

Financial Statements

**BOROUGH OF
ELLWOOD CITY, PENNSYLVANIA**

DECEMBER 31, 2016





Outside the box. Within the lines.



BOROUGH OF ELLWOOD CITY
DECEMBER 31, 2016

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Governing Body
Borough of Ellwood City
Ellwood City, Pennsylvania

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 Borough of Ellwood City (the "Borough"), as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the Borough'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; which 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough, as of December 31, 2016, the respective changes in net 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 ("GAAP").

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-12 and 48-49 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 Borough's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Our audit was conducted for the purpose of forming opinions on these financial statements that collectively comprise the Borough's basic financial statements. The Combining Balance Sheet - Governmental Funds - Nonmajor Funds, Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds - Nonmajor Funds, Statement of Revenues, Expenditures, and Changes in Fund Balance - Actual and Budget - Highway Aid Fund, Combining Statement of Net Position - Fiduciary Funds, and Combining Statement of Changes in Net Position - Fiduciary Funds 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 these financial statements. The information has been subjected to the auditing procedures applied in the audit of these financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to these financial statements as a whole.



Wexford, Pennsylvania
June 16, 2017

BOROUGH OF ELLWOOD CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

As management of the Borough of Ellwood City, Pennsylvania (the "Borough"), we offer readers of the Borough's financial statements this narrative overview and analysis of the financial activities of the Borough for the fiscal year ended December 31, 2016.

Financial Highlights

The 2016 year was a time for the continuation of programs intending to focus on infrastructure improvements, road paving and the Borough's future. Directing taxpayer dollars to programs of importance are vital to stability. It is necessary that programming be complimented with policies that help to stabilize existing programs, as well as preserve the potential to maximize opportunity.

As in prior years, the Borough relied upon existing fund balances as the means to balance the 2016 General Operating Budget. A tax in the amount of one mill was implemented, which brings the total real estate tax rate to 7.75 mills for 2016. The Borough's assessed valuation for 2016 according to the Chief Assessor of Lawrence County is equal to \$247,088,340 and the average residential home in the Borough is assessed at \$63,618. The face value of a mill will be equal to \$247,088. Several years ago, the Borough Council authorized that one half mill of real estate tax would be directed to the General Capital Reserve for Public Works Improvements.

Establishing a blueprint to address the condition of Borough streets and aging infrastructure remains a priority. Borough Council took the measures to increase non electoral debt in 2016 and replace a Borough fire truck which had exceeded the recommended service age by the National Fire Protection Agency. Also, the Borough included funds to replace the Public Works Building which is almost 70 years old. The 2016 General Obligation Bond Issue included the funds to invest in improvements to the central business corridor and infrastructure. The additional non electoral debt will increase the Borough annual debt payment to \$358,000 a year for the General Fund. The Borough's bond rating was established at A2 by Moody' Investor Services. A contributing factor to maintaining this rating is cited as follows: "taxpayers and employers are stable in this area and the Borough has a robust financial position and the fund balance as a percent of operating revenues (40.6%) is a little stronger than the US median."(Moody's Investor Service, Credit Opinion, 4 October 2016).

The cost of government services continue to impact upon the General Fund budget. In 2016, the Borough implemented a unique strategy to provide for employee bonuses as opposed to hourly increases with Local 964, representing the Public Works (Street and Waste Water), Electric Department and Clerical employees. The representatives of these groups are paid from the General, Electric, and Sewage Funds. Some employees are paid on a pro rata basis from each respective fund. The Contract resulted, for the most part, in all employees in the collective bargaining unit's receiving a bonus in the amount of \$1,200. For future years, the members of the collective bargaining units will receive an increase in hourly wage. This was done in order to maintain the employee complement. The negotiations and settlement process was undertaken with the intent to preserve employee complement in the most vital area's and to provide cost containment measures.

The Borough continues to be impacted by cost associated with municipal pension and other corresponding municipal obligations. In 2016, the Borough pension obligation was equal to \$370,793 for both Municipal employees, Fire and Police after consideration of state aid in the amount of \$206,058. In 2015, the Borough experienced a 53% increase in our Minimum Municipal Obligation (MMO).

BOROUGH OF ELLWOOD CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

In 2016, the Borough continued measures to maximize the municipal paving program and to address as many municipal streets as reasonably possible. The 2016 paving Program included two (2) phases. The paving program was underwritten in its entirety by the Borough through the use of Liquid Fuel funding, as well as the General Capital Reserve. The General Fund transferred an amount equal to \$250,000 to the General Capital Reserve. The Borough also pursued a Grant from the Lawrence County Commissioners to address a deteriorated concrete street radius in the Borough. The County Commissioners did not address any Liquid Fuels requests in 2016 for any municipality in Lawrence County. The Borough forwarded our request again in December 2016 to the County Commissioners.

The Borough Council continues to work to enhance the core business areas of the community and is committed to working closely with municipal planning consultants to protect the business community and to maximize its potential throughout the Borough. In August of 2016, the Borough Council put into place the changes to the current zoning ordinances. A significant element of the program is to promote pedestrian areas to enhance "foot traffic" to the down town or core business area. Further, Borough Council established additional gateways that would continue to maintain the businesses currently located in that area and to preserve the future development. An Institutional and Professional District has been designated as well. In addition, Borough Council has recognized the need to maintain the existing general business districts in those areas which fell outside of the revamped zoning configuration. As a further safeguard, Borough Council took measures to further protect the Borough by developing a wireless antennae ordinance to accompany zoning modifications.

The General Fund and the General Capital Reserve funded many public improvements involving capital equipment, municipal road repair equipment, a police vehicle and road paving projects referred to earlier. Through the Electric Fund, the Borough Council made efforts to provide for consistency with power rates by engaging in a "load following contract". This means the Borough purchases only their exact needs. However, even though the Borough was able to obtain very attractive rates for power, these were impacted by the cost associated with the transmission charges charged to the Borough by the PJM Exchange. For most of 2016, the transmission charges were consistent with the cost of power. This affected the PPA charged by the Borough and added to the monthly electric charges of the Borough customer base. In August 2016, transmission charges began to decrease significantly and monthly PPA reduced accordingly. In 2016, the Borough maintained the amount of transfer to the General Fund at \$1,450,000. The Borough will continue to address improvements to the electric system, and with the erection of a new Public Works facility, the 6th Street regulating station will need to be deactivated.

