

CITY OF TITUSVILLE, PENNSYLVANIA

AUDIT REPORT

DECEMBER 31, 2016

CITY OF TITUSVILLE, PENNSYLVANIA

Table of Contents

For the Year Ended December 31, 2016

	<u>Page</u>
Independent Auditors' Report	3-5
Management's Discussion and Analysis	6-13
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16-17
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24-25
Statement of Fiduciary Net Position - Fiduciary Funds - Trust and Agency	26
Statement of Changes in Fiduciary Net Position - Fiduciary Funds - Trust and Agency	27
Notes to Financial Statements	28-52
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	54
Schedule of Changes in the City's Net Pension Liability and Related Ratios	55-56
Schedule of Contributions	57-58
Schedule of Funding Progress	59
Post-employment Benefits Other Than Pension Benefits - Schedule of Funding Progress	60
Combining Balance Sheet – Non-Major Funds	61
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Funds	62
Combining Schedule of Fiduciary Net Position – Fiduciary Funds - Trust and Agency	63
Combining Schedule of Changes in Fiduciary Net Position - Fiduciary Funds – Trust and Agency	64
Independent Auditors' Report	65-66



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, 2016, 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.

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.

Independent Auditors' Report
(Continued)

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules and other post-employment benefit schedule, 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.

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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

Independent Auditors' Report
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2017 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.

September 30, 2017
Erie, Pennsylvania

CITY OF TITUSVILLE, PENNSYLVANIA
Management's Discussion & Analysis
For the Year Ended December 31, 2016

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, 2016 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 2016. 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 \$8,926,512 compared to last year's net position of \$7,473,713.
- As of the end of the year, the City's governmental funds reported combined ending fund balances of \$1,015,858, a decrease of \$192,877 when compared to 2015.
- With the final stages of the wastewater treatment plant phase 3b upgrades approaching, the City's business-type activities, operating revenues decreased significantly in grant revenues, while operating expenses for refuse services increased due to contract changes.

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 (including capital assets) of the City as well as all liabilities (including long-term debt). 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 is 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:

Governmental 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 that 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 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.

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, 2016

	<i>Governmental Activities</i>			<i>Business-type Activities</i>			<i>Total</i>		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Assets									
Current and other assets	\$ 1,424,794	\$ 1,490,676	\$1,211,789	\$ 4,775,092	\$ 2,332,269	\$2,100,460	\$ 6,199,886	\$3,822,945	\$3,312,249
Capital assets, (net of depreciation)	1,894,443	1,811,007	2,318,645	9,192,243	11,019,183	11,344,823	11,086,686	12,830,190	13,663,468
Total Assets	3,319,237	3,301,683	3,530,434	13,967,335	13,351,452	13,445,283	17,286,572	16,653,135	16,975,717
Deferred Outflow									
Deferred Outflow-Pensions	44,712	424,621	461,788	-	-	-	44,712	424,621	461,788
Liabilities									
Current and other liabilities	68,687	76,262	44,105	291,379	294,621	178,456	360,066	370,883	222,561
Net Pension Liability	4,701,450	4,405,574	4,378,056	-	-	-	4,701,450	4,405,574	4,378,056
Long-term debt outstanding	1,483,535	1,583,346	1,337,462	6,386,298	3,229,240	2,557,914	7,869,833	4,812,586	3,895,376
Total Liabilities	6,253,672	6,065,182	5,759,623	6,677,677	3,523,861	2,736,370	12,931,349	9,589,043	8,495,993
Deferred Inflows of Resources	-	-	-	15,000	15,000	15,000	15,000	15,000	15,000
Net Position									
Net Investment in capital assets	1,894,443	1,811,007	2,318,645	2,561,705	7,537,699	8,682,624	4,456,148	9,348,706	11,001,269
Restricted	8,150	331	11,990	-	-	-	8,150	331	11,990
Unrestricted	(4,792,316)	(4,150,216)	(4,098,036)	4,712,953	2,274,892	2,011,289	(79,363)	(1,875,324)	(2,086,747)
Total Net	(2,889,723)	(2,338,878)	(1,767,401)	7,274,658	9,812,591	10,693,913	4,384,935	7,473,713	8,926,512
Total Net Position, Restated	(2,889,723)	(2,338,878)	(1,767,401)	7,274,658	9,812,591	10,693,913	4,384,935	7,473,713	8,926,512
Total Liabilities, Deferred Inflows of Resources, & Net Position	\$ 3,363,949	\$3,726,304	\$3,992,222	\$13,967,335	\$13,351,452	\$13,445,283	\$17,331,284	\$17,077,756	\$17,437,505

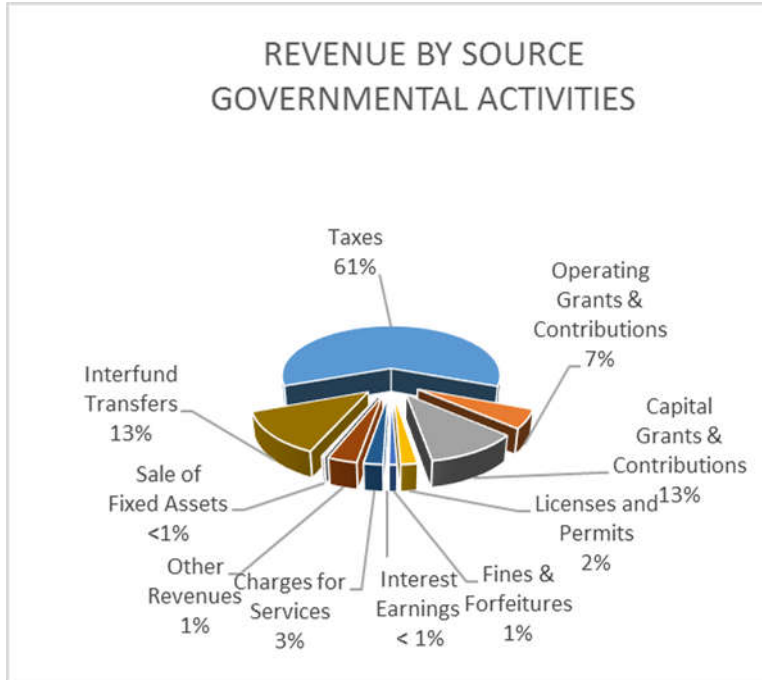
The City's net position reflects on investment in capital assets (e.g. land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are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

