

# **City of Titusville**

Financial Statements and  
Required Supplementary and  
Supplementary Information

Year Ended December 31, 2019  
with Independent Auditor's Reports

**MaherDuessel**

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# CITY OF TITUSVILLE

YEAR ENDED DECEMBER 31, 2019

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## Independent Auditor's Report

**Honorable Mayor and  
Members of Council  
City of Titusville**

### **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 (City) as of and for the year ended December 31, 2019, 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 unmodified and qualified audit opinions.

### ***Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, and Enterprise Funds***

The City was not able to provide sufficient detail to support the amounts reported for capital assets, accumulated depreciation, or depreciation expense. Accounting principles generally accepted in the United States of America require capital assets to be accurately shown on the financial statements and depreciated over their estimated useful lives. The amount of the departure in capital assets, accumulated depreciation, and depreciation expense reported in the governmental activities, business-type activities, and enterprise funds has not been determined.

### ***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, and Enterprise funds paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and enterprise fund activity, of the City as of December 31, 2019, 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.

### ***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major governmental funds and aggregate remaining fund information of the City as of December 31, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As further discussed in Notes 9 and 13 to the financial statements, the financial statements as of January 1, 2019 has been restated to reflect an adjusted to the previously reported other post-employment benefit liability and to account for the governmental merger of the Titusville Airport Authority. Our opinion is not modified with respect to these matters.

### ***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 schedules, on pages i through ix, page 41, pages 42 through 45, and page 46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards

Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2020 on our consideration of the City'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 solely 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 the effectiveness of the City's 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's internal control over financial reporting and compliance.

*Maher Duessel*

Pittsburgh, Pennsylvania  
August 28, 2020

**CITY OF TITUSVILLE**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2019**

This Management's Discussion and Analysis of the City of Titusville's (City) financial performance provides an overview of the City's financial activities for the year ended December 31, 2019 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 2019. 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 \$12,990,555 compared to last year's restated net position of \$11,943,730.
- As of the end of the year, the City's governmental funds reported combined ending fund balances of \$768,542, an increase of \$23,688 when compared to 2018.
- The City assumed financial responsibility for the Titusville Airport Authority through a governmental merger in December 2018 and the Airport Authority was formally dissolved in April 2019. As a result of the merger, the government-wide and proprietary fund statements net position as of January 1, 2019 was restated with an increase of \$1,528,403.
- The City received an actuarial valuation for their Other Postemployment Benefits (OPEB). As a result of the valuation of OPEB liability, the government-wide statement net position as of January 1, 2019 was restated with an increase of \$880,313.

**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 regard 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 Statement 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, sewer, and airport 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 financial 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 a 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, refuse, and airport.

### 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**  
**Summary of Net Position at December 31, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
<b>Assets and Deferred Outflows of Resources</b>						
<b>Assets:</b>						
Current and other assets	\$ 929,671	\$ 1,038,726	\$ 2,713,889	\$ 3,284,823	\$ 3,643,560	\$ 4,323,549
Capital assets, net of depreciation	2,406,219	2,436,174	13,074,036	13,133,933	15,480,255	15,570,107
Total assets	3,335,890	3,474,900	15,787,925	16,418,756	19,123,815	19,893,656
<b>Deferred outflows of resources:</b>						
Pensions	1,241,632	751,507	-	-	1,241,632	751,507
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 4,577,522</b>	<b>\$ 4,226,407</b>	<b>\$ 15,787,925</b>	<b>\$ 16,418,756</b>	<b>\$ 20,365,447</b>	<b>\$ 20,645,163</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>						
<b>Liabilities:</b>						
Current and other liabilities	\$ 24,398	\$ 119,524	\$ 188,285	\$ 178,556	\$ 212,683	\$ 298,080
Net pension liability	4,911,188	3,386,257	-	-	4,911,188	3,386,257
Net OPEB liability	1,303,200	413,978	-	-	1,303,200	413,978
Other long term liabilities	212,135	246,815	2,235,239	2,062,610	2,447,374	2,309,425
Total Liabilities	6,450,921	4,166,574	2,423,524	2,241,166	8,874,445	6,407,740
Deferred Inflows of Resources	427,595	1,246,868	-	-	427,595	1,246,868
<b>Net Position:</b>						
Net investment in capital assets	2,406,219	2,436,174	10,721,798	10,939,015	13,128,017	13,375,189
Restricted	5,764	3,944	-	-	5,764	3,944
Unrestricted	(4,712,977)	(3,627,153)	2,642,603	3,238,575	(2,070,374)	(388,578)
Total Net Position	(2,300,994)	(1,187,035)	13,364,401	14,177,590	11,063,407	12,990,555
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 4,577,522</b>	<b>\$ 4,226,407</b>	<b>\$ 15,787,925</b>	<b>\$ 16,418,756</b>	<b>\$ 20,365,447</b>	<b>\$ 20,645,163</b>

At December 31, 2019, net position from governmental activities increased by \$233,646 and business-type activities increased by \$813,189. The increase in business-type net position was a result of the City taking over operations of the Airport Authority.

The City's net position reflects an 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.

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

### Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 184,386	\$ 199,474	\$ 3,352,859	\$ 3,327,832	\$ 3,537,245	\$ 3,527,306
Operating grant and contributions	246,881	559,369	14,375	56,019	261,256	615,388
Capital grants and contributions	583,702	250,880	-	-	583,702	250,880
General revenues:						
Taxes	2,629,720	2,712,507	-	-	2,629,720	2,712,507
Interest earnings	30,831	34,205	11,062	27,127	41,893	61,332
Miscellaneous	241,897	79,261	60,831	61,343	302,728	140,604
Sale of fixed assets	10,163	-	-	-	10,163	-
Transfers	529,181	891,135	(529,181)	(891,135)	-	-
<b>Total revenues</b>	<b>4,456,761</b>	<b>4,726,831</b>	<b>2,909,946</b>	<b>2,581,186</b>	<b>7,366,707</b>	<b>7,308,017</b>
<b>Expenses:</b>						
General government	914,127	750,975	-	-	914,127	750,975
Public safety	2,417,607	2,271,408	-	-	2,417,607	2,271,408
Public works	1,157,025	1,239,822	-	-	1,157,025	1,239,822
Culture and recreation	200,615	175,251	-	-	200,615	175,251
Other	-	55,729	-	-	-	55,729
Water, sewer, and refuse facilities	-	-	2,116,388	1,768,007	2,116,388	1,768,007
<b>Total expenses</b>	<b>4,689,374</b>	<b>4,493,185</b>	<b>2,116,388</b>	<b>1,768,007</b>	<b>6,805,762</b>	<b>6,261,192</b>
<b>Change in Net Position</b>	<b>\$ (232,613)</b>	<b>\$ 233,646</b>	<b>\$ 793,558</b>	<b>\$ 813,179</b>	<b>\$ 560,945</b>	<b>\$ 1,046,825</b>

### Revenues

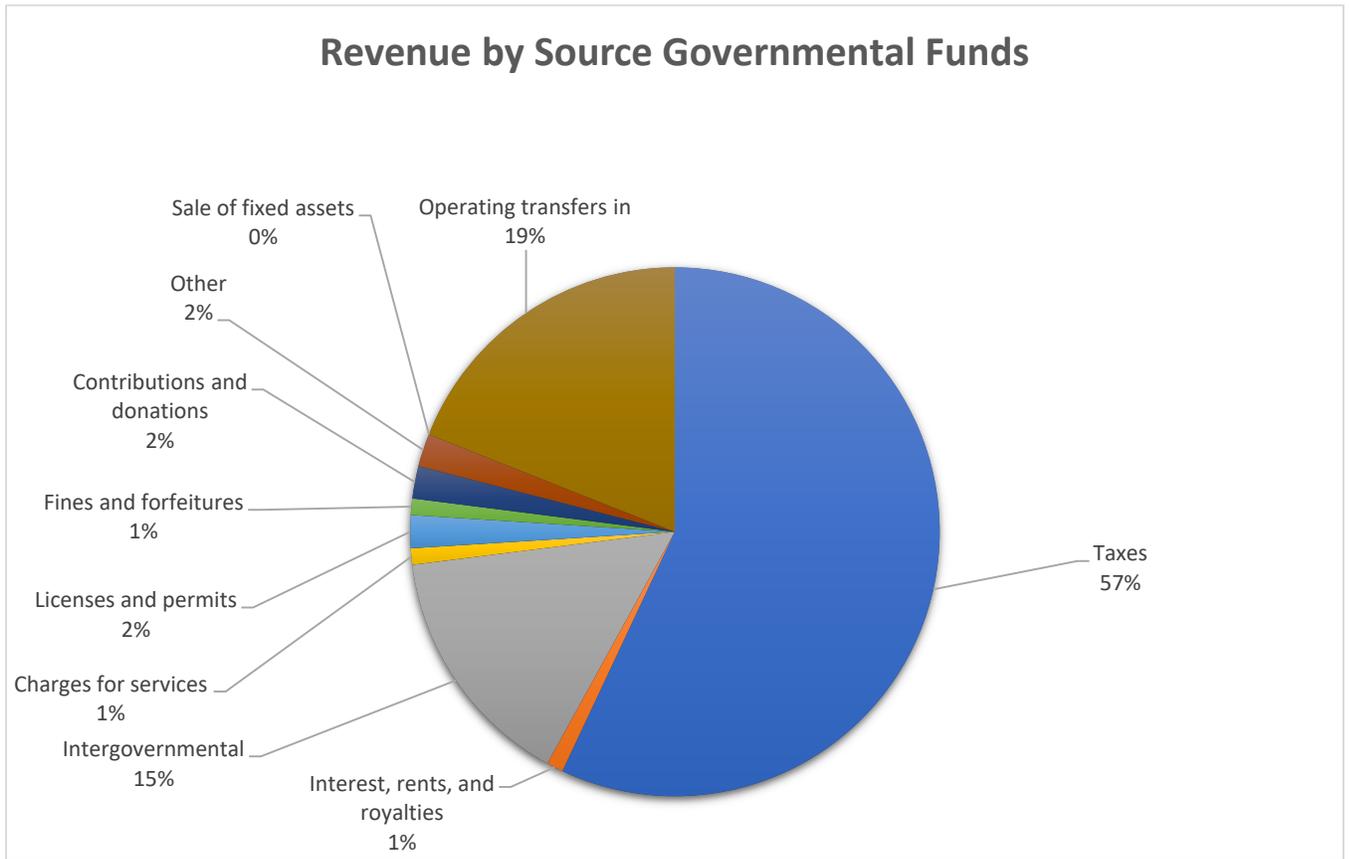
Governmental activities revenue at December 31, 2019 were approximately \$270,000 higher than the prior year as a result of transfers between funds as well as an increase in CDBG funding.