In the Sewer Fund, it was necessary for the Borough Council to establish fund solvency in 2015. This helped to create a greater revenue stream for the Borough, however, it is necessary to note that the Borough has the lowest rates of all the communities serviced by the Waste Water Treatment operations.

The Borough Council decided not to proceed with the hydro turbine at the Waste Water facility. The intent of the project was to utilize the effluent or discharge water to generate power from the turbine. As a result of the limited amount of power to be generated from the turbine as well as the ultimate return on investment, it was determined not to proceed with the Grant and the hydro project. The amount of \$235,500 was directed back to the Sewage Collection Reserve Fund. The Borough Woodside Lift Station will be started in 2017 upon receipt of the permit from DEP. Additionally, the Borough Council continued to address infiltration issues and pipe relining and replacement which resulted in approximately \$350,000 of investment in these improvements for 2015 and 2016.

BOROUGH OF ELLWOOD CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016

The Highway Aid Fund provided the necessary back drop to add a significant phase to the 2016 Paving Program. In the past, the Borough Council utilized the fund exclusively for paving. In the past four (4) years the Borough has utilized this fund, as well as the General Capital Reserve and also partnered with the state and public utility organizations in order to stretch paving dollars and programs.

In the area of Special Revenue Funds, the Borough receives the revenues attributed to these areas from the Grants and state aid distribution attributed to specialized activity such as Marcellus Shale, Liquid Fuel funding (Highway Aid), Drug Task Force, K-9, Park Improvement and Recycling.

The Borough continued to utilize the Marcellus Shale fund which is exclusive to recreational activity and projects. In 2015, the Borough transferred the amount of \$130,500 back to the Marcellus Shale Fund which had previously been dedicated to satisfy a portion of the 2nd Street Bridge Project improvements. This additional funding was to be utilized for the Borough match which is required for DCNR Grant funding and the Borough local match. In addition, the Borough continued with the Master Site Development plan with the Lawrence County Commissioners for the two (2) major parks in our Borough. The Borough utilized approximately \$125,000 from this fund to pay to the Sinking Fund for the refinancing of the 2016 General Obligation Bond Issue.

In conclusion, 2016 was a year of accomplishment and preparation for future programs and growth. The decisions of Municipal Council were geared to safeguard the Borough's future and establish vitality in core business focal points. The Borough Council is committed to directing community resources to areas where the greatest benefit will be experienced and the value is maximized on a community wide basis. The policies implemented in 2016 will also help to poise the Borough for stability and growth.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Borough's basic financial statements. The Borough's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Borough's finances in a manner similar to a private-sector business.

The *statement of net position* provides information showing how the Borough's assets have changed during the current year. It reports the availability of assets for future use and is an important management tool in financial planning. The statement distinguishes those assets used exclusively with regards to government operation versus those assets committed to the business operation of government.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as uncollected taxes, earned but unused vacation leave, accrued interest on long-term debt, accrued payroll, and intergovernmental receivables.

BOROUGH OF ELLWOOD CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016

Both of the government-wide financial statements distinguish functions of the Borough that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Borough are general administration, public safety, public works, health and sanitation, conservation and development, and culture and recreation. Property and earned income taxes, charges for services, and state grants and transfers from the Electric Fund finance most of these activities. The business-type activities of the Borough include the Electric and Sewer Funds.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Borough, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Borough can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Most of the Borough's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances at year-end that are available for spending. Consequently, the governmental funds' statements provide a detailed short-term view that helps the user determine whether there are financial resources that can be spent in the near future to finance the Borough's programs. The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The basic governmental funds' financial statements can be found on pages 15-18 of this report.

Proprietary funds. The Borough maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Borough's enterprise funds include the Electric Fund and the Sewer Fund which are the business-type funds of the Borough.

The basic proprietary funds' financial statements can be found on pages 19-21 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefits of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Borough's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Borough administers three pension plans using the services of Huntington Bank. These plans are for the municipal employees, police officers, and firefighters. These plans cover essentially all full-time employees. The Borough is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The basic fiduciary funds' financial statements can be found on pages 22-23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 24-47 of this report.

BOROUGH OF ELLWOOD CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Borough's progress in funding its obligation to provide pension benefits to its employees, post-employment benefits to retirees and budgetary comparison statements for the General Fund which have been provided to demonstrate compliance with the budget.

Required supplementary information can be found on pages 48-54 of this report.

Additional information can be found on pages 55-61 of this report.

Analysis of Net Position

Net position is a useful indicator of a government's financial position. For the Borough, total assets exceeded liabilities by \$8,567,051 for the year ended December 31, 2016 and \$8,850,376 for the year ended December 31, 2015.

Borough of Ellwood City's Statement of Net Position

The following is a summary of the Borough's Statement of Net Position as of December 31, 2016 and 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 9,689,929	\$ 3,199,437	\$ 5,380,898	\$ 5,150,843	\$ 15,070,827	\$ 8,350,280
Capital assets	4,032,326	3,546,511	18,210,633	19,014,044	22,242,959	22,560,555
Total Assets	13,722,255	6,745,948	23,591,531	24,164,887	37,313,786	30,910,835
Deferred outflows	229,039	1,184,283	-	-	229,039	1,184,283
Current and other liabilities	626,385	268,506	1,568,854	1,653,517	2,195,239	1,922,023
Noncurrent liabilities	13,196,849	6,906,111	13,415,069	14,369,627	26,611,918	21,275,738
Total Liabilities	13,823,234	7,174,617	14,983,923	16,023,144	28,807,157	23,197,761
Deferred inflows	168,617	46,981	-	-	168,617	46,981
Invested in capital assets, net of related debt	(3,045,874)	3,161,893	3,916,347	3,773,735	870,473	6,935,628
Restricted	342,588	668,424	1,354,419	1,264,517	1,697,007	1,932,941
Unrestricted	2,662,729	(3,121,684)	3,336,842	3,103,491	5,999,571	(18,193)
Total Net Position	\$ (40,557)	\$ 708,633	\$ 8,607,608	\$ 8,141,743	\$ 8,567,051	\$ 8,850,376

Changes in Net Position

The Borough's net position decreased by \$283,325 for the year ended December 31, 2016, and decreased \$1,275,118 for the year ended December 31, 2015. Approximately 5% of the Borough's revenue came from grants and contributions, 21% from taxes on real property and income, 2% from investment and other income, and 72% from charges for services in comparison to the previous year. All others are essentially the same as in the previous year.

