTHER FINANCING

The City's general fund borrows an amount equivalent to a tax anticipation note from the Revolving Loan Community Development Fund. City Council annually approves this borrowing. Total amount borrowed and repaid in 2016 was \$ 210,000 and \$ 228 in interest for a total of \$ 210,228.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

8. DEPOSITS AND INVESTMENTS

The City's cash and investments, except for the pension trust fund investments, consist of various checking and savings accounts and money market funds, which are fully collateralized or guaranteed as to principal and interest via collateral arrangements or federal insurance. For these types of investments, cost is equal to market value. The carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents.

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2016, \$ 1,426,981 was the carrying amount of cash and equivalents and investments. Also at December 31, 2016, \$ 1,176,981 of the City's bank balance was exposed to custodial credit risk as noted below:

Collateral is required for demand deposits and at 100 percent of all amounts not covered by federal deposit insurance as required by Pennsylvania Pledge Act 72 (72 P.S. 3836-1 Et Seq of 1971). Obligations that may be pledged as collateral are obligations of the United States and its agencies.

Uninsured and Collateral Held by or for Pledging Bank, Not in the City's Name (But Subject to the Pennsylvania Pledge Act 72)	<u>\$ 1,176,981</u>
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Investment policies of the pension trust fund is governed by the City resolution, the fiduciary standards and requirements of the Employee Retirement Income Security Act of 1974 (ERISA), and other laws and regulations applicable to employee benefit plans.

9. DEFINED BENEFIT PENSIONS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PENSIONS

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

GENERAL INFORMATION ABOUT THE PENSION PLAN

PLAN DESCRIPTION

The City's Non-Uniform Pension Plan (Plan) is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 0-8-2005 adopted pursuant to Act 15 of 1974. The City also has firefighter and

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

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police pension plans (Plan) which are single-employer defined benefit pension plans controlled by the provisions of Ordinance Number 0-1-2010 and 0-2-2010, respectively, pursuant to Act 15 of 1974. The Plans are administered by 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). The CAFR is available on the PMRS website. A copy of the CAFR can be obtained by contacting the PMRS accounting office.

BENEFIT PROVISIONS

The Plans provide retirement, disability, and death benefits to Plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the Plan.

EMPLOYEES COVERED BY BENEFIT TERMS

At December 31, 2015, the following employees were covered by the benefit terms:

	<u>NON- UNIFORM</u>	<u>FIRE FIGHTER</u>	<u>POLICE</u>
Inactive Employees or Beneficiaries			
Currently Receiving Benefits	16	10	6
Inactive Employees Entitled to, But			
Not Yet Receiving Benefits	0	0	0
Active Employees	<u>16</u>	<u>2</u>	<u>0</u>
 <u>TOTAL:-</u>	 <u>32</u>	 <u>12</u>	 <u>6</u>

CONTRIBUTIONS

Act 205 requires that annual contributions be based upon the Plan's Minimum Municipal Obligation (MMO). The MMO is based upon the Plan's biennial actuarial valuation. In accordance with the Plan's governing ordinance, non-uniform members contribute 3.00 percent, police and firemen members are required to contribute 5.00 percent of compensation to the Plan. Contributions to the Plan amounted to \$ 277,884 for the year ended December 31, 2016.

The plans may also be eligible to receive an allocation of State aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and State aid must be paid by the municipality with Act 205.

NET PENSION LIABILITY

The City's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

ACTUARIAL ASSUMPTIONS

The actuarial assumptions used in this report are as follows: These assumptions are based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013, issued by the actuary in July 2015 as well as subsequent Board approved assumption changes.

A. HEALTHY LIFE MORTALITY

Rates of Pre-Retirement Mortality

Males: RP 2000 Male Non-Annuitant table projected 15 years with Scale AA

Females: RP 2000 Female Non-Annuitant table projected 15 years with Scale AA and then setback 5 years

Type of Death:

(a) 15% of pre-retirement deaths are assumed to be service related for municipal plans, and

(b) 50% of pre-retirement deaths are assumed to be service related for uniform plans.

Rates of Post-Retirement Mortality

Males: RP-2000 Male Annuitant table projected 5 years with Scale AA

Females: RP-2000 Female Annuitant table projected 10 years with Scale AA

Based on the information provided by PMRS and review of the actual mortality experience over a five-year period, these mortality tables provide projected mortality improvements for the future. Given that experience analysis is required to be performed every four (4) years, the projection periods are sufficient to reflect anticipated improvements until the next study will be performed.

B. DISABLED LIFE MORTALITY RATES

Males and Females: RP 2000 with 10 year set forward

C. TERMINATION RATES BEFORE RETIREMENT

<u>SERVICE</u>	<u>TERMINATION RATES FOR MUNICIPAL PARTICIPANTS</u>	
	<u>NUMBER OF ACTIVE</u>	
	<u>MEMBERS IN PLAN</u>	
	<u><25</u>	<u>25+</u>
<1	15.0%	18.0%
1	15.0%	18.0%
2	11.0%	14.0%
3	8.0%	12.0%
4	7.0%	9.0%
5	6.0%	9.0%
6	5.5%	8.0%
7	5.5%	7.5%
8	5.5%	6.5%
9	4.0%	5.0%
10+	2.5%	4.0%

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

TERMINATION RATES FOR UNIFORMED PARTICIPANTS

<u>SERVICE</u>	<u>NUMBER OF ACTIVE MEMBERS IN PLAN</u>	
	<u><25</u>	<u>25+</u>
<1	12.0%	13.0%
1	12.0%	10.0%
2	12.0%	7.0%
3	9.0%	7.0%
4	7.0%	6.0%
5	5.0%	5.0%
6	5.0%	4.0%
7	5.0%	3.0%
8	4.5%	3.0%
9	4.0%	3.0%
10+	3.0%	3.0%

D. DISABILITY INCIDENCE RATES

Municipal -

40 percent of 1964 OASDI (Social Security) Experience for Males. Sample rates are:

<u>AGE</u>	<u>VALUATION RATE (%)</u>
25	0.014%
35	0.029%
45	0.064%
55	0.134%
65	0.658%

Uniformed Plans -

60 percent of 1964 OASDI (Social Security) Experience for Males. Sample rates are:

<u>AGE</u>	<u>VALUATION RATE (%)</u>
25	0.031%
35	0.058%
45	0.136%
55	0.335%
65	1.123%

Type of Disability -

- a. 15 percent of disablements are assumed to be service related for municipal plans, and
- b. 50 percent of disablements are assumed to be service related for uniform plans.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

E. WORKERS' COMPENSATION

Service-related disability benefits payable from municipal plans are offset by 25 percent of final average salary.

F. SALARY SCALE

<u>AGE</u>	<u>TOTAL RATE (%)* (INCLUDING) INFLATION)</u>
25	7.05%
30	5.44%
35	4.55%
40	4.26%
45	3.97%
50	3.72%
55	3.44%
60	3.28%
65	2.80%

* Add 2 percent for each of the first three (3) years of service.

G. RATES OF RETIREMENT

Municipal Members -

<u>AGE</u>	<u>MUNICIPAL RATE OF RETIREMENT¹</u>
Under 45	2%
45	8%
46	10%
47 - 50	15%
51 - 54	17%
55	22%
56 - 59	14%
60 - 64	18%
65	25%
66 - 74	20%
75	100%

¹ Rates indicated are adjusted by adding 5 percent (and 10 percent for ages 60-62 under current rate assumptions) for the year in which the member is first eligible for normal retirement.

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Uniformed Members -

<u>AGE</u>	<u>RETIREMENT RATES FOR UNIFORM PARTICIPANTS</u>	<u>RATES FOR ALL PLANS</u>
<49		0%
50		30%
51 - 54		10%
55		25%
56 - 58		20%
59 - 60		15%
61		20%
62		30%
63 - 64		20%
65		30%
66+		100%

H. MARITAL STATUS AND SPOUSE'S AGE (IF APPLICABLE)

80 percent of active members and are assumed to be married for retirees with 50 percent J&S form of payment. Male spouses are assumed to be three (3) years older than female spouses.