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

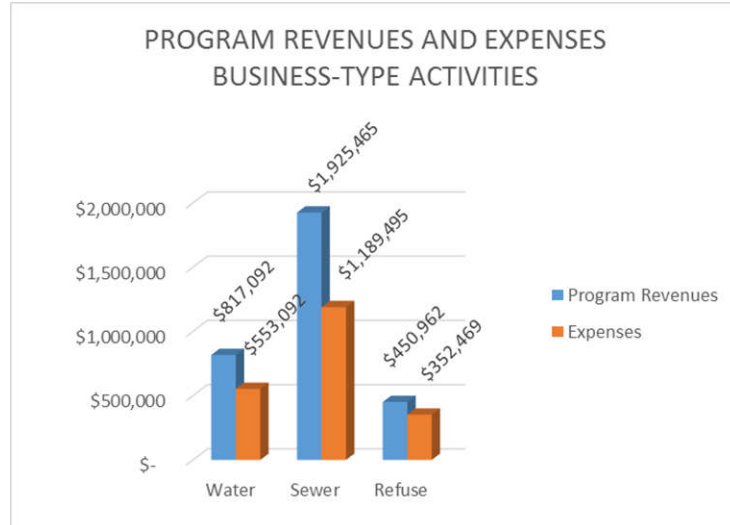
City of Titusville, Pennsylvania Statement of Activities

	<i>Governmental Activities</i>			<i>Business-Type Activities</i>			<i>Total</i>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues									
<i>Program Revenues</i>									
Charges for Services	\$ 115,091	\$ 117,959	\$ 95,225	\$ 3,190,053	\$ 3,192,899	\$ 3,193,519	\$ 3,305,144	\$ 3,310,858	\$ 3,288,744
Operating Grant and contributions	233,816	221,586	230,602	-	-	7,731	233,816	221,586	238,333
Capital Grants and contributions	464,800	464,637	466,028	2,034,403	2,136,279	274,328	2,499,203	2,600,916	740,356
<i>General Revenues</i>									
Taxes	2,429,030	2,647,913	2,563,502	-	-	-	2,429,030	2,647,913	2,563,502
Licenses and permits	100,341	107,020	83,436	-	-	-	100,341	107,020	83,436
Fines and forfeits	39,982	37,506	39,637	-	-	-	39,982	37,506	39,637
Interest earnings	4,226	4,095	4,727	6,712	5,093	2,566	10,938	9,188	7,293
Miscellaneous	23,770	96,979	146,467	-	-	36,866	23,770	96,979	183,333
Sale of Fixed Assets	30,778	7,279	13,968	-	4,000	-	30,778	11,279	13,968
Transfers	411,039	697,815	538,632	(411,039)	(697,815)	(538,632)	-	-	-
Total Revenues	\$ 3,852,873	\$ 4,402,789	\$4,182,224	\$ 4,820,129	\$ 4,640,456	\$2,976,378	\$ 8,673,002	\$ 9,043,245	\$ 7,158,602
Expenses									
General Government	\$ 1,113,014	\$ 1,157,189	\$ 765,007	\$ -	\$ -	\$ -	\$ 1,113,014	\$ 1,157,189	\$ 765,807
Public Safety	1,993,896	1,496,207	2,117,882	-	-	-	1,993,896	1,496,207	2,117,882
Public Works	1,005,856	1,053,761	544,203	-	-	-	1,005,856	1,053,761	544,203
Culture and Recreation	149,001	144,787	182,855	-	-	-	149,001	144,787	182,855
Water, Sewer, and Refuse Facilities	-	-	-	1,682,914	1,852,682	2,095,056	1,682,914	1,852,682	2,095,056
Total Expenses	\$ 4,261,767	\$ 3,851,944	\$ 3,610,747	\$ 1,682,914	\$ 1,852,682	\$ 2,095,056	\$ 5,944,681	\$ 5,704,626	\$ 5,705,803
Change in Net Position	\$ (408,894)	\$ 550,845	\$ 571,477	\$ 3,137,215	\$ 2,787,774	\$ 881,322	\$ 2,728,321	\$ 3,338,619	\$ 1,452,799

The following chart illustrates the composition of revenues for the City's governmental activities:



Business-Type activities (Water, Sewer, Refuse) increased the City's net position by \$881,322, accounting for the majority of growth in the City's total net position. 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 \$13,460,410. This investment in capital assets includes land, buildings and building improvements, equipment and systems, and construction in progress.

	Governmental Activities			Proprietary Funds			Total		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Land	\$ 170,813	\$ 170,813	\$ 170,813	\$ 32,245	\$ 32,245	\$ 32,245	\$ 203,058	\$ 203,058	\$ 203,058
Construction in Progress	-	-	-	5,151,867	7,393,706	-	5,151,867	7,393,706	-
	170,813	170,813	170,813	5,184,112	7,425,951	32,245	5,354,925	7,596,764	203,058
Buildings/Improvements	4,968,670	4,968,670	5,613,554	6,882,079	6,882,079	14,940,533	11,850,749	11,850,749	20,554,087
Equipment and Systems	2,990,541	3,129,224	3,235,821	6,200,683	6,281,601	6,343,864	9,191,224	9,410,824	9,579,685
	7,959,211	8,097,894	8,849,375	13,082,762	13,163,680	21,284,397	21,041,973	21,261,573	30,133,772
Less Accum. Depreciation	(6,235,581)	(6,457,700)	(6,701,543)	(9,074,631)	(9,320,607)	(9,971,819)	(15,310,212)	(15,778,307)	(16,673,362)
Total Depreciated Capital Assets	\$1,723,630	\$1,640,194	\$2,147,832	\$4,008,131	\$3,843,073	\$11,312,578	\$5,731,761	\$5,483,266	\$13,460,410

ECONOMIC FACTORS AND FUTURE YEAR BUDGETS

The 2016 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 not increased in 2016. The FY 2016 Budget looked at Phase 3b, major Capital Improvements for the Wastewater Treatment Plant.

Looking ahead to 2017, 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 or by phone at 814-827-5300 Extension 303.