BOROUGH OF ELLWOOD CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016

Borough of Ellwood City's Statement of Activities

The following summarizes the Borough's Statement of Activities for the years ended December 31, 2016 and 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program Revenues						
Charges for services	\$ 403,668	\$ 437,073	\$ 9,480,545	\$ 9,519,878	\$ 9,884,213	\$ 9,956,951
Operating grants and contributions	577,677	616,314	-	-	577,677	616,314
Capital grants and contributions	-	-	83,361	220,177	83,361	220,177
General Revenues						
Taxes	2,844,394	2,673,656	-	-	2,844,394	2,673,656
Investment income	140,875	182,050	8,524	19,656	149,399	201,706
Cable franchise fees	71,424	70,654	-	-	71,424	70,654
Sale of capital assets	-	70,000	1,625	1,221	1,625	71,221
Other revenues	17,950	20,467	6,724	33,521	24,674	53,988
Total Revenues	4,055,988	4,070,214	9,580,779	9,794,453	13,636,767	13,864,667
EXPENSES						
General government	842,427	729,668	-	-	842,427	729,668
Public safety	3,045,537	4,346,317	-	-	3,045,537	4,346,317
Public works and enterprises	1,622,701	1,533,580	5,729,724	5,846,079	7,352,425	7,379,659
Health and sanitation	3,692	3,337	1,749,284	1,985,614	1,752,976	1,988,951
Culture and recreation	388,482	369,858	-	-	388,482	369,858
Conservation and development	132,807	113,953	-	-	132,807	113,953
Fiscal Agent Fees	206,390	-	-	-	206,390	-
Interest	13,142	13,435	185,906	197,944	199,048	211,379
Total Expenses	6,255,178	7,110,148	7,664,914	8,029,637	13,920,092	15,139,785
Change in net position before transfers	(2,199,190)	(3,039,934)	1,915,865	1,764,816	(283,325)	(1,275,118)
Transfers in (out)	1,450,000	1,368,572	(1,450,000)	(1,368,572)	-	-
Change in net position	(749,190)	(1,671,362)	465,865	396,244	(283,325)	(1,275,118)
Net Position, beginning of year	708,633	2,379,995	8,141,743	7,745,499	8,850,376	10,125,494
Net Position, end of year	\$ (40,557)	\$ 708,633	\$ 8,607,608	\$ 8,141,743	\$ 8,567,051	\$ 8,850,376

The Borough's governmental activities cover a wide range of services. The largest are public safety and public works and enterprises which consume 22% and 53% respectively of total borough expenses.

The business-type activities include the Electric Fund which serves residents within the Borough of Ellwood City and the new waste water treatment plant which serves Ellwood City, Franklin, North Sewickley, and Wayne townships.

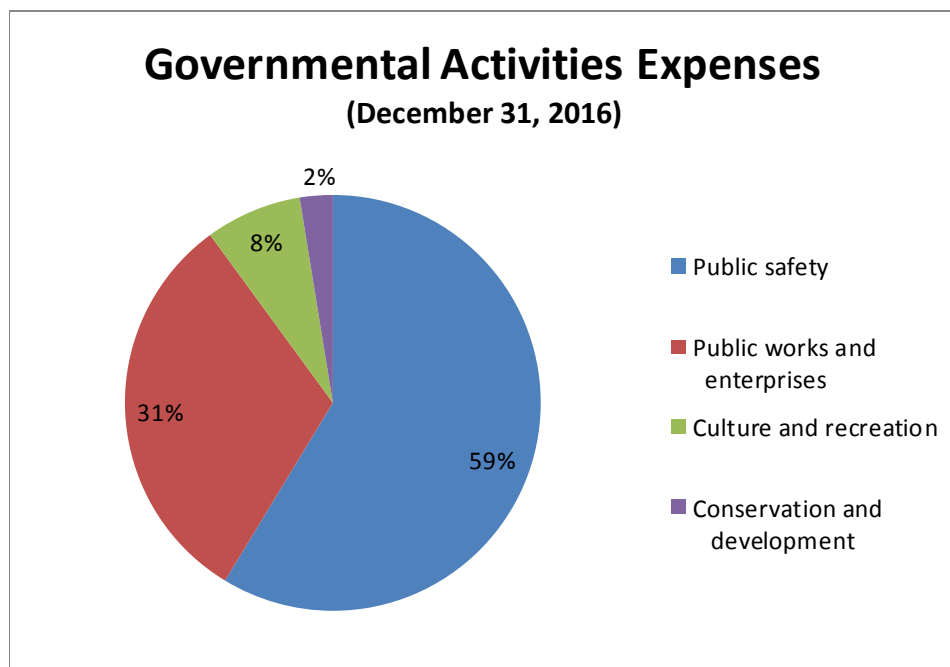
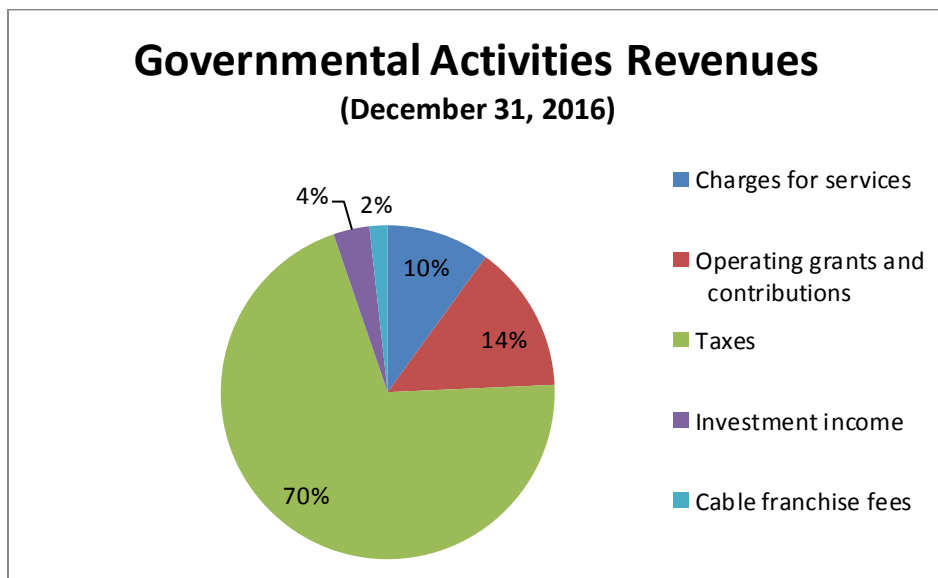
BOROUGH OF ELLWOOD CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016