I. SOCIAL SECURITY PROJECTIONS (IF APPLICABLE)

- a. The Social Security Taxable Wage Base will increase by 3.3 percent compounded annually;
- b. The Consumer Price Index will increase 2.8 percent compounded annually; and
- c. The Average Total Wages of All Workers will increase by 3.3 percent compounded annually.

J. POST-RETIREMENT COST-OF-LIVING INCREASES (IF APPLICABLE)

2.8 percent per year, subject to plan limitations

K. INVESTMENT RETURN ASSUMPTION

5.50 percent compounded annually, net of expenses

L. ADMINISTRATIVE EXPENSES

The expense assumption is based upon the expected expenses for the current year.

ACTUARIAL COST METHOD

Entry Age Normal Actuarial Cost Method.

CITY OF FARRELL

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Entry age is defined as attained age less credited service. The normal cost rate is derived as a level percent of future compensation of current employees, on an individual basis. This rate is applied to the projected payroll and projected employee contributions are deducted. Actuarial gains (or losses), including the effect of contributions greater or lesser than the previously determined actuarial level, are reflected by decreases (or increases) in the unfunded actuarial liability.

LONG-TERM EXPECTED RATE OF RETURN AND DISCOUNT RATE

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 (4) steps to the method:

- a. 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.
- b. The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 3 percent to produce real rates of return.
- c. The real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are shown in the chart below labeled "System Nominal and Real Rates of Return by Asset Class."
- d. 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 percent. The chart below labeled "Confidence Levels for System Nominal and Real Rates of Return" identifies simulated portfolio returns at various confidence levels.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

System Nominal and Real Rates of Return by Asset Class

<u>ASSET CLASS</u>	<u>TARGET ASSET ALLOCATION</u>	<u>NOMINAL RATE OF RETURN</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN</u>
Domestic Equities (large capitalized firms)	25%	9.9%	6.9%
Domestic Equities (small capitalized firms)	15%	9.8%	6.8%
International Equities (international developed markets)	15%	7.0%	4.0%
International Equities (emerging markets)	10%	10.6%	7.6%
Real Estate	20%	10.1%	7.1%
Fixed Income	<u>15%</u>	<u>5.4%</u>	<u>2.4%</u>
<u>TOTAL PORTFOLIO:-</u>	<u>100%</u>	<u>8.8%</u>	<u>5.9%</u>

Confidence Levels for System Nominal and Real Rates of Return

<u>CONFIDENCE INTERVAL</u>	<u>NOMINAL RATE OF RETURN</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN</u>
95%	3.6%	0.6%
90%	4.6%	1.6%
85%	5.3%	2.3%
80%	5.5%	2.5%
75%	5.9%	2.9%
70%	6.3%	3.3%
50%	8.2%	5.2%

Based on the four-part analysis, the Board established the System's Long-Term Expected Rate of Return at 7.5 percent.

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 participating 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 1975), 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 described in the section below labeled "Discount Rate". As of December 31, 2015, this rate is equal to 5.5 percent.

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

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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:

- a. Retiree Plan liability as a percentage of total Plan liability,
- b. Active Plan participant liability as a percentage of total Plan liability,
- c. Smoothed Pension Benefit Guarantee Corporation (PBGC) annuity rates,
- d. PMRS System Long-Term Expected Rate of Return, and
- e. 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 to 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 as of December 31, 2015, was 5.5 percent.

This required equivalence between the Regular Interest Rate and the actuarial Discount Rate will likely result in a System Long-Term Expected Rate of Return that will be higher than the actuarial Discount Rate and higher than the Long-Term Expected Rate of Return for individual participating municipalities. 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.

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 sponsor 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 THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

The table below shows the changes in total pension liability, the Plan fiduciary net position (fair value of plan assets), and the net pension liability as of the measurement date.

	CHANGE IN NET PENSION LIABILITY - NON-UNIFORM		
	INCREASE (DECREASE)		
	<u>TOTAL</u>	<u>PLAN</u>	<u>NET</u>
	<u>PENSION</u>	<u>FIDUCIARY</u>	<u>NET</u>
	<u>LIABILITY</u>	<u>POSITION</u>	<u>LIABILITY</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
<u>BALANCES AT DECEMBER 31, 2014:-</u>	\$ 3,188,154	\$ 2,990,747	\$ 197,407
<u>CHANGES FOR THE YEAR:-</u>			
Service Cost	\$ 82,202	\$ -	\$ 82,202
Interest	174,963	-	174,963
Changes of Benefits	-	-	-
Changes of Assumptions *	18,338	-	18,338
Differences Between Expected and Actual Experience	-	-	-
Contributions - Employer	-	86,306	(86,306)
Contributions - PMRS	-	640	(640)
Contributions - Member	-	19,976	(19,976)
PMRS Investment Income	-	162,613	(162,613)
Market Value Investment Income **	-	(133,745)	133,745
Transfers	-	-	-
Benefit Payments	(180,859)	(180,859)	-
PMRS Administrative Expense	-	(640)	640
Additional Administrative Expenses	-	(6,779)	6,779
<u>NET CHANGES:-</u>	\$ 94,644	\$ (52,488)	\$ 147,132
<u>BALANCES AT DECEMBER 31, 2015:-</u>	\$ 3,282,798	\$ 2,938,259	\$ 344,539

* Assumption changes reflect the liability impact of the Board of Trustees approved changes as of December 31, 2015.

** Reflects the net investment income (loss) of (\$ 170,160) and the income (loss) due to the difference between expected and actual asset values of \$ 36,415, which includes the impact from allocation of assets in support of the underlying retiree liabilities.

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The table below shows the changes in total pension liability, the Plan fiduciary net position (fair value of plan assets), and the net pension liability as of the measurement date.

	CHANGE IN NET PENSION LIABILITY - FIREFIGHTERS		
	INCREASE (DECREASE)		
	<u>TOTAL</u>	<u>PLAN</u>	<u>NET</u>
	<u>PENSION</u>	<u>FIDUCIARY</u>	<u>NET</u>
	<u>LIABILITY</u>	<u>POSITION</u>	<u>PENSION</u>
	<u>(a)</u>	<u>(b)</u>	<u>LIABILITY</u>
			<u>(a) - (b)</u>
<u>BALANCES AT DECEMBER 31, 2014:-</u>	<u>\$ 2,080,718</u>	<u>\$ 1,115,925</u>	<u>\$ 964,793</u>
<u>CHANGES FOR THE YEAR:-</u>			
Service Cost	\$ 10,293	\$ -	\$ 10,293
Interest	110,134	-	110,134
Changes of Benefits	(529)	-	(529)
Changes of Assumptions *	(22,300)	-	(22,300)
Differences Between Expected and Actual Experience	-	-	-
Contributions - Employer	-	133,346	(133,346)
Contributions - PMRS Assessment	-	260	(260)
Contributions - Employees	-	2,350	(2,350)
PMRS Investment Income	-	46,827	(46,827)
Market Value Investment Income **	-	(5,741)	5,741
Transfers	-	-	-
Benefit Payments	(179,536)	(179,536)	-
PMRS Administrative Expense	-	(260)	260
Additional Administrative Expenses	-	(1,952)	1,952
<u>NET CHANGES:-</u>	<u>\$ (81,938)</u>	<u>\$ (4,706)</u>	<u>\$ (77,232)</u>
<u>BALANCES AT DECEMBER 31, 2015:-</u>	<u>\$ 1,998,780</u>	<u>\$ 1,111,219</u>	<u>\$ 887,561</u>

* Assumption changes reflect the liability impact of the Board of Trustee approved changes as of December 31, 2015.

** Reflects the net investment income (loss) of (\$ 49,000) and the income (loss) due to the difference between expected and actual asset values of \$ 43,259, which includes the impact from allocation of assets in support of the underlying retiree liabilities.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

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The table below shows the changes in total pension liability, the Plan fiduciary net position (fair value of plan assets), and the net pension liability as of the measurement date.