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CITY OF TITUSVILLE, PENNSYLVANIA
Statement of Net Position
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 910,719	\$ 1,899,707	\$ 2,810,426
Accounts receivable			
Taxes, net of allowance for doubtful accounts	207,434	-	207,434
City services	-	148,808	148,808
Other	113,881	31,700	145,581
Internal balances	(20,245)	20,245	-
Total Current Assets	<u>1,211,789</u>	<u>2,100,460</u>	<u>3,312,249</u>
Noncurrent Assets			
Land	170,813	32,245	203,058
Capital assets, net	2,147,832	11,312,578	13,460,410
Total Non-Current Assets	<u>2,318,645</u>	<u>11,344,823</u>	<u>13,663,468</u>
Total Assets	<u>3,530,434</u>	<u>13,445,283</u>	<u>16,975,717</u>
Deferred Outflows of Resources			
Deferred outflows-pensions	461,788	-	461,788
Total Assets and Deferred Outflows of Resources	<u>\$ 3,992,222</u>	<u>\$ 13,445,283</u>	<u>\$ 17,437,505</u>
Liabilities			
Current Liabilities			
Vouchers payable and other current liabilities	\$ 32,828	\$ 7,431	\$ 40,259
Accrued compensated absences	11,277	16,819	28,096
Notes payable	-	154,206	154,206
Total Current Liabilities	<u>44,105</u>	<u>178,456</u>	<u>222,561</u>
Non-Current Liabilities			
Accrued compensated absences	214,262	49,921	264,183
OPEB obligation	1,123,200	-	1,123,200
Notes payable	-	2,507,993	2,507,993
Net pension liability	4,378,056	-	4,378,056
Total Non-Current Liabilities	<u>5,715,518</u>	<u>2,557,914</u>	<u>8,273,432</u>
Total Liabilities	<u>5,759,623</u>	<u>2,736,370</u>	<u>8,495,993</u>
Deferred Inflows of Resources			
Unavailable revenue - water usage	-	15,000	15,000
Total Deferred Inflows of Resources	<u>-</u>	<u>15,000</u>	<u>15,000</u>
Net Position			
Net investment in capital assets	2,318,645	8,682,624	11,001,269
Restricted for:			
Shade Tree	11,986	-	11,986
Liquid Fuels	4	-	4
Unrestricted (Deficit)	(4,098,036)	2,011,289	(2,086,747)
Total Net Position	<u>(1,767,401)</u>	<u>10,693,913</u>	<u>8,926,512</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,992,222</u>	<u>\$ 13,445,283</u>	<u>\$ 17,437,505</u>

See accompanying notes to financial statements.

CITY OF TITUSVILLE, PENNSYLVANIA

Statement of Activities

For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 765,807	\$ 27,929	\$ 230,602	\$ 274,500
Public safety	2,117,882	7,210	-	-
Public works	544,203	23,038	-	191,528
Culture and recreation	182,855	37,048	-	-
Total Governmental Activities	3,610,747	95,225	230,602	466,028
Business-type activities				
Water fund	553,092	817,092	-	-
Sewer fund	1,189,495	1,925,465	-	274,328
Refuse fund	352,469	450,962	7,731	-
Total Business-Type Activities	2,095,056	3,193,519	7,731	274,328
Total Primary Government	\$ 5,705,803	\$ 3,288,744	\$ 238,333	\$ 740,356
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.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (232,776)	\$ -	\$ (232,776)
(2,110,672)	-	(2,110,672)
(329,637)	-	(329,637)
(145,807)	-	(145,807)
<u>(2,818,892)</u>	<u>-</u>	<u>(2,818,892)</u>
-	264,000	264,000
-	1,010,298	1,010,298
-	106,224	106,224
-	<u>1,380,522</u>	<u>1,380,522</u>
<u>(2,818,892)</u>	<u>1,380,522</u>	<u>(1,438,370)</u>
2,563,502	-	2,563,502
83,436	-	83,436
39,637	-	39,637
4,727	2,566	7,293
146,467	36,866	183,333
13,968	-	13,968
538,632	(538,632)	-
<u>3,390,369</u>	<u>(499,200)</u>	<u>2,891,169</u>
571,477	881,322	1,452,799
<u>(2,338,878)</u>	<u>9,812,591</u>	<u>7,473,713</u>
<u>\$ (1,767,401)</u>	<u>\$ 10,693,913</u>	<u>\$ 8,926,512</u>

CITY OF TITUSVILLE, PENNSYLVANIA

**Balance Sheet
Governmental Funds
December 31, 2016**

	General	Non-Major	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 582,118	\$ 11,990	\$ 316,611	\$ 910,719
Taxes receivable, net	207,434	-	-	207,434
Interfund receivable	6,159	-	-	6,159
Accounts receivable	113,881	-	-	113,881
Total Assets	\$ 909,592	\$ 11,990	\$ 316,611	\$ 1,238,193
Liabilities				
Interfund payable	\$ -	\$ -	\$ 26,404	\$ 26,404
Vouchers payable and other current liabilities	32,828	-	-	32,828
Total Liabilities	32,828	-	26,404	59,232
Deferred Inflows of Resources				
Unavailable revenue - property taxes	163,103	-	-	163,103
Total Deferred Inflows of Resources	163,103	-	-	163,103
Fund Balance				
Restricted				
Liquid fuels	-	4	-	4
Shade tree	-	11,986	-	11,986
Assigned				
Capital projects	-	-	290,207	290,207
Unassigned	713,661	-	-	713,661
Total Fund Balance	713,661	11,990	290,207	1,015,858
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 909,592	\$ 11,990	\$ 316,611	\$ 1,238,193

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, 2016

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

Fund balances - total governmental funds	\$ 1,015,858
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the governmental funds	2,318,645
Certain long-term assets are not available to pay current period expenditures and, therefore, are unearned in the funds unavailable revenues	163,103
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	461,788
Other post-employment benefits are reflected on the Statement of Net Position, but are not considered a current expenditure for the fund statements	(1,123,200)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds	
Net pension liability	(4,378,056)
Compensated absences	<u>(225,539)</u>
Net position of governmental activities	<u><u>\$ (1,767,401)</u></u>

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, 2016

	General	Non-Major	Capital Projects	Total Governmental Funds
Revenues				
Taxes	\$ 2,592,885	\$ -	\$ -	\$ 2,592,885
Interest, rents and royalties	4,446	112	169	4,727
Intergovernmental	535,313	191,528	-	726,841
Charges for services	92,225	-	-	92,225
Licenses and permits	86,436	-	-	86,436
Fines and forfeitures	39,637	-	-	39,637
Contributions and donations	36,225	32,702	-	68,927
Other	77,533	7	-	77,540
Total Revenues	3,464,700	224,349	169	3,689,218
Expenditures				
General government	767,934	-	-	767,934
Public safety	2,176,930	-	5,637	2,182,567
Public works	931,603	191,641	102,179	1,225,423
Culture and recreation	161,806	21,049	35,493	218,348
Other	40,423	-	-	40,423
Total Expenditures	4,078,696	212,690	143,309	4,434,695
Excess (deficiency) of revenues over expenditures	(613,996)	11,659	(143,140)	(745,477)
Other financing sources (uses)				
Sale of fixed assets	13,968	-	-	13,968
Operating transfers in	659,582	-	498,000	1,157,582
Operating transfers out	(123,000)	-	(495,950)	(618,950)
Total Other Financing Sources (Uses)	550,550	-	2,050	552,600
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(63,446)	11,659	(141,090)	(192,877)
Fund balance				
Beginning of Year	777,107	331	431,297	1,208,735
End of Year	\$ 713,661	\$ 11,990	\$ 290,207	\$ 1,015,858

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, 2016

Net change in fund balances - total governmental funds	\$	(192,877)
Capital outlay, reported as expenditures in the governmental funds, are shown as capital assets in Statement of Net Position		751,481
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities		(243,843)
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		(59,594)
Deferred outflows are not reflected in the fund statements as they are related to future pension obligations		37,167
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	\$	136,800
Change in net pension liability		27,518
Change in compensated absences		114,825
		279,143
Change in net position of governmental activities	\$	571,477

See accompanying notes to financial statements.