Business-type activities revenue at December 31, 2019 were approximately \$329,000 lower than the prior year as a result of transfers between funds.

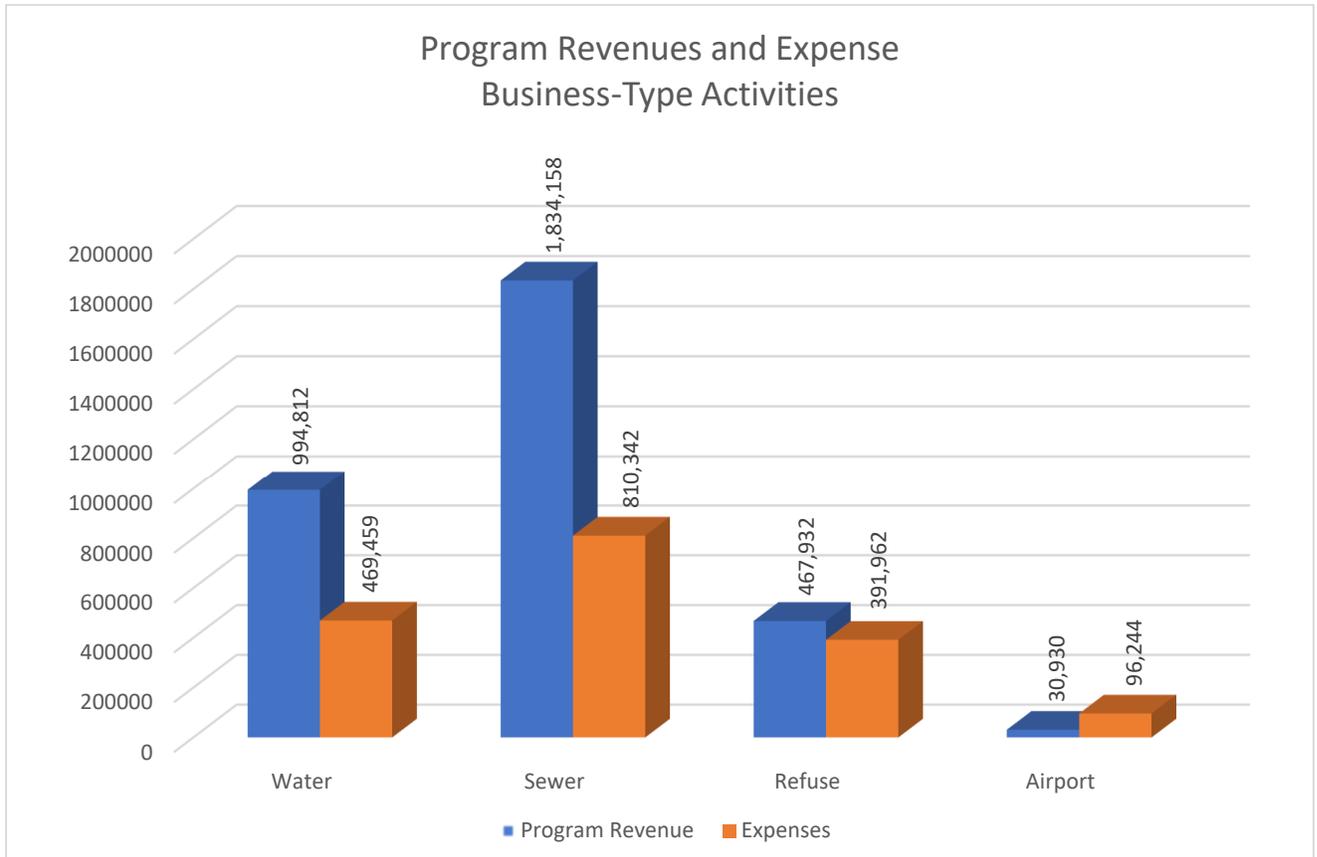
### Expenses

Governmental and business-type activities expenses at December 31, 2019 were relatively consistent with the prior year.

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



Business-Type activities (Water, Sewer, Refuse, Airport) increased the City's net position by \$813,179, 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 capital assets for its governmental and business type activities as of December 31, 2019 amounts to \$15,570,107. This investment in capital assets includes land, buildings and building improvements, equipment and systems, and construction in progress.

	Governmental Activities		Proprietary Funds		Total	
	2018	2019	2018	2019	2018	2019
Land	\$ 241,813	\$ 241,813	\$ 289,417	\$ 289,417	\$ 531,230	\$ 531,230
Construction in progress	-	-	-	-	-	-
Capital assets, not depreciated	241,813	241,813	289,417	289,417	531,230	531,230
Buildings/improvements	5,877,586	5,877,586	17,231,639	17,231,639	23,109,225	23,109,225
Equipment and systems	3,328,199	3,358,154	6,524,085	6,583,982	9,852,284	9,942,136
	9,205,785	9,235,740	23,755,724	23,815,621	32,961,509	33,051,361
Less: accumulated depreciation	(7,041,379)	(7,041,379)	(10,971,105)	(10,971,105)	(18,012,484)	(18,012,484)
Capital assets, being depreciated	2,164,406	2,194,361	12,784,619	12,844,516	14,949,025	15,038,877
Total capital assets	\$ 2,406,219	\$ 2,436,174	\$ 13,074,036	\$ 13,133,933	\$ 15,480,255	\$ 15,570,107

### BUDGETARY HIGHLIGHTS

There were no differences between the 2019 adopted original budget and the final budget.

Public works expenditures were approximately \$92,000 under budget due to a freeze in spending.

### ECONOMIC FACTORS AND FUTURE YEAR BUDGETS

The 2019 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 2019.

Looking ahead to 2020, 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, 107 N. Franklin Street, Titusville, Pennsylvania 16354, via email at [adminservices@cityoftitusvillepa.gov](mailto:adminservices@cityoftitusvillepa.gov) or by phone at 814-827-5300 Extension 303.

# CITY OF TITUSVILLE

## STATEMENT OF NET POSITION

DECEMBER 31, 2019

<b>Assets</b>	Governmental Activities	Business-Type Activities	Total
<b>Current assets:</b>			
Cash and cash equivalents	\$ 680,630	\$ 3,087,019	\$ 3,767,649
Accounts receivable:			
Taxes, net of allowance for doubtful accounts	302,115	-	302,115
City services	-	155,663	155,663
Other	15,886	4,387	20,273
Total accounts receivable	318,001	160,050	478,051
Internal balances	203	(203)	-
Prepaid expenses	39,892	8,996	48,888
Other assets	-	28,961	28,961
Total current assets	1,038,726	3,284,823	4,323,549
<b>Noncurrent assets:</b>			
Capital assets, non-depreciable	241,813	289,417	531,230
Capital assets, depreciable	2,194,361	12,844,516	15,038,877
Total noncurrent assets	2,436,174	13,133,933	15,570,107
Total Assets	3,474,900	16,418,756	19,893,656
<b>Deferred Outflow of Resources</b>			
Deferred outflows related to pension	751,507	-	751,507
Total Deferred Outflow of Resources	751,507	-	751,507
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Vouchers payable and other current liabilities	100,166	19,655	119,821
Accrued compensated absences	19,358	-	19,358
Notes payable	-	158,901	158,901
Total current liabilities	119,524	178,556	298,080
<b>Noncurrent liabilities:</b>			
Accrued compensated absences	246,815	26,593	273,408
OPEB obligation	413,978	-	413,978
Notes payable	-	2,036,017	2,036,017
Net pension liability	3,386,257	-	3,386,257
Total noncurrent liabilities	4,047,050	2,062,610	6,109,660
Total Liabilities	4,166,574	2,241,166	6,407,740
<b>Deferred Inflow of Resources</b>			
Deferred inflows related to pension	1,246,868	-	1,246,868
Total Deferred Inflow of Resources	1,246,868	-	1,246,868
<b>Net Position</b>			
Net investment in capital assets	2,436,174	10,939,015	13,375,189
Restricted for:			
Liquid Fuels	28	-	28
Shade Tree	3,916	-	3,916
Unrestricted	(3,627,153)	3,238,575	(388,578)
Total Net Position	\$ (1,187,035)	\$ 14,177,590	\$ 12,990,555

See accompanying notes to financial statements.

