

**CITY OF TITUSVILLE, PENNSYLVANIA**

**AUDIT REPORT**

**DECEMBER 31, 2015**

# CITY OF TITUSVILLE, PENNSYLVANIA

## Table of Contents

For the Year Ended December 31, 2015

	<u>Page</u>
<b>Independent Auditors' Report</b>	5-7
<b>Management's Discussion and Analysis</b>	8-15
<b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position	17
Statement of Activities	18-19
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds	20
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	23
Statement of Net Position - Proprietary Funds	24
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	26-27
Statement of Fiduciary Net Position - Fiduciary Funds - Trust and Agency	28
Statement of Changes in Fiduciary Net Position - Fiduciary Funds - Trust and Agency	29
<b>Notes to Financial Statements</b>	
<b>Required Supplementary Information</b>	30-56
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	58
Schedule of Changes in the City's Net Pension Liability and Related Ratios	59-60
Schedule of Contributions	61-62
Schedule of Funding Progress	63
Schedule of Investment Returns	63
Post-employment Benefits Other Than Pension Benefits - Schedule of Funding Progress	64
Combining Balance Sheet – Non-Major Funds	65
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Funds	66
Combining Schedule of Fiduciary Net Position – Fiduciary Funds - Trust and Agency	67
Combining Schedule of Changes in Fiduciary Net Position - Fiduciary Funds – Trust and Agency	68
<b>Single Audit Compliance Schedules</b>	
Independent Auditors' Reports	69-73

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Table of Contents**  
**For the Year Ended December 31, 2015 (Continued)**

	<u>Page</u>
Schedule of Expenditures of Federal Awards	74
Schedule of Expenditures of Federal Awards Footnotes and Other Information	75
Schedule of Findings and Questioned Costs	76
Summary Schedule of Prior Audit Findings	77
Corrective Action Plan	78
List of Report Distribution	79

**This Page Intentionally Left Blank**



---

FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

---

### **Independent Auditors' Report**

Honorable Mayor and Members of Council  
City of Titusville, 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 Titusville, Pennsylvania as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

**Independent Auditors' Report**  
**(Continued)**

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 Titusville, Pennsylvania as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules as noted in the table of contents 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.

**Independent Auditors' Report**  
**(Continued)**

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Titusville, Pennsylvania's basic financial statements. The combining schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principle, and Audit Requirements of Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules and the schedules of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2016 on our consideration of the City of Titusville, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Titusville, Pennsylvania's internal control over financial reporting and compliance.

*Felix and Gloekler, P.C.*

Felix and Gloekler, P.C.

April 4, 2016  
Erie, Pennsylvania

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Management's Discussion & Analysis**  
**For the Year Ended December 31, 2015**

This discussion and analysis of the City of Titusville's financial performance provides an overview of the City's financial activities for the year ended December 31, 2015 and is intended to serve as an introduction to the City's basic financial statements. Readers are encouraged to consider this information in conjunction with the City's financial statements and the accompanying notes to those financial statements.

**FINANCIAL HIGHLIGHTS**

- The City's net position increased as a result of operations in 2015. In governmental and business-type activities the assets and deferred outflows of the City exceeded liabilities and deferred inflows resulting in total net position at the close of the fiscal year of \$7,723,554. This represents an increase of 76% over last fiscal year's net position of \$4,384,935.
- As of the end of the year, the City's governmental funds reported combined ending fund balances of \$1,208,735 or a 2% increase when compared to 2014.
- In the City's business-type activities, operating revenues increased by 2%, while operating expenses decreased by 8% compared to 2014. Revenues include grant funds for the waste water treatment plant project.

**THE FINANCIAL STATEMENTS**

This annual report is represented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. The government-wide financial statements have been prepared using the accrual basis of accounting; whereas, the fund financial statements have been prepared using the modified accrual basis of accounting.

The *government-wide financial statements* present the financial picture of the City from the economic resources measurement focus. They present governmental activities and business-type activities separately. These statements include all assets and (including capital assets) and deferred outflows of the City as well as all liabilities (including long-term debt) and deferred inflows. Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The *fund financial statements* include statements for each of the three categories—governmental, proprietary and fiduciary. The governmental funds are prepared using the modified accrual basis of accounting. The proprietary and fiduciary funds are prepared using the accrual basis of accounting. Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach prescribed by GASB No. 34.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### **Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities provide information about City government-wide and business-type activities and present a longer-term view of the City’s finances. These two statements report the City’s net position and changes in them. Net position is the difference between assets and deferred outflows and liabilities and deferred inflows, which is one way to measure the City’s financial health, or financial position. Over time, increases or decreases in the City’s net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position (Balance Sheet) and the Statement of Activities (Operating/Income Statement), the City’s activities are separated as follows:

#### *Government Activities*

Most of the City’s basic services are reported in this category, including General Government, Public Safety, Public Works, Human Services, and Culture and Recreation. Property and earned income taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

#### *Business-Type Activities*

The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City’s refuse, water and sewer activities are reported in this category.

### **Fund Financial Statements**

The fund financial statements provide detailed information about all the funds – not the City as a whole. Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant (“major”) funds. The City’s fund financial statements are divided into three categories: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

### Governmental Funds

Governmental fund financial statements consist of a balance sheet, and a statement of revenues, expenditures and changes in fund balances. These statements are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a short period after the end of the fiscal year. The difference between fund's total assets and total liabilities is labeled as the fund balance and generally indicates the amount that can be used to finance the next year's activities. The statement of revenues, expenditures and changes in fund balances for governmental funds reports only those revenues and expenditures that were collected or paid during the current period and very shortly after the end of the year.

For the most part, the balances and activities accounted for in the governmental funds are also reported in the governmental activities columns of the government-wide financial statements. However, because of the difference in accounting basis used to prepare fund financial statements and government-wide financial statements, there are often significant differences between the totals presented. For this reason, there is an analysis after the balance sheet that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis after the statement of revenues, expenditures and changes in fund balance that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

### Proprietary Funds

Proprietary fund financial statements consist of a statement of net position, statement of revenues, expenses and change in fund net position and a statement of cash flows. These statements are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. Proprietary funds include the City's Enterprise Funds.

*Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and refuse.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the major enterprise funds, which are water, sewer and refuse. All internal service funds are considered to be non-major funds and are presented with the proprietary fund financial statements.

### Fiduciary Funds

Fiduciary fund financial statements consist of a statement of fiduciary net position and a statement of changes in fiduciary net position. Assets held by the City for other parties, either as a trust or as an agent, and that cannot be used to finance the City's own operating expenses are reported in the fiduciary funds. The City is the trustee, or fiduciary, for three retirement funds of its various employee units.

### **Notes to the Financial Statements**

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

### **Basis of Accounting**

The City has elected to present its government-wide financial statements on the accrual basis of accounting and its fund financial statements on the modified accrual basis of accounting. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of the related cash flows.

**THE CITY AS A WHOLE - Government-Wide Financial Analysis**

**City of Titusville, Pennsylvania  
Summary of Net Position at December 31, 2015**

	<i>Governmental Activities</i>			<i>Business-type Activities</i>			<i>Total</i>			<i>Total % Change</i>	<i>Total % Change</i>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>13-14</u>	<u>14-15</u>
<b>Assets</b>											
Current and other assets	1,504,414	1,424,794	1,490,676	3,992,059	4,775,092	2,332,269	5,496,473	6,199,886	3,822,945		
Capital assets, (net of depreciation)	2,055,061	1,894,443	1,811,007	4,208,084	9,192,243	11,269,024	6,263,145	11,086,686	13,080,031		
<b>Total Assets</b>	<u>3,559,475</u>	<u>3,319,237</u>	<u>3,301,683</u>	<u>8,200,143</u>	<u>13,967,335</u>	<u>13,601,293</u>	<u>11,759,618</u>	<u>17,286,572</u>	<u>16,902,976</u>	30.4%	-2.1%
Deferred Outflow Deferred Outflow - Pensions	-	44,712	424,621	-	-	-	-	44,712	424,621		
<b>Liabilities</b>											
Current and other liabilities	42,369	68,687	76,262	318,175	291,379	294,621	360,544	360,066	370,883		
Net Pension Liability	-	4,701,450	4,405,574	-	-	-	-	4,701,450	4,405,574		
Long-term debt outstanding	1,333,251	1,483,535	1,583,346	3,766,467	6,386,298	3,229,240	5,099,718	7,869,833	4,812,586		
<b>Total Liabilities</b>	<u>1,375,620</u>	<u>6,253,672</u>	<u>6,065,182</u>	<u>4,084,442</u>	<u>6,677,677</u>	<u>3,523,861</u>	<u>5,460,062</u>	<u>12,931,349</u>	<u>9,589,043</u>	43.1%	14.2%
Deferred Inflows of Resources	-	-	-	-	15,000	15,000	15,000	15,000	15,000		
<b>Net Position</b>											
Net Investment in capital assets	2,055,061	1,894,443	1,811,007	195,137	2,561,705	7,787,540	2,250,198	4,456,148	9,598,547		
Restricted	17,444	8,150	331	-	-	-	17,444	8,150	331		
Unrestricted	111,350	(4,792,316)	(4,150,216)	3,905,564	4,712,953	2,274,892	4,016,914	(79,363)	(1,875,324)		
<b>Total Net</b>											
<b>Total Net Position, Restated</b>	<u>2,183,855</u>	<u>(2,889,723)</u>	<u>(2,338,878)</u>	<u>4,100,701</u>	<u>7,274,658</u>	<u>10,062,432</u>	<u>6,284,556</u>	<u>4,384,935</u>	<u>7,738,554</u>	18.6%	-16.6%
Total Liabilities, Deferred Inflows of Resources, & Net Position	<u>3,559,475</u>	<u>3,363,949</u>	<u>3,726,304</u>	<u>8,200,143</u>	<u>13,967,335</u>	<u>13,601,293</u>	<u>11,759,618</u>	<u>17,331,284</u>	<u>17,327,597</u>	32.1%	40.0%

The City's net position reflects on investment in capital assets (e.g. land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Typically, unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