CITY OF TITUSVILLE, PENNSYLVANIA
Statement of Net Position
Proprietary Funds
December 31, 2016

	Enterprise Funds			
	Water	Sewer	Refuse	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 491,427	\$ 1,257,438	\$ 150,842	\$ 1,899,707
Accounts receivable, net				
City services	61,222	81,014	6,572	148,808
Interfund receivable	32,918	-	29,635	62,553
Other	-	31,700	-	31,700
Total Current Assets	585,567	1,370,152	187,049	2,142,768
Non-Current Assets				
Land	6,003	26,242	-	32,245
Capital assets, net	225,854	11,086,724	-	11,312,578
Total Non-Current Assets	231,857	11,112,966	-	11,344,823
Total Assets	\$ 817,424	\$ 12,483,118	\$ 187,049	\$ 13,487,591
Liabilities, Deferred Inflows of Resources, and Net Position				
Current Liabilities				
Vouchers payable and other				
current liabilities	7,431	\$ -	\$ -	\$ 7,431
Interfund payable	-	42,308	-	42,308
Accrued compensated absences	5,530	11,289	-	16,819
Notes payable	-	154,206	-	154,206
Total Current Liabilities	12,961	207,803	-	220,764
Non-Current Liabilities				
Accrued compensated absences	27,001	22,920	-	49,921
Notes payable	-	2,507,993	-	2,507,993
Total Non-Current Liabilities	27,001	2,530,913	-	2,557,914
Total Liabilities	39,962	2,738,716	-	2,778,678
Deferred Inflows of Resources				
Unavailable revenue - water usage	15,000	-	-	15,000
Total Deferred Inflows of Resources	15,000	-	-	15,000
Net Position				
Net investment in capital assets	231,857	8,450,767	-	8,682,624
Unrestricted	530,605	1,293,635	187,049	2,011,289
Total Net Position	762,462	9,744,402	187,049	10,693,913
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 817,424	\$ 12,483,118	\$ 187,049	\$ 13,487,591

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, 2016

	Enterprise Funds			Total
	Water	Sewer	Refuse	
Operating Revenues				
Charges for services	\$ 817,092	\$ 1,925,465	\$ 450,962	\$ 3,193,519
Grant revenues	-	274,328	7,731	282,059
Other revenues	19,268	17,480	118	36,866
Total Operating Revenues	<u>836,360</u>	<u>2,217,273</u>	<u>458,811</u>	<u>3,512,444</u>
Operating Expenses				
Salaries and wages	170,739	205,455	-	376,194
Employee benefits	79,109	80,906	-	160,015
Utilities	85,973	105,861	-	191,834
Materials and supplies	86,695	163,444	-	250,139
Contracted services	34,137	171,267	336,237	541,641
Equipment	15,824	28,441	-	44,265
Depreciation	34,875	366,496	-	401,371
Insurance	18,629	18,629	-	37,258
Administrative	27,111	16,748	16,232	60,091
Total Operating Expenses	<u>553,092</u>	<u>1,157,247</u>	<u>352,469</u>	<u>2,062,808</u>
Operating Income (Loss)	<u>283,268</u>	<u>1,060,026</u>	<u>106,342</u>	<u>1,449,636</u>
Non-Operating Revenues (Expenses)				
Interest income	470	1,927	169	2,566
Interest expense	-	(32,248)	-	(32,248)
Total Non-Operating Revenues (Expenses)	<u>470</u>	<u>(30,321)</u>	<u>169</u>	<u>(29,682)</u>
Income (Loss) Before Transfers	283,738	1,029,705	106,511	1,419,954
Other Financing Sources				
Sale of fixed assets	-	-	-	-
Transfers in	62,263	433,687	-	495,950
Transfers (out)	(333,187)	(626,578)	(74,817)	(1,034,582)
Change in Net Position	12,814	836,814	31,694	881,322
Net Position				
Beginning of Year, as restated	<u>749,648</u>	<u>8,907,588</u>	<u>155,355</u>	<u>9,812,591</u>
End of Year	<u>\$ 762,462</u>	<u>\$ 9,744,402</u>	<u>\$ 187,049</u>	<u>\$ 10,693,913</u>

See accompanying notes to financial statements.

CITY OF TITUSVILLE, PENNSYLVANIA

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2016

	Enterprise Funds			
	Water	Sewer	Refuse	Total
Cash flows from operating activities:				
Receipts from users	\$ 854,360	\$ 1,895,144	\$ 450,962	\$ 3,200,466
Other operating cash receipts	-	291,808	7,849	299,657
Payments to suppliers	(239,343)	(458,816)	(365,872)	(1,064,031)
Payments for personnel services	(230,405)	(262,028)	-	(492,433)
Payments for operating expenses	(45,740)	(35,377)	(16,232)	(97,349)
Net cash provided by operating activities	<u>338,872</u>	<u>1,430,731</u>	<u>76,707</u>	<u>1,846,310</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	62,263	433,687	-	495,950
Transfers to other funds	(333,187)	(626,578)	(74,817)	(1,034,582)
Net cash used by noncapital and related activities	<u>(270,924)</u>	<u>(192,891)</u>	<u>(74,817)</u>	<u>(538,632)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(62,264)	(664,747)	-	(727,011)
Note payment	-	(819,285)	-	(819,285)
Interest paid on capital debt	-	(32,248)	-	(32,248)
Net cash used by financing activities	<u>(62,264)</u>	<u>(1,516,280)</u>	<u>-</u>	<u>(1,578,544)</u>
Cash flows from investing activities:				
Interest income	470	1,927	169	2,566
Net cash provided by investing activities	<u>470</u>	<u>1,927</u>	<u>169</u>	<u>2,566</u>
Net increase (decrease) in cash	6,154	(276,513)	2,059	(268,300)
Cash Balance, January 1, 2016	<u>485,273</u>	<u>1,533,951</u>	<u>148,783</u>	<u>2,168,007</u>
Cash Balance, December 31, 2016	<u>\$ 491,427</u>	<u>\$ 1,257,438</u>	<u>\$ 150,842</u>	<u>\$ 1,899,707</u>

See accompanying notes to financial statements.