Analysis of Changes in Net Position

Governmental Activities

Governmental activities decreased the Borough's net position by \$749,190. In the prior year, governmental activities decreased the Borough's net position by \$1,671,362. Key elements of the decrease are an overall decrease in revenues and an increase in expenses.

**Program Revenues and Expenses
Governmental Activities**

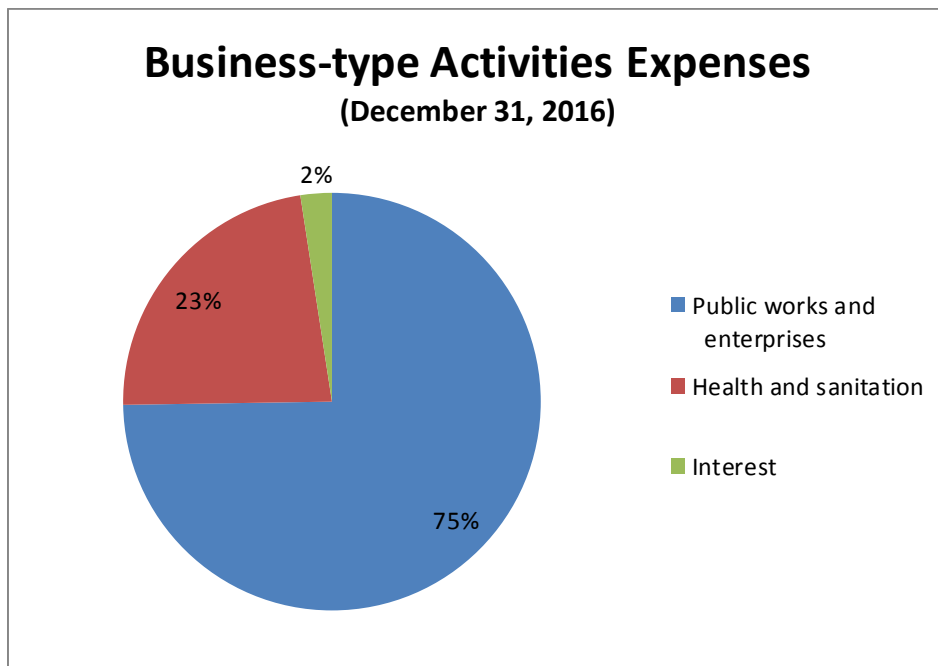
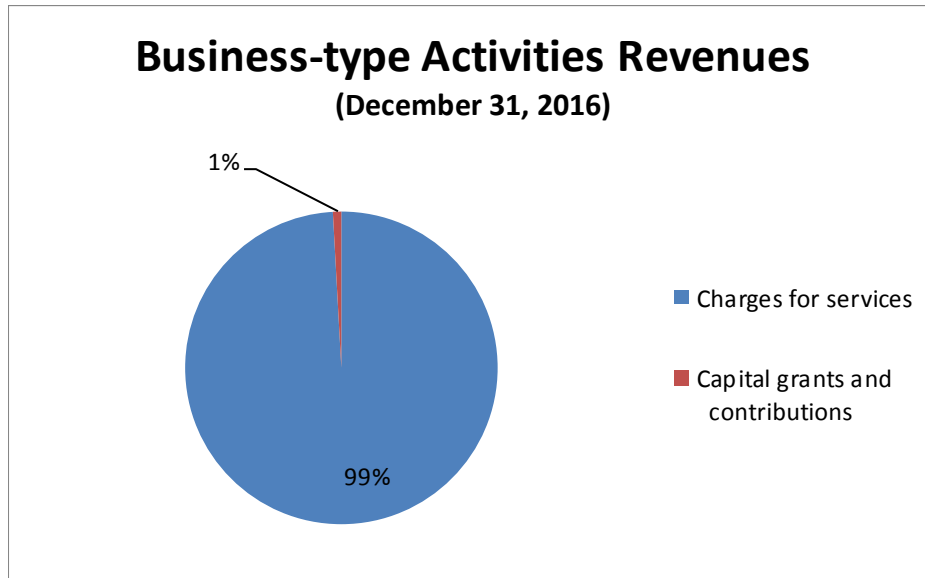


BOROUGH OF ELLWOOD CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016

Business-type Activities

Business-type activities increased the Borough's net position by \$465,863 for the year ended December 31, 2016. In the prior year, business-type activities increased the Borough's net position by \$396,244.

**Program Revenues and Expenses
Business-type Activities**



BOROUGH OF ELLWOOD CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016

Financial Analysis of the Borough's Individual Funds

Governmental Funds

The focus of the Borough's governmental funds' financial statements is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the Borough's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At December 31, 2016, the Borough's governmental funds reported an ending fund balance of \$9,420,302. Overall, the governmental funds increased by \$6,328,942 in comparison to the previous year.