## City of Titusville, Pennsylvania Statement of Activities

Revenues	Governmental Activities			Business-Type Activities			Total		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
<i>Program Revenues</i>									
Charges for Services	\$126,964	\$115,091	\$117,959	\$3,128,947	\$3,190,053	\$3,192,899	\$3,255,911	\$3,305,144	3,310,858
Operating Grant									
and contributions	258,722	233,816	221,586	-	-		258,722	233,816	221,586
Capital Grants									
and contributions	472,287	464,800	464,637	-	2,034,403	2,136,279	472,287	2,499,203	2,600,916
<i>General Revenues</i>									
Taxes	2,358,412	2,429,030	2,647,913	-	-		2,358,412	2,429,030	2,647,913
Licenses and permits	75,394	100,341	107,020	-	-		75,394	100,341	107,020
Fines and forfeits	38,294	39,982	37,506	-	-		38,294	39,982	37,506
Interest earnings	4,451	4,226	4,095	5,737	6,712	5,093	10,188	10,938	9,188
Miscellaneous	56,060	23,770	96,979	120,583	-		176,643	23,770	96,979
Sale of Fixed Assets	14,563	30,778	7,279			4,000	14,563	30,778	11,279
Transfers	994,757	411,039	697,815	(994,757)	(411,039)	(697,815)	-	-	-
<b>TOTAL REVENUES</b>	<b>\$4,399,904</b>	<b>\$3,852,873</b>	<b>\$4,402,789</b>	<b>\$2,260,510</b>	<b>\$4,820,129</b>	<b>\$4,640,456</b>	<b>\$6,660,414</b>	<b>\$8,673,002</b>	<b>9,043,245</b>
<b>Expenses</b>									
General Government	\$1,035,143	\$1,113,014	\$1,157,189				\$1,035,143	\$1,113,014	1,157,189
Public Safety	1,758,163	1,993,896	1,496,207				1,758,163	1,993,896	1,496,207
Public Works	1,045,077	1,005,856	1,053,761				1,045,077	1,005,856	1,053,761
Culture and Recreation	81,719	149,001	144,787				81,719	149,001	144,787
Water, Sewer, and Refuse Facilities	-	-	-	1,589,744	1,682,914	1,852,682	1,589,744	1,682,914	1,852,682
<b>TOTAL EXPENSES</b>	<b>\$3,920,102</b>	<b>\$4,261,767</b>	<b>\$3,851,944</b>	<b>\$1,589,744</b>	<b>\$1,682,914</b>	<b>\$1,852,682</b>	<b>\$5,509,846</b>	<b>\$5,944,681</b>	<b>5,704,626</b>
Change in Net Position	479,802	(408,894)	550,845	670,766	3,137,215	2,787,774	1,150,568	2,728,321	3,338,619

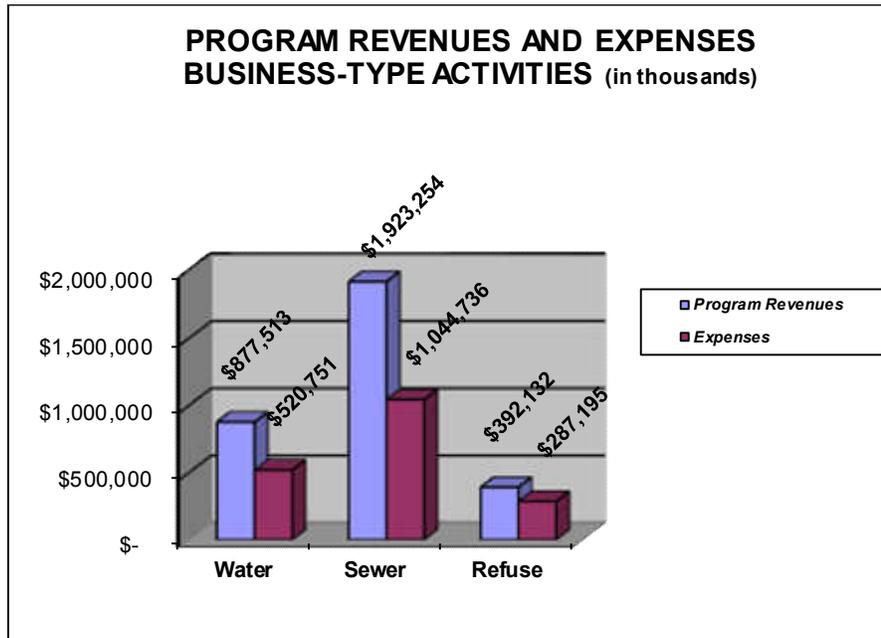
The City's governmental activities relied heavily upon tax revenue 60% in 2015 to fund operation. Primary government activities totaled \$4,402,789 for the year ended December 31, 2015. The following chart illustrates the composition of revenues for the City's governmental activities:

## REVENUES BY SOURCE BUSINESS-TYPE ACTIVITIES



### Business-Type Activities

Business-Type activities (Water, Sewer, Refuse) increased the City's net position by \$2,787,774, accounting for the majority of growth in the City's total net assets. The following chart compares program revenues and expenses for the City's business-type activities.



## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Fund

The City's net investment in capital assets for its governmental and business type activities as of December 31, 2015, amounts to \$5,483,267. This investment in capital assets includes land, buildings and building improvements, equipment and systems, and construction in progress.

	<u>Governmental Activities</u>			<u>Proprietary Funds</u>			<u>Total</u>		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
Land	\$170,813	\$170,813	\$170,813	\$32,245	\$32,245	\$32,245	\$203,058	\$203,058	\$203,058
Construction in Progress	\$0	\$0	\$0	\$288,827	\$5,151,867	\$7,393,706	\$288,827	\$5,151,867	\$7,393,706
	<u>\$170,813</u>	<u>\$170,813</u>	<u>\$170,813</u>	<u>\$321,072</u>	<u>\$5,184,112</u>	<u>\$7,425,951</u>	<u>\$491,885</u>	<u>\$5,354,925</u>	<u>\$7,596,764</u>
Buildings/Improvements	\$4,968,670	\$4,968,670	\$4,968,670	\$6,882,079	\$6,882,079	\$6,882,079	\$11,850,749	\$11,850,749	\$11,850,749
Equipment and Systems	\$29,419,999	\$2,990,541	\$3,129,224	\$6,088,712	\$6,200,683	\$6,281,601	\$9,030,711	\$9,191,224	\$9,410,825
	<u>\$34,388,669</u>	<u>\$7,959,211</u>	<u>\$8,097,894</u>	<u>\$12,970,791</u>	<u>\$13,082,762</u>	<u>\$13,163,680</u>	<u>\$20,881,460</u>	<u>\$21,041,973</u>	<u>\$21,261,574</u>
Less Accum. Depreciation	(\$6,026,421)	(\$6,235,581)	(\$6,457,700)	(\$9,083,779)	(\$9,074,631)	(\$9,320,607)	(\$15,110,200)	(\$15,310,212)	(\$15,778,307)
Total Depreciated Capital Assets	\$28,362,248	\$1,723,630	\$1,640,194	\$3,887,012	\$4,008,131	\$3,843,073	\$5,771,260	\$5,731,761	\$5,483,267

## ECONOMIC FACTORS AND FUTURE YEAR BUDGETS

The 2015 annual operating budget and Capital Plan spending strategies reflected management's commitment to provide essential services to our residents while preserving our City's long-term financial viability. The General Fund property tax millage was increased by 4 mills for 2015. The FY 2015 Budgets look at Phase IIIB, major Capital Improvements for the Wastewater Treatment Plant.

The City of Titusville will enter another tough budget year in 2016 even though Fire and Police Pension Minimum Municipal Obligation (MMO) costs will see a decrease due to the actuarial reports being calculated on the market value of assets. The City's 2015 Pension obligations were \$248,835 for Fire and \$455,663 for Police. The 2016 obligations are \$183,259 for Fire and \$350,894 for Police.

We will continue to spend conservatively, aware that the retirement system, health insurance, and general operating costs will continue to rise.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors 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 any questions about this report or need additional financial information, contact the City of Titusville Finance Director, 107 N. Franklin Street, Titusville, Pennsylvania 16354, via email at [admins@cityoftitusvillepa.gov](mailto:admins@cityoftitusvillepa.gov) or by phone at 814-827-5300 Extension 303.

**This Page Intentionally Left Blank**

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Statement of Net Position**  
**December 31, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 1,136,647	\$ 2,168,007	\$ 3,304,654
Accounts receivable			
Taxes, net of allowance for doubtful accounts	324,420	-	324,420
City services	-	166,808	166,808
Other	25,684	1,379	27,063
Internal balances	3,925	(3,925)	-
<b>Total Current Assets</b>	<u>1,490,676</u>	<u>2,332,269</u>	<u>3,822,945</u>
<b>Noncurrent Assets</b>			
Land	170,813	32,245	203,058
Construction in progress	-	7,393,706	7,393,706
Capital assets, net	1,640,194	3,843,073	5,483,267
<b>Total Non-Current Assets</b>	<u>1,811,007</u>	<u>11,269,024</u>	<u>13,080,031</u>
<b>Total Assets</b>	<u>3,301,683</u>	<u>13,601,293</u>	<u>16,902,976</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows-pensions	424,621	-	424,621
<b>Total Assets and Deferred Outflows     of Resources</b>	<u>\$ 3,726,304</u>	<u>\$ 13,601,293</u>	<u>\$ 17,327,597</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Vouchers payable and other current liabilities	\$ 59,244	\$ 19,413	\$ 78,657
Accrued compensated absences	17,018	5,484	22,502
Notes payable	-	269,724	269,724
<b>Total Current Liabilities</b>	<u>76,262</u>	<u>294,621</u>	<u>370,883</u>
<b>Non-Current Liabilities</b>			
Accrued compensated absences	323,346	17,480	340,826
OPEB obligation	1,260,000	-	1,260,000
Notes payable	-	3,211,760	3,211,760
Net pension liability	4,405,574	-	4,405,574
<b>Total Non-Current Liabilities</b>	<u>5,988,920</u>	<u>3,229,240</u>	<u>9,218,160</u>
<b>Total Liabilities</b>	<u>6,065,182</u>	<u>3,523,861</u>	<u>9,589,043</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - water usage	-	15,000	15,000
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>15,000</u>	<u>15,000</u>
<b>Net Position</b>			
Net investment in capital assets	1,811,007	7,787,540	9,598,547
Restricted for:			
Shade Tree	331	-	331
Unrestricted (Deficit)	(4,150,216)	2,274,892	(1,875,324)
<b>Total Net Position</b>	<u>(2,338,878)</u>	<u>10,062,432</u>	<u>7,723,554</u>
<b>Total Liabilities, Deferred Inflows of     Resources, and Net Position</b>	<u>\$ 3,726,304</u>	<u>\$ 13,601,293</u>	<u>\$ 17,327,597</u>

See accompanying notes to financial statements.