CITY OF TITUSVILLE, PENNSYLVANIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016
(Continued)

	Enterprise Funds			Total
	Water	Sewer	Refuse	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income	\$ 283,268	\$ 1,060,026	\$ 106,342	\$ 1,449,636
Adjustments to reconcile operating income (loss) to net cash (used for) operating activities:				
Depreciation	34,875	366,496	-	401,371
Changes in assets, liabilities, and deferred inflows				
(Increase) decrease in receivables	18,000	(30,321)	-	(12,321)
(Increase) decrease in interfund receivables	(4,901)	-	(29,635)	(34,536)
Increase (decrease) in interfund payables	-	10,366	-	10,366
Increase (decrease) in payables	(11,813)	(169)	-	(11,982)
Increase (decrease) in compensated absences	19,443	24,333	-	43,776
Net cash provided (used) by operations	<u>\$ 338,872</u>	<u>\$ 1,430,731</u>	<u>\$ 76,707</u>	<u>\$ 1,846,310</u>

CITY OF TITUSVILLE, PENNSYLVANIA
Statement of Fiduciary Net Position
Fiduciary Funds - Trust and Agency
December 31, 2016

Assets	
Cash and cash equivalents	\$ 586,404
Investments	<u>9,533,602</u>
Total Assets	<u><u>\$ 10,120,006</u></u>
 Net Position	
Restricted for pension benefits	<u>\$ 10,120,006</u>
Total Net Position	<u><u>\$ 10,120,006</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, 2016

Additions	
Contributions	
Contributions - employees	\$ 87,811
Contributions - state and city	<u>587,097</u>
Total Contributions	<u>674,908</u>
Investment income	
Net change in fair value of investments	353,825
Interest and dividends	<u>307,467</u>
Net Investment Income	<u>661,292</u>
Total Additions	<u>1,336,200</u>
Deductions	
Benefits	1,066,250
Administrative expenses	<u>41,993</u>
Total Deductions	<u>1,108,243</u>
Change in Net Position	227,957
Net Position	
Beginning of Year	<u>9,892,049</u>
End of Year	<u><u>\$ 10,120,006</u></u>

See accompanying notes to financial statements.

CITY OF TITUSVILLE, PENNSYLVANIA
Notes to Financial Statements
December 31, 2016

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 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 funds).

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 \$234,101. This is mainly related to CDBG funds received and passed through to the Redevelopment Authority. These revenues and expenditures are not budgeted and beginning in 2017, the City of Titusville will no longer pass through CDBG funds to the Redevelopment Authority.

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 and liquid fuels.
- 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.

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.

In addition to the investment authorized for governmental funds, fiduciary fund investments may also be made in other investments consistent with sound business practice.

The deposit and investment policy of the City adheres to state statutes and prudent business practice. Deposits of the governmental funds are maintained in demand deposits. The deposits and investments of the pension trust funds are administered by the investment managers and are held separately from those of the other municipal funds.

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

Primary Government:

Deposits

At December 31, 2016, the City's deposits, excluding the pension trust funds are as follows:

	Bank	Book
Governmental Activities:		
Cash and cash equivalents	<u>\$ 1,127,128</u>	<u>\$ 910,719</u>
Total Governmental Activities	\$ 1,127,128	\$ 910,719
Business-type Activities:		
Cash and cash equivalents	<u>\$ 1,899,457</u>	<u>\$ 1,899,707</u>
Total Governmental Activities	<u>\$ 3,026,585</u>	<u>\$ 2,810,426</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. City of Titusville does not have a policy for custodial credit risk. As of December 31, 2016, \$2,276,585 of City of Titusville's bank balance was exposed to custodial credit risk. The balance was insured by assets pledged by the trust bank, but not in the City's name. The depositories secure the deposit on these funds, which are not covered by applicable Federal Deposit Insurance Corporation coverage in accordance with the Pooled Asset Pledging Law, Act 72 of 1971. \$750,000 of the bank balance was covered by federal depository insurance.

Pension Trust Fund:

The Pension Trust is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The Pension Trust's target asset allocation is as follows:

<u>Asset Class</u>	<u>Range</u>	<u>Target</u>
Cash and cash Equivalent	0-10%	5-80%
Bonds	30-50%	15-60%
Equity	50-70%	0-60%

The maximum equity exposure for the plans will be 70%.

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2016, the City had the following cash, cash equivalents, and investments in its Pension Trust Funds.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Debt securities:					
U.S. Treasuries	\$ 328,507	\$ 69,897	\$ 258,610	\$ -	\$ -
U.S. Agencies	265,474	-	265,474	-	-
Corporate debt	1,719,617	-	-	1,719,617	-
Other fixed income	1,312,110	-	-	518,688	793,422
Total debt securities	\$ 3,625,708	\$ 69,897	\$ 524,084	\$ 2,238,305	\$ 793,422
Mutual funds - equity	3,022,419				
Equities	3,471,879				
Total	<u>\$ 10,120,006</u>				

The following is a description of the Pension Trust Fund’s deposit and investment risks:

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the Pension Trust Fund will not be able to recover the value of its deposits or investments or collateral securities that are in the possession of an outside party. The Pension Trust Fund does not have a formal deposit investment policy for custodial credit risk. As of December 31, 2016, the City’s entire pension cash, cash equivalents, and investment balance of \$10,120,006 (bank and book balance) was exposed to custodial credit risk. All of the City’s Pension Trust Fund investments were uninsured and held by the counterparty, but not in the City’s name. The counterparty is a member of the Securities Investor Protection Corporation (SIPC), which provides insurance coverage up to \$500,000 of the net equity balance including up to \$250,000 in cash, in the event the counterparty fails, owing the City’s cash and securities that are missing from their accounts. This coverage does not extend to losses incurred due to fraud, misrepresentation, or investment decisions.

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.

<u>Investment Type</u>	<u>Credit Rating</u>
Corporate Debt	AAA
Corporate Debt	AA
Corporate Debt	A
Corporate Debt	BAA
Other Fixed Income	AAA
Other Fixed Income	AA

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. At December 31, 2016, the Pension funds did not have any 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.

Interest Rate Risk for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The City has no investment policy for interest rate risk other than the 50 percent limit on fixed income securities.

The fair value at the end of the period of the pension trust fund investments is as follows:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Debt securities	\$ -	\$ 3,039,304	\$ -	\$ 3,039,304
Mutual funds - equity	-	3,022,419	-	3,022,419
Equities	<u>3,471,879</u>	<u>-</u>	<u>-</u>	<u>3,471,879</u>
	<u>\$ 3,471,879</u>	<u>\$ 6,061,723</u>	<u>\$ -</u>	<u>\$ 9,533,602</u>

The valuation technique used in determining the above fair value are recently executed transactions, market price quotations and pricing models that factor in where applicable interest rates, bond, or CD spread volatility. No significant changes in the valuation technique were used as of December 31, 2016.