<u>CHANGE IN NET PENSION LIABILITY - POLICE</u>			
	<u>INCREASE (DECREASE)</u>		
	<u>TOTAL</u>	<u>PLAN</u>	<u>NET</u>
	<u>PENSION</u>	<u>FIDUCIARY</u>	<u>NET</u>
	<u>LIABILITY</u>	<u>POSITION</u>	<u>PENSION</u>
	<u>(a)</u>	<u>(b)</u>	<u>LIABILITY</u>
			<u>(a) - (b)</u>
<u>BALANCES AT DECEMBER 31, 2014:-</u>	\$ 757,499	\$ 428,799	\$ 328,700
<u>CHANGES FOR THE YEAR:-</u>			
Service Cost	\$ -	\$ -	\$ -
Interest	39,422	-	39,422
Changes of Benefits	-	-	-
Changes of Assumptions *	12,320	-	12,320
Differences Between Expected and Actual Experience	-	-	-
Contributions - Employer	-	54,212	(54,212)
Contributions - PMRS Assessment	-	120	(120)
Contributions - Member	-	-	-
PMRS Investment Income	-	21,889	(21,889)
Market Value Investment Income **	-	(1,132)	1,132
Transfers	-	-	-
Benefit Payments	(82,580)	(82,580)	-
Administrative Expense	-	(120)	120
Additional Administrative Expenses	-	(913)	913
<u>NET CHANGES:-</u>	\$ (30,838)	\$ (8,524)	\$ (22,314)
<u>BALANCES AT DECEMBER 31, 2015:-</u>	\$ 726,661	\$ 420,275	\$ 306,386

* Assumption changes reflect the liability impact of the Board of Trustee approved changes as of December 31, 2015.

** Reflects the net investment income (loss) of (\$ 22,905) and the income (loss) due to difference between expected and actual asset values of \$ 21,773, which includes the impact from allocation of assets in support of the underlying retiree liabilities.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

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The above schedules titled Change in Net Pension Liability do not reflect changes in benefits or assumptions after January 1, 2016. Because the beginning and end of year Total Pension Liability (TPL) are based upon 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, 2015 actuarial valuation, with liabilities measured at December 31, 2014. The end of year TPL is based upon the same actuarial valuation with liabilities rolled forward to December 31, 2015, and reflecting the the impact of the assumption changes. Except as noted below, the TPL as of December 31, 2015, was based upon the data, actuarial methods and assumptions, and plan provisions described earlier in this footnote.

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

The following presents the net pension liability of the City, calculated using the discount rate of 5.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one-percent-point lower (4.50 percent) or 1-percent-point-higher (6.50 percent) than the current rate.

	NON-UNIFORM		
	<u>1%</u> <u>DECREASE</u> <u>4.50%</u>	<u>DISCOUNT</u> <u>RATE</u> <u>5.50%</u>	<u>1%</u> <u>INCREASE</u> <u>6.50%</u>
Total Pension Liability	\$ 3,626,366	\$ 3,282,798	\$ 2,985,971
Plan Fiduciary Net Position	2,938,259	2,938,259	2,938,259
<u>NET PENSION LIABILITY:-</u>	<u>\$ 688,107</u>	<u>\$ 344,539</u>	<u>\$ 47,712</u>
 <u>PLAN FIDUCIARY NET POSITION</u> <u>AS A PERCENTAGE OF THE TOTAL</u>			
<u>PENSION LIABILITY:-</u>	<u>81.0%</u>	<u>89.5%</u>	<u>98.4%</u>

CITY OF FARRELL

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DECEMBER 31, 2016

FIREFIGHTERS

	<u>1%</u> <u>DECREASE</u> <u>4.50%</u>	<u>DISCOUNT</u> <u>RATE</u> <u>5.50%</u>	<u>1%</u> <u>INCREASE</u> <u>6.50%</u>
Total Pension Liability	\$ 2,211,233	\$ 1,998,780	\$ 1,820,198
Plan Fiduciary Net Position	<u>1,111,219</u>	<u>1,111,219</u>	<u>1,111,219</u>
<u>NET PENSION LIABILITY:-</u>	<u>\$ 1,100,014</u>	<u>\$ 887,561</u>	<u>\$ 708,979</u>
 <u>PLAN FIDUCIARY NET POSITION</u> <u>AS A PERCENTAGE OF THE TOTAL</u> <u>PENSION LIABILITY:-</u>			
	<u>50.3%</u>	<u>55.6%</u>	<u>61.0%</u>

POLICE

	<u>1%</u> <u>DECREASE</u> <u>4.50%</u>	<u>DISCOUNT</u> <u>RATE</u> <u>5.50%</u>	<u>1%</u> <u>INCREASE</u> <u>6.50%</u>
Total Pension Liability	\$ 779,771	\$ 726,661	\$ 680,016
Plan Fiduciary Net Position	<u>420,275</u>	<u>420,275</u>	<u>420,275</u>
<u>NET PENSION LIABILITY:-</u>	<u>\$ 359,496</u>	<u>\$ 306,386</u>	<u>\$ 259,741</u>
 <u>PLAN FIDUCIARY NET POSITION</u> <u>AS A PERCENTAGE OF THE TOTAL</u> <u>PENSION LIABILITY:-</u>			
	<u>53.9%</u>	<u>57.8%</u>	<u>61.8%</u>

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended December 31, 2016, with a measurement date of December 31, 2015, the City recognized pension expense of \$ 234,727. As of December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

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NON-UNIFORM

	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>DEFERRED INFLOWS OF RESOURCES</u>
Difference Between Expected and Actual Experience	\$ -	\$ 144,270
Changes in Assumptions	15,282	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	90,836	-
Contribution Subsequent to Measurement Date	<u>89,140</u>	<u>-</u>
<u>TOTAL:-</u>	<u>\$ 195,258</u>	<u>\$ 144,270</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

<u>YEAR ENDED DECEMBER 31:-</u>	
2016	\$ (11,650)
2017	(11,650)
2018	(11,649)
2019	(6,261)
2020	3,058
Thereafter	-

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

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FIREFIGHTERS

	<u>DEFERRED</u> <u>OUTFLOWS</u> <u>OF</u> <u>RESOURCES</u>	<u>DEFERRED</u> <u>INFLOWS</u> <u>OF</u> <u>RESOURCES</u>
Difference Between Expected and Actual Experience	\$ -	\$ -
Changes in Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	56,855
Contribution Subsequent to Measurement Date	<u>124,586</u>	<u>-</u>
<u>TOTAL:-</u>	<u>\$ 124,586</u>	<u>\$ 56,855</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

<u>YEAR ENDED DECEMBER 31:-</u>	
2016	\$ (19,335)
2017	(19,335)
2018	(19,334)
2019	1,149
2020	-
Thereafter	-

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

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POLICE

	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>DEFERRED INFLOWS OF RESOURCES</u>
Difference Between Expected and Actual Experience	\$ -	\$ -
Changes in Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	34,641
Contribution Subsequent to Measurement Date	<u>49,363</u>	<u>-</u>
 <u>TOTAL:-</u>	 <u>\$ 49,363</u>	 <u>\$ 34,641</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

YEAR ENDED DECEMBER 31:-

2016	\$ (11,623)
2017	(11,623)
2018	(11,623)
2019	228
2020	-
Thereafter	-

A total amount of \$ 369,207 reported as deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as stated above.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

10. COMPENSATED ABSENCES

Employees of the City are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. Employees are represented by a number of labor unions and each contract contains different provisions for such employee-compensated absences. In addition, management and other non-union employees also have agreements with the City that provide for compensated absences. In the fund financial statements, the City recognizes the costs of compensated absences when actually paid to employees.

As of December 31, 2016, the accumulated sick leave special retirement compensation of the various employee groups amounted to \$ 128,916 and is recorded in the entity-wide financial statements. \$ 92,301 of this amount is recorded as non-current liabilities for the governmental activities. The remaining \$ 36,615 is recorded as non-current liabilities in the business-type activities.

11. COMMITTED FUNDING

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 Development Fund (See Note "7").

12. OTHER COMMITMENTS AND CONTINGENCIES

CONCENTRATION OF SOURCE OF SUPPLY OF LABOR

Certain employees of the City are members of a labor union. The contract with A.F.S.C.M.E. for non-uniform employees is effective January 1, 2015 to December 31, 2017.