# CITY OF TITUSVILLE, PENNSYLVANIA

## Statement of Activities

For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 1,157,189	\$ 73,772	\$ 221,586	\$ 288,311
Public safety	1,496,207	6,964	-	-
Public works	1,053,761	37,203	-	164,534
Culture and recreation	144,787	20	-	11,792
Total Governmental Activities	3,851,944	117,959	221,586	464,637
Business-type activities				
Water fund	520,751	877,513	-	-
Sewer fund	1,044,736	1,923,254	-	2,136,279
Refuse fund	287,195	392,132	-	-
Total Business-Type Activities	1,852,682	3,192,899	-	2,136,279
Total Primary Government	\$ 5,704,626	\$ 3,310,858	\$ 221,586	\$ 2,600,916

General revenues

- Taxes
- Licenses and permits
- Fines and forfeitures
- Interest earnings
- Other revenues
- Sale of fixed assets
- Transfers

Total General Revenues and Transfers

Change in Net Position

Net position

Beginning of Year, restated

End of Year

See accompanying notes to financial statements.  
Schedule continued on next page.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (573,520)	\$ -	\$ (573,520)
(1,489,243)	-	(1,489,243)
(852,024)	-	(852,024)
(132,975)	-	(132,975)
<u>(3,047,762)</u>	<u>-</u>	<u>(3,047,762)</u>
-	356,762	356,762
-	3,014,797	3,014,797
-	104,937	104,937
<u>-</u>	<u>3,476,496</u>	<u>3,476,496</u>
<u>(3,047,762)</u>	<u>3,476,496</u>	<u>428,734</u>
2,647,913	-	2,647,913
107,020	-	107,020
37,506	-	37,506
4,095	5,093	9,188
96,979	-	96,979
7,279	4,000	11,279
697,815	(697,815)	-
<u>3,598,607</u>	<u>(688,722)</u>	<u>2,909,885</u>
550,845	2,787,774	3,338,619
<u>(2,889,723)</u>	<u>7,274,658</u>	<u>4,384,935</u>
<u>\$ (2,338,878)</u>	<u>\$ 10,062,432</u>	<u>\$ 7,723,554</u>

See accompanying notes to financial statements.

# CITY OF TITUSVILLE, PENNSYLVANIA

## Balance Sheet Governmental Funds December 31, 2015

	General	Non-Major	Capital Projects	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 705,019	\$ 331	\$ 431,297	\$ 1,136,647
Taxes receivable, net	324,420	-	-	324,420
Interfund receivable	3,925	-	-	3,925
Accounts receivable	25,684	-	-	25,684
<b>Total Assets</b>	<b>\$ 1,059,048</b>	<b>\$ 331</b>	<b>\$ 431,297</b>	<b>\$ 1,490,676</b>
<b>Liabilities</b>				
Vouchers payable and other current liabilities	\$ 59,244	\$ -	\$ -	\$ 59,244
<b>Total Liabilities</b>	<b>59,244</b>	<b>-</b>	<b>-</b>	<b>59,244</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	222,697	-	-	222,697
<b>Total Deferred Inflows of Resources</b>	<b>222,697</b>	<b>-</b>	<b>-</b>	<b>222,697</b>
<b>Fund Balance</b>				
Restricted				
Liquid fuels	-	-	-	-
Shade tree	-	331	-	331
Assigned				
Capital projects	-	-	431,297	431,297
Unassigned	777,107	-	-	777,107
<b>Total Fund Balance</b>	<b>777,107</b>	<b>331</b>	<b>431,297</b>	<b>1,208,735</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 1,059,048</b>	<b>\$ 331</b>	<b>\$ 431,297</b>	<b>\$ 1,490,676</b>

See accompanying notes to financial statements.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**Governmental Funds**  
**December 31, 2015**

Differences in amounts reported for governmental activities in the Statement of Net Position

Fund balances - total governmental funds	\$ 1,208,735
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the governmental funds	1,811,007
Certain long-term assets are not available to pay current period expenditures and, therefore, are unearned in the funds unavailable revenues	222,697
Deferred outflows and inflows 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	424,621
Other post-employment benefits are reflected on the Statement of Net Position, but are not considered a current expenditure for the fund statements	(1,260,000)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds	
Net pension liability	(4,405,574)
Compensated absences	(340,364)
	(4,745,938)
Net position of governmental activities	\$ (2,338,878)

See accompanying notes to financial statements.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2015**

	General	Non-Major	Capital Projects	Total Governmental Funds
Revenues				
Taxes	\$ 2,609,329	\$ -	\$ -	\$ 2,609,329
Interest, rents and royalties	3,931	95	69	4,095
Intergovernmental	509,897	164,534	11,792	686,223
Charges for services	117,959	-	-	117,959
Licenses and permits	107,020	-	-	107,020
Fines and forfeitures	37,506	-	-	37,506
Contributions and donations	47,960	18,110	-	66,070
Other	28,909	-	2,000	30,909
<b>Total Revenues</b>	<b>3,462,511</b>	<b>182,739</b>	<b>13,861</b>	<b>3,659,111</b>
Expenditures				
General government	788,734	-	2,000	790,734
Public safety	2,170,757	-	73,141	2,243,898
Public works	889,135	164,626	52,598	1,106,359
Culture and recreation	118,855	25,932	12,179	156,966
Other	46,830	-	-	46,830
<b>Total Expenditures</b>	<b>4,014,311</b>	<b>190,558</b>	<b>139,918</b>	<b>4,344,787</b>
Excess (deficiency) of revenues over expenditures	(551,800)	(7,819)	(126,057)	(685,676)
Other financing sources (uses)				
Sale of fixed assets	7,279	-	-	7,279
Operating transfers in	614,454	-	482,006	1,096,460
Operating transfers out	(136,656)	-	(261,989)	(398,645)
<b>Total Other Financing Sources (Uses)</b>	<b>485,077</b>	<b>-</b>	<b>220,017</b>	<b>705,094</b>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(66,723)	(7,819)	93,960	19,418
Fund balance				
Beginning of Year	843,830	8,150	337,337	1,189,317
End of Year	\$ 777,107	\$ 331	\$ 431,297	\$ 1,208,735

See accompanying notes to financial statements.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balance of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2015**

Net change in fund balances - total governmental funds	\$	19,418
Capital outlay, reported as expenditures in the governmental funds, are shown as capital assets in Statement of Net Position		138,683
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities		(222,119)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		
Unavailable revenue - property taxes		38,584
Deferred outflows are not reflected in the fund statements as they are related to future pension obligations		379,909
Repayment of long-term debt is reported as expenditures in governmental funds, but as a reduction of long-term liabilities in the Statement of Net Position. In the current year, these amounts are:		
Change in OPEB	\$	(105,600)
Change in net pension liability		295,876
Change in compensated absences		6,094
		196,370
Change in net position of governmental activities	\$	550,845

See accompanying notes to financial statements.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2015**

	Enterprise Funds			
	Water	Sewer	Refuse	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 485,273	\$ 1,533,951	\$ 148,783	\$ 2,168,007
Accounts receivable, net				
City services	79,222	81,014	6,572	166,808
Interfund receivable	28,017	-	-	28,017
Other	-	1,379	-	1,379
<b>Total Current Assets</b>	<b>592,512</b>	<b>1,616,344</b>	<b>155,355</b>	<b>2,364,211</b>
<b>Non-Current Assets</b>				
Land	6,003	26,242	-	32,245
Construction in progress	-	7,393,707	-	7,393,707
Capital assets, net	223,893	3,619,179	-	3,843,072
<b>Total Non-Current Assets</b>	<b>229,896</b>	<b>11,039,128</b>	<b>-</b>	<b>11,269,024</b>
<b>Total Assets</b>	<b>\$ 822,408</b>	<b>\$ 12,655,472</b>	<b>\$ 155,355</b>	<b>\$ 13,633,235</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>				
<b>Current Liabilities</b>				
Vouchers payable and other current liabilities	\$ 19,244	\$ 169	\$ -	\$ 19,413
Interfund payable	-	31,942	-	31,942
Accrued compensated absences	2,225	3,259	-	5,484
Notes payable	-	269,724	-	269,724
<b>Total Current Liabilities</b>	<b>21,469</b>	<b>305,094</b>	<b>-</b>	<b>326,563</b>
<b>Non-Current Liabilities</b>				
Accrued compensated absences	10,863	6,617	-	17,480
Notes payable	-	3,211,760	-	3,211,760
<b>Total Non-Current Liabilities</b>	<b>10,863</b>	<b>3,218,377</b>	<b>-</b>	<b>3,229,240</b>
<b>Total Liabilities</b>	<b>32,332</b>	<b>3,523,471</b>	<b>-</b>	<b>3,555,803</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - water usage	15,000	-	-	15,000
<b>Total Deferred Inflows of Resources</b>	<b>15,000</b>	<b>-</b>	<b>-</b>	<b>15,000</b>
<b>Net Position</b>				
Net investment in capital assets	229,896	7,557,644	-	7,787,540
Unrestricted	545,180	1,574,357	155,355	2,274,892
<b>Total Net Position</b>	<b>775,076</b>	<b>9,132,001</b>	<b>155,355</b>	<b>10,062,432</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 822,408</b>	<b>\$ 12,655,472</b>	<b>\$ 155,355</b>	<b>\$ 13,633,235</b>

See accompanying notes to financial statements.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Statement of Revenues, Expenses and**  
**Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**

	Enterprise Funds			
	Water	Sewer	Refuse	Total
Operating Revenues				
Charges for services	\$ 861,679	\$ 1,890,259	\$ 386,326	\$ 3,138,264
Grant Revenues	-	2,136,279	-	2,136,279
Other revenues	15,834	32,995	5,806	54,635
Total Operating Revenues	<u>877,513</u>	<u>4,059,533</u>	<u>392,132</u>	<u>5,329,178</u>
Operating Expenses				
Salaries and wages	125,428	169,941	-	295,369
Employee benefits	70,788	80,986	-	151,774
Utilities	98,476	110,692	-	209,168
Materials and supplies	89,390	101,487	-	190,877
Contracted services	57,632	226,086	275,039	558,757
Equipment	18,980	12,289	-	31,269
Depreciation	30,649	215,327	-	245,976
Insurance	20,442	20,444	-	40,886
Administrative	8,966	16,424	12,156	37,546
Total Operating Expenses	<u>520,751</u>	<u>953,676</u>	<u>287,195</u>	<u>1,761,622</u>
Operating Income (Loss)	<u>356,762</u>	<u>3,105,857</u>	<u>104,937</u>	<u>3,567,556</u>
Non-Operating Revenues (Expenses)				
Interest income	518	4,394	181	5,093
Interest expense	-	(91,060)	-	(91,060)
Total Non-Operating Revenues (Expenses)	<u>518</u>	<u>(86,666)</u>	<u>181</u>	<u>(85,967)</u>
Income (Loss) Before Transfers	357,280	3,019,191	105,118	3,481,589
Other Financing Sources				
Sale of fixed assets	-	4,000	-	4,000
Transfers in	80,918	181,071	-	261,989
Transfers (out)	(358,830)	(524,564)	(76,410)	(959,804)
Change in Net Position	79,368	2,679,698	28,708	2,787,774
Net Position				
Beginning of Year, as restated	<u>695,708</u>	<u>6,452,303</u>	<u>126,647</u>	<u>7,274,658</u>
End of Year	<u>\$ 775,076</u>	<u>\$ 9,132,001</u>	<u>\$ 155,355</u>	<u>\$ 10,062,432</u>

See accompanying notes to financial statements.