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 2016 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.

NOTE 5 – PROPERTY TAX REVENUES AND RECEIVABLES (CONTINUED)

Taxes Receivable

Taxes receivable consisted of the following at December 31, 2016:

Delinquent real estate taxes	\$ 110,775
Per capita tax	6,119
Earned income tax receivable	92,973
Allowance for doubtful accounts	<u>(2,433)</u>
	<u>\$ 207,434</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, 2016, the amount of unavailable revenue - property taxes reported as deferred inflows of resources is \$163,103.

NOTE 6 – ACCOUNTS RECEIVABLE - OTHER

Accounts receivable - other consisted of the following at December 31, 2016:

Governmental Funds	
General Funds	<u>\$ 113,881</u>
Proprietary Funds	
Sewer Fund	<u>\$ 31,700</u>

NOTE 7 – ACCOUNTS RECEIVABLE - CITY SERVICES

Accounts receivable as of December 31, 2016 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>(30,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>(45,000)</u>
	<u>\$ 61,222</u>	<u>\$ 81,014</u>	<u>\$ 6,572</u>	<u>\$ 148,808</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, 2016:

	<u>Balance at 12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/16</u>
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	\$ 644,884	\$ -	\$ 5,613,554
Equipment and systems	3,129,224	106,597	-	3,235,821
	8,097,894	751,481	-	8,849,375
Accumulated depreciation	(6,457,700)	(243,843)	-	(6,701,543)
Total capital assets being depreciated, net	<u>\$ 1,640,194</u>	<u>\$ 507,638</u>	<u>\$ -</u>	<u>\$ 2,147,832</u>
Depreciation expense for the year ended December 31, 2016				
General government	<u>\$ 243,843</u>			

Proprietary Funds

The following is a summary of the proprietary funds capital assets at December 31, 2016:

	<u>Balance at 12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/16</u>
Capital assets not being depreciated:				
Land	\$ 32,245	\$ -	\$ -	\$ 32,245
Construction in progress	7,393,707	664,747	(8,058,454)	-
	<u>\$ 7,425,952</u>	<u>\$ 664,747</u>	<u>\$ (8,058,454)</u>	<u>\$ 32,245</u>
Capital assets being depreciated:				
Buildings and building improvements	\$ 6,882,079	\$ -	\$ 8,058,454	\$ 14,940,533
Equipment and systems	6,281,600	62,264	-	6,343,864
	13,163,679	62,264	8,058,454	21,284,397
Accumulated depreciation	(9,570,448)	(401,371)	-	(9,971,819)
Total capital assets being depreciated, net	<u>\$ 3,593,231</u>	<u>\$ (339,107)</u>	<u>\$ 8,058,454</u>	<u>\$ 11,312,578</u>
Depreciation expense for the year ended December 31, 2016				
Water fund	\$ 34,875			
Sewer fund	366,496			
	<u>\$ 401,371</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 2016, plan participants are required to contribute \$1.00 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, 2016 are as follows:

	<u>Fair Value</u>
Fixed Income	\$ 793,422
Equities	<u>1,100,974</u>
	<u>\$ 1,894,396</u>

Contributions

Total contributions to the Plan during 2016 by plan members and the City were \$28,904 and \$52,944, respectively. Included in pension expense is \$0 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, 2016, 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	18
Inactive Members Entitled to but not yet Receiving Benefits	1	1
Active Members	9	16
Total Members	<u>32</u>	<u>35</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 member's 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.

Net Pension Liability

The net pension liability was measured as of December 31, 2016, 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%
Salary increases:	5% including inflation
Mortality:	RP-2000 Table for Males and Females
Investment	
Rate of Return:	8% 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, 2016 are summarized in the following table:

NOTE 9 – PENSION PLANS (CONTINUED)

<u>Asset Class</u>	<u>Police</u>	<u>Firemen</u>
	Long-term Expected Real Rate of Return	Long-term Expected Real Rate of Return
Domestic equities	5.5-7.5%	5.5-7.5%
International equities	4.5-6.5%	4.5-6.5%
Fixed income	1.0-3.0%	1.0-3.0%
Real estate	4.5-6.5%	4.5-6.5%
Cash and equivalents	0.0-1.0%	0.0-1.0%

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 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

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

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
City’s net pension Liability	<u>\$ 3,659,200</u>	<u>\$ 2,829,553</u>	<u>\$ 2,144,514</u>

Firemen

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
City’s net pension Liability	<u>\$ 1,943,286</u>	<u>\$ 1,548,503</u>	<u>\$ 1,209,404</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 12/31/2015	\$ 8,034,860	\$ 5,180,043	\$ 2,854,817
Service cost	94,925	-	94,925
Interest cost	627,047	-	627,047
Changes for experience	-	-	-
Contributions - employer	-	350,894	(350,894)
Contributions - member	-	32,440	(32,440)
Net investment income	-	371,532	(371,532)
Benefit payments, including refunds of member contributions	(583,400)	(583,400)	-
Administrative expense	-	(7,630)	7,630
Net Changes	138,572	163,836	(25,264)
Balances at 12/31/2016	\$ 8,173,432	\$ 5,343,879	2,829,553

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 12/31/2015	\$ 4,372,393	\$ 2,821,636	\$ 1,550,757
Service cost	24,858	-	24,858
Interest cost	339,519	-	339,519
Changes for experience	-	-	-
Contributions - employer	-	183,259	(183,259)
Contributions - member	-	26,467	(26,467)
Net investment income	-	164,419	(164,419)
Benefit payments, including refunds of member contributions	(306,535)	(306,535)	-
Administrative expense	-	(7,514)	7,514
Net Changes	57,842	60,096	(2,254)
Balances at 12/31/2016	\$ 4,430,235	\$ 2,881,732	\$ 1,548,503

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, 2016 the Plans recognized pension expense of \$205,398 for the fireman’s pension and \$264,070 for the police pension. At December 31, 2016, 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	\$ (139,922)
Net difference between projected and actual earnings on pension plan investments	<u>601,710</u>
Total	<u>\$ 461,788</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:	
2017	\$ 54,535
2018	194,457
2019	194,457
2020	<u>18,339</u>
	<u>\$ 461,788</u>

Payable to the pension Plan

At December 31, 2016, the City did not owe anything to the Plan.

NOTE 10 – LONG-TERM DEBT

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, 2016, the principal balance due was \$2,662,199.