13. SIGNIFICANT EVENTS

FINANCIALLY DISTRESSED MUNICIPALITY DESIGNATION

The City, since November 1987, has been designated a financially distressed municipality by the Pennsylvania Department of Community and Economic Development (DCED) under Act 47 of 1987, the Municipalities Financial Recovery Act. The major features of this legislation are:

- Development and implementation of a financial recovery plan which is periodically amended and updated;
- Eligibility for a variety of technical assistance from DCED;

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

- Eligibility for interest-free loans and recovery-oriented grants from DCED;
- Eligibility (with court approval) for a Non-Resident Earned Income Tax; and preferential treatment for certain Commonwealth of Pennsylvania economic development programs

In October 2014, Pennsylvania signed into law House Bill 1773, which limits the amount of time the municipalities have in Act 47 to three (3) or five (5) years. For municipalities in their last year of a recovery plan on the effective date of the section, the date for the termination of distressed status will be three (3) years from the termination date of the current plan. For municipalities emerging from receivership, the five (5) year period will begin to run from the termination of the receivership. The City last adopted their recovery plan in 2013 with plans to move out of the Act 47 program in four (4) to five (5) years. The final year in which the City will have to exit Act 47 and forego the extra nonresident income tax money is in 2018.

GRANT PROGRAMS

The City participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audit scopes of these program compliance audits are different than the scope of financial and compliance audits performed by an outside, independent certified public accounting firm. The City is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of non-compliance, which would result in the disallowance of program expenditures.

LITIGATION

In the normal course of operations, the City is involved in various civil disputes. Management is of the opinion that these are primarily covered by the City's liability insurance and any unfavorable outcome resulting from these actions would not have a material effect on the City's financial position. Also, the City has a claim (\$ 450,000) against a local business. During 2015, a local court has terminated this claim and the City has appealed this matter to the Supreme Court. However, if unsuccessful, the City could have a potential counterclaim for legal expenses which management believes will not be material to the City's financial statements.

14. LEASES

COPIER LEASE

The City entered into an operating lease for two (2) copiers. The lease calls for 60 monthly payments of \$ 341 beginning January 2016 and ending December 2020.

The lease has been determined to be an operating lease. Total lease expense for the year ended December 31, 2016, was \$ 4,092.

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NOTES TO THE FINANCIAL STATEMENTS

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Minimum future lease payments under the operating leases as of December 31, 2016, are as follows:

MINIMUM LEASE PAYMENTS

2017	\$ 4,092
2018	4,092
2019	4,092
2020	<u>4,092</u>
<u>TOTAL:-</u>	<u>\$ 16,368</u>

In 2013, the City entered into a lease agreement on a building where the City will receive a total of \$ 427,291 over a 15-year period. The City will receive \$ 851 per month for the first 12 months and the sum of \$ 2,483 per month, commencing on the 13th consecutive month and continuing through the term. For the year ended December 31, 2016, the City received \$ 2,483.

Minimum future lease receipts under this lease agreement as of December 31, 2015, are as follows:

MINIMUM LEASE RECEIPTS

2017	\$ 29,792
2018	29,792
2019	29,792
2020	29,792
2021	29,792
And There After	<u>178,752</u>
<u>TOTAL:-</u>	<u>\$ 357,504</u>

15. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

PLAN DESCRIPTION

The City of Farrell administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan") for employees hired before January 1, 1992. The Plan provides healthcare insurance (including prescriptions) until retirees are Medicare eligible and a \$ 15,000 death benefit for eligible retirees through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the unions representing City employees and are renegotiated each bargaining period. In addition, coverage is provided for management and elected officials. The Retiree Health Plan does not issue a publicly available financial report.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

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FUNDING POLICY

The contribution requirements of the City and plan members are established through negotiations with the City's unions. Contribution requirements for management and elected officials are established by Members of Council. The required contribution is based on pay-as-you-go financing with the City contributing 100 percent of the cost of current year premiums for eligible retired plan members. For 2016, the City contributed approximately \$ 90,347 for Plan members. Retired participants' spouses are covered with healthcare insurance only.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual Other Post-Employment Benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution of the Employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not-to-exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution	\$ 132,790
Interest on Net OPEB Obligation	3,744
Adjustment to Annual Required Contribution	(<u>12,614</u>)
<u>ANNUAL OPEB COST:-</u>	\$ 123,920
Contributions Made *	(<u>111,550</u>)
<u>INCREASE IN NET OPEB OBLIGATION:-</u>	\$ 12,370
Net OPEB Obligation - Beginning of Year	<u>83,201</u>
<u>NET OPEB OBLIGATION - END OF YEAR:-</u>	<u>\$ 95,571</u>

* Values are estimates for each year based on the actuarial valuation as of January 1, 2014. They are based upon the date and projections from that valuation. These amounts may be adjusted for actual.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2102 thru 2016 (the only years available) were as follows:

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

<u>YEAR ENDED</u> <u>DECEMBER 31</u>	<u>ANNUAL</u> <u>OPEB COST</u>	<u>PERCENTAGE</u> <u>OF ANNUAL</u> <u>OPEB COST</u> <u>CONTRIBUTED</u>	<u>NET OPEB</u> <u>OBLIGATION</u>
2012	\$ 128,576	80.6%	\$ 59,475
2013	127,379	100.1%	59,309
2014	126,467	81.8%	82,326
2015	124,014	99.3%	83,201
2016	123,920	90.0%	95,571

FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2014, the most recent actuarial valuation date, the Plan was 0 percent funded. The actuarial accrued liability for benefits was \$ 851,155, and the actuarial value of assets was \$ - 0 -, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 851,155.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS

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

The following assumptions were made and methods used:

Pre and Post-Retirement Mortality -

RP-2000 Combined Mortality Table with Blue Collar Adjustment with rates projected using 75 percent of Scale AA with rates set forward 5 years for disabled lives

Turnover -

None assumed

Retirement -

Fire assumed to retire at age 50 with 25 years of service or attained age and Non-Uniformed are assumed to retire at age 60 with 10 years of service.

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Disability -

35 percent of the rates of disablement from advanced pension tables

Discount Rate -

Prior Valuation: N/A

Current Valuation: 20.00 Percent

Marital Status -

80 percent of active participants are assumed to have a covered spouse at retirement. The husband is assumed to be three (3) years older than the wife.

Participation -

Medical - 75 percent of eligible employees (including those who currently waived coverage) are assumed to elect single member coverage at retirement and 0 percent are assumed to cover their spouse.

Life Insurance - 100 percent of eligible employees assumed to participate in the post-retirement life insurance program.

Trends -

Blended rates of future inflation for medical and prescription drug benefits are 5.0 percent per year

- Assumed Increase in Salary - Not Applicable, benefits are not salary related.
- Amortization Period - 8 year amortization
- Amortization Method - Level Dollar
- Actuarial Cost Method - Entry age normal actuarial cost method
- Actuarial Value of Plan Assets - The City does not accumulate assets in a dedicated trust, or an equivalent arrangement, for purposes of funding its retiree healthcare obligation. Therefore, the actuarial value of plan assets is zero.
- Type of Entity - Single employer plan: A plan that covers the current and former employees, including beneficiaries of only one (1) employer.

A schedule of funding progress is presented on Page 77.

16. NET INVESTMENT IN CAPITAL ASSETS

At December 31, 2016, net investment in capital assets is composed of the following:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
Net Capital Assets	\$ 1,668,045	\$ 2,548,081	\$ 4,216,126
Capital Asset Related Debt	(192,425)	(732,943)	(925,368)
<u>TOTAL:-</u>	<u>\$ 1,475,620</u>	<u>\$ 1,815,138</u>	<u>\$ 3,290,758</u>

CITY OF FARRELL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

17. RESTRICTED NET POSITION AND FUND BALANCES

RESTRICTED NET POSITION

The following is a schedule of restricted net position in the entity-wide financial statements.

GOVERNMENTAL ACTIVITIES:-

Highways	\$ 66,771
Community Development Projects	1,480,757
Library	263
Recreation	<u>11,197</u>

TOTAL RESTRICTED NET POSITION:- \$ 1,558,988

RESTRICTED FUND BALANCES:-

GOVERNMENTAL FUNDS:-

Restricted for Specific Use -

E.D.P.	\$ 1,029,011
Revolving Loan Community Development	445,078
<u>Non-Major Funds -</u>	
Library	263
Recreation	11,197
Revolving Loan Rehabilitation	5,999
Gasoline Program	36,032
Special Highway	30,739
Home Façade	579
DCNR Grant	<u>90</u>

TOTAL RESTRICTED FUND BALANCES:- \$ 1,558,988

18. SUBSEQUENT EVENTS

The City has evaluated subsequent events through June 21, 2017, the date which the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements or notes.