# CITY OF TITUSVILLE, PENNSYLVANIA

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended December 31, 2015

	Enterprise Funds			Total
	Water	Sewer	Refuse	
Cash flows from operating activities:				
Receipts from users	\$ 855,586	\$ 1,903,240	\$ 392,132	\$ 3,150,958
Other operating cash receipts	-	2,169,274	-	2,169,274
Payments to suppliers	(273,186)	(436,725)	(275,039)	(984,950)
Payments for personnel services	(195,093)	(260,280)	-	(455,373)
Payments for operating expenses	(29,408)	(36,868)	(12,156)	(78,432)
Net cash provided by operating activities	<u>357,899</u>	<u>3,338,641</u>	<u>104,937</u>	<u>3,801,477</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	80,918	181,071	-	261,989
Transfers to other funds	(358,830)	(524,564)	(76,410)	(959,804)
Net cash used by noncapital and related activities	<u>(277,912)</u>	<u>(343,493)</u>	<u>(76,410)</u>	<u>(697,815)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(80,918)	(2,241,839)	-	(2,322,757)
Sale of fixed assets	-	4,000	-	4,000
Repayment on notes payable	-	(3,149,054)	-	(3,149,054)
Interest paid on capital debt	-	(91,060)	-	(91,060)
Net cash used by financing activities	<u>(80,918)</u>	<u>(5,477,953)</u>	<u>-</u>	<u>(5,558,871)</u>
Cash flows from investing activities:				
Interest income	518	4,394	181	5,093
Net cash provided by investing activities	<u>518</u>	<u>4,394</u>	<u>181</u>	<u>5,093</u>
Net increase (decrease) in cash	(413)	(2,478,411)	28,708	(2,450,116)
Cash Balance, January 1, 2015, restated	<u>485,686</u>	<u>4,012,362</u>	<u>120,075</u>	<u>4,618,123</u>
Cash Balance, December 31, 2015	<u>\$ 485,273</u>	<u>\$ 1,533,951</u>	<u>\$ 148,783</u>	<u>\$ 2,168,007</u>

See accompanying notes to financial statements.  
Schedule continued on next page.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**  
**(Continued)**

	Enterprise Funds			Total
	Water	Sewer	Refuse	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income	\$ 356,762	\$ 3,105,857	\$ 104,937	\$ 3,567,556
Adjustments to reconcile operating income (loss) to net cash (used for) operating activities:				
Depreciation	30,649	215,327	-	245,976
Changes in assets, liabilities, and deferred inflows				
(Increase) decrease in receivables	(21,927)	12,981	-	(8,946)
(Increase) decrease in interfund receivables	(12,553)	-	-	(12,553)
Increase (decrease) in interfund payables	-	14,206	-	14,206
Increase (decrease) in payables	3,845	(377)	-	3,468
Increase (decrease) in compensated absences	1,123	(9,353)	-	(8,230)
Net cash provided (used) by operations	<u>\$ 357,899</u>	<u>\$ 3,338,641</u>	<u>\$ 104,937</u>	<u>\$ 3,801,477</u>

See accompanying notes to financial statements.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds - Trust and Agency**  
**December 31, 2015**

Assets	
Cash and cash equivalents	\$ 461,073
Investments	<u>9,430,976</u>
Total Assets	<u><u>\$ 9,892,049</u></u>
 Net Position	
Restricted for pension benefits	<u>\$ 9,892,049</u>
 Total Net Position	<u><u>\$ 9,892,049</u></u>

See accompanying notes to financial statements.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds - Trust and Agency**  
**For the Year Ended December 31, 2015**

Additions	
Contributions	
Contributions - employees	\$ 90,398
Contributions - state and city	756,138
Miscellaneous income	<u>1,417</u>
Total Contributions	<u>847,953</u>
Investment income	
Net change in fair value of investments	(679,825)
Interest and dividends	<u>490,605</u>
Net Investment Income	<u>(189,220)</u>
Total Additions	<u>658,733</u>
Deductions	
Benefits	1,121,662
Administrative expenses	<u>54,620</u>
Total Deductions	<u>1,176,282</u>
Change in Net Position	(517,549)
Net Position	
Beginning of Year	<u>10,409,598</u>
End of Year	<u><u>\$ 9,892,049</u></u>

See accompanying notes to financial statements.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Notes to Financial Statements**  
**December 31, 2015**

**NOTE 1 - ENTITY**

The City of Titusville, Pennsylvania (“City”) was incorporated on February 2, 1866 in the Commonwealth of Pennsylvania. The City operates under a Council – Manager form of government and provides the following services as authorized by its charter: public safety (in the form of fire and police protection), public works (streets, sanitation, public improvements, etc.), health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services. The City also provides additional services including water, sewage treatment, and refuse collections.

**NOTE 2 - REPORTING ENTITY**

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Titusville. The financial statements presented herein do not include agencies that have been formed under applicable state laws as separate and distinct units of government apart from the City of Titusville.

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Government-Wide Financial Statements

Government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole, excluding fiduciary funds such as employee pension plans. For the most part, the effect of interfund activity has been removed from these statements except for interfund charges, see Note 12. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or part with fees charged to external customers.

The statement of activities reports expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or more than one fund to capture the expenses and program revenues associated with a distinct functional activity. (Program revenues include charges for services which report fees, fines, forfeitures and other charges to users of the City services, operating grants and contributions which finance annual operations activities including restricted investment income, capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers). These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with the program revenues are reported as general revenues.

### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City's fiduciary funds are presented in the fund financial statements by type (pension trust and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, litigants, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

#### Fund Financial Statements

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds are reported in separate columns.

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 eligibility requirements imposed by the provider have been met.

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 collectible within the current period or soon enough, thereafter, to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Operating income reported in the proprietary funds financial statements includes revenues and expenses related to the operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

## NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Fund Types and Major Funds

#### Governmental Fund Types

These are the funds which most governmental functions are furnished. The funds included in this category are:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds (Non-Major) - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted (by the Council or otherwise) to expenditures for specified purposes. The City of Titusville, Pennsylvania's special revenue funds are the liquid fuels fund, which monies awarded are used for public works expenditures including street improvements and lighting and the shade tree fund which private donations are received and to be used for upkeep of the City's parks.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds and trust fund).

#### Proprietary Funds

These funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Proprietary funds employ the *economic resources measurement focus* and the *accrual basis of accounting*. The Water, Sewer, and Refuse Funds are proprietary funds.

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

#### Fiduciary Fund Types

Pension trust funds are used to account for resources held in trust and the receipt, investment and distribution of retirement contributions. The City's trust funds include the non-uniform employees' pension of the City and the police and fire departments' pensions. The Pension Trust is accounted for in a manner similar to a proprietary fund.

## **NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### Budgetary Information

The City annually adopts budgets for the General Fund, Special Revenue Funds, Water Fund and Sewer Fund since the amounts of tax levies and rates of user charges assessed to the area citizens are involved. Once approved by Council, changes may be made to the adopted budget when unexpected modifications are required.

The adopted budgets are integrated into the accounting system. The budgetary data, as presented in the financial statements for the general fund, compares the budgeted and actual revenues and expenditures or expenses. Unexpected appropriations lapse at the end of the year.

### Excess of Expenditures over Appropriations

General fund expenditures exceeded the budget by \$234,058. This is mainly related to CDBG funds received and passed through to the Redevelopment Authority. These revenues and expenditures are not budgeted.

### Assets, Liabilities, Deferred Inflows and Net Position/Fund Balance

#### Cash and Cash Equivalents

For the purpose of the statement of cash flows of its proprietary fund types, cash includes time deposits and certificates of deposit with original maturities of three months or less.

#### Capital Assets

General fund capital assets are those assets not specifically related to activities reported in the business-type activities in the statement of net position. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds' financial statements.

In the case of capitalization of general infrastructure assets, as allowed from smaller governments, the City has elected to report these items prospectively (as the government constructs or acquires additional infrastructure assets).

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All reported capital assets, except for construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Building and improvements	25-40 years	25-40 years
Equipment and systems	5-20 years	5-10 years
Vehicles	5 years	5-10 years
Infrastructure	25-50 years	25-50 years

#### Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

#### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense at the time of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is related to actuarial determined changes in the Net Position Liability recognized over future periods (see Note 9 for further information).

#### Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the items, *unavailable revenue and unearned revenue*, are reported in the governmental funds and proprietary funds Balance Sheet and Statement of Net Position, respectively. The governmental funds report unavailable revenues from property taxes. The Proprietary Funds report unearned revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### Net Position Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, assigned, and unassigned fund balance in the governmental fund financial statements, a flow consumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, assigned fund balance is depleted first. Unassigned fund balance is applied last.

## **NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the manager to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### Fund Balance

In the fund financial statements, governmental funds report the following:

- Restricted – Includes amounts that can be spent only for the specific purposes stipulated by external resource providers. Effectively, restrictions may be changed or lifted only with the consent of resource providers. The City has restricted funds for shade tree.
- Assigned – Amounts intended to be used by the City for specific purposes. Intent can be expressed by the governing body or official to which governing body delegates the authority. The City has assigned funds for capital projects.
- Unassigned – The residual classification includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. The City does not currently have a minimum fund balance policy. The City's policy is that assigned funds will be reduced first and then unassigned funds.

### Encumbrances

Encumbrance accounting, under which purchase orders and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not employed by the City.

### **NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### Compensated Absences

City employees are permitted to accumulate unused vacation, sick and personal time. Contract provisions require payment of this benefit upon retirement, death or disability based on fifty percent of the accumulated days up to a maximum of 150.

#### Use of Estimates

The preparation of financial statements in conformity with the basis of accounting as defined above requires 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### Credit Risk

During the course of operations, the City grants credit to its customers, substantially all of whom are located in the City's area.

#### Pronouncement Implemented

The City has adopted GASB 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27. The objective of the statement is to improve accounting and financial reporting by state and local governments for pensions. The implementation of GASB 68 has resulted in the recognition of the Net Pension Obligation of the City Fire and Police Pension Trusts.

#### Future Pronouncement

The City will adopt GASB 72, *Fair Value Measurement and Application*. The objective is to provide guidance on determining fair value measurements for financial reporting purposes.

### **NOTE 4 - CASH AND INVESTMENTS**

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Governmental Funds for investment purposes.