Proprietary Funds

The Borough's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Electric Fund increased their net position during the current year to \$2,979,580 while the Sewer Fund's net position increased to \$5,628,028. This is a current year increase in net position of \$194,673 and a prior period increase of \$136,159 for the Electric Fund. The Sewer Fund had a current year increase of \$271,192 and a prior period increase of \$260,085.

Fiduciary Funds

The Borough maintains fiduciary funds for the Municipal Employees Pension Plan, the Police Pension Plan, and the Fireman's Pension Plan. The net position of the three plans increased by \$594,857 during 2016. This increase is primarily due to economic changes in investment value.

Borough of Ellwood City's Capital Assets (net of depreciation)

The following is a summary of the Borough's capital assets as of December 31, 2016:

	Governmental Activities	Business-type Activities	Total
Not being depreciated:			
Land	\$ 724,150	\$ 156,050	\$ 880,200
Other capital assets:			
Construction in progress	82,394	-	82,394
Buildings and improvements	7,999,783	25,879,875	33,879,658
Furniture and equipment	1,610,353	5,763,172	7,373,525
Vehicles	1,258,333	844,069	2,102,402
Accumulated depreciation	(7,642,685)	(14,432,534)	(22,075,219)
Net Capital Assets	<u>\$ 4,032,328</u>	<u>\$ 18,210,632</u>	<u>\$ 22,242,960</u>

Additional information on the Borough's capital assets can be found in Note 2 of this report.

BOROUGH OF ELLWOOD CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016

Outstanding Debt, at Year End

The Borough continued to make principal and interest payments on its existing long-term debt as scheduled. The following is a summary of the Borough's long-term debt at December 31, 2016:

Governmental activities	
General obligation debt	<u>\$ 7,080,000</u>
Total Governmental	<u>7,080,000</u>
Business-type activities	
General obligation debt	\$ 1,460,000
General obligation notes	<u>12,834,286</u>
Total Business-type	<u>14,294,286</u>
Total Debt	<u><u>\$ 21,374,286</u></u>

The Borough's general obligation bond rating is 'A2' insured from Moody Investors. More detailed information about the Borough's long-term liabilities can be found in Note 2 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Borough's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Borough of Ellwood City
Attn: Borough Manager
525 Lawrence Avenue
Ellwood City, PA 16117

BOROUGH OF ELLWOOD CITY
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets:			
Cash and cash equivalents	\$ 8,947,010	\$ 4,451,502	\$ 13,398,512
Receivables, net:			
Taxes	424,353	-	424,353
Accounts	90,375	861,485	951,860
Loans	120,741	-	120,741
Prepaid expense	82,201	9,390	91,591
Due from other funds	25,249	58,521	83,770
Capital assets, net of accumulated depreciation	4,032,326	18,210,633	22,242,959
Total Assets	13,722,255	23,591,531	37,313,786
Deferred outflows of resources			
Unrecognized loss in changes in net pension liabilities	229,039	-	229,039
Liabilities:			
Accounts payable	68,655	414,969	483,624
Wages and withholdings payable	81,807	30,573	112,380
Deposits payable	-	115,371	115,371
Due to other funds	83,770	-	83,770
Due to others	10	-	10
Accrued interest payable	21,683	21,071	42,754
Current portion - long term liabilities			
Compensated absences	152,260	23,453	175,713
Bonds and notes payable	218,200	963,417	1,181,617
Non current portion - long term liabilities			
Compensated absences	457,947	84,200	542,147
Bonds and notes payable	6,860,000	13,330,869	20,190,869
OPEB liability, net	2,003,861	-	2,003,861
Pension liability, net	3,875,041	-	3,875,041
Total Liabilities	13,823,234	14,983,923	28,807,157
Deferred outflows of resources			
Unrecognized gains in changes in net pension liabilities	168,617	-	168,617
Net Position:			
Invested in capital assets, net of related debt	(3,045,874)	3,916,347	870,473
Restricted for:			
Drug Task Force Programs	36,330	-	36,330
Highway Aid	276,087	-	276,087
Marcellus Shale Program	293,698	-	293,698
Capital Projects	(263,527)	1,354,419	1,090,892
Unrestricted	2,662,729	3,336,842	5,999,571
Total Net Position	\$ (40,557)	\$ 8,607,608	\$ 8,567,051

The accompanying notes are an integral part of this financial statement.

BOROUGH OF ELLWOOD CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General government	\$ 842,427	\$ 43,472	\$ 245,709	\$ -	\$ (553,246)	\$ -	\$ (553,246)
Public safety	3,045,537	182,230	280,156	-	(2,583,151)	-	(2,583,151)
Public works	1,622,701	59,745	-	-	(1,562,956)	-	(1,562,956)
Health, welfare, and sanitation	3,692	118,221	-	-	114,529	-	114,529
Culture and recreation	388,482	-	-	-	(388,482)	-	(388,482)
Conservation and development	132,807	-	51,812	-	(80,995)	-	(80,995)
Fiscal agent fees	206,390	-	-	-	(206,390)	-	(206,390)
Interest	13,142	-	-	-	(13,142)	-	(13,142)
Total Governmental Activities	6,255,178	403,668	577,677	-			
Business-type Activities							
Electric	5,783,295	7,335,587	-	83,361	-	1,635,653	1,635,653
Sewer	1,881,619	2,144,958	-	-	-	263,339	263,339
Total Business-type activities	7,664,914	9,480,545	-	83,361	-	1,898,992	1,898,992
Total Primary Government	\$ 13,920,092	\$ 9,884,213	\$ 577,677	\$ 83,361	(5,273,833)	1,898,992	(3,374,841)
General Revenues:							
Taxes							
Property taxes					1,905,461	-	1,905,461
Earned income tax					733,707	-	733,707
Real estate transfer tax					63,743	-	63,743
Other tax					141,483	-	141,483
Interest and investment income					140,875	8,524	149,399
Cable franchise fees					71,424	-	71,424
Other income					17,950	6,724	24,674
Sale of capital assets					-	1,625	1,625
Transfers					1,450,000	(1,450,000)	-
Total General Revenues and Transfers					4,524,643	(1,433,127)	3,091,516
Change in Net Position					(749,190)	465,865	(283,325)
Net position, Beginning of Year					708,633	8,141,743	8,850,376
Net Position, End of Year					\$ (40,557)	\$ 8,607,608	\$ 8,567,051

The accompanying notes are an integral part of this financial statement.