# CITY OF TITUSVILLE

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Governmental Activities:</b>							
General government	\$ 750,975	\$ 111,563	\$ 320,421	\$ 250,880	\$ (68,111)	\$ -	\$ (68,111)
Public safety	2,271,408	43,031	-	-	(2,228,377)	-	(2,228,377)
Public works	1,239,822	24,480	217,062	-	(998,280)	-	(998,280)
Culture and recreation	175,251	20,400	21,886	-	(132,965)	-	(132,965)
Other	55,729	-	-	-	(55,729)	-	(55,729)
Total government activities	4,493,185	199,474	559,369	250,880	(3,483,462)	-	(3,483,462)
<b>Business-Type Activities:</b>							
Water	469,459	994,812	-	-	-	525,353	525,353
Sewer	810,342	1,834,158	-	-	-	1,023,816	1,023,816
Refuse	391,962	467,932	13,287	-	-	89,257	89,257
Airport	96,244	30,930	-	42,732	-	(22,582)	(22,582)
Total business-type activities	1,768,007	3,327,832	13,287	42,732	-	1,615,844	1,615,844
Total	\$ 6,261,192	\$ 3,527,306	\$ 572,656	\$ 293,612	(3,483,462)	1,615,844	(1,867,618)
General revenues:							
Taxes					2,712,507	-	2,712,507
Interest earnings					34,205	27,127	61,332
Other revenues					79,261	61,343	140,604
Transfers					891,135	(891,135)	-
Total general revenues and transfers					3,717,108	(802,665)	2,914,443
<b>Change in Net Position</b>					233,646	813,179	1,046,825
<b>Net Position:</b>							
Beginning of year, as restated					(1,420,681)	13,364,411	11,943,730
Ending of year					\$ (1,187,035)	\$ 14,177,590	\$ 12,990,555

See accompanying notes to financial statements.

# CITY OF TITUSVILLE

## BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2019

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 677,186	\$ 3,444	\$ 680,630
Taxes receivable, net	302,115	-	302,115
Accounts receivable	15,886	-	15,886
Prepaid expenses	39,892	-	39,892
Interfund receivable	86,078	500	86,578
<b>Total Assets</b>	<b><u>\$ 1,121,157</u></b>	<b><u>\$ 3,944</u></b>	<b><u>\$ 1,125,101</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>			
<b>Liabilities:</b>			
Vouchers payable and other current liabilities	\$ 100,166	\$ -	\$ 100,166
Interfund payable	86,375	-	86,375
<b>Total Liabilities</b>	<b><u>186,541</u></b>	<b><u>-</u></b>	<b><u>186,541</u></b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue - taxes	170,018	-	170,018
<b>Total Deferred Inflows of Resources</b>	<b><u>170,018</u></b>	<b><u>-</u></b>	<b><u>170,018</u></b>
<b>Fund Balance:</b>			
Nonspendable	39,892	-	39,892
Restricted:			
Liquid Fuels	-	28	28
Shade Tree	-	3,916	3,916
Unassigned	724,706	-	724,706
<b>Total Fund Balance</b>	<b><u>764,598</u></b>	<b><u>3,944</u></b>	<b><u>768,542</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b><u>\$ 1,121,157</u></b>	<b><u>\$ 3,944</u></b>	<b><u>\$ 1,125,101</u></b>

See accompanying notes to financial statements.

# CITY OF TITUSVILLE

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

YEAR ENDED DECEMBER 31, 2019

<b>Total Fund Balance - Governmental Funds</b>	\$	768,542
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the governmental funds.</p>		2,436,174
<p>Certain long-term assets are not available to pay current period expenditures, and, therefore, are unearned in the funds' unavailable revenues.</p>		170,018
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions	\$ 751,507	
Deferred inflows of resources related to pensions	<u>(1,246,868)</u>	(495,361)
<p>Other postemployment benefits are reflected on the statement of net position, but are not considered a current expenditure for the fund statements.</p>		(413,978)
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Net pension liability	(3,386,257)	
Compensated absences	<u>(266,173)</u>	<u>(3,652,430)</u>
<b>Total Net Position - Governmental Activities</b>		<u><u>\$ (1,187,035)</u></u>

See accompanying notes to financial statements.

# CITY OF TITUSVILLE

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2019

	General Fund	Other Governmental Funds	Total
<b>Revenues:</b>			
Taxes	\$ 2,714,073	\$ -	\$ 2,714,073
Interest, rents, and royalties	34,021	184	34,205
Intergovernmental	512,447	217,062	729,509
Charges for services	48,856	-	48,856
Licenses and permits	84,771	-	84,771
Fines and forfeitures	30,498	-	30,498
Contributions and donations	59,043	16,697	75,740
Other	112,749	-	112,749
<b>Total revenues</b>	<b>3,596,458</b>	<b>233,943</b>	<b>3,830,401</b>
<b>Expenditures:</b>			
General government	738,057	-	738,057
Public safety	2,495,850	-	2,495,850
Public works	1,022,636	217,186	1,239,822
Culture and recreation	156,674	18,577	175,251
Other	55,729	-	55,729
<b>Total expenditures</b>	<b>4,468,946</b>	<b>235,763</b>	<b>4,704,709</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(872,488)</b>	<b>(1,820)</b>	<b>(874,308)</b>
<b>Other Financing Sources (Uses):</b>			
Sale of capital assets	6,861	-	6,861
Operating transfers in	891,135	-	891,135
<b>Total financing sources (uses)</b>	<b>897,996</b>	<b>-</b>	<b>897,996</b>
<b>Net Change in Fund Balance</b>	<b>25,508</b>	<b>(1,820)</b>	<b>23,688</b>
<b>Fund Balance:</b>			
Beginning of year	739,090	5,764	744,854
End of year	<u>\$ 764,598</u>	<u>\$ 3,944</u>	<u>\$ 768,542</u>

See accompanying notes to financial statements.

# CITY OF TITUSVILLE

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

<b>Net Change in Fund Balance - Governmental Funds</b>	\$	23,688
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:</p>		
		29,955
<p>Changes in the net pension liability (asset) and related deferred outflows and inflows of resources do not affect current financial resources and, therefore, are not reflected on the fund statements. Likewise, the actuarially accrued other post-employment benefit (OPEB) liability for the police and general employees is not recorded on the fund financial statements. The value of these items changed by this amount during the year.</p>		
Net pension liability (asset)	\$ 215,533	
OPEB liability	<u>8,909</u>	224,442
<p>Property taxes receivable and other revenues will be collected in the future, but are not available to pay for the current period's expenditures and, therefore, are unavailable in the funds but are recorded on the statement of activities.</p>		
		(1,566)
<p>In the statement of activities, certain operating expenses - accumulated employee benefits (vacation and sick days) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.</p>		
		<u>(42,873)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u><u>233,646</u></u></b>

See accompanying notes to financial statements.

**CITY OF TITUSVILLE**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

DECEMBER 31, 2019

Assets	Enterprise Funds				Total
	Water	Sewer	Refuse	Airport	
<b>Current assets:</b>					
Cash and cash equivalents	\$ 570,367	\$ 2,376,534	\$ 118,182	\$ 21,936	\$ 3,087,019
Accounts receivable, net:					
City services	72,324	75,428	7,911	-	155,663
Other	-	1,379	-	3,008	4,387
Interfund receivable	67,810	57,675	35	207	125,727
Other assets	-	-	-	28,961	28,961
Prepaid expenses	4,810	4,186	-	-	8,996
<b>Total current assets</b>	<b>715,311</b>	<b>2,515,202</b>	<b>126,128</b>	<b>54,112</b>	<b>3,410,753</b>
<b>Noncurrent assets:</b>					
Capital assets, non-depreciable	31,003	26,242	50,000	182,172	289,417
Capital assets, depreciable	320,705	11,228,121	15,558	1,280,132	12,844,516
<b>Total noncurrent assets</b>	<b>351,708</b>	<b>11,254,363</b>	<b>65,558</b>	<b>1,462,304</b>	<b>13,133,933</b>
<b>Total Assets</b>	<b>\$ 1,067,019</b>	<b>\$ 13,769,565</b>	<b>\$ 191,686</b>	<b>\$ 1,516,416</b>	<b>\$ 16,544,686</b>
<b>Liabilities and Net Position</b>					
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Vouchers payable and other current liabilities	\$ 3,017	\$ -	\$ -	\$ -	\$ 3,017
Accrued payroll	7,080	8,349	-	1,209	16,638
Interfund payable	8,424	42,443	75,063	-	125,930
Notes payable, current portion	-	158,901	-	-	158,901
<b>Total current liabilities</b>	<b>18,521</b>	<b>209,693</b>	<b>75,063</b>	<b>1,209</b>	<b>304,486</b>
<b>Noncurrent liabilities:</b>					
Accrued compensated absences	19,296	7,297	-	-	26,593
Notes payable, non-current portion	-	2,036,017	-	-	2,036,017
<b>Total noncurrent liabilities</b>	<b>19,296</b>	<b>2,043,314</b>	<b>-</b>	<b>-</b>	<b>2,062,610</b>
<b>Total Liabilities</b>	<b>37,817</b>	<b>2,253,007</b>	<b>75,063</b>	<b>1,209</b>	<b>2,367,096</b>
<b>Net Position:</b>					
Net investment in capital assets	351,708	9,059,445	65,558	1,462,304	10,939,015
Unrestricted	677,494	2,457,113	51,065	52,903	3,238,575
<b>Total Net Position</b>	<b>1,029,202</b>	<b>11,516,558</b>	<b>116,623</b>	<b>1,515,207</b>	<b>14,177,590</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,067,019</b>	<b>\$ 13,769,565</b>	<b>\$ 191,686</b>	<b>\$ 1,516,416</b>	<b>\$ 16,544,686</b>

See accompanying notes to financial statements.