#### NOTE 4 - CASH AND INVESTMENTS (CONTINUED)

The City of Titusville's cash and investments consist of deposits with financial institutions and certificates of deposit. The City maintains a cash and investment pool that is available for use by all funds, except for the Pension Trust Funds, to maximize its earnings potential. Investments in the pool primarily consist of repurchase agreements and bank certificates of deposit, which are recorded at fair market value.

The City also utilizes a "zero-balance account" mechanism that provides for daily sweeps of deposits made to the City's checking accounts to be transferred immediately into an investment account. Thus, the majority of funds in the City's general accounts are invested at all times.

Investments are reported at fair value, which is determined using selected basis. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value.

#### Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of December 31, 2015, \$2,871,136 of the City's bank balance of \$3,371,136 was exposed to custodial credit risk.

Uninsured and collateral held by the pledging bank's trust department not in the City's name	<u>\$ 2,871,136</u>
---	---------------------

#### Reconciliation to Financial Statements

Insured amount	\$ 500,000
Uninsured amount	2,871,136
Add: deposits in transit	-
Less: outstanding checks	<u>(66,982)</u>
Carrying amount of bank balances	3,304,154
Plus: petty cash	<u>500</u>
Total cash and cash equivalents per financial statements	<u><u>\$ 3,304,654</u></u>

**NOTE 5 - PROPERTY TAX REVENUES AND RECEIVABLES**

Property Taxes

Property taxes are levied on assessed (appraised) values of listed properties as of the prior month ended January 31 for all real estate and business properties located in the City. Taxable assessed value represents the appraisal value less applicable exemptions authorized by City Council. Assessed values are 100% of base values. Millage rates during 2015 were 71.25 mills and 24.71 mills for land and buildings, respectively.

City real estate taxes are levied in March and are due December 31. A 2% discount is permitted if taxes are paid prior to April 30. A penalty is imposed after June 30. All unpaid taxes become delinquent December 31 of the current year. The City bills and collects its own real estate taxes, except for delinquent taxes, which are collected by Crawford County, Pennsylvania and remitted to the City.

Taxes Receivable

Taxes receivable consisted of the following at December 31, 2015:

Delinquent real estate taxes	\$ 241,546
Per capita tax	6,119
Earned income tax receivable	79,188
Allowance for doubtful accounts	<u>(2,433)</u>
	<u>\$ 324,420</u>

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At December 31, 2015, the amount of unavailable revenue - property taxes reported as deferred inflows of resources is \$222,697.

**NOTE 6 - ACCOUNTS RECEIVABLE - OTHER**

Accounts receivable - other consisted of the following at December 31, 2015:

Governmental Funds	
General Funds	<u>\$ 25,684</u>
Proprietary Funds	
Sewer Fund	<u>\$ 1,379</u>

**NOTE 7 - ACCOUNTS RECEIVABLE - CITY SERVICES**

Accounts receivable as of December 31, 2015 for city services, including the applicable allowance for uncollectible accounts, are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
Accounts receivable	\$ 91,222	\$ 96,014	\$ 6,572	\$ 193,808
Less allowance for uncollectibles	<u>(12,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>(27,000)</u>
	<u>\$ 79,222</u>	<u>\$ 81,014</u>	<u>\$ 6,572</u>	<u>\$ 166,808</u>

## NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

### Governmental Activities

The following is a summary of the changes in capital assets during the year ended December 31, 2015:

	Balance at 12/31/14	Additions	Deletions	Balance at 12/31/15
Capital assets not being depreciated:				
Land	\$ 170,813	\$ -	\$ -	\$ 170,813
	<u>\$ 170,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,813</u>
Capital assets being depreciated:				
Buildings and building improvements	\$ 4,968,670	\$ -	\$ -	\$ 4,968,670
Equipment and systems	2,990,541	138,683	-	3,129,224
	7,959,211	138,683	-	8,097,894
Accumulated depreciation	<u>(6,235,581)</u>	<u>(222,119)</u>	<u>-</u>	<u>(6,457,700)</u>
Total capital assets being depreciated, net	<u>\$ 1,723,630</u>	<u>\$ (83,436)</u>	<u>\$ -</u>	<u>\$ 1,640,194</u>
Depreciation expense for the year ended December 31, 2015				
General government	<u>\$ 222,119</u>			

### Proprietary Funds

The following is a summary of the proprietary funds capital assets at December 31, 2015:

	Balance at 12/31/14	Additions	Deletions	Balance at 12/31/15
Capital assets not being depreciated:				
Land	\$ 32,245	\$ -	\$ -	\$ 32,245
Construction in progress	5,151,867	2,241,840	-	7,393,707
	<u>\$ 5,184,112</u>	<u>\$ 2,241,840</u>	<u>\$ -</u>	<u>\$ 7,425,952</u>
Capital assets being depreciated:				
Buildings and building improvements	\$ 6,882,079	\$ -	\$ -	\$ 6,882,079
Equipment and systems	6,200,683	80,917	( )	6,281,600
	13,082,762	80,917	( )	13,163,680
Accumulated depreciation	<u>(9,074,631)</u>	<u>(245,976)</u>	<u>-</u>	<u>(9,320,607)</u>
Total capital assets being depreciated, net	<u>\$ 4,008,131</u>	<u>\$ (165,058)</u>	<u>\$ -</u>	<u>\$ 3,843,072</u>
Depreciation expense for the year ended December 31, 2015				
Water fund	\$ 30,649			
Sewer fund	215,327			
	<u>\$ 245,976</u>			

## NOTE 9 - PENSION PLANS

The City of Titusville maintains three separate pension plans - Police, Firemen and General Employees. The Police Pension Plan and Firemen's Pension Plan, which are defined benefit programs, are administered by separate boards and funded through separate trust funds held by Cambridge Investments Research and Northwest Savings. VOYA Financial administers the General Employees' Pension Plan, which is a defined contribution plan.

### **General Employees' Pension Plan (Defined Contribution Plan)**

The City of Titusville has a single-employer defined contribution plan to provide retirement benefits to the non-uniformed employees of the City under the provisions of a group annuity contract. For 2015, plan participants are required to contribute \$.50 per hour for each hour worked to the Plan. The City is required to contribute \$1.00 per hour for each hour worked to the Plan. Provisions and contribution rates for this plan are established and may be amended by City Council.

Plan investments for this plan are managed by VOYA Financial, and are reported at contract value, which approximates fair value. There are 30 members currently enrolled in the Pension Plan.

### Summary of Significant Accounting Policies

Basis of Accounting – The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Valuation of Investments – Investments are stated at fair value.

### Investments

The Plan's investments at December 31, 2015 are as follows:

	<u>Fair Value</u>
Fixed Income	\$ 782,182
Equities	<u>1,108,187</u>
	<u>\$ 1,890,369</u>

### Contributions

Total contributions to the Plan during 2015 by plan members and the City were \$28,477 and \$51,640, respectively. Included in pension expense is \$4,142 of forfeitures.

**NOTE 9 - PENSION PLANS (CONTINUED)**

**Firemen’s and Police Pension Plans (Defined Benefit Plans)**

Plan Description

The City of Titusville’s firemen and police participate in single-employer defined benefit pension plans. Each plan includes provisions for retirement, disability, and death benefits for its members and their beneficiaries. City Ordinance No. 141 (Police) and 143 (Fire) assigns the Authority to establish and amend benefit provisions to City Council. A separate financial report is not issued for the City of Titusville Police and Firemen Pension Plans. The financial statements of the Plan are included in the financial statements of the City of Titusville. Each Plan has an elected Board who meet quarterly.

Plan Membership

Membership information for each plan consisted of the following at December 31, 2015, which is the most recent actuarial evaluation. Actuarial Valuation Reports prepared by Conrad Siegel Actuaries reflect the following plan membership:

	<u>Police</u>	<u>Firemen</u>
Inactive Members or Beneficiaries Currently Receiving Benefits	22	17
Inactive Members Entitled to but not yet Receiving Benefits	1	2
Active Members	10	6
Total Members	<u>33</u>	<u>25</u>

Summary of Significant Accounting Policies

Basis of Accounting – The Plan’s financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The Plan’s Fiduciary Net Position has been determined on the same basis as that used by the Plan.

Valuation of Investments - Investments are stated at market value.

Contributions

Contributions to the Firemen’s Pension Fund by the employees are based on 8.00% of annual pay plus \$1 per month. Contributions to the Police Pension Fund by the employees are based upon 5% of annual pay plus \$1 per month if hired before January 1, 2005. Contributions to the Police Pension Fund if hired after January 1, 2005 are based upon 7% of annual pay plus \$1 per month. All fire department and full-time police employees participate as of their date of hire.

## **NOTE 9 - PENSION PLANS (CONTINUED)**

### Benefits Provided

#### **Police Pension**

The City of Titusville Police Pension Plan provides retirement, disability, and death benefits. A participant is eligible for normal retirement after completion of 20 years of service if hired prior to January 1, 2002. If hired after January 1, 2002, but prior to January 1, 2005, the participant is eligible for normal retirement after completion of 25 years of service. If hired after January 1, 2005, the participant is eligible for normal retirement after attainment of age 50 and completion of 25 years of service.

The normal retirement pension is payable monthly during the participant's lifetime, with payments continuing after the participant's death to the surviving spouse or to dependent children under the age of 18 equal to 100% of the amount payable to the participant at the time of the participant's death. If a participant continues working after his normal retirement date, his pension does not start until he actually retires. The monthly late retirement benefit is the benefit accrued to the late retirement date.

Normal retirement benefits are calculated at 50% of the members average monthly pay plus an incremental pension of 1.25% times average monthly pay for each full year of service in excess of 20 (25 if hired after January 1, 2002) years, up to an additional \$100 per month. Disability benefits are equal to 50% of the participant's salary at the time of disability. Death benefits for active members who are eligible for retirement who die or are killed in service is payable to a surviving spouse or children under age 18 in an amount equal to 100% of the member's normal retirement benefit. If a member dies prior to being eligible for retirement, the death benefit is the refund of employee contributions payable to the surviving spouse or children under age 18.

#### **Firemen Pension**

The City of Titusville Firemen Pension Plan provides retirement, disability, and death benefits. A participant is eligible for normal retirement after completion of 20 years of service. The normal retirement pension is payable monthly during the participant's lifetime, with payments continuing after the participant's death to the surviving spouse or to dependent children under the age of 18 equal to 100% of the amount payable to the participant at the time of the participant's death. If a participant continues working after his normal retirement date, his pension does not start until he actually retires. The late retirement benefit is the benefit accrued to the late retirement date.