BOROUGH OF ELLWOOD CITY
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,964,889	\$ 6,452,255	\$ 529,866	\$ 8,947,010
Receivables, net:				
Taxes	424,353	-	-	424,353
Accounts	90,375	-	-	90,375
Loans	120,741	-	-	120,741
Prepaid expense	47,351	-	-	47,351
Due from other funds	-	25,249	-	25,249
Total Assets	<u>\$ 2,647,709</u>	<u>\$ 6,477,504</u>	<u>\$ 529,866</u>	<u>\$ 9,655,079</u>
Liabilities:				
Accounts payable	59,499	454	535	60,488
Wages and withholdings payable	90,519	-	-	90,519
Due to other funds	-	83,770	-	83,770
Total Liabilities	<u>150,018</u>	<u>84,224</u>	<u>535</u>	<u>234,777</u>
Fund Balances:				
Restricted for:				
Community Development Block Programs	-	-	155,580	155,580
Drug Task Force Programs	-	-	36,330	36,330
Highway Aid	-	-	47,210	47,210
Marcellus Shale Program	-	-	286,924	286,924
Committed to:				
Capital projects fund	450,956	6,393,280	-	6,844,236
Revolving loan fund	206,302	-	-	206,302
Community projects	195,263	-	-	195,263
L&N property building maintenance	197,663	-	-	197,663
Unassigned	1,447,507	-	3,287	1,450,794
Total Fund Balances	<u>2,497,691</u>	<u>6,393,280</u>	<u>529,331</u>	<u>9,420,302</u>
Total Liabilities and Fund Balance	<u>\$ 2,647,709</u>	<u>\$ 6,477,504</u>	<u>\$ 529,866</u>	<u>\$ 9,655,079</u>

The accompanying notes are an integral part of this financial statement.

BOROUGH OF ELLWOOD CITY
RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016

Total Fund Balance - Governmental Funds		\$ 9,420,302
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		4,032,326
Expenditures incurred in the governmental funds which benefit future periods are deferred in the Statement of Net Position and reported as prepaid expenses		34,850
Contributions to the pension funds that relate to future years are not reported in the funds		(3,814,619)
Other post employment benefits that relate to future years are not reported in the funds		(2,003,861)
Long term liabilities, including compensated absences, capital leases, and bonds payable, are not due and payable in the current period and therefore, are not reported in the funds:		
Bonds and notes payable	\$ (7,078,200)	
Accrued interest on bonds	(21,148)	
Compensated absences	<u>(610,207)</u>	<u>(7,709,555)</u>
Net Position of Governmental Activities in the Statement of Net Position		<u>\$ (40,557)</u>

The accompanying notes are an integral part of this financial statement.

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes:				
Real estate	\$ 1,905,461	\$ -	\$ -	\$ 1,905,461
Earned income	733,707	-	-	733,707
Real estate transfer	63,743	-	-	63,743
Other	141,483	-	-	141,483
Licenses and permits	141,082	-	-	141,082
Fines and forfeits	51,305	-	1,863	53,168
Government grants and subsidies	281,634	-	307,683	589,317
Charges for services	227,714	-	-	227,714
Interest and rentals	134,245	1,655	1,216	137,116
Miscellaneous revenue	32,721	-	-	32,721
Total Revenues	3,713,095	1,655	310,762	4,025,512
Expenditures:				
General government	634,879	-	-	634,879
Public safety	2,425,593	-	2,691	2,428,284
Public works	1,174,409	243,859	209,259	1,627,527
Health and sanitation	430,204	-	-	430,204
Culture and recreation	304,740	-	-	304,740
Conservation and development	133,117	-	57,686	190,803
Debt service:				
Principal	163,524	-	19,617	183,141
Interest and other charges	12,824	-	319	13,143
Total Expenditures	5,279,290	243,859	289,572	5,812,721
Excess of Revenues Over				
Expenditures (Excess of Expenditures Over Revenues)	(1,566,195)	(242,204)	21,190	(1,787,209)
Other Financing Sources (Uses):				
Sale of capital assets	30,667	-	-	30,667
Proceeds of long term debt	-	7,080,000	-	7,080,000
Bond refunding expense	-	(444,516)	-	(444,516)
Transfers in	1,986,595	-	-	1,986,595
Transfers out	(426,975)	-	(109,620)	(536,595)
Total Other Financing Sources (Uses)	1,590,287	6,635,484	(109,620)	8,116,151
Net Change In Fund Balance	24,092	6,393,280	(88,430)	6,328,942
Fund Balances, Beginning of Year	2,473,599	-	617,761	3,091,360
Fund Balances, End of Year	\$ 2,497,691	\$ 6,393,280	\$ 529,331	\$ 9,420,302

The accompanying notes are an integral part of this financial statement.

BOROUGH OF ELLWOOD CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Net Change in Fund Balance - Total Governmental Funds		\$ 6,328,942
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Government funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period:</p>		
Capital outlays	\$ 761,177	
Depreciation	<u>(275,360)</u>	485,817
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the difference in the treatment of long-term debt between the two statements.		183,141
The proceeds of long-term debt provides current financial resources of governmental funds. This amount is the difference in the treatment of long-term debt between the two statements.		(7,080,000)
The portion of bond expense that relates to principal reduction is treated differently in the two statements		203,276
Governmental funds report the effect of issuance costs for prepaid bond insurance when the debt is first issued whereas the amounts are deferred and amortized in the statement of activities.		32,154
Interest on long term debt differs from the amount reported in the governmental funds due to the accrual of interest in the government wide funds.		(8,856)
Expenditures for other post employment benefits will be recognized in future years in the fund statements.		344,199
Some expenditures for pension contributions will be recognized in future years in the fund statements.		(933,771)
Increase in compensated absence liability is reflected as an expense on the Statement of Activities, but not included in the fund statements.		<u>(304,092)</u>
Change in Net Position of Governmental Activities on the Statement of Activities		<u>\$ (749,190)</u>

The accompanying notes are an integral part of this financial statement.