# CITY OF TITUSVILLE

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2019

	Enterprise Funds				Total
	Water	Sewer	Refuse	Airport	
<b>Operating Revenues:</b>					
Charges for services	\$ 994,812	\$ 1,834,158	\$ 467,932	\$ 30,930	\$ 3,327,832
Grant revenues	-	-	13,287	42,732	56,019
Other revenues	24,343	27,614	-	8,157	60,114
<b>Total operating revenues</b>	<b>1,019,155</b>	<b>1,861,772</b>	<b>481,219</b>	<b>81,819</b>	<b>3,443,965</b>
<b>Operating Expenses:</b>					
Salaries and wages	134,145	168,141	-	10,940	313,226
Employee benefits	55,219	124,161	-	885	180,265
Utilities	92,196	104,755	-	10,300	207,251
Materials and supplies	59,524	49,174	-	1,788	110,486
Contracted services	39,354	230,065	384,014	25,285	678,718
Equipment	48,472	25,948	472	225	75,117
Insurance	14,111	14,111	-	-	28,222
Administrative	26,438	71,184	7,476	46,821	151,919
Transfers out	435,344	324,980	130,811	-	891,135
<b>Total operating expenses</b>	<b>904,803</b>	<b>1,112,519</b>	<b>522,773</b>	<b>96,244</b>	<b>2,636,339</b>
<b>Operating Income (Loss)</b>	<b>114,352</b>	<b>749,253</b>	<b>(41,554)</b>	<b>(14,425)</b>	<b>807,626</b>
<b>Nonoperating Revenues (Expenses):</b>					
Interest income	2,471	23,985	671	-	27,127
Interest expense	-	(22,803)	-	-	(22,803)
Oil and gas lease revenue	-	-	-	1,229	1,229
<b>Total nonoperating revenues (expenses)</b>	<b>2,471</b>	<b>1,182</b>	<b>671</b>	<b>1,229</b>	<b>5,553</b>
<b>Change in Net Position</b>	<b>116,823</b>	<b>750,435</b>	<b>(40,883)</b>	<b>(13,196)</b>	<b>813,179</b>
<b>Net Position:</b>					
Beginning of year, as restated	912,379	10,766,123	157,506	1,528,403	13,364,411
End of year	<u>\$ 1,029,202</u>	<u>\$ 11,516,558</u>	<u>\$ 116,623</u>	<u>\$ 1,515,207</u>	<u>\$ 14,177,590</u>

See accompanying notes to financial statements.

## CITY OF TITUSVILLE

### STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2019

	Enterprise Funds				Total
	Water	Sewer	Refuse	Airport	
<b>Cash Flows From Operating Activities:</b>					
Receipts from users	\$ 970,752	\$ 1,851,050	\$ 460,021	\$ 30,930	\$ 3,312,753
Other operating cash receipts	24,343	27,614	13,287	50,889	116,133
Payments to suppliers for operating expenses	(317,077)	(485,114)	(391,899)	(84,626)	(1,278,716)
Payments for personnel services	(203,468)	(302,312)	-	(10,616)	(516,396)
Transfers to other funds	(435,344)	(324,980)	(130,811)	-	(891,135)
Net cash provided by (used in) operating activities	<u>39,206</u>	<u>766,258</u>	<u>(49,402)</u>	<u>(13,423)</u>	<u>742,639</u>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Transfer of cash from Titusville Airport Authority	-	-	-	34,130	34,130
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,130</u>	<u>34,130</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Purchase of capital assets	(28,781)	(15,558)	(15,558)	-	(59,897)
Oil and gas lease receipts	-	-	-	1,229	1,229
Principal payments on notes payable	-	(157,320)	-	-	(157,320)
Interest paid on notes payable	-	(22,803)	-	-	(22,803)
Net cash provided by (used in) capital and related financing activities	<u>(28,781)</u>	<u>(195,681)</u>	<u>(15,558)</u>	<u>1,229</u>	<u>(238,791)</u>
<b>Cash Flows From Investing Activities:</b>					
Interest income	2,471	23,985	671	-	27,127
Net cash provided by (used in) investing activities	<u>2,471</u>	<u>23,985</u>	<u>671</u>	<u>-</u>	<u>27,127</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>12,896</b>	<b>594,562</b>	<b>(64,289)</b>	<b>21,936</b>	<b>565,105</b>
<b>Cash and Cash Equivalents:</b>					
Beginning of year	557,471	1,781,972	182,471	-	2,521,914
End of year	<u>\$ 570,367</u>	<u>\$ 2,376,534</u>	<u>\$ 118,182</u>	<u>\$ 21,936</u>	<u>\$ 3,087,019</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:</b>					
Operating income (loss)	\$ 114,352	\$ 749,253	\$ (41,554)	\$ (14,425)	\$ 807,626
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Changes in operating assets and liabilities:					
Receivables	(24,060)	16,892	(7,911)	-	(15,079)
Prepaid expenses	(4,810)	(4,186)	-	-	(8,996)
Interfund receivables	(34,277)	(32,320)	(35)	(207)	(66,839)
Interfund payables	8,424	42,443	98	-	50,965
Payables	(11,129)	-	-	-	(11,129)
Accrued payroll	7,080	8,349	-	1,209	16,638
Compensated absences	(16,374)	(14,173)	-	-	(30,547)
Net cash provided by (used in) operating activities	<u>\$ 39,206</u>	<u>\$ 766,258</u>	<u>\$ (49,402)</u>	<u>\$ (13,423)</u>	<u>\$ 742,639</u>

See accompanying notes to financial statements.

# CITY OF TITUSVILLE

## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS - PENSION TRUSTS

DECEMBER 31, 2019

<b>Assets</b>	
Cash and cash equivalents	\$ 69,958
Investments	<u>11,664,814</u>
<b>Total Assets</b>	<u>11,734,772</u>
<b>Liabilities</b>	
	<u>-</u>
<b>Net Position</b>	
Restricted for employee pension benefits	<u><u>\$ 11,734,772</u></u>

See accompanying notes to financial statements.

# CITY OF TITUSVILLE

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS - PENSION TRUSTS

YEAR ENDED DECEMBER 31, 2019

### **Additions:**

<hr/>	
Contributions:	
Employees	\$ 99,277
State and city	779,793
	<hr/>
Total contributions	879,070
	<hr/>
Investment income (loss):	
Net appreciation (depreciation) in fair value of investment	1,757,464
Interest and dividends	321,330
	<hr/>
Total investment income (loss)	2,078,794
	<hr/>
Total additions	2,957,864
	<hr/>

### **Deductions:**

<hr/>	
Administration	56,885
Benefits	1,144,639
	<hr/>
Total deductions	1,201,524
	<hr/>

**Change in Fiduciary Net Position** 1,756,340

### **Net Position:**

<hr/>	
Beginning of year	9,978,432
	<hr/>
End of year	\$ 11,734,772
	<hr/> <hr/>

See accompanying notes to financial statements.

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### 1. Summary of Significant Accounting Policies

#### Reporting 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.

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City. 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.

The City assumed financial responsibility for the Titusville Airport Authority (Airport Authority) in December 2018 and the Airport Authority was formally dissolved in April 2019. The initial opening balances of the Airport Authority's assets, liabilities, and net position were recorded as further documented in Note 13.

#### 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. 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, capital grants and contributions which fund the acquisition, construction, or

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# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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rehabilitation of capital assets.) Taxes and other revenue sources not properly included with the program revenues are reported as general revenues.

### 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 proprietary and 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.

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### Fund Types and Major Funds

#### Fund Financial Statements

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

#### 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'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.

#### Proprietary Funds

The Water, Sewer, Refuse, and Airport Funds are the City's 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 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.

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### 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', police, and fire departments' pensions.

### Budgetary Information

The City annually adopts budgets for the General Fund, Special Revenue Funds, Water Fund, Sewer Fund, and Airport 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 expenses. Unexpected appropriations lapse at the end of the year.

### 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.

### Investments

Investments are stated at fair value based on current market prices.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

### 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

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# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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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 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.

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

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

### Interfund 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 "interfund receivables or interfund payables" (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 "interfund receivables or interfund payables." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

### 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.

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# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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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.

### Deferred Outflows of Resources

In addition to assets, the statement of net position and/or the funds 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 actuarially determined changes in the Net Position Liability recognized over future periods (see Note 6 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 two types of items, which arise under a modified accrual basis of accounting, and the full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, unavailable revenue, are reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other type of deferred inflow of resource is related to actuarial determined changes in the net pension liability over future periods (see Note 6 for further information).

### Fund Balance

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).

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# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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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.

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

- Nonspendable – This category represents funds that are not in a spendable form and includes prepaid expenditures
- 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.
- 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.

The City's policy is to use funds in the order of the most restrictive to the least restrictive. When the components of unrestricted fund balance can be used for the same purpose, committed fund balance is used first, followed by assigned fund balance. Unassigned fund balance is applied last.

### Net Position

Accounting standards requires the classification of net position into these components – net investment in capital assets; restricted; and unrestricted. These classifications are defined below:

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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- Net investment in capital assets – The net investment in capital assets component of net position consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of the net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.
- Restricted – The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted – The unrestricted component of net position in the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

### 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 days.

### Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the U.S. 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.

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# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### Adopted Pronouncements

The requirements of the following Governmental Accounting Standards Boards (GASB) statements were adopted for the City's 2019 financial statements:

GASB Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*," improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this statement have been adopted and incorporated into these financial statements.

GASB Statement No. 90, "*Majority Equity Interests*," improves the consistency and comparability of reporting a majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units.

GASB Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*," provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

### Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 84 (Fiduciary Activities), 87 (Leases), 89 (Accounting for Interest Cost Incurred before the End of a Construction Period), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 93 (Replacement of Interbank Offered Rates), 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements), 96 (Subscription-Based Information Technology Arrangements), and 97 (Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans). Management has not yet determined the impact of these statements on the financial statements.

## **2. 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

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# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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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.