## NOTE 9 - PENSION PLANS (CONTINUED)

Normal retirement benefits are calculated as 50% of the members average monthly pay plus an incremental pension of 1.25% times average monthly pay for each full year of service in excess of 20 years, up to an additional \$100 per month. Disability benefits are equal to 50% of the participant's salary at the time of disability. Death benefits are provided as follows: If a member dies prior to retirement, a member's benefit is payable to the surviving spouse in an amount equal to the benefit the member would have been receiving had he been retired at time of death. If a member dies prior to being eligible for retirement and is not married, benefit is payable to children under age 25 in an amount equal to 50% of the amount of benefit the member would have been receiving had he been retired at time of death. If a member is eligible for retirement or retired, an additional death benefit of \$1,000 will be paid in a lump sum. If retired after December 31, 1997 but prior to December 31, 2000, a retiree shall receive an annual adjustment of 1% as a cost of living increase.

### Investments

The Plan's investments at December 31, 2015 are as follows:

	<u>Fair Value</u>	
	<u>Police Pension</u>	<u>Firemen Pension</u>
Fixed Income	\$ 1,736,081	\$ 508,731
Equities	<u>3,031,495</u>	<u>2,264,300</u>
	<u>\$ 4,767,576</u>	<u>\$ 2,773,031</u>

Credit Risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit ratings of the Plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below.

#### **Police Pension**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Fixed Income	<u>1,736,081</u>	Not Rated

#### **Firemen Pension**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Fixed Income	<u>508,731</u>	Not Rated

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. At December 31, 2015 the Plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represent 5% or more of fiduciary net position. (Police Pension \$5,180,044 x 5% = \$259,002; Firemen Pension \$2,821,636 x 5% = \$141,081).

**NOTE 9 - PENSION PLANS (CONTINUED)**

Interest Rate Risk for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The Plan has no investment policy for interest rate risk other than the 50 and 60 percent limits on fixed income securities. The maturities of the Plan's debt investments are listed in the table below.

**Police Pension**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Fixed Income Funds	<u>\$ 1,736,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,736,081</u>

**Firemen Pension**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Fixed Income Funds	<u>\$ 508,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 508,731</u>

The Plans are authorized to invest in legal investments permitted under the Pennsylvania Fiduciary Investment Act. The Plans target allocation is as follows:

**Police Pension**

<u>Asset Class</u>	<u>Percentage</u>
Cash equivalents	8%
Fixed Income	12%
Equity	80%

**Firemen Pension**

<u>Asset Class</u>	<u>Percentage</u>
Fixed Income	20%
Equity	80%

Reserves

There are no assets legally reserved for purposes other than the payment of Plan member benefits. There are no long-term contracts for contributions.

## NOTE 9 - PENSION PLANS (CONTINUED)

### Net Pension Liability

The net pension liability was measured as of December 31, 2015, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015. No significant events of changes in assumptions occurred between the valuation date and the fiscal year end.

### Actuarial Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following significant economic actuarial assumptions applied to all periods included in the measurement:

Inflation:	3.0%
Salary increases:	5.0 % including inflation
Mortality:	RP-2000 Table for Males and Females
Investment	
Rate of Return:	8.0% including inflation
Expected Long-Term	
Rate of Return	The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2015 are summarized in the following table:

	<u>Police</u>	<u>Firemen</u>
<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equities	5.5-7.5%	5.5-7.5%
International equities	4.5-6.5%	4.5-6.5%
Fixed income	1.00-3.00%	1.00-3.00%
Real estate	4.5-6.5%	4.5-6.5%
Cash and equivalents	0.00-1.00%	0.00-1.00%

**NOTE 9 - PENSION PLANS (CONTINUED)**

Discount rate

The discount rate used to measure the total pension liability was 8.00%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Sensitivity of the net pension liability to changes in the discount rate: The following shows the effect of a 1% change in the discount rate on the net pension liability:

**Police**

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City's net pension Liability	<u>\$ 3,674,174</u>	<u>\$ 2,854,817</u>	<u>\$ 2,169,048</u>

**Firemen**

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City's net pension Liability	<u>\$ 1,952,598</u>	<u>\$ 1,550,757</u>	<u>\$ 1,205,906</u>

**NOTE 9 - PENSION PLANS (CONTINUED)****Police Pension**Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2014	\$ 8,297,415	\$ 5,352,933	\$ 2,944,482
Service cost	90,405	-	90,405
Interest cost	615,497	-	615,497
Changes for experience	(419,764)	-	(419,764)
Contributions - employer	-	455,663	(455,663)
Contributions - member	-	37,031	(37,031)
Net investment income	-	(104,558)	104,558
Benefit payments, including refunds of member contributions	(548,692)	(548,692)	-
Administrative expense	-	(12,333)	12,333
Net Changes	(262,554)	(172,889)	(89,664)
Balances at 12/31/2015	\$ 8,034,860	\$ 5,180,044	\$ 2,854,817

**NOTE 9 - PENSION PLANS (CONTINUED)****Fire Pension**Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2014	\$ 4,718,749	\$ 2,961,779	\$ 1,756,970
Service cost	23,674	-	23,674
Interest cost	334,566	-	334,566
Changes for experience	(416,104)	-	(416,104)
Contributions - employer	-	248,835	(248,835)
Contributions - member	-	26,307	(26,307)
Net investment income	-	(114,600)	114,600
Benefit payments, including refunds of member contributions	(288,492)	(288,492)	-
Administrative expense	-	(12,193)	12,193
Net Changes	(346,356)	(140,144)	(206,212)
Balances at 12/31/2015	\$ 4,372,393	\$ 2,821,636	\$ 1,550,757

**NOTE 9 - PENSION PLANS (CONTINUED)**

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

For the year ended December 31, 2015 the City recognized pension expense of \$28,713. At December 31, 2015, the Plan reported deferred outflows of resources and deferred inflows of resources related to the firefighter's and police officer's pension from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ (279,843)
Net difference between projected and actual earnings on pension plan investments	<u>704,464</u>
Total	<u>\$ 424,621</u>

Amounts reported as deferred outflows of resources (+) and deferred inflows (-) of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	
2016	\$ 36,195
2017	36,194
2018	176,116
2019	<u>176,116</u>
	<u>\$ 424,621</u>

**Payable to the pension Plan**

At December 31, 2015, the City did not owe anything to the Plan.

**NOTE 10 - LONG-TERM DEBT**

2001 Pennvest Stormwater Sewer Note

During 2001, the City entered into an agreement with the Pennsylvania Infrastructure Investment Authority (Pennvest) for the sewer project. The agreement requires monthly payments of \$10,252, including interest at 1%, maturing in July 2021. As of December 31, 2015, the principal balance due was \$667,534.

**NOTE 10 - LONG-TERM DEBT (CONTINUED)**

Scheduled maturities of this debt are as follows:

<u>Year Ending December 31,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2016	1.00%	\$ 116,917	\$ 6,113	\$ 123,030
2017	1.00%	118,086	4,944	123,030
2018	1.00%	119,267	3,763	123,030
2019	1.00%	120,460	2,570	123,030
2020	1.00%	121,664	1,366	123,030
2021	1.00%	71,140	235	71,375
		<u>\$ 667,534</u>	<u>\$ 18,991</u>	<u>\$ 686,525</u>

Interest expense for the year ended December 31, 2015 was \$7,270.

2003 Pennvest Stormwater Sewer Note

During 2003, the City entered into an agreement with the Pennsylvania Infrastructure Investment Authority (Pennvest) for a storm and sanitary sewer line project. The agreement requires monthly payments of \$15,010, including interest at 1%, maturing in December 2032. As of December 31, 2015, the principal balance due was \$2,813,950.

Scheduled maturities of this debt are as follows:

<u>Year Ending December 31,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2016	1.00%	\$ 152,807	\$ 27,316	\$ 180,123
2017	1.00%	154,335	25,788	180,123
2018	1.00%	155,879	24,244	180,123
2019	1.00%	157,437	22,686	180,123
2020	1.00%	159,012	21,111	180,123
2021-2025	1.00%	819,230	81,382	900,612
2026-2030	1.00%	861,019	39,593	900,612
2031-2032	1.00%	354,231	3,662	357,893
		<u>\$ 2,813,950</u>	<u>\$ 245,782</u>	<u>\$ 3,059,732</u>

Interest expense for the year ended December 31, 2015 was \$28,829.

2014 General Obligation Bond

During 2014, the City entered into an agreement with the United States Department of Agriculture to provide financing for the construction of the Waste Water Treatment Plan upgrades. Interest expense for the year ended December 31, 2015 was \$54,961. The full principal balance of \$2,882,000 was paid off in 2015.

**NOTE 10 - LONG-TERM DEBT (CONTINUED)**

The following is a summary of changes in long-term debt for the year ended December 31, 2015:

	<u>Balance at 12/31/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/15</u>	<u>Due Within One Year</u>
<b><u>Governmental Activities</u></b>					
Compensated absences	\$ 346,458	\$ 101,954	\$ 108,048	\$ 340,364	\$ 17,018
<b><u>Business-Type Activities</u></b>					
2001 Pennvest Stormwater Note	\$ 783,293	\$ -	\$ 115,759	\$ 667,534	\$ 116,917
2003 Pennvest Stormwater Note	2,965,245	-	151,295	2,813,950	152,807
2014 General Obligation Bond	2,882,000	-	2,882,000	-	-
	<u>\$ 6,630,538</u>	<u>\$ -</u>	<u>\$3,149,054</u>	<u>\$ 3,481,484</u>	<u>\$ 269,724</u>
Compensated absences	<u>\$ 31,194</u>	<u>\$ 17,363</u>	<u>\$ (25,593)</u>	<u>\$ 22,964</u>	<u>\$ 5,484</u>

The liability for compensated absences is normally liquidated by the general or proprietary funds depending on what department the employee is assigned to.

**NOTE 11 - LEASES**

The City leases equipment on a month-to-month basis. The total lease expense for the year ended December 31, 2015 was \$15,304.

**NOTE 12 - INTERFUND DUE TO/DUE FROM**

The composition of interfund balances as of December 31, 2015 is as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Sewer Fund	<u>\$ 3,925</u>
		<u>\$ 3,925</u>

The outstanding balances between funds result mainly from time lags between the date that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

<u>Transfer In:</u>	<u>Transfer Out</u>					<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>	
General Fund	\$ -	\$ -	\$ 268,830	\$ 269,214	\$ 76,410	\$ 614,454
Sewer Fund	-	181,071	-	-	-	181,071
Water Fund	-	80,918	-	-	-	80,918
Capital Projects	136,656	-	90,000	255,350	-	482,006
	<u>\$ 136,656</u>	<u>\$ 261,989</u>	<u>\$ 358,830</u>	<u>\$ 524,564</u>	<u>\$ 76,410</u>	<u>\$ 1,358,449</u>

## NOTE 12 - INTERFUND DUE TO/DUE FROM (CONTINUED)

Transfers are used to move unrestricted Proprietary Fund revenues to finance expenses paid for by the General Fund and to fund certain capital projects.