NOTE 10 – LONG-TERM DEBT (CONTINUED)

2003 Pennvest Stormwater Sewer Note

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>
2017	1.00%	\$ 154,206	\$ 25,917	\$ 180,123
2018	1.00%	155,755	24,368	180,123
2019	1.00%	157,320	22,803	180,123
2020	1.00%	158,900	21,223	180,123
2021	1.00%	160,497	19,626	180,123
2022-2026	1.00%	826,995	73,617	900,612
2027-2031	1.00%	869,377	31,235	900,612
2032	1.00%	179,149	970	180,119
		<u>\$2,662,199</u>	<u>\$219,759</u>	<u>\$2,881,958</u>

Interest expense for the year ended December 31, 2016 was \$28,371.

The following is a summary of changes in long-term debt for the year ended December 31, 2016:

	<u>Balance at 12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/16</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated absences	<u>\$ 340,364</u>	<u>\$ 85,088</u>	<u>\$ 199,913</u>	<u>\$ 225,539</u>	<u>\$ 11,277</u>
Business-Type Activities					
2001 Pennvest Stormwater Note	\$ 667,534	\$ -	\$ 667,534	\$ -	\$ -
2003 Pennvest Stormwater Note	<u>2,813,950</u>	<u>-</u>	<u>151,751</u>	<u>2,662,199</u>	<u>154,206</u>
	<u>\$ 3,481,484</u>	<u>\$ -</u>	<u>\$ 819,285</u>	<u>\$ 2,662,199</u>	<u>\$ 154,206</u>
Compensated absences	<u>\$ 22,964</u>	<u>\$ 57,201</u>	<u>\$ 13,425</u>	<u>\$ 66,740</u>	<u>\$ 16,819</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, 2016 was \$12,734.

NOTE 12 – INTERFUND DUE TO/DUE FROM

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

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 42,308
Refuse Fund	General Fund	(29,635)
Water Fund	General Fund	(32,918)
		<u>\$ (20,245)</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	\$ -	\$ -	\$ 295,687	\$ 289,078	\$ 74,817	\$ 659,582
Sewer Fund	-	433,687	-	-	-	433,687
Water Fund	-	62,263	-	-	-	62,263
Capital Projects	123,000	-	37,500	337,500	-	498,000
	<u>\$ 123,000</u>	<u>\$ 495,950</u>	<u>\$ 333,187</u>	<u>\$ 626,578</u>	<u>\$ 74,817</u>	<u>\$ 1,653,532</u>

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, 2016, 8 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.

NOTE 13 – POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

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	\$ 90,000
Interest on net OPEB obligation	-
Adjustment to net OPEB obligation	<u>(226,800)</u>
Annual OPEB cost	(136,800)
Contribution made	<u>-</u>
Increase in net OPEB obligation/(asset)	(136,800)
Net OPEB obligation/(asset) - beginning of year	<u>1,260,000</u>
Net OPEB obligation/(asset) - end of year	<u>\$ 1,123,200</u>

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 LIABILITIES

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:

Depreciation was adjusted based on industrial appraisal reports as of December 31, 2015.

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Business Type Activities Net Position</u>
Beginning Balance	\$ 775,076	\$ 9,132,001	\$ 10,062,432
Restatement: Net Position	<u>(25,428)</u>	<u>(224,413)</u>	<u>(249,841)</u>
Beginning Balance, Restated	<u>\$ 749,648</u>	<u>\$ 8,907,588</u>	<u>\$ 9,812,591</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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 2,596,688	\$ 2,596,688	\$ 2,592,885	\$ (3,803)
Interest, rents and royalties	2,000	2,000	4,446	2,446
Intergovernmental	261,600	261,600	535,313	273,713
Charges for services	74,300	74,300	92,225	17,925
Licenses and permits	96,625	96,625	86,436	(10,189)
Fines and forfeits	35,000	35,000	39,637	4,637
Contributions and donations	5,000	5,000	36,225	31,225
Other	84,800	84,800	77,533	(7,267)
Total Revenues	<u>3,156,013</u>	<u>3,156,013</u>	<u>3,464,700</u>	<u>308,687</u>
Expenditures				
General government	397,227	397,227	767,934	(370,707)
Public safety	2,139,354	2,139,354	2,176,930	(37,576)
Public works	1,038,922	1,038,922	931,603	107,319
Culture and recreation	172,545	172,545	161,806	10,739
Other	96,547	96,547	40,423	56,124
Total Expenditures	<u>3,844,595</u>	<u>3,844,595</u>	<u>4,078,696</u>	<u>(234,101)</u>
Excess (deficiency) of revenues over expenditures	<u>(688,582)</u>	<u>(688,582)</u>	<u>(613,996)</u>	<u>74,586</u>
Other financing sources (uses)				
Sale of fixed assets	10,000	10,000	13,968	3,968
Operating transfers in	659,582	659,582	659,582	-
Operating transfers out	(123,000)	(123,000)	(123,000)	-
Budget reserve	142,000	142,000	-	(142,000)
Total Other Financing Sources (Uses)	<u>688,582</u>	<u>688,582</u>	<u>550,550</u>	<u>(138,032)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(63,446)	(63,446)
Fund balance				
Beginning of Year	<u>777,107</u>	<u>777,107</u>	<u>777,107</u>	<u>-</u>
End of Year	<u>\$ 777,107</u>	<u>\$ 777,107</u>	<u>\$ 713,661</u>	<u>\$ (63,446)</u>

CITY OF TITUSVILLE, PENNSYLVANIA
Schedule of Changes in the City's Net Pension Liability and Related Ratios
December 31, 2016

Police Pension Plan

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Beginning Balance	\$ 8,034,860	\$ 8,297,415	\$ 8,071,130
Service Cost	94,925	90,405	112,542
Changes for Experience	-	(419,764)	-
Benefit Payments	(583,400)	(548,692)	(520,146)
Interest	627,047	615,497	633,888
	<u>8,173,432</u>	<u>8,034,861</u>	<u>8,297,414</u>
Plan Fiduciary Net Position			
Beginning Balance	5,180,043	5,352,933	5,216,541
Benefit Payments	(583,400)	(548,692)	(520,146)
Contributions - employer	350,894	455,663	310,592
Contributions - member	32,440	37,031	31,277
Net Investment Income	371,532	(104,558)	325,549
Administrative Expenses	(7,630)	(12,333)	(10,880)
	<u>5,343,879</u>	<u>5,180,044</u>	<u>5,352,933</u>
	<u>\$ 2,829,553</u>	<u>\$ 2,854,817</u>	<u>\$ 2,944,481</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65%	64%	65%
Covered-employee Payroll	\$ 475,356	\$ 550,000	\$ 633,061
City's Net Pension Liability as a Percentage of Covered-employee Payroll	595%	519%	466%