### 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. The City does not have a policy for custodial credit risk. As of December 31, 2019, \$2,082,279 of the City's bank balance of \$2,375,890 was exposed to custodial credit risk while the remaining \$293,611 of the bank balance was covered by federal depository insurance. The depositories secure the deposit on these funds, which are not covered by applicable Federal Deposit Insurance Corporation coverage in accordance with Act 72 of the Pennsylvania state legislature. Total book balance for all deposits was \$2,512,932 at December 31, 2019.

### 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 for the police, firemen, and nonuniformed trusts:

<u>Asset Class</u>	<u>Range</u>
Cash and cash equivalents	0-10%
Bonds	30-50%
Equity	50-80%

The maximum equity exposure for the non-self-directed plans will be 80%.

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# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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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. The City's investment in mutual funds of \$9,996,765 cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. As of December 31, 2019, the City's remaining pension cash, cash equivalents, and investment balance of \$1,738,007 (bank and book balance) was exposed to custodial credit risk. 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.

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of an investment in a single issuer. At December 31, 2019, the Pension Trust Fund did not have any investments (other than 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 that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Equity Issues** – There are no qualitative guidelines suggested with regard to equity ratings, rankings, etc., except that prudent standards should be developed and maintained by the investment managers. Convertible bonds will be considered as equity investment and must be rated investment grade (Baa/BBB) or better by at least one credit service, Moody's Investment Service (Moody's) or Standard & Poor's (S&P).

**Fixed-income securities** – Domestic bonds held in the core fixed-income portfolios must be rated investment grade (Baa/BBB) or better by at least one crediting rating service, Moody's or S&P. This guideline is intended to give the core fixed-income investment manager sufficient latitude to periodically take advantage of bond swaps. SEC Rule 144A securities considered by the investment managers to be within policy guidelines are limited to 10% of the fixed-income portfolio. Core-fixed-income manager's portfolios should normally maintained an average market-weighted quality of 3.0 based on the following scale:

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

U.S. Government and Agencies	5.0
Aaa/AAA Bonds	4.0
Aa/AA Bonds	3.0
A/A Bonds	2.0
Baa/BBB Bonds	1.0

*Foreign Currency Risk* – The risk that changes in exchange rates will adversely affect the fair value of an investment is foreign currency risk. International securities may include: equity alternatives, common stock listed on a recognized security exchange, OTC Common Stock, American Depository Receipts (ADRs), European Depository Receipts (EDRs), Convertible bonds, preferred stock, non-voting stock if the risk/return characteristics are favorable versus the underlying common equity, and currency hedging. At December 31, 2019, the City had \$26,203 invested in international equity.

The fair value at the end of the period of the Pension Trust Fund investments is as follows:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 75,043	\$ -	\$ -	\$ 75,043
Fixed income:				
Mutual Funds	3,896,454	-	-	3,896,454
Exchange Traded Products	193,827	-	-	193,827
Equities:				
Mutual Funds	6,100,311	-	-	6,100,311
Exchange Traded Products	429,236	-	-	429,236
Common Stocks:				
Consumer Discretionary	206,611	-	-	206,611
Consumer Staples	104,397	-	-	104,397
Financials	207,917	-	-	207,917
Health Care	155,102	-	-	155,102
Industrials	130,568	-	-	130,568
Information Technology	130,283	-	-	130,283
Materials	52,367	-	-	52,367
Telecommunication Services	26,453	-	-	26,453
Foreign Stocks	26,203	-	-	26,203
	\$ 11,734,772	\$ -	\$ -	\$ 11,734,772

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### 3. Property Tax Revenues and Receivables

#### Property Taxes

Property taxes are levied on assessed 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 75% of the market value less applicable exemptions authorized by City Council. Millage rates during 2019 were 71.250 mills and 24.713 mills for land and buildings, respectively.

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

#### Taxes Receivable

All trade and taxes receivables are shown net of allowance for uncollectibles. The City estimates the allowance for uncollectibles using historical collection data and in certain cases, specific account analysis.

Taxes receivable consisted of the following at December 31, 2019:

Delinquent real estate taxes	\$ 195,760
Per capita tax	6,119
Earned income tax receivable	75,995
Local service tax receivable	26,674
Allowance for doubtful accounts	<u>(2,433)</u>
	<u>\$ 302,115</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, 2019, the amount of unavailable revenue - property taxes reported as deferred inflows of resources is \$170,018.

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### 4. Accounts Receivable – City Services

Accounts receivable as of December 31, 2019 for City services, including the applicable allowance for uncollectible accounts, are as follows:

	Water	Sewer	Refuse	Total
Accounts receivable	\$ 92,588	\$ 94,593	\$ 12,023	\$ 199,204
Less: allowance for uncollectibles	(20,264)	(19,165)	(4,112)	(43,541)
	\$ 72,324	\$ 75,428	\$ 7,911	\$ 155,663

### 5. Capital Assets

#### Governmental Activities

The following is a summary of the changes in capital assets during the year ended December 31, 2019:

	Balance at December 31, 2018	Additions	Deletions	Balance at December 31, 2019
Capital assets, not being depreciated:				
Land	\$ 241,813	\$ -	\$ -	\$ 241,813
Capital assets, being depreciated:				
Buildings and building improvements	5,877,586	-	-	5,877,586
Equipment and systems	3,328,199	29,955	-	3,358,154
	9,205,785	29,955	-	9,235,740
Accumulated depreciation	(7,041,379)	-	-	(7,041,379)
Total capital assets, being depreciated	2,164,406	29,955	-	2,194,361
Total capital assets, net	\$ 2,406,219	\$ 29,955	\$ -	\$ 2,436,174

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

### Business-type Activities/Proprietary Funds

The following is a summary of the proprietary funds capital assets at December 31, 2019:

	Balance at December 31, 2018	Additions	Deletions	Balance at December 31, 2019
Capital assets, not being depreciated:				
Land	\$ 289,417	\$ -	\$ -	\$ 289,417
Capital assets being depreciated:				
Buildings and building improvements	17,231,639	-	-	17,231,639
Equipment and systems	6,524,085	59,897	-	6,583,982
Total capital assets, being depreciated	23,755,724	59,897	-	23,815,621
Accumulated depreciation	(10,971,105)	-	-	(10,971,105)
Total capital assets being depreciated, net	12,784,619	59,897	-	12,844,516
Total capital assets, net	\$ 13,074,036	\$ 59,897	\$ -	\$ 13,133,933

## 6. Pension Plans

The City 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. The General Employees' Pension Plan is a defined contribution plan.

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

The City has a single-employer defined contribution plan (Plan) to provide retirement benefits to the non-uniformed employees of the City under the provisions of a group annuity contract. For 2019, Plan participants are required to contribute \$.50 per hour for each hour worked to the Plan. The City is required to contribute \$1.00 per hour for each hour worked to the Plan. Provisions and contribution rates for this Plan are established and may be amended by City Council.

Total contributions to the Plan during 2019 by Plan members and the City were \$32,718 and \$32,879, respectively. Included in pension expense is \$16,009 of forfeitures.

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### Firemen's and Police Pension Plans (Defined Benefit Plans)

The City's firemen and police participate in single-employer defined benefit pension plans (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 the Council. A separate financial report is not issued for the City Police and Firemen Pension Plans. The financial statements of each Plan are included in the financial statements of the City. Each Plan has an elected Board who meet quarterly.

### Plan Membership

Membership information for each Plan consisted of the following at December 31, 2019, which is the most recent actuarial report. Actuarial valuation reports reflect the following Plan membership:

	<u>Police</u>	<u>Firemen</u>
Inactive members or beneficiaries currently receiving benefits	22	19
Inactive members entitled to but not yet receiving benefits	1	1
Active members	<u>9</u>	<u>6</u>
Total members	<u>32</u>	<u>26</u>

### Summary of Significant Accounting Policies

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.

Investments are stated at fair value.

### Contributions and Funding Policy

Contributions to the Firemen's Pension Fund by the employees are based on 8% of annual pay plus \$1 per month. Contributions to the Police Pension Fund by the employees are

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# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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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 full-time fire department and police employees participate as of their date of hire.

The Plans are funded by the City on an annual basis pursuant to the provisions of Act 205 of 1984. Act 205 of 1984 requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. Employees are not required to contribute under Act 205 of 1984; such contributions are subject to collective bargaining. The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirement established by the MMO that exceeds the Commonwealth of Pennsylvania allocation must be funded by the City.

### Benefits Provided

#### Police Pension

The City 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

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# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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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 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.

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, 2019, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2018. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

The components of the net pension liability of the plan at December 31, 2019 were as follows:

	Police	Fire	Total
Total pension liability	\$ 8,764,762	\$ 4,568,662	\$ 13,333,424
Plan fiduciary net position	(6,345,735)	(3,601,432)	(9,947,167)
Net pension liability (asset)	\$ 2,419,027	\$ 967,230	\$ 3,386,257
Plan fiduciary net position as a percentage of the total pension liability	72.4%	78.8%	74.6%

### Actuarial Assumptions

The total pension liability in the January 1, 2019 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 tables for males and females
Investment rate of return	8% including inflation

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, 2019 are summarized in the following table:

	Police Long-Term Expected Rate of Return	Firemen Long-Term Rate of Return
Asset Class		
Domestic equities	5.5-7.5%	5.5-7.5%
Fixed income	1.0-3.0%	1.0-3.0%
Cash and equivalents	0.0-1.0%	N/A

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### Rate of Return

The money-weighted rate of return expresses the investment performance, net of investment expense, and adjusted for the fluctuation in amounts actually invested. For the year ended December 31, 2019, the annual money-weighted rate of return on the plan assets, net of investment expenses, was approximately 20% for the Police and Fire Plans.