## NOTE 13 - POST-EMPLOYMENT HEALTH CARE BENEFITS

### Plan Description

In addition to the pension benefits described in Note 9, the City provides post-employment health insurance to retirees. The Plan is not accounted for as a trust fund. The Plan does not issue a separate report and activity of the Plan is reported in the General Fund. The City has implemented GASB 45 prospectively for the year ended December 31, 2009.

Hospitalization coverage as a retiree will be equivalent (single or dependent coverage) to that held by the individual at the time of retirement. As of December 31, 2015, 4 retired employees are covered by health insurance.

### Funding Policy

The benefits for employees are expensed when incurred and are financed on a pay-as-you-go basis. Retirees currently pay a portion of the monthly premium. The City covers up to \$300 of the premium not paid by the retiree. Retiree and dependent coverage, group plans, and costs to the retiree are subject to change. A spouse may be covered as a dependent until the death of the retiree; thereafter, they are eligible to continue coverage by paying 100% of the monthly insurance premium.

The City's annual OPEB cost is calculated based on the annual required contribution of the employees (ARC), an amount determined in accordance with the alternate measurement method parameters of GASB Statement No 45. The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC is an amount that is determined in accordance with the requirements so that if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both normal cost for each year and the amortized unfunded liability.

The following table shows the component of the City's annual OPEB cost for the year, the amount actually contributed, and changes in the City's net OPEB obligation/(asset):

Annual required contribution	\$ 105,600
Interest on net OPEB obligation	-
Adjustment to net OPEB obligation	-
Annual OPEB cost	<u>105,600</u>
Contribution made	-
Increase in net OPEB obligation/(asset)	<u>105,600</u>
Net OPEB obligation/(asset) - beginning of year	<u>1,154,400</u>
Net OPEB obligation/(asset) - end of year	<u>\$ 1,260,000</u>

### **NOTE 13 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

The City uses the alternative measurement method using the following information: (1) expected retirement age, (2) expected age when eligible for Medicare, and (3) actual health insurance costs for the current year.

The alternative measurement method of an ongoing plan involves 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.

### **NOTE 14 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City currently reports its risk management activities in the General Fund. The City carries commercial insurance for all other types of loss. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

### **NOTE 15 - RELATED ORGANIZATIONS**

Related organizations holding agency relationships with the City are excluded from the City's financial reporting since the City does not carry a significant role in these organizations' operations. Audited financial statements are available from the respective organizations. These organizations are described as follows:

Redevelopment Authority of the City of Titusville	Administers federal funding for housing condition improvements and community development activities approved by the U.S. Department of Housing and Urban Development. The City has no significant influence over the budget, management, or policies of the Authority. The Redevelopment Authority of the City of Titusville reports separately.
---	--

Titusville Airport Authority	Administers federal funding for airport improvements and maintenance approved by the Federal Aviation Administration. The City has no significant influence over the budget, management, or policies of the Authority. The Titusville Airport Authority reports separately.
------------------------------	---

**NOTE 16 - CONTINGENT LIABILITES**

General 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 City is potentially liable for expenditures, which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

**NOTE 17 – RESTATEMENT OF FUND BALANCE/NET POSITION**

Beginning net position was restated to reflect the following:

A deposit in transit for an online deposit not included on the books as of December 31, 2014

	Water Fund	Sewer Fund	Refuse Fund	Business Type Activities Net Position
Beginning Balance	\$ 686,701	\$ 6,428,611	\$ 122,604	\$ 7,237,916
Restatement: Net Position	9,007	23,692	4,043	36,742
Beginning Balance, Restated	<u>\$ 695,708</u>	<u>\$ 6,452,303</u>	<u>\$ 126,647</u>	<u>\$ 7,274,658</u>

Restatement due to implementation of GASB 68 Net Pension Liability and Deferred Outflow

	Governmental Activities Net Position
Beginning Balance	\$ 1,767,015
Restatement: Deferred Outflow	44,712
Restatement: Net Pension Liability	<u>(4,701,450)</u>
Beginning Balance, Restated	<u>\$ (2,889,723)</u>

## **Required Supplementary Information**

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended December 31, 2015**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 2,629,724	\$ 2,629,724	\$ 2,609,329	\$ (20,395)
Interest, rents and royalties	1,750	1,750	3,931	2,181
Intergovernmental	262,950	262,950	509,897	246,947
Charges for services	89,050	89,050	117,959	28,909
Licenses and permits	97,625	97,625	107,020	9,395
Fines and forfeits	41,500	41,500	37,506	(3,994)
Contributions and donations	4,500	4,500	47,960	43,460
Other	15,700	15,700	28,909	13,209
Total Revenues	<u>3,142,799</u>	<u>3,142,799</u>	<u>3,462,511</u>	<u>319,712</u>
<b>Expenditures</b>				
General government	379,306	379,306	788,734	(409,428)
Public safety	2,317,552	2,317,552	2,170,757	146,795
Public works	903,753	903,753	889,135	14,618
Culture and recreation	125,003	125,003	118,855	6,148
Other	54,639	54,639	46,830	7,809
Total Expenditures	<u>3,780,253</u>	<u>3,780,253</u>	<u>4,014,311</u>	<u>(234,058)</u>
Excess (deficiency) of revenues over expenditures	<u>(637,454)</u>	<u>(637,454)</u>	<u>(551,800)</u>	<u>85,654</u>
<b>Other financing sources (uses)</b>				
Sale of fixed assets	25,000	25,000	7,279	(17,721)
Operating transfers in	614,454	614,454	614,454	-
Operating transfers out	(136,656)	(136,656)	(136,656)	-
Budget reserve	134,656	134,656	-	(134,656)
Total Other Financing Sources (Uses)	<u>637,454</u>	<u>637,454</u>	<u>485,077</u>	<u>(152,377)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(66,723)	(66,723)
<b>Fund balance</b>				
Beginning of Year	<u>843,830</u>	<u>843,830</u>	<u>843,830</u>	<u>-</u>
End of Year	<u>\$ 843,830</u>	<u>\$ 843,830</u>	<u>\$ 777,107</u>	<u>\$ (66,723)</u>

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios**  
December 31, 2015

**Police Pension Plan**

	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>		
Beginning Balance	\$ 8,297,415	\$ 8,071,130
Service Cost	90,405	112,542
Changes for Experience	(419,764)	-
Benefit Payments	(548,692)	(520,146)
Interest	615,497	633,888
	<b>8,034,861</b>	<b>8,297,414</b>
<b>Plan Fiduciary Net Position</b>		
Beginning Balance	5,352,933	5,216,541
Benefit Payments	(548,692)	(520,146)
Contributions - employer	455,663	310,592
Contributions - member	37,031	31,277
Net Investment Income	(104,558)	325,549
Administrative Expenses	(12,333)	(10,880)
	<b>5,180,044</b>	<b>5,352,933</b>
City Net Pension Liability (NPL)	<b>\$ 2,854,817</b>	<b>\$ 2,944,481</b>
Plan fiduciary net position as a percentage of the total pension liability	64%	65%
Covered-employee payroll	\$ 550,000	\$ 633,061
City's Net Pension Liability as a percentage of covered-employee payroll	519%	466%

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios**  
December 31, 2015  
**Firemen Pension Plan**

<b>Total Pension Liability</b>	<u>2015</u>	<u>2014</u>
Beginning Balance	\$ 4,718,749	\$ 4,597,846
Service Cost	23,674	32,923
Changes for Experience	(416,104)	-
Benefit Payments	(288,492)	(271,617)
Interest	334,566	359,597
Total Pension Liability (TPL)	<u>4,372,393</u>	<u>4,718,749</u>
 <b>Plan Fiduciary Net Position</b>		
Beginning Balance	2,961,780	2,988,257
Benefit Payments	(288,492)	(271,617)
Contributions - employer	248,835	155,155
Contributions - member	26,307	26,668
Net Investment Income	(114,600)	68,042
Administrative Expenses	(12,194)	(4,725)
Total Plan Fiduciary Net Position	<u>2,821,636</u>	<u>2,961,780</u>
 City Net Pension Liability (NPL)	 <u>\$ 1,550,757</u>	 <u>\$ 1,756,969</u>
 Plan fiduciary net position as a percentage of the total pension liability	 65%	 63%
Covered-Employee Payroll	\$ 325,000	\$ 352,968
City's Net Pension Liability as a percentage of covered-employee payroll	477%	498%

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Schedule of Contributions**  
**Police Pension Plan**

Year Ended December 31	Actuarially Determined Contribution	Contributions From Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2006	\$ 243,227	\$ 243,227	\$ -		
2007	\$ 241,556	\$ 241,556	\$ -		
2008	\$ 254,183	\$ 254,283	\$ (100)		
2009	\$ 250,584	\$ 250,584	\$ -		
2010	\$ 260,568	\$ 260,568	\$ -		
2011	\$ 324,908	\$ 326,108	\$ (1,200)		
2012	\$ 309,409	\$ 309,409	\$ -		
2013	\$ 313,703	\$ 313,703	\$ -		
2014	\$ 310,592	\$ 310,592	\$ -	\$ 633,061	49.06%
2015	\$ 455,663	\$ 455,663	\$ -	\$ 550,000	82.80%

**Notes to the Supplementary Schedules**

The following actuarial methods and assumptions were used in the calculation of actuarially determined contribution rates reported in the supplementary schedules:

Actuarial valuation date	January 1, 2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value
Inflation	3.0%
Salary increases	5.0%
Investment rate of return	8.0%

There were no changes to assumptions from the prior year.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Schedule of Contributions**  
**Fire Pension Plan**

Year Ended December 31	Actuarially Determined Contribution	Contributions From Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2006	\$ 182,717	\$ 182,717	\$ -		
2007	\$ 184,115	\$ 184,115	\$ -		
2008	\$ 161,496	\$ 161,496	\$ -		
2009	\$ 166,383	\$ 166,383	\$ -		
2010	\$ 178,875	\$ 178,875	\$ -		
2011	\$ 200,927	\$ 200,927	\$ -		
2012	\$ 162,191	\$ 162,191	\$ -		
2013	\$ 163,419	\$ 163,419	\$ -		
2014	\$ 155,155	\$ 155,155	\$ -	\$ 352,968	43.96%
2015	\$ 248,835	\$ 248,835	\$ -	\$ 325,000	76.60%

**Notes to the Supplementary Schedules**

The following actuarial methods and assumptions were used in the calculation of actuarially determined contribution rates reported in the supplementary schedules:

Actuarial valuation date	January 1, 2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value
Inflation	3.0%
Salary increases	5.0%
Investment rate of return	8.0%