CITY OF FARRELL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

	<u>BUDGETED</u> <u>AMOUNTS</u> <u>ORIGINAL</u> <u>AND FINAL</u>	<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE</u> <u>WITH FINAL</u> <u>BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
<u>REVENUES:-</u>			
Real Property and Local Enabling Taxes	\$ 2,490,000	\$ 3,269,991	\$ 779,991
Business Licenses and Permits	91,300	131,375	40,075
Intergovernmental Revenues	77,500	171,814	94,314
Interest	500	336	(164)
Charges for Services	54,000	50,658	(3,342)
Rents	15,000	13,750	(1,250)
Payments in Lieu of Taxes and Contributions	55,118	56,515	1,397
Fines, Fees, and Special Police Services	59,500	45,213	(14,287)
Other Revenues	50,000	74,478	24,478
	<u>\$ 2,892,918</u>	<u>\$ 3,814,130</u>	<u>\$ 921,212</u>
<u>EXPENDITURES:-</u>			
<u>Operations -</u>			
General Government	\$ 985,749	\$ 979,588	\$ 6,161
Public Safety - Police	1,209,392	1,120,480	88,912
Public Safety - Fire	282,910	333,843	(50,933)
Health and Human Services	57,101	68,549	(11,448)
<u>Public Works -</u>			
Maintenance and Sanitation	12,000	25,862	(13,862)
Highways and Streets	334,518	386,219	(51,701)
Culture and Recreation	14,000	42,987	(28,987)
Library	57,400	50,195	7,205
Intergovernmental Community	24,021	24,142	(121)
<u>Debt Service -</u>			
Interest and Fiscal Charges	200	228	(28)
	<u>\$ 2,977,291</u>	<u>\$ 3,032,093</u>	<u>\$ (54,802)</u>
<u>EXCESS REVENUES OVER (UNDER) EXPENDITURES:-</u>	<u>\$ (84,373)</u>	<u>\$ 782,037</u>	<u>\$ 866,410</u>
<u>OTHER FINANCING SOURCES (USES):-</u>			
Operating Transfers - In	350,000	280,250	(69,750)
Operating Transfers - Out	(270,627)	(350,049)	(79,422)
Sale of Land	5,000	-	(5,000)
	<u>\$ -</u>	<u>\$ 712,238</u>	<u>\$ 712,238</u>
<u>FUND BALANCE - BEGINNING OF YEAR:-</u>	<u>-</u>	<u>289,872</u>	<u>289,872</u>
<u>FUND BALANCE - END OF YEAR:-</u>	<u>\$ -</u>	<u>\$ 1,002,110</u>	<u>\$ 1,002,110</u>

NOTE: There were no budget transfers made during 2016.

CITY OF FARRELL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REVOLVING LOAN COMMUNITY DEVELOPMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016
(UNAUDITED)

	<u>BUDGETED</u> <u>AMOUNTS</u> <u>ORIGINAL</u> <u>AND FINAL</u>	<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE</u> <u>WITH FINAL</u> <u>BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
<u>REVENUES:-</u>			
Grants	\$ -	\$ 61,156	\$ 61,156
Investment Income	-	8,213	8,213
Loan Repayments	140,000	266,509	126,509
Other	-	164,441	164,441
	<hr/>	<hr/>	<hr/>
<u>TOTAL REVENUES:-</u>	<u>\$ 140,000</u>	<u>\$ 500,319</u>	<u>\$ 360,319</u>
<u>EXPENDITURES:-</u>			
<u>Operations -</u>			
Public Safety - Police	\$ -	\$ 171,004	\$ (171,004)
Consulting	45,000	53,397	(8,397)
Legal Fees	10,000	3,300	6,700
Supplies	12,500	962	11,538
Conference and Travel	5,000	545	4,455
Lot Maintenance	15,000	2,262	12,738
Government Building Upgrades	-	39,876	(39,876)
<u>Community Development -</u>			
Appraisals	15,000	-	15,000
Revolving Loan Issued	-	210,000	(210,000)
Marketing	15,000	15,412	(412)
Environmental	15,000	-	15,000
Bad Debt Expense	-	-	-
Other Expense	-	6,642	(6,642)
Library	-	66,936	(66,936)
	<hr/>	<hr/>	<hr/>
<u>TOTAL EXPENDITURES:-</u>	<u>\$ 132,500</u>	<u>\$ 570,336</u>	<u>\$ (437,836)</u>
<u>EXCESS OF REVENUES OVER (UNDER)</u> <u>EXPENDITURES:-</u>	<u>\$ 7,500</u>	<u>\$ (70,017)</u>	<u>\$ (77,517)</u>
<u>OTHER FINANCING SOURCES AND (USES):-</u>			
Transfers In	-	87,400	87,400
Transfers Out	(7,500)	(3,000)	4,500
	<hr/>	<hr/>	<hr/>
<u>NET CHANGE IN FUND BALANCE:-</u>	<u>\$ -</u>	<u>\$ 14,383</u>	<u>\$ 14,383</u>
<u>FUND BALANCE - BEGINNING OF YEAR:-</u>	<u>-</u>	<u>430,695</u>	<u>430,695</u>
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE - END OF YEAR:-</u>	<u>\$ -</u>	<u>\$ 445,078</u>	<u>\$ 445,078</u>
	<hr/>	<hr/>	<hr/>

NOTE: There were no budget transfers made during 2016.

SCHEDULE OF REVENUES - GENERAL FUND
BUDGET AND ACTUAL
FUND BASIS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

	2016		<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>	<u>2015</u> <u>ACTUAL</u>
	<u>BUDGET</u>	<u>ACTUAL</u>		
<u>OPERATING REVENUES:-</u>				
<u>REAL PROPERTY TAXES:-</u>				
Current Year's	\$ 1,000,000	\$ 971,152	\$ (28,848)	\$ 907,716
Prior Years'	100,000	119,079	19,079	117,876
<u>TOTAL REAL ESTATE TAXES:-</u>	<u>\$ 1,100,000</u>	<u>\$ 1,090,231</u>	<u>\$ (9,769)</u>	<u>\$ 1,025,592</u>
<u>LOCAL ENABLING TAXES:-</u>				
Real Estate Transfer Taxes	\$ 50,000	\$ 44,758	\$ (5,242)	\$ 59,268
Earned Income Taxes	1,250,000	2,040,438	790,438	1,277,937
Local Services Tax	90,000	94,564	4,564	95,879
<u>TOTAL OTHER LOCAL TAXES:-</u>	<u>\$ 1,390,000</u>	<u>\$ 2,179,760</u>	<u>\$ 789,760</u>	<u>\$ 1,433,084</u>
<u>BUSINESS LICENSES AND PERMITS:-</u>				
Beverage Licenses	\$ 1,800	\$ 2,000	\$ 200	\$ 2,400
Cable TV Permits	55,000	87,266	32,266	57,484
Rental Licenses	18,000	11,410	(6,590)	10,994
Other Licenses and Permits	15,000	29,874	14,874	19,620
Amusements	1,500	825	(675)	475
<u>TOTAL LICENSES AND PERMITS:-</u>	<u>\$ 91,300</u>	<u>\$ 131,375</u>	<u>\$ 40,075</u>	<u>\$ 90,973</u>
<u>INTERGOVERNMENTAL REVENUES:-</u>				
Public Utilities	\$ 2,500	\$ 10,417	\$ 7,917	\$ 2,640
Pension State Aid	75,000	73,997	(1,003)	183,917
Act 147	-	87,400	87,400	-
Library Grant	-	-	-	20,047
<u>TOTAL INTERGOVERNMENTAL REVENUES:-</u>	<u>\$ 77,500</u>	<u>\$ 171,814</u>	<u>\$ 94,314</u>	<u>\$ 206,604</u>
<u>INTEREST:-</u>				
Interest - Temporary Investments	\$ 500	\$ 336	\$ (164)	\$ 45
Interest - Suspense Account				
Investments	-	-	-	10
<u>TOTAL INTEREST:-</u>	<u>\$ 500</u>	<u>\$ 336</u>	<u>\$ (164)</u>	<u>\$ 55</u>
<u>CHARGES FOR SERVICES:-</u>				
Crossing Guards - School	\$ -	\$ -	\$ -	\$ 4,519
Real Estate Tax Office - County	27,000	25,285	(1,715)	25,952
Real Estate Tax Office - School	27,000	25,373	(1,627)	25,981
<u>TOTAL CHARGES FOR SERVICES:-</u>	<u>\$ 54,000</u>	<u>\$ 50,658</u>	<u>\$ (3,342)</u>	<u>\$ 56,452</u>