### 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.

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:

	<u>1% Decrease</u> <u>(7%)</u>	<u>Current</u> <u>Discount</u> <u>Rate (8%)</u>	<u>1% Increase</u> <u>(9%)</u>
<u>Police:</u>			
City's Net Pension Liability	<u>\$ 3,287,917</u>	<u>\$ 2,419,027</u>	<u>\$ 1,679,975</u>
<u>Firemen:</u>			
City's Net Pension Liability	<u>\$ 1,378,111</u>	<u>\$ 967,230</u>	<u>\$ 615,689</u>

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

### Police Pension

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2018	\$ 8,643,098	\$ 5,396,815	\$ 3,246,283
Service cost	87,505	-	87,505
Interest cost	672,284	-	672,284
Changes for experience	(15,988)	-	(15,988)
Contributions - employer	-	415,928	(415,928)
Contributions - member	-	38,375	(38,375)
Net investment income	-	1,128,954	(1,128,954)
Benefit payments, including refunds of member contributions	(622,137)	(622,137)	-
Administrative expense	-	(12,200)	12,200
Net changes	121,664	948,920	(827,256)
Balance at 12/31/2019	\$ 8,764,762	\$ 6,345,735	\$ 2,419,027

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

### Fire Pension

#### Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/2018	\$ 4,636,722	\$ 2,971,817	\$ 1,664,905
Service cost	48,522	-	48,522
Interest cost	352,575	-	352,575
Changes for experience	(86,955)	-	(86,955)
Contributions - employer	-	330,986	(330,986)
Contributions - member	-	28,184	(28,184)
Net investment income	-	664,847	(664,847)
Benefit payments, including refunds of member contributions	(382,202)	(382,202)	-
Administrative expense	-	(12,200)	12,200
Net changes	(68,060)	629,615	(697,675)
Balance at 12/31/2019	\$ 4,568,662	\$ 3,601,432	\$ 967,230

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

For the year ended December 31, 2019, the Plans recognized pension expense of \$123,982 for the firemen's pension and \$407,399 for the police pension. At December 31, 2019, the Plan reported deferred outflows of resources and deferred inflows of resources related to the Firemen and Police pension from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (55,468)	\$ -
Net difference between projected and actual earnings on pension plan investments	(1,191,400)	751,507
	\$ (1,246,868)	\$ 751,507

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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

	Police	Fire
2020	\$ (58,961)	\$ (94,900)
2021	(65,873)	(62,850)
2022	21,426	(7,617)
2023	(140,883)	(85,703)
	\$ (244,291)	\$ (251,070)

### 7. 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, 2019, the principal balance due was \$2,194,918.

Scheduled maturities of this direct borrowing debt are as follows:

Year Ending December 31,	Principal Payments	Interest Payments	Total
2020	\$ 158,901	\$ 21,222	\$ 180,123
2021	160,497	19,626	180,123
2022	162,109	18,014	180,123
2023	163,738	16,385	180,123
2024	165,383	14,740	180,123
2025-2029	852,170	51,256	903,426
2030-2032	532,120	8,252	540,372
	\$ 2,194,918	\$ 149,495	\$ 2,344,413

Interest expense for the year ended December 31, 2019 was \$22,803.

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

The following is a summary of changes in long-term debt for the year ended December 31, 2019:

	Balance at December 31, 2018	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
Governmental activities:					
Compensated absences	\$ 223,300	\$ 42,873	\$ -	\$ 266,173	\$ 19,358
Business-type activities:					
2003 Pennvest stormwater note	2,352,238	-	(157,320)	2,194,918	158,901
Compensated absences	57,140	-	(30,547)	26,593	-
<b>Total</b>	<b>\$ 2,632,678</b>	<b>\$ 42,873</b>	<b>\$ (187,867)</b>	<b>\$ 2,487,684</b>	<b>\$ 178,259</b>

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

### 8. Interfund Receivables/Payables/Transfers

The composition of interfund balances [receivable (payable)] as of December 31, 2019 is as follows:

	General	Shade Tree	Water	Sewer	Refuse	Airport	Total
General	\$ -	\$ 500	\$ 37,313	\$ (37,597)	\$ (126)	\$ 207	\$ 297
Shade Tree	(500)	-	-	-	-	-	(500)
Airport	(207)	-	-	-	-	-	(207)
Water	(37,313)	-	-	(4,846)	(17,227)	-	(59,386)
Sewer	37,597	-	4,846	-	(57,675)	-	(15,232)
Refuse	126	-	17,227	57,675	-	-	75,028
	<b>\$ (297)</b>	<b>\$ 500</b>	<b>\$ 59,386</b>	<b>\$ 15,232</b>	<b>\$ (75,028)</b>	<b>\$ 207</b>	<b>\$ -</b>

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

The City's General Fund provides certain services that benefit all funds. Transfers between funds include reimbursements to the General Fund for indirect costs such as administration and other support services. The composition of transfers between funds for the year ended December 31, 2019 is as follows:

Transfers In	Transfer Out			
General	Water	Sewer	Refuse	Total
\$ (891,135)	\$ 435,344	\$ 324,980	\$ 130,811	\$ 891,135

### 9. Post-Employment Health Care Benefits

#### Plan Description

The City provides post-employment health insurance to fire and police retirees. These plans are single-employer defined benefit plans. The City has the authority to amend these plans in the future.

#### Benefits Provided

Police and fire plan benefits are as follows:

Police Eligibility – Hired before October 31, 2012 and meeting retirement eligibility under the City's Police Pension Plan

Healthcare premiums are reimbursable up to a maximum amount of \$300 per month until eligible for Medicare. Upon receiving Medicare, benefit reduced to \$100 per month.

Fire Eligibility - Full-time prior to January 1, 2011 and retiring after January 1, 1993.

Healthcare premiums are reimbursable up to a maximum amount of \$300 per month until reaching age 65 or other employment is achieved which provides medical benefits.

Assets assigned for other post-employment benefits (OPEB) expenditures are not accumulated in a trust.

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### Plan Membership

As of December 31, 2019, plan membership consisted of:

	<u>Police</u>	<u>Firemen</u>
Active employees	5	3
Retirees and beneficiaries currently receiving benefits	4	4
Terminated employees entitled to benefits but not yet receiving them	<u>0</u>	<u>0</u>
	<u>9</u>	<u>7</u>

### Net OPEB Liability

The components of the net OPEB liability at December 31, 2019 were as follows:

Total OPEB liability	\$ 413,978
Plan fiduciary net position	<u>-</u>
City's net OPEB liability	<u>\$ 413,978</u>
Plan fiduciary net position as a percentage of total OPEB liability	0%

### Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2019 and rolled forward to December 31, 2019, using the following actuarial assumptions, applied to all periods included within the measurement:

Discount rate of 3.26% based on S&P Municipal Bond 20-Year High Grade Rate Index at December 31, 2019.

Annual salary increase of 5%.

Mortality rates based on RP2000 Table.

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

<u>Changes in Net OPEB Liability</u>	
Balance at December 31, 2018, as restated	\$ 422,887
Changes for the year:	
Service cost	8,831
Interest	13,522
Changes in benefit terms:	
Differences between expected and actual experience	-
Changes in assumptions	-
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments and refunds of employee contributions	(31,262)
Administrative expense	-
Other changes	-
Net Change	(8,909)
Balance at December 31, 2019	\$ 413,978

The City experienced total OPEB expense of \$31,262 as of December 31, 2019.

### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate as of December 31, 2019:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total OPEB liability	\$ 452,000	\$ 413,978	\$ 381,520

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates:* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates as of December 31, 2019:

# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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	<u>1% Decrease</u>	<u>Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$ 413,978</u>	<u>\$ 413,978</u>	<u>\$ 413,978</u>

The government wide statement of net position as of January 1, 2019 was restated with an increase of \$880,313 as a result of the OPEB actuarial valuation.

### 10. 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.

### 11. Related Organizations

A related organization holding an agency relationship with the City is excluded from the City's financial reporting, since the City does not carry a significant role in this organization's operations. Audited financial statements are available from the organization. This organization is described as follows:

#### Redevelopment Authority of the City of Titusville

Administers federal funding for housing condition of City 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 Redevelopment Authority of the City of Titusville. The Redevelopment Authority of the City of Titusville reports separately.

### 12. Contingent Liabilities

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

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# CITY OF TITUSVILLE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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these grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

### 13. Titusville Airport Authority (Airport Authority)

A governmental merger occurred whereby the City assumed financial responsibility for the Airport Authority in December 2018 and the Airport Authority was formally dissolved in April 2019. As a result of the governmental merger, the government-wide and proprietary fund statements net position as of January 1, 2019 was restated with an increase of \$1,528,043. The initial opening balances of Airport Authority's assets, liabilities, and net position, as of the beginning of the period, were determined on the basis of the carrying values reported in the separate audited financial statements of the Airport Authority as of December 31, 2018 as follows:

Current assets	\$ 66,099
Capital assets	1,462,304
Total Assets	<u>\$ 1,528,403</u>
Liabilities	\$ -
Net position:	
Net investment in capital assets	1,462,304
Unrestricted	66,099
Total Liabilities and Net Position	<u>\$ 1,528,403</u>

There were no significant adjustments recorded by the City to the beginning balance required to bring the Airport Authority's balances in conformity with the accounting policies of the City. In addition, the City did not determine that there was any impairment of capital assets that would require adjustment.