There were no changes to assumptions from the prior year.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b><u>Police Pension</u></b>						
1/1/2001	\$ 4,280,461	\$ 4,672,936	\$ 392,475	91.60%	\$ 546,749	71.78%
1/1/2003	\$ 3,986,545	\$ 5,249,416	\$ 1,262,871	75.94%	\$ 594,211	212.53%
1/1/2005	\$ 4,495,885	\$ 5,779,582	\$ 1,283,697	77.80%	\$ 604,734	212.30%
1/1/2007	\$ 5,321,375	\$ 6,282,698	\$ 961,323	84.70%	\$ 608,686	158.00%
1/1/2009	\$ 4,097,309	\$ 6,777,467	\$ 2,680,158	60.50%	\$ 536,350	499.70%
1/1/2011	\$ 4,714,421	\$ 7,343,375	\$ 2,628,954	64.20%	\$ 535,769	490.70%
1/1/2013	\$ 4,537,021	\$ 7,869,334	\$ 3,332,313	57.70%	\$ 539,748	617.40%
1/1/2015	\$ 5,352,933	\$ 7,878,054	\$ 2,525,121	67.90%	\$ 506,937	498.10%
<b><u>Firemen's Pension</u></b>						
1/1/2001	\$ 2,776,751	\$ 3,348,998	\$ 572,247	82.91%	\$ 173,637	329.57%
1/1/2003	\$ 2,134,605	\$ 3,610,563	\$ 1,475,958	59.12%	\$ 299,886	492.17%
1/1/2005	\$ 2,522,518	\$ 3,966,117	\$ 1,443,599	63.60%	\$ 294,194	490.70%
1/1/2007	\$ 3,000,164	\$ 4,170,056	\$ 1,169,892	71.90%	\$ 327,911	356.80%
1/1/2009	\$ 2,324,898	\$ 4,393,891	\$ 2,068,993	52.90%	\$ 341,699	605.50%
1/1/2011	\$ 2,697,860	\$ 4,440,261	\$ 1,742,401	60.80%	\$ 359,134	485.20%
1/1/2013	\$ 2,489,655	\$ 4,499,667	\$ 2,010,012	55.30%	\$ 356,898	563.20%
1/1/2015	\$ 2,961,780	\$ 4,302,646	\$ 1,340,866	68.80%	\$ 336,815	398.10%

**Schedule of Investment Returns**

Annual money-weighted rate of return, net of investment expense not funded through the MMO.

**Police Pension Plan**

2014	6.30%
2015	-1.25%

**Firemen Pension Plan**

2014	2.52%
2015	-3.90%

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Post-employment Benefits Other Than Pension Benefits**  
**Schedule of Funding Progress**

Fiscal Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
December 31, 2015	\$ 105,600	0%	\$ 1,260,000
December 31, 2014	\$ 102,000	0%	\$ 1,154,400
December 31, 2013	\$ (31,200)	0%	\$ 1,052,400
December 31, 2012	\$ 153,600	0%	\$ 1,083,600
December 31, 2011	\$ (30,000)	0%	\$ 930,000

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Combining Balance Sheet**  
**Non-Major Funds**  
**December 31, 2015**

	<u>Liquid Fuels</u>	<u>Shade Tree</u>	<u>Non-Major Fund Totals</u>
Assets			
Cash and cash equivalents	\$ -	\$ 331	\$ 331
Total Assets	<u>\$ -</u>	<u>\$ 331</u>	<u>\$ 331</u>
 Fund Balance			
Restricted Shade Tree	\$ -	\$ 331	\$ 331
Restricted Liquid Fuels	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$ -</u>	<u>\$ 331</u>	<u>\$ 331</u>

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Funds**  
**For the Year Ended December 31, 2015**

	Liquid Fuels	Shade Tree	Non-Major Fund Totals
Revenues			
Interest, rents, and royalties	\$ 92	\$ 3	\$ 95
Intergovernmental	164,534	-	164,534
Contributions and donations	-	18,110	18,110
Total Revenues	<u>164,626</u>	<u>18,113</u>	<u>182,739</u>
Expenditures			
Public works	164,626	-	164,626
Culture and recreation	-	25,932	25,932
Total Expenditures	<u>164,626</u>	<u>25,932</u>	<u>190,558</u>
Change in Fund Balance	-	(7,819)	(7,819)
Fund Balance			
Beginning of Year	<u>-</u>	<u>8,150</u>	<u>8,150</u>
End of Year	<u>\$ -</u>	<u>\$ 331</u>	<u>\$ 331</u>

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Combining Schedule of Fiduciary Net Position**  
**Fiduciary Funds - Trust and Agency**  
**December 31, 2015**

	<u>Police Pension Trust</u>	<u>Firemen Pension Trust</u>	<u>Non-Uniform Pension Trust</u>	<u>Trust Fund Totals</u>
Assets				
Cash and cash equivalents	\$ 412,468	\$ 48,605	\$ -	\$ 461,073
Investments	<u>4,767,576</u>	<u>2,773,031</u>	<u>1,890,369</u>	<u>9,430,976</u>
 Total Assets	 <u>\$ 5,180,044</u>	 <u>\$ 2,821,636</u>	 <u>\$ 1,890,369</u>	 <u>\$ 9,892,049</u>
Net Position				
Held in trust for pension benefits and other purposes	 <u>\$ 5,180,044</u>	 <u>\$ 2,821,636</u>	 <u>\$ 1,890,369</u>	 <u>\$ 9,892,049</u>
 Total Net Position	 <u>\$ 5,180,044</u>	 <u>\$ 2,821,636</u>	 <u>\$ 1,890,369</u>	 <u>\$ 9,892,049</u>

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Combining Schedule of Changes in Fiduciary Net Position**  
**Fiduciary Funds - Trust and Agency**  
**For the Year Ended December 31, 2015**

	Police Pension Trust	Firemen Pension Trust	Non-Uniform Pension Trust	Trust Fund Totals
Additions				
Contributions				
Contributions - employees	\$ 35,614	\$ 26,307	\$ 28,477	\$ 90,398
Contributions - state and city	455,663	248,835	51,640	756,138
Miscellaneous income	1,417	-	-	1,417
Total Contributions	<u>492,694</u>	<u>275,142</u>	<u>80,117</u>	<u>847,953</u>
Investment income				
Net change in fair value of investments	(334,727)	(350,230)	5,132	(679,825)
Interest and dividends	244,717	245,888	-	490,605
Net Investment Income	<u>(90,010)</u>	<u>(104,342)</u>	<u>5,132</u>	<u>(189,220)</u>
Total Additions	<u>402,684</u>	<u>170,800</u>	<u>85,249</u>	<u>658,733</u>
Deductions				
Benefits	548,692	288,492	284,478	1,121,662
Administrative expenses	26,881	22,451	5,288	54,620
Total Deductions	<u>575,573</u>	<u>310,943</u>	<u>289,766</u>	<u>1,176,282</u>
Change in Net Position	(172,889)	(140,143)	(204,517)	(517,549)
Net Position				
Beginning of Year	<u>5,352,933</u>	<u>2,961,779</u>	<u>2,094,886</u>	<u>10,409,598</u>
End of Year	<u>\$ 5,180,044</u>	<u>\$ 2,821,636</u>	<u>\$ 1,890,369</u>	<u>\$ 9,892,049</u>



---

FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

---

**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and Members of Council  
City of Titusville, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Titusville, Pennsylvania, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Titusville, Pennsylvania's basic financial statements, and have issued our report thereon dated April 4, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Titusville, Pennsylvania's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Titusville, Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Titusville, Pennsylvania's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*  
(Continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Titusville, Pennsylvania's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Felix and Gloekler, P.C.*

Felix and Gloekler, P.C.

April 4, 2016  
Erie, Pennsylvania



---

FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

---

**Independent Auditor's Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of  
Federal Awards Required by The Uniform Guidance**

Honorable Mayor and Members of Council  
City of Titusville, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited City of Titusville's compliance with the types of compliance requirements described in the OMB *Compliance Supplement*, that could have a direct and material effect on each of City of Titusville's major federal programs for the year ended December 31, 2015. City of Titusville's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Titusville's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Titusville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

**Independent Auditor's Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of  
Federal Awards Required by The Uniform Guidance  
(Continued)**

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Titusville's compliance.

**Opinion on Each Major Federal Program**

In our opinion, City of Titusville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

**Report on Internal Control Over Compliance**

Management of City of Titusville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Titusville's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Titusville's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**Independent Auditor's Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of  
Federal Awards Required by The Uniform Guidance  
(Continued)**

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of City of Titusville as of and for the year ended December 31, 2015, and have issued our report thereon dated April 4, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information 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 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Felix and Gloekler, P.C.*

Felix and Gloekler, P.C.

April 4, 2016  
Erie, Pennsylvania

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2015**

Description of Grantor Agency/Program Title	CFDA No.	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Water and Waste Disposal System for Rural Communities	10.760	\$ -	\$ 2,136,279
Total Expenditures of Federal Awards		<u>\$ -</u>	<u>\$ 2,136,279</u>

The accompanying notes are an integral part of this schedule.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Schedule of Expenditures of Federal Awards**  
**Footnotes and Other Information**  
**For the Year Ended December 31, 2015**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City of Titusville under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Titusville, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Titusville.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein contained types of expenditures are not allowable or are limited as to reimbursement.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2015**

1. Summary of auditors' results

- (i) Type of report issued on the financial statements: Unqualified opinion.
- (ii) Internal control over financial reporting:
  - Material weakness(es) identified – None
  - Significant deficiency(ies) identified – None reported
- (iii) The audit disclosed no noncompliance which is material to the financial statements.
- (iv) Internal control over major federal program:
  - Material weakness(es) identified – None
  - Significant deficiency(ies) identified – None reported
- (v) Type of report issued on compliance for major programs: Unqualified opinion.
- (vi) The audit disclosed no audit findings which are required to be reported.
- (vii) Major programs:
  - Water and waste disposal systems for rural communities 10.760
- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
- (ix) City of Titusville, Pennsylvania did not qualify as a low-risk auditee.

2. Findings required to be reported in accordance with generally accepted government auditing standards

None.

3. Findings and questioned costs for Federal awards

None.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2015**

1. Prior significant deficiencies: None.
2. Prior material noncompliance with provisions of laws, regulations, contracts, or grant agreements related to a major program: None.
3. Known questioned costs greater than \$25,000: None.
4. There were no findings in the prior year.

**CITY OF TITUSVILLE, PENNSYLVANIA**  
**Corrective Action Plan**  
**For the Year Ended December 31, 2015**

Not applicable. There were no current year findings required to be reported.

**CITY OF TITUSVILLE, PENNSLVANIA**  
**List of Report Distribution**  
**December 31, 2015**

The following is a listing of all agencies that the audit reports are distributed to:

1. United States Bureau of the Census