SCHEDULE OF REVENUES - GENERAL FUND
BUDGET AND ACTUAL
FUND BASIS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

	<u>2016</u>		<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>	<u>2015</u> <u>ACTUAL</u>
	<u>BUDGET</u>	<u>ACTUAL</u>		
<u>RENTS:-</u>				
Regional Police	\$ -	\$ (1,250)	\$ (1,250)	\$ 10,000
Regional Lock-Up	15,000	15,000	-	16,200
<u>TOTAL RENTS:-</u>	<u>\$ 15,000</u>	<u>\$ 13,750</u>	<u>\$ (1,250)</u>	<u>\$ 26,200</u>
<u>PAYMENTS IN LIEU OF TAXES AND CONTRIBUTIONS:-</u>				
Contributions and Donations	\$ 35,000	\$ 36,000	\$ 1,000	\$ 35,000
Payments in Lieu of Taxes	20,118	20,515	397	20,804
<u>TOTAL PAYMENTS IN LIEU OF TAXES AND CONTRIBUTIONS:-</u>	<u>\$ 55,118</u>	<u>\$ 56,515</u>	<u>\$ 1,397</u>	<u>\$ 55,804</u>
<u>FINES, FEES AND SPECIAL POLICE SERVICES:-</u>				
Fines	\$ 35,000	\$ 33,517	\$ (1,483)	\$ -
Parking Violations	2,500	550	(1,950)	-
Special Police Services	22,000	11,146	(10,854)	-
<u>TOTAL FINES, FEES AND SPECIAL POLICE SERVICES:-</u>	<u>\$ 59,500</u>	<u>\$ 45,213</u>	<u>\$ (14,287)</u>	<u>\$ -</u>
<u>OTHER REVENUES:-</u>				
Miscellaneous	\$ 50,000	\$ 74,478	\$ 24,478	\$ 42,741
<u>TOTAL OPERATING REVENUES:-</u>	<u>\$ 2,892,918</u>	<u>\$ 3,814,130</u>	<u>\$ 921,212</u>	<u>\$ 2,937,505</u>
<u>OTHER FINANCING SOURCES (USES):-</u>				
Transfers In	\$ 350,000	\$ 280,250	\$ (69,750)	\$ 372,477
Sale of Land	5,000	-	(5,000)	3,800
<u>TOTAL OTHER FINANCING SOURCES (USES):-</u>	<u>\$ 355,000</u>	<u>\$ 280,250</u>	<u>\$ (74,750)</u>	<u>\$ 376,277</u>
<u>TOTAL OPERATING REVENUES AND TRANSFERS:-</u>	<u>\$ 3,247,918</u>	<u>\$ 4,094,380</u>	<u>\$ 846,462</u>	<u>\$ 3,313,782</u>

CITY OF FARRELL
SCHEDULE OF CHANGES IN NET PENSION LIABILITY - NON-UNIFORM
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016
(UNAUDITED)

	MEASUREMENT YEAR ENDING	
	2015	2014
<u>TOTAL PENSION LIABILITY:-</u>		
Service Cost (Beginning of Year)	\$ 82,202	\$ 80,641
Interest (Including Interest on Service Costs)	174,963	182,704
Differences Between Expected and Actual Experience	-	(216,406)
Changes of Assumptions	18,338	-
Benefit Payments, Including Refunds of Employee Contributions	(180,859)	(197,443)
<u>NET CHANGE IN TOTAL PENSION LIABILITY:-</u>	\$ 94,644	\$ (150,504)
<u>TOTAL PENSION LIABILITY - BEGINNING:-</u>	3,188,154	3,338,658
<u>TOTAL PENSION LIABILITY - ENDING (a):-</u>	\$ 3,282,798	\$ 3,188,154
<u>PLAN FIDUCIARY NET POSITION:-</u>		
Contributions - Employer	\$ 86,306	\$ 56,677
Contributions - Employee	19,976	17,833
Contributions - PMRS Assessment	640	-
Net Investment Income	162,613	155,244
Market Value Investment Income	(133,745)	26,934
Benefit Payments, Including Refunds of Employee Contributions	(180,859)	(197,443)
Administrative Expense	(640)	(600)
Additional Administrative Expense	(6,779)	(5,954)
<u>NET CHANGE IN PLAN FIDUCIARY NET POSITION:-</u>	\$ (52,488)	\$ 52,691
<u>PLAN FIDUCIARY NET POSITION - BEGINNING:-</u>	2,990,747	2,938,056
<u>PLAN FIDUCIARY NET POSITION - ENDING (b):-</u>	\$ 2,938,259	\$ 2,990,747
<u>NET PENSION LIABILITY - ENDING (a)-(b):-</u>	\$ 344,539	\$ 197,407
<u>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY:-</u>	89.50%	93.81%
<u>COVERED EMPLOYEE PAYROLL:-</u>	\$ 655,737	\$ 676,635
<u>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL:-</u>	52.54%	29.17%

CITY OF FARRELL
SCHEDULE OF CHANGES IN NET PENSION LIABILITY - FIREFIGHTERS
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016
(UNAUDITED)

	MEASUREMENT YEAR ENDING	
	2015	2014
<u>TOTAL PENSION LIABILITY:-</u>		
Service Cost (Beginning of Year)	\$ 10,293	\$ 23,301
Interest (Includes Interest on Service Costs)	110,134	110,319
Changes of Benefit Terms	(529)	-
Differences Between Expected and Actual Experience	-	40,121
Changes of Assumptions	(22,300)	-
Benefit Payments, Including Refunds of Employee Contributions	(179,536)	(149,045)
<u>NET CHANGE IN TOTAL PENSION LIABILITY:-</u>	\$ (81,938)	\$ 24,696
<u>TOTAL PENSION LIABILITY - BEGINNING:-</u>	2,080,718	2,056,022
<u>TOTAL PENSION LIABILITY - ENDING (a):-</u>	\$ 1,998,780	\$ 2,080,718
<u>PLAN FIDUCIARY NET POSITION:-</u>		
Contributions - Employer	\$ 133,346	\$ 158,188
Contributions - Employee	2,350	5,035
Contributions - PMRS Assessment	260	-
Net Investment Income	46,827	50,597
Market Value Investment Income	(5,741)	102,414
Benefit Payments, Including Refunds of Employee Contributions	(179,536)	(149,045)
Administrative Expense	(260)	(260)
Additional Administrative Expense	(1,952)	(1,940)
<u>NET CHANGE IN PLAN FIDUCIARY NET POSITION:-</u>	\$ (4,706)	\$ 164,989
<u>PLAN FIDUCIARY NET POSITION - BEGINNING:-</u>	1,115,925	950,936
<u>PLAN FIDUCIARY NET POSITION - ENDING (b):-</u>	\$ 1,111,219	\$ 1,115,925
<u>NET PENSION LIABILITY - ENDING (a)-(b):-</u>	\$ 887,561	\$ 964,793
<u>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY:-</u>	55.59%	53.63%
<u>COVERED EMPLOYEE PAYROLL:-</u>	\$ 46,827	\$ 97,446
<u>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL:-</u>	1895.40%	990.08%

This schedule of required supplementary information will eventually build up to 10 years of information.