### 14. Subsequent Event

In early 2020, an outbreak of a novel strain of coronavirus was identified and infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity, and other economic activities has had, and may continue to have, a material effect on financial markets and economic activity. The extent of the impact of the coronavirus on the City's operational and financial performance is currently uncertain and cannot be predicted.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF TITUSVILLE

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 2,635,045	\$ 2,635,045	\$ 2,714,073	\$ 79,028
Interest, rents, and royalties	8,500	8,500	34,021	25,521
Intergovernmental	532,549	532,549	512,447	(20,102)
Charges for services	58,500	58,500	48,856	(9,644)
Licenses and permits	90,425	90,425	84,771	(5,654)
Fines and forfeits	37,250	37,250	30,498	(6,752)
Contributions and donations	62,000	62,000	59,043	(2,957)
Other	109,500	109,500	112,749	3,249
<b>Total revenues</b>	<b>3,533,769</b>	<b>3,533,769</b>	<b>3,596,458</b>	<b>62,689</b>
<b>Expenditures:</b>				
General government	713,196	713,196	738,057	24,861
Public safety	2,406,715	2,406,715	2,495,850	89,135
Public works	1,114,985	1,114,985	1,022,636	(92,349)
Culture and recreation	142,902	142,902	156,674	13,772
Other	58,887	58,887	55,729	(3,158)
<b>Total expenditures</b>	<b>4,436,685</b>	<b>4,436,685</b>	<b>4,468,946</b>	<b>32,261</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(902,916)</b>	<b>(902,916)</b>	<b>(872,488)</b>	<b>30,428</b>
<b>Other Financing Sources (Uses):</b>				
Sale of fixed assets	12,000	12,000	6,861	5,139
Operating transfers in	891,135	891,135	891,135	-
<b>Total other financing sources (uses)</b>	<b>903,135</b>	<b>903,135</b>	<b>897,996</b>	<b>5,139</b>
<b>Net Change in Fund Balance</b>	<b>219</b>	<b>219</b>	<b>25,508</b>	<b>35,567</b>
<b>Fund Balance:</b>				
Beginning of year	739,090	739,090	739,090	-
End of year	<u>\$ 739,309</u>	<u>\$ 739,309</u>	<u>\$ 764,598</u>	<u>\$ 35,567</u>

**CITY OF TITUSVILLE**

SCHEDULE OF CHANGES IN THE CITY'S NET  
PENSION LIABILITY AND RELATED RATIOS

POLICE PENSION PLAN

YEARS ENDED DECEMBER 31,

	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability:</b>						
Service cost	\$ 87,505	\$ 95,236	\$ 90,701	\$ 94,925	\$ 90,405	\$ 112,542
Changes for experience	(15,988)	-	153,832	-	(419,764)	-
Benefit payments	(622,137)	(595,274)	(587,061)	(583,400)	(548,692)	(520,146)
Interest	672,284	662,277	649,955	627,047	615,497	633,888
<b>Net Changes in Total Pension Liability</b>	121,664	162,239	307,427	138,572	(262,554)	226,284
<b>Total Pension Liability - Beginning</b>	8,643,098	8,480,859	8,173,432	8,034,860	8,297,414	8,071,130
<b>Total Pension Liability - Ending (a)</b>	\$ 8,764,762	\$ 8,643,098	\$ 8,480,859	\$ 8,173,432	\$ 8,034,860	\$ 8,297,414
<b>Plan Fiduciary Net Position:</b>						
Benefit payments	\$ (622,137)	\$ (595,274)	\$ (587,061)	\$ (583,400)	\$ (548,692)	\$ (520,146.00)
Contributions - employer	415,928	339,905	356,079	350,894	455,663	310,592
Contributions - member	38,375	32,408	32,260	32,440	37,031	31,277
Net investment income	1,128,954	(361,397)	855,816	371,532	(104,558)	325,549
Administrative expense	(12,200)	(13,800)	(6,000)	(7,630)	(12,333)	(10,880)
<b>Net Change in Plan Fiduciary Net Position</b>	948,920	(598,158)	651,094	163,836	(172,889)	136,392
<b>Plan Fiduciary Net Position - Beginning</b>	5,396,816	5,994,974	5,343,880	5,180,044	5,352,933	5,216,541
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 6,345,736	\$ 5,396,816	\$ 5,994,974	\$ 5,343,880	\$ 5,180,044	\$ 5,352,933
<b>Net Pension Liability - Ending (a-b)</b>	\$ 2,419,026	\$ 3,246,282	\$ 2,485,885	\$ 2,829,552	\$ 2,854,816	\$ 2,944,481
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	72.40%	62.44%	70.69%	65.38%	64.47%	64.51%
<b>Covered Payroll</b>	\$ 558,252	\$ 524,358	\$ 548,179	\$ 475,356	\$ 550,000	\$ 633,061.00
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	433.32%	619.10%	453.48%	595.25%	519.06%	465.12%

Note: Information prior to 2014 is not available

See accompanying note to required supplementary pension schedules.

**CITY OF TITUSVILLE**

SCHEDULE OF CHANGES IN THE CITY'S NET  
PENSION LIABILITY AND RELATED RATIOS

FIREMEN PENSION PLAN

YEARS ENDED DECEMBER 31,

	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability:</b>						
Service cost	\$ 48,522	\$ 25,116	\$ 23,920	\$ 24,858	\$ 23,674	\$ 32,923
Changes for experience	(86,955)	-	129,543	-	(416,104)	-
Benefit payments	(382,202)	(343,379)	(338,065)	(306,535)	(288,492)	(271,617)
Interest	352,575	356,179	353,173	339,519	334,566	359,597
<b>Net Changes in Total Pension Liability</b>	(68,060)	37,916	168,571	57,842	(346,356)	120,903
<b>Total Pension Liability - Beginning</b>	4,636,722	4,598,806	4,430,235	4,372,393	4,718,749	\$ 4,597,846
<b>Total Pension Liability - Ending (a)</b>	\$ 4,568,662	\$ 4,636,722	\$ 4,598,806	\$ 4,430,235	\$ 4,372,393	\$ 4,718,749
<b>Plan Fiduciary Net Position:</b>						
Benefit payments	\$ (382,202)	\$ (343,379)	\$ (338,065)	\$ (306,535)	\$ (288,492)	\$ (271,617)
Contributions - employer	330,986	189,309	186,414	183,259	248,835	155,155
Contributions - member	28,184	25,574	24,745	26,467	26,307	26,668
Net investment income	664,847	(136,099)	501,386	164,419	(114,600)	68,042
Administrative expense	(12,200)	(13,800)	(6,000)	(7,514)	(12,194)	(4,725)
<b>Net Change in Plan Fiduciary Net Position</b>	629,615	(278,395)	368,480	60,096	(140,144)	(26,477)
<b>Plan Fiduciary Net Position - Beginning</b>	2,971,817	3,250,212	2,881,732	2,821,636	2,961,780	\$ 2,988,257
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 3,601,432	\$ 2,971,817	\$ 3,250,212	\$ 2,881,732	\$ 2,821,636	\$ 2,961,780
<b>Net Pension Liability - Ending (a-b)</b>	\$ 967,230	\$ 1,664,905	\$ 1,348,594	\$ 1,548,503	\$ 1,550,757	\$ 1,756,969
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	78.83%	64.09%	70.68%	65.05%	64.53%	62.77%
<b>Covered Payroll</b>	\$ 318,702	\$ 311,104	\$ 310,645	\$ 349,813	\$ 325,000	\$ 352,968
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	303.49%	535.16%	434.13%	442.67%	477.16%	497.77%

Note: Information prior to 2014 is not available

See accompanying note to required supplementary pension schedules.

# CITY OF TITUSVILLE

## SCHEDULE OF THE CITY'S CONTRIBUTIONS AND INVESTMENT RETURNS

### POLICE PENSION PLAN

YEARS ENDED DECEMBER 31,

**POLICE PENSION PLAN:**

	2019	2018	2017	2016	2015	2014
<b>Schedule of Township Contributions</b>						
Contribution required under Act 205	\$ 415,928	\$ 339,905	\$ 356,079	\$ 350,894	\$ 455,663	\$ 310,592
Contributions in relation to the actuarially determined contribution	415,928	339,905	356,079	350,894	455,663	310,592
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 558,252	\$ 524,358	\$ 548,179	\$ 475,356	\$ 550,000	\$ 633,061
Contributions as a percentage of covered payroll	74.51%	64.82%	64.96%	73.82%	82.85%	49.06%
<b>Investment Returns</b>						
Annual money-weighted rate of return, net of investment expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Information prior to 2014 is not available

See accompanying note to required supplementary pension schedules.

# CITY OF TITUSVILLE

## SCHEDULE OF THE CITY'S CONTRIBUTIONS AND INVESTMENT RETURNS

### FIREMEN PENSION PLAN

YEARS ENDED DECEMBER 31,

**FIREMEN PENSION PLAN:**

	2019	2018	2017	2016	2015	2014
<b>Schedule of Township Contributions</b>						
Contribution required under Act 205	\$ 330,986	\$ 189,309	\$ 186,414	\$ 183,259	\$ 248,835	\$ 155,155
Contributions in relation to the actuarially determined contribution	330,986	189,309	186,414	183,259	248,835	155,155
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 318,702	\$ 311,104	\$ 310,645	\$ 349,813	\$ 325,000	\$ 352,968
Contributions as a percentage of covered payroll	103.85%	60.85%	60.01%	52.39%	76.56%	43.96%
<b>Investment Returns</b>						
Annual money-weighted rate of return, net of investment expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Information prior to 2014 is not available

See accompanying note to required supplementary pension schedules.

# CITY OF TITUSVILLE

## SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS

YEARS ENDED DECEMBER 31,

	2019	2018	2017
<b>Total OPEB Liability:</b>			
Service cost	\$ 8,831	\$ -	\$ -
Interest	13,522	-	-
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	90,000	90,000
Changes of assumptions	-	-	-
Benefit payments, including refunds of member contributions	(31,262)	-	-
<b>Net Changes in Total OPEB Liability</b>	(8,909)	90,000	90,000
<b>Total OPEB Liability - Beginning</b>	422,887 *	1,213,200	1,123,200
<b>Total OPEB Liability - Ending</b>	\$ 413,978	\$ 1,303,200	\$ 1,213,200

Note - Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

\* The 2019 OPEB Liability - Beginning was restated as a result of the OPEB actuarial valuation.