BOROUGH OF ELLWOOD CITY
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
DECEMBER 31, 2016

	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 1,867,916	\$ 2,583,586	\$ 4,451,502
Accounts receivable at estimated realizable value	704,483	157,002	861,485
Prepaid expenses	9,390	-	9,390
Due from other funds	58,521	-	58,521
Capital assets, net of accumulated depreciation	<u>2,393,618</u>	<u>15,817,015</u>	<u>18,210,633</u>
Total Assets	<u>5,033,928</u>	<u>18,557,603</u>	<u>23,591,531</u>
Liabilities:			
Accounts payable	381,852	33,117	414,969
Accrued liabilities	18,981	11,592	30,573
Deposits payable	115,371	-	115,371
Accrued interest payable	21,071	-	21,071
Current portion - long term liabilities			
Compensated absences	9,475	13,978	23,453
Bonds and notes payable	220,000	743,417	963,417
Non current portion - long term liabilities			
Compensated absences	47,598	36,602	84,200
Bonds and notes payable	<u>1,240,000</u>	<u>12,090,869</u>	<u>13,330,869</u>
Total Liabilities	<u>2,054,348</u>	<u>12,929,575</u>	<u>14,983,923</u>
Net Position:			
Invested in capital assets, net of related debt	933,618	2,982,729	3,916,347
Restricted for capital projects	1,354,419	-	1,354,419
Unrestricted	<u>691,543</u>	<u>2,645,299</u>	<u>3,336,842</u>
Total Net Position	<u>\$ 2,979,580</u>	<u>\$ 5,628,028</u>	<u>\$ 8,607,608</u>

The accompanying notes are an integral part of this financial statement.

BOROUGH OF ELLWOOD CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
DECEMBER 31, 2016

	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for services and fees	\$ 7,335,587	\$ 2,144,958	\$ 9,480,545
Operating Expenses:			
Distribution	4,762,122	-	4,762,122
Disposal	-	84,076	84,076
Plant Operations	465,579	808,620	1,274,199
Administration	263,632	255,248	518,880
Depreciation	238,391	601,340	839,731
Total Operating Expenses	5,729,724	1,749,284	7,479,008
Operating Income	1,605,863	395,674	2,001,537
Non Operating Revenues (Expenses):			
Interest and investment income	4,005	4,519	8,524
Sale of assets	110	1,515	1,625
Intergovernmental grants	83,361	-	83,361
Other income	4,905	1,819	6,724
Interest expense	(53,571)	(132,335)	(185,906)
Total Non-Operating Revenues (Expenses)	38,810	(124,482)	(85,672)
Income before transfers	1,644,673	271,192	1,915,865
Transfers in	-	228,827	228,827
Transfers out	(1,450,000)	(228,827)	(1,678,827)
Change in Net Position	194,673	271,192	465,865
Net Position, Beginning of Year	2,784,907	5,356,836	8,141,743
Net Position, End of Year	<u>\$ 2,979,580</u>	<u>\$ 5,628,028</u>	<u>\$ 8,607,608</u>

The accompanying notes are an integral part of this financial statement.

**BOROUGH OF ELLWOOD CITY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Business-type Activities-Enterprise Funds		
	Electric Fund	Sewer Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 7,354,191	\$ 2,206,199	\$ 9,560,390
Cash payments to suppliers	(4,949,332)	(696,036)	(5,645,368)
Cash payments to employees	(679,418)	(468,251)	(1,147,669)
Net Cash Provided by Operating Activities	1,725,441	1,041,912	2,767,353
Cash Flows from Non-Capital Financing Activities:			
Other income	4,905	1,819	6,724
Transfers to and from other funds	(1,450,000)	-	(1,450,000)
Net Cash Provided by (Used in) Non-Capital Financing Activities	(1,445,095)	1,819	(1,443,276)
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(36,319)	-	(36,319)
Proceeds on sales of capital assets	110	1,515	1,625
Intergovernmental grants	83,361	-	83,361
Principal paid on bonds payable	(210,000)	(736,023)	(946,023)
Interest paid on bonds payable	(53,571)	(132,335)	(185,906)
Net Cash Used in Capital and Related Financing Activities	(216,419)	(866,843)	(1,083,262)
Cash Flows from Investing Activities:			
Interest earnings	4,005	4,519	8,524
Net Cash Flows Provided by Investing Activities	4,005	4,519	8,524
Net Increase (decrease) in Cash and Cash Equivalents	67,932	181,407	249,339
Cash and Cash Equivalents, Beginning of Year	1,799,984	2,402,181	4,202,165
Cash and Cash Equivalents, End of Year	<u>\$ 1,867,916</u>	<u>\$ 2,583,588</u>	<u>\$ 4,451,504</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 1,605,863	\$ 395,674	\$ 2,001,537
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	238,391	601,340	839,731
Change in operating assets and liabilities:			
Decrease in accounts receivable	15,190	61,242	76,432
Increase in due from other funds	(58,521)	-	(58,521)
Decrease in prepaid expenses	1,372	-	1,372
(Decrease) in accounts payable	(108,514)	(30,680)	(139,194)
Increase in deposits payable	5,674	-	5,674
(Decrease) in accrued interest	(2,145)	-	(2,145)
Increase in accrued liabilities	16,941	9,889	26,830
Increase in compensated absences	11,190	4,447	15,637
Total adjustments	119,578	646,238	765,816
Net Cash Provided by Operating Activities	<u>\$ 1,725,441</u>	<u>\$ 1,041,912</u>	<u>\$ 2,767,353</u>

The accompanying notes are an integral part of this financial statement.