CITY OF TITUSVILLE, PENNSYLVANIA
Schedule of Changes in the City's Net Pension Liability and Related Ratios
December 31, 2016

Firemen Pension Plan

Total Pension Liability	<u>2016</u>	<u>2015</u>	<u>2014</u>
Beginning Balance	\$ 4,372,393	\$ 4,718,749	\$ 4,597,846
Service Cost	24,858	23,674	32,923
Changes for Experience	-	(416,104)	-
Benefit Payments	(306,535)	(288,492)	(271,617)
Interest	339,519	334,566	359,597
Total Pension Liability (TPL)	<u>4,430,235</u>	<u>4,372,393</u>	<u>4,718,749</u>
Plan Fiduciary Net Position			
Beginning Balance	2,821,636	2,961,780	2,988,257
Benefit Payments	(306,535)	(288,492)	(271,617)
Contributions - employer	183,259	248,835	155,155
Contributions - member	26,467	26,307	26,668
Net Investment Income	164,419	(114,600)	68,042
Administrative Expenses	(7,514)	(12,194)	(4,725)
Total Plan Fiduciary Net Position	<u>2,881,732</u>	<u>2,821,636</u>	<u>2,961,780</u>
City Net Pension Liability (NPL)	<u>\$ 1,548,503</u>	<u>\$ 1,550,757</u>	<u>\$ 1,756,969</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65%	65%	63%
Covered-Employee Payroll	\$ 349,813	\$ 325,000	\$ 352,968
City's Net Pension Liability as a Percentage of Covered-employee Payroll	443%	477%	498%

CITY OF TITUSVILLE, PENNSYLVANIA
Schedule of Contributions
December 31, 2016

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
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%
2016	\$ 350,894	\$ 350,894	\$ -	\$ 475,356	73.82%

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	17 years
Asset valuation method	Market value of assets as determined by the trustee
Inflation	3%
Salary increases	5%
Investment rate of return	8%

There were no changes to assumptions from the prior year.

CITY OF TITUSVILLE, PENNSYLVANIA
Schedule of Contributions
December 31, 2016

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
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%
2016	\$ 183,259	\$ 183,259	\$ -	\$ 349,813	52.39%

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	12 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value
Inflation	3%
Salary increases	5%
Investment rate of return	8%

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)
<u>Police Pension</u>						
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%
<u>Firemen's Pension</u>						
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

2015	-1.25%
2016	0.00%

Firemen Pension Plan

2015	-3.90%
2016	-4.88%

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, 2016	\$ (136,800)	0%	\$ 1,123,200
December 31, 2015	\$ 105,600	0%	\$ 1,260,000
December 31, 2014	\$ 102,000	0%	\$ 1,154,400

CITY OF TITUSVILLE, PENNSYLVANIA
Combining Balance Sheet
Non-Major Funds
December 31, 2016

	Liquid Fuels	Shade Tree	Non-Major Fund Totals
Assets			
Cash and cash equivalents	\$ 4	\$ 11,986	\$ 11,990
Total Assets	\$ 4	\$ 11,986	\$ 11,990
Fund Balance			
Restricted Shade Tree	\$ -	\$ 11,986	\$ 11,986
Restricted Liquid Fuels	4	-	4
Total Fund Balance	\$ 4	\$ 11,986	\$ 11,990

CITY OF TITUSVILLE, PENNSYLVANIA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Funds
For the Year Ended December 31, 2016

	<u>Liquid Fuels</u>	<u>Shade Tree</u>	<u>Non-Major Fund Totals</u>
Revenues			
Interest, rents, and royalties	\$ 110	\$ 2	\$ 112
Intergovernmental	191,528	-	191,528
Contributions and donations	-	32,702	32,702
Other revenue	7	-	7
	<u>191,645</u>	<u>32,704</u>	<u>224,349</u>
Expenditures			
Public works	191,641	-	191,641
Culture and recreation	-	21,049	21,049
	<u>191,641</u>	<u>21,049</u>	<u>212,690</u>
Change in Fund Balance	4	11,655	11,659
Fund Balance			
Beginning of Year	<u>-</u>	<u>331</u>	<u>331</u>
End of Year	<u>\$ 4</u>	<u>\$ 11,986</u>	<u>\$ 11,990</u>

CITY OF TITUSVILLE, PENNSYLVANIA
Combining Schedule of Fiduciary Net Position
Fiduciary Funds - Trust and Agency
December 31, 2016

	<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	\$ 277,128	\$ 309,276	\$ -	\$ 586,404
Investments	<u>5,066,751</u>	<u>2,572,455</u>	<u>1,894,396</u>	<u>9,533,602</u>
 Total Assets	 <u>\$ 5,343,879</u>	 <u>\$ 2,881,731</u>	 <u>\$ 1,894,396</u>	 <u>\$ 10,120,006</u>
 Net Position				
Held in trust for pension benefits and other purposes	 <u>\$ 5,343,879</u>	 <u>\$ 2,881,731</u>	 <u>\$ 1,894,396</u>	 <u>\$ 10,120,006</u>
 Total Net Position	 <u>\$ 5,343,879</u>	 <u>\$ 2,881,731</u>	 <u>\$ 1,894,396</u>	 <u>\$ 10,120,006</u>

CITY OF TITUSVILLE, PENNSYLVANIA
Combining Schedule of Changes in Fiduciary Net Position
Fiduciary Funds - Trust and Agency
For the Year Ended December 31, 2016

	Police Pension Trust	Firemen Pension Trust	Non-Uniform Pension Trust	Trust Fund Totals
Additions				
Contributions				
Contributions - employees	\$ 32,440	\$ 26,467	\$ 28,904	\$ 87,811
Contributions - state and city	350,894	183,259	52,944	587,097
Total Contributions	383,334	209,726	81,848	674,908
Investment income				
Net change in fair value of investments	182,759	70,721	100,345	353,825
Interest and dividends	203,758	103,709	-	307,467
Net Investment Income	386,517	174,430	100,345	661,292
Total Additions	769,851	384,156	182,193	1,336,200
Deductions				
Benefits	583,400	306,535	176,315	1,066,250
Administrative expenses	22,616	17,526	1,851	41,993
Total Deductions	606,016	324,061	178,166	1,108,243
Change in Net Position	163,835	60,095	4,027	227,957
Net Position				
Beginning of Year	5,180,044	2,821,636	1,890,369	9,892,049
End of Year	<u>\$ 5,343,879</u>	<u>\$ 2,881,731</u>	<u>\$ 1,894,396</u>	<u>\$ 10,120,006</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, 2016, 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 September 30, 2017.

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.

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.

**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)**

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.

September 30, 2017
Erie, Pennsylvania