# CITY OF TITUSVILLE

## NOTE TO REQUIRED SUPPLEMENTARY PENSION SCHEDULES

YEAR ENDED DECEMBER 31, 2019

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Actuarially determined contribution rates are calculated based on the plan's most recent available Act 205 actuarial valuation report. The January 1, 2017 actuarial valuation report was utilized for the 2019 Minimum Municipal Obligation calculation. The following actuarial methods and assumptions were used to determine contribution rates.

### Police Pension Plan:

Actuarial valuation date	1/1/2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Asset valuation method	Market Value
Amortization period	17 Years
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.00%
Inflation	3.00%
Retirement Age	Later of age 50 or 20 years of service

### Changes in Benefit Terms

There were no changes in benefit terms.

### Changes in Assumptions

There were no changes in assumptions.

# CITY OF TITUSVILLE

## NOTE TO REQUIRED SUPPLEMENTARY PENSION SCHEDULES

YEAR ENDED DECEMBER 31, 2019

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### Firemen Pension Plan:

Actuarial valuation date	1/1/2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Asset valuation method	Market Value
Amortization period	12 Years
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.00%
Inflation	3.00%
Retirement Age	Later of age 50 or 20 years of service

### Changes in Benefit Terms

There were no changes in benefit terms.

### Changes in Assumptions

There were no changes in assumptions

## **SUPPLEMENTARY INFORMATION**

# CITY OF TITUSVILLE

## COMBINING BALANCE SHEET OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2019

	Liquid Fuels Fund	Shade Tree Fund	Total Other Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 28	\$ 3,416	\$ 3,444
Interfund receivables	-	500	500
<b>Total Assets</b>	<b>\$ 28</b>	<b>\$ 3,916</b>	<b>\$ 3,944</b>
<b>Liabilities and Fund Balance</b>			
Liabilities	\$ -	\$ -	\$ -
<b>Fund Balance:</b>			
Restricted for Shade Tree	-	3,916	3,916
Restricted for Liquid Fuels	28	-	28
<b>Total Fund Balance</b>	<b>28</b>	<b>3,916</b>	<b>3,944</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 28</b>	<b>\$ 3,916</b>	<b>\$ 3,944</b>

# CITY OF TITUSVILLE

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2019

	Liquid Fuels Fund	Shade Tree Fund	Total Other Governmental Funds
<b>Revenues:</b>			
Interest, rents, and royalties	\$ 143	\$ 41	\$ 184
Intergovernmental	217,062	-	217,062
Contributions and donations	-	16,697	16,697
Total revenues	217,205	16,738	233,943
<b>Expenditures:</b>			
Public works	217,186	-	217,186
Culture and recreation	-	18,577	18,577
Total expenditures	217,186	18,577	235,763
<b>Net Change in Fund Balance</b>	19	(1,839)	(1,820)
<b>Fund Balance:</b>			
Beginning of year	9	5,755	5,764
End of year	\$ 28	\$ 3,916	\$ 3,944

# CITY OF TITUSVILLE

## COMBINING SCHEDULE OF FIDUCIARY NET POSITION FIDUCIARY FUNDS - PENSION TRUSTS

DECEMBER 31, 2019

	Police Pension Fund	Firemen Pension Fund	Nonuniformed Pension Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 43,627	\$ 26,331	\$ -	\$ 69,958
Investments	6,305,593	3,575,607	1,783,614	11,664,814
<b>Total Assets</b>	<b>\$ 6,349,220</b>	<b>\$ 3,601,938</b>	<b>\$ 1,783,614</b>	<b>\$ 11,734,772</b>
<b>Net Position</b>				
Held in trust for employee pension benefits	\$ 6,349,220	\$ 3,601,938	\$ 1,783,614	\$ 11,734,772
<b>Total Net Position</b>	<b>\$ 6,349,220</b>	<b>\$ 3,601,938</b>	<b>\$ 1,783,614</b>	<b>\$ 11,734,772</b>

# CITY OF TITUSVILLE

## COMBINING STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS - PENSION TRUSTS

YEAR ENDED DECEMBER 31, 2019

	Police Pension Fund	Firemen Pension Fund	Nonuniformed Pension Fund	Total
<b>Additions:</b>				
Contributions:				
Employees	\$ 38,375	\$ 28,184	\$ 32,718	\$ 99,277
State and city	415,928	330,986	32,879	779,793
Total contributions	454,303	359,170	65,597	879,070
Investment income:				
Net appreciation (depreciation) in fair value of investment	983,497	523,385	250,582	1,757,464
Interest and dividends	165,761	155,569	-	321,330
Total investment income	1,149,258	678,954	250,582	2,078,794
Total additions	1,603,561	1,038,124	316,179	2,957,864
<b>Deductions:</b>				
Administration	29,019	25,801	2,065	56,885
Benefits	622,137	382,202	140,300	1,144,639
Total deductions	651,156	408,003	142,365	1,201,524
<b>Change in Fiduciary Net Position</b>	952,405	630,121	173,814	1,756,340
<b>Net Position:</b>				
Beginning of year	5,396,815	2,971,817	1,609,800	9,978,432
End of year	\$ 6,349,220	\$ 3,601,938	\$ 1,783,614	\$ 11,734,772

# **City of Titusville**

Independent Auditor's Report  
in Accordance with  
*Government Auditing Standards*

Year Ended December 31, 2019

**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***

**Honorable Mayor and  
Members of Council  
City of Titusville**

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 (City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated August 28, 2020.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City’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’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2019-004 to be a material weakness.

Honorable Mayor and Members of Council  
City of Titusville  
Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters

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. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings 2019-001, 2019-002, and 2019-003 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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.

*Mahe Duessel*

Pittsburgh, Pennsylvania  
August 28, 2020

# CITY OF TITUSVILLE

## SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2019

### **FINDING: 2019-001 – Internal Control over Financial Reporting and Account Adjustments**

*Statement of Condition:* During the audit process, various adjustments were proposed by the auditors in order that the financial statements could be prepared in accordance with accounting principles generally accepted in the United States of America (GAAP financials). Then, using the information provided by management, the auditors prepared the GAAP financials, which were subsequently reviewed by management. These adjustments were necessary to properly reflect current year operations and balances as of the year end..

*Criteria:* Auditing standards continue to place emphasis on determining an entity's ability to fully prepare their own external financial statements, including the posting of all adjustments necessary to present GAAP financials and evaluating the need for all necessary financial statement disclosures.

*Cause:* The City of Titusville (City) is not reconciling balance sheet accounts including accounts receivable, accounts payable, and interfund balances, to the general ledger and posting adjustments as necessary.

*Effect:* Adjustments were required to be recorded in order for the financial statements to be prepared in accordance with GAAP.

*Recommendation:* We recommend that management evaluates their internal controls over the financial reporting process to ensure that the financial statements are prepared in accordance with GAAP.

*Management's Response:* Management agrees with this finding.

### **FINDING: 2019-002 – Segregation of Duties Over Cash Disbursements Process**

*Statement of Condition:* During the audit process, we noted that a lack of segregation of duties exists in the processing of cash disbursements. The Accounts Payable Clerk reviews invoices, enters invoices into the system, processes payments, and mails checks.

*Criteria:* A strong internal control structure requires that duties be segregated so that one person does not control all aspects of an accounting function.

*Cause:* The small staff size at the City makes it difficult to fully segregate duties over certain cash disbursement activities.

*Effect:* A potential exists that errors or irregularities could occur and not be detected.

# CITY OF TITUSVILLE

## SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2019

*Recommendation:* We recommend that the cash disbursement duties noted above be segregated to the extent possible. This segregation will most likely need to involve the Controller reviewing canceled check images monthly against approved warrant lists.

*Management's Response:* Management agrees with this finding.

### **FINDING: 2019-003 – Segregation of Duties Over Payroll Process**

*Statement of Condition:* During the audit process, we noted that a lack of segregation of duties exists in the processing of payroll. The Accounts Payable Clerk enters employee time and pay rate information into the system, processes payroll, receives and reconciles the unopened bank statement. Payroll registers were not reviewed for accuracy by an independent individual during 2019.

*Criteria:* A strong internal control structure requires that duties be segregated so that one person does not control all aspects of an accounting function.

*Cause:* The small staff size at the City makes it difficult to fully segregate duties over payroll activities.

*Effect:* A potential exists that errors or irregularities could occur and not be detected.

*Recommendation:* We recommend that the payroll duties noted above be segregated to the extent possible. This segregation will most likely need to involve having the Controller receive and reconcile the unopened bank statement for payroll, reviewing payroll registers monthly, and reviewing budget to actual variances for unexpected fluctuations.

*Management's Response:* Management agrees with this finding.

### **FINDING: 2019-004 – Capital Assets**

*Statement of Condition:* The City does not have a detail to support the balance of capital assets, accumulated depreciation, or depreciation expense.

*Criteria:* Accounting principles generally accepted in the United States of America require that capital assets be accurately shown on the financial statements and depreciated over their estimated useful lives.

*Cause:* An accurate detail of capital asset and depreciation balances is not being maintained to aid in financial reporting.

# CITY OF TITUSVILLE

## SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2019

*Effect:* The potential exists for capital assets, accumulated depreciation, and depreciation expense to be materially misstated on the financial statements.

*Recommendation:* We recommend that the City develop a detail supporting the capital asset balances across all funds including accumulated depreciation and annual depreciation expense, and that this detail be updated for additions and deletions, as necessary.

*Management's Response:* Management agrees with this finding.