CITY OF FARRELL
SCHEDULE OF CHANGES IN NET PENSION LIABILITY - POLICE
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016
(UNAUDITED)

	MEASUREMENT YEAR ENDING	
	2015	2014
<u>TOTAL PENSION LIABILITY:-</u>		
Interest	\$ 39,422	\$ 36,942
Differences Between Expected and Actual Experience	-	90,733
Changes of Assumptions	12,320	-
Benefit Payments, Including Refunds of Employee Contributions	(82,580)	(82,580)
	(82,580)	(82,580)
<u>NET CHANGE IN TOTAL PENSION LIABILITY:-</u>	\$ (30,838)	\$ 45,095
<u>TOTAL PENSION LIABILITY - BEGINNING:-</u>	757,499	712,404
<u>TOTAL PENSION LIABILITY - ENDING (a):-</u>	\$ 726,661	\$ 757,499
<u>PLAN FIDUCIARY NET POSITION:-</u>		
Contributions - Employer	\$ 54,212	\$ 62,075
Contributions - PMRS Assessment	120	-
Net Investment Income	21,889	19,238
Market Value Investment Income	(1,132)	59,245
Benefit Payments, Including Refunds of Employee Contributions	(82,580)	(82,580)
Administrative Expense	(120)	(120)
Additional Administrative Expense	(913)	(738)
	(913)	(738)
<u>NET CHANGE IN PLAN FIDUCIARY NET POSITION:-</u>	\$ (8,524)	\$ 57,120
<u>PLAN FIDUCIARY NET POSITION - BEGINNING:-</u>	428,799	371,679
<u>PLAN FIDUCIARY NET POSITION - ENDING (b):-</u>	\$ 420,275	\$ 428,799
<u>NET PENSION LIABILITY - ENDING (a)-(b):-</u>	\$ 306,386	\$ 328,700
<u>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY:-</u>	57.84%	56.61%
<u>COVERED EMPLOYEE PAYROLL:-</u>	\$ -	\$ -
<u>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL:-</u>	N/A	N/A

This schedule of required supplementary information will eventually build up to 10 years of information.

CITY OF FARRELL
SCHEDULES OF EMPLOYER CONTRIBUTIONS - NON-UNIFORM
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016
(UNAUDITED)

	<u>2015</u>	<u>2014</u>
<u>ACTUARIALLY DETERMINED CONTRIBUTION:-</u>	\$ 86,946	\$ 56,657
<u>CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION:-</u>	86,946	56,677
<u>CONTRIBUTION DEFICIENCY (EXCESS):-</u>	\$ -	\$ (20)
<u>COVERED EMPLOYEE PAYROLL:-</u>	\$ 665,737	\$ 676,635
<u>CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL:-</u>	13.06%	8.38%

This schedule of required supplementary information will eventually build up to 10 years of information.

Notes to Schedule

Valuation Date: Actuarially determined contributions rates are calculated as of January 1 for the odd valuation year at least two (2) years prior to the end of the fiscal year in which the contributions were reported. Therefore, the Actuarially Determined Contribution for calendar year 2015 is based upon the January 1, 2013 actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Entry Age

Amortization Period: Level Dollar Based upon the Amortization Periods in Act 205

Asset Valuation Method: Based upon the Municipal Reserves

Discount Rate: 5.50%

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: Male - RP 2000 with 1 Year Set-Back; Females - RP 2000 with Five (5) Year Set-Back

Post-Retirement Mortality: Sex Distinct RP-2000 Combined Healthy Mortality

CITY OF FARRELL
SCHEDULES OF EMPLOYER CONTRIBUTIONS - FIREFIGHTERS
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016
(UNAUDITED)

	<u>2015</u>	<u>2014</u>
<u>ACTUARIALLY DETERMINED CONTRIBUTION:-</u>	\$ 133,345	\$ 158,188
<u>CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION:-</u>	133,606	158,188
<u>CONTRIBUTION DEFICIENCY (EXCESS):-</u>	\$ (261)	\$ -
<u>COVERED-EMPLOYEE PAYROLL:-</u>	\$ 46,827	\$ 97,446
<u>CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL:-</u>	285.32%	162.33%

This schedule of required supplementary information will eventually build up to 10 years of information.

Notes to Schedule

Valuation Date: Actuarially determined contributions rates are calculated as of January 1 for the odd valuation year at least two (2) years prior to the end of the fiscal year in which the contributions were reported. Therefore, the Actuarially Determined Contribution for calendar year 2015 is based upon the January 1, 2013 actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Entry Age

Amortization Period: Level Dollar Based upon the Amortization Periods in Act 205

Asset Valuation Method: Based upon the Municipal Reserves

Discount Rate: 5.50%

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: Male - RP 2000 with 1 Year Set-Back; Females - RP 2000 with Five (5) Year Set-Back

Post-Retirement Mortality: Sex Distinct RP-2000 Combined Healthy Mortality

CITY OF FARRELL
SCHEDULES OF EMPLOYER CONTRIBUTIONS - POLICE
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016
(UNAUDITED)

	<u>2015</u>	<u>2014</u>
<u>ACTUARIALLY DETERMINED CONTRIBUTION:-</u>	\$ 49,083	\$ 53,254
<u>CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION:-</u>	54,332	62,075
<u>CONTRIBUTION DEFICIENCY (EXCESS):-</u>	\$ (5,249)	\$ (8,821)
<u>COVERED-EMPLOYEE PAYROLL:-</u>	\$ -	\$ -
<u>CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL:-</u>	N/A	N/A

This schedule of required supplementary information will eventually build up to 10 years of information.

Notes to Schedule

Valuation Date: Actuarially determined contributions rates are calculated as of January 1 for the odd valuation year at least two (2) years prior to the end of the fiscal year in which the contributions were reported. Therefore, the Actuarially Determined Contribution for calendar year 2015 is based upon the January 1, 2013 actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Entry Age

Amortization Period: Level Dollar Based upon the Amortization Periods in Act 205

Asset Valuation Method: Based upon the Municipal Reserves

Discount Rate: 5.50%

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: Male - RP 2000 with 1 Year Set-Back; Females - RP 2000 with Five (5) Year Set-Back

Post-Retirement Mortality: Sex Distinct RP-2000 Combined Healthy Mortality

CITY OF FARRELL
SCHEDULE OF FUNDING PROGRESS FOR
OTHER POST-EMPLOYMENT BENEFITS PLAN
REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016

(UNAUDITED)

SCHEDULE OF FUNDING PROGRESS -

<u>ACTUARIAL</u> <u>VALUATION</u> <u>DATE</u>	<u>ACTUARIAL</u> <u>VALUE OF</u> <u>ASSETS (a)</u>	<u>ACTUARIAL</u> <u>ACCRUED</u> <u>LIABILITY</u> <u>(AAL)</u> <u>PROJECTED</u> <u>UNIT</u> <u>CREDIT (b)</u>	<u>UNFUNDED</u> <u>AAL</u> <u>(UAAL)</u> <u>(b - a)</u>	<u>FUNDED</u> <u>RATIO</u> <u>(a ÷ b)</u>	<u>COVERED</u> <u>PAYROLL (c)</u>	<u>UAAL</u> <u>AS A</u> <u>PERCENTAGE</u> <u>OF COVERED</u> <u>PAYROLL</u> <u>[(b - a) ÷ c]</u>
01/01/08	\$ 0	\$ 1,387,855	\$ 1,387,855	0.0%	Not Provided	N/A
01/01/11	0	1,297,146	1,297,146	0.0%	Not Provided	N/A
01/01/14	0	851,155	851,155	0.0%	Not Provided	N/A

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

DECEMBER 31, 2016

	<u>LIBRARY ACCOUNT</u>	<u>SPECIAL HIGHWAY</u>	<u>FARRELL RECREATION COMMISSION</u>	<u>HOME FACADE</u>	<u>STREET IMPROVEMENT</u>	<u>REVOLVING LOAN REHABILITATION</u>	<u>GASOLINE ACCOUNT</u>	<u>DCNR GRANT</u>	<u>REDEVELOPMENT AUTHORITY - LITTLE LEAGUE</u>	<u>TOTAL</u>
ASSETS:-										
Cash and Cash Equivalents	\$ 263	\$ 4,921	\$ 11,744	\$ 579	\$ -	\$ 5,999	\$ 37,232	\$ 90	\$ 6,039	\$ 66,867
Service Charges Receivables	-	-	-	-	-	-	3,201	-	-	3,201
Notes Receivable	-	-	-	-	3,152	2,765	-	-	4,943	10,860
Due from Other Funds	-	26,090	-	-	-	-	-	-	-	26,090
TOTAL ASSETS:-	\$ 263	\$ 31,011	\$ 11,744	\$ 579	\$ 3,152	\$ 8,764	\$ 40,433	\$ 90	\$ 10,982	\$ 107,018
LIABILITIES:-										
Accounts Payable	\$ -	\$ 272	\$ 547	\$ -	\$ -	\$ -	\$ 4,401	\$ -	\$ 221,870	\$ 227,090
Due to Other Funds	-	-	-	-	-	-	-	-	520,000	520,000
TOTAL LIABILITIES:-	\$ -	\$ 272	\$ 547	\$ -	\$ -	\$ -	\$ 4,401	\$ -	\$ 741,870	\$ 747,090
DEFERRED INFLOWS OF RESOURCES:-										
Unrecognized Revenue from Notes Receivable	\$ -	\$ -	\$ -	\$ -	\$ 3,152	\$ 2,765	\$ -	\$ -	\$ 4,942	\$ 10,859
FUND BALANCE (DEFICIT):-	\$ 263	\$ 30,739	\$ 11,197	\$ 579	\$ -	\$ 5,999	\$ 36,032	\$ 90	\$ (735,830)	\$ (650,931)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:-	\$ 263	\$ 31,011	\$ 11,744	\$ 579	\$ 3,152	\$ 8,764	\$ 40,433	\$ 90	\$ 10,982	\$ 107,018

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES (DEFICITS)

ALL NON-MAJOR FUNDS

YEAR ENDED DECEMBER 31, 2016

	<u>LIBRARY ACCOUNT</u>	<u>SPECIAL HIGHWAY</u>	<u>FARRELL RECREATION COMMISSION</u>	<u>HOME FACADE</u>	<u>REVOLVING LOAN REHABILITATION</u>	<u>GASOLINE ACCOUNT</u>	<u>DCNR GRANT</u>	<u>REDEVELOPMENT AUTHORITY - LITTLE LEAGUE</u>	<u>TOTAL</u>
REVENUES:-									
Grants	\$ 20,408	\$ 186,020	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 206,429
Contributions	1,952	-	20,765	-	-	-	-	170	22,887
Interest	-	136	-	-	-	-	-	-	136
Charges for Services	417	-	-	-	-	43,967	-	1	44,385
Other Revenues	-	-	-	-	-	-	-	1,499	1,499
TOTAL REVENUES:-	\$ 22,777	\$ 186,156	\$ 20,765	\$ 1	\$ -	\$ 43,967	\$ 0	\$ 1,670	\$ 275,336
EXPENDITURES:-									
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,289	\$ 10	\$ -	\$ 42,299
Culture and Recreation	-	-	19,312	-	-	-	-	-	19,312
Library	25,837	-	-	-	-	-	-	-	25,837
Highways and Streets	-	228,931	-	-	-	-	-	-	228,931
Community Development	-	-	-	-	-	-	-	426,116	426,116
Other	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES:-	\$ 25,837	\$ 228,931	\$ 19,312	\$ -	\$ -	\$ 42,289	\$ 10	\$ 426,116	\$ 742,495
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:-	\$ (3,060)	\$ (42,775)	\$ 1,453	\$ 1	\$ -	\$ 1,678	\$ (10)	\$ (424,446)	\$ (467,159)
OTHER FINANCING SOURCES (USES):-									
Operating Transfer - Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NET CHANGE IN FUND BALANCES:-	\$ (3,060)	\$ (42,775)	\$ 1,453	\$ 1	\$ -	\$ 1,678	\$ (10)	\$ (424,446)	\$ (467,159)
FUND BALANCES - BEGINNING OF YEAR:-	3,323	73,514	9,744	578	5,999	34,354	100	(311,384)	(183,772)
FUND BALANCES (DEFICIT) - END OF YEAR:-	\$ 263	\$ 30,739	\$ 11,197	\$ 579	\$ 5,999	\$ 36,032	\$ 90	\$ (735,830)	\$ (650,931)

COMBINING SCHEDULE OF AGENCY FUNDSDECEMBER 31, 2016

	<u>COUNTY</u> <u>TAX</u> <u>ESCROW</u>	<u>EARNED</u> <u>INCOME</u> <u>TAX</u>	<u>REAL ESTATE</u> <u>TAX</u>	<u>TOTAL</u>
<u>ASSETS:-</u>				
Cash and Cash Equivalents	\$ 4,723	\$ 6,147	\$ 100	\$ 10,970
<u>LIABILITIES:-</u>				
Due to Other Governmental Entities	\$ 4,723	\$ 6,147	\$ 100	\$ 10,970
<u>NET POSITION:-</u>	\$ -	\$ -	\$ -	\$ -
<u>TOTAL LIABILITIES AND NET</u> <u>POSITION:-</u>	\$ 4,723	\$ 6,147	\$ 100	\$ 10,970

STATEMENT OF NET POSITION

PRIVATE PURPOSE TRUST FUNDS

DECEMBER 31, 2016

	<u>CENTENNIAL</u> <u>FUND</u>	<u>JUNETEENTH</u>	<u>FIRE ESCROW</u>	<u>STORM WATER</u> <u>MANAGEMENT</u> <u>ESCROW</u>	<u>TOTAL</u>
<u>ASSETS:-</u>					
Cash and Cash Equivalents	\$ 23	\$ 46	\$ 200	\$ 2,218	\$ 2,487
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>LIABILITIES:-</u>	\$ -	\$ -	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>NET POSITION:-</u>					
Held for Future Expenditures	\$ 23	\$ 46	\$ 200	\$ 2,218	\$ 2,487
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL LIABILITIES</u> <u>AND NET POSITION:-</u>	<u>\$ 23</u>	<u>\$ 46</u>	<u>\$ 200</u>	<u>\$ 2,218</u>	<u>\$ 2,487</u>

STATEMENT OF CHANGES IN NET POSITION

PRIVATE PURPOSE TRUST FUNDS

YEAR ENDED DECEMBER 31, 2016

	<u>CENTENNIAL FUND</u>	<u>JUNETEENTH</u>	<u>FIRE ESCROW</u>	<u>STORM WATER MANAGEMENT ESCROW</u>	<u>TOTAL</u>
<u>ADDITIONS:-</u>					
<u>SUPPORT -</u>					
Contributions and Donations	\$ 4,233	\$ 6,600	\$ -	\$ -	\$ 10,833
<u>REVENUES:-</u>					
<u>LOCAL SOURCES -</u>					
Other	-	-	19,973	-	19,973
<u>TOTAL SUPPORT AND REVENUES:-</u>	<u>\$ 4,233</u>	<u>\$ 6,600</u>	<u>\$ 19,973</u>	<u>\$ -</u>	<u>\$ 30,806</u>
<u>DEDUCTIONS:-</u>					
Culture and Recreation Activities	\$ 16,218	\$ 10,074	\$ -	\$ -	\$ 26,292
Other	-	-	19,973	851	20,824
<u>TOTAL DEDUCTIONS:-</u>	<u>\$ 16,218</u>	<u>\$ 10,074</u>	<u>\$ 19,973</u>	<u>\$ 851</u>	<u>\$ 47,116</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:-</u>	<u>\$ (11,985)</u>	<u>\$ (3,474)</u>	<u>\$ -</u>	<u>\$ (851)</u>	<u>\$ (16,310)</u>
<u>OTHER FINANCING SOURCES (USES):-</u>					
Operating Transfer - In	\$ 15,000	\$ 3,000	\$ -	\$ -	\$ 18,000
Operating Transfer - Out	(3,000)	-	-	-	(3,000)
<u>NET CHANGE IN FUND BALANCES:-</u>	<u>\$ 15</u>	<u>\$ (474)</u>	<u>\$ -</u>	<u>\$ (851)</u>	<u>\$ (1,310)</u>
<u>NET POSITION - BEGINNING OF YEAR:-</u>	<u>8</u>	<u>520</u>	<u>200</u>	<u>3,069</u>	<u>3,797</u>
<u>NET POSITION - END OF YEAR:-</u>	<u>\$ 23</u>	<u>\$ 46</u>	<u>\$ 200</u>	<u>\$ 2,218</u>	<u>\$ 2,487</u>