BOROUGH OF ELLWOOD CITY
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
DECEMBER 31, 2016

	<u>Pension Fund</u>
Assets:	
Cash and equivalents	\$ 705,880
Investments (at fair value):	
Equities	5,487,595
Fixed income	3,735,066
Short-term funds	1,259,381
Total Assets	\$ 11,187,922
Net Position:	
Restricted for pension benefits	\$ 11,187,922
Deferred outflows of resources	949,550
Deferred inflows of resources	(220,667)
Net Position Restricted for Pensions	\$ 11,916,805

The accompanying notes are an integral part of this financial statement.

BOROUGH OF ELLWOOD CITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	<u>Pension Fund</u>
Additions:	
Contributions:	
Employer	\$ 621,743
Employee	<u>49,092</u>
Total Contributions	670,835
Investment income	<u>758,734</u>
Total Additions	1,429,569
Deductions:	
Benefits distributed	755,374
Administrative expenses	<u>79,338</u>
Total Deductions	<u>834,712</u>
Change in Net Position	594,857
Net Position, Beginning of Year	<u>10,593,065</u>
Net Position, End of Year	<u><u>\$ 11,187,922</u></u>

The accompanying notes are an integral part of this financial statement.

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Reporting Entity - The Borough of Ellwood City, ("the Borough") was incorporated under the laws of the Commonwealth of Pennsylvania under Title LIII of the Pennsylvania Statutes. The Borough operates under an elected Mayor-Council form of government and provides the following services as authorized by the Borough's code: general government, public safety, electric, sewer, health and human services, public works, culture and recreation, and conservation and development.

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14, "The Financial Reporting Entity," as amended, the Borough has evaluated all related entities (authorities, commissions, tax exempt organizations and affiliates) for possible inclusion in the financial reporting entity.

In evaluating how to define the Borough, for financial reporting purposes, all potential component units were considered. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Generally Accepted Accounting Principles ("GAAP"). The basic, but not the only criterion for including a potential component within the reporting entity is the Borough's ability to exercise oversight responsibility. The most significant part of this ability is financial interdependency. Other parts of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits the Borough and/or its citizens, or whether the activity is conducted within the authority of the Borough and is generally available to its citizens. A third criterion is the existence of special financing relationships, regardless of whether the Borough is able to exercise oversight responsibility. No potential component units met the criteria for inclusion in the Borough's reporting entity.

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Fiduciary funds are also excluded from the government-wide financial statements. The effect of interfund activity has been removed from these statements.

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

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

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

The Borough reports the following major governmental fund:

General Fund. This is the Borough's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Borough reports the following major enterprise funds:

The Electric Fund. This fund is used to account for resources derived from electric billings to Borough residents and related disbursements.

The Sewer Fund. This fund is used to account for resources derived from sewer billings to Borough residents and related disbursements.

Additionally, the Borough reports the following fiduciary fund:

The Pension Trust Fund. This fund is used to account for assets held by the Borough in a trustee capacity for employee retirement. This fund was established to provide pension benefits for eligible Borough municipal employees, firemen, and policemen.

All remaining governmental funds are aggregated and reported as non-major funds.

Special Revenue Funds are used to account for the proceeds from specific revenue sources or to finance special activities in accordance with statutory or administrative requirements. This includes designated revenues not included within other fund categories. The Highway Aid Fund, which accounts for funds received from the state of Pennsylvania raised under the Liquid Fuels Tax, is recorded as a special revenue fund. Other special revenue funds include the Community Development Block ("CDBG") grants and Marcellus Shale Program.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The 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 sixty 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing revenues. The principal operating revenues of the Borough's proprietary funds are discussed in the next section. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The three pension Trust Funds' financial statements are also prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the pension plan. Administrative costs provided by outside vendors are recorded when incurred, whereas costs for services provided by the Borough are not recorded on the financial statements of the Pension Trust Fund.

Revenues - Property taxes collected by the Borough Tax Collector within sixty days subsequent to December 31 are recorded as revenue on the statement of revenues, expenditures, and changes in fund balances in the previous year ended.

Federal and state grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the Borough is entitled to the grants. However, these grants are subject to audit and adjustment by grantor agencies. Grant revenues received for expenses, which are disallowed, are repayable to the grantor.

The receivable balances presented in the accompanying combined balance sheet are recorded at net realizable value.

Expenditures - Capital asset purchases, relating to non-proprietary fund type assets, are included in current year expenditures in governmental funds and are capitalized in the government-wide statement of net position.

Interest on non-proprietary fund debt is expensed on the statement of revenues, expenditures, and changes in fund balances when paid.

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash, Cash Equivalents, Restricted Cash and Investments - The Borough maintains numerous checking accounts for depositing receipts and disbursing expenditures for all governmental fund types. In addition, the Borough maintains several accounts in the Pennsylvania Local Government Investment Trust ("PLGIT"), which earn interest. Funds are transferred to PLGIT to utilize the surplus of cash, which would otherwise remain idle in the Borough's checking accounts. The balances maintained in these pooled investment accounts represent the individual interest of each representative fund in the pooled accounts and are recorded at cost, which approximates fair value.

Investments of the Pension Trust Fund are stated at fair value as determined from prices available in public markets.

For purposes of the accompanying statement of cash flows, the Borough considers all highly liquid investments with a maturity of three months or less when acquired, including restricted cash, to be cash equivalents.

Capital Assets - The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets that have been acquired for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized in the government-wide statement of net position. All capital assets are recorded at cost, if known, or estimated historical cost.

Donated capital assets are recorded at their fair market value on the date of donation. The Borough uses a threshold of \$5,000 for recording capital assets.

The Borough treats all items with an estimated useful life exceeding one year as capital assets. Depreciation on capital assets recorded in the government-wide statement of net position is computed using the straight-line method over the estimated useful lives of the related assets.

Estimated useful lives for the Borough's classes of reported capital assets are as follows:

Buildings	20-50 years
Sewer lines	40 years
Improvements, other than building	10-20 years
Machinery and equipment	5-20 years
Vehicles	5-7 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized in the government-wide statement of net position or the proprietary funds. Major renewals or betterments are capitalized as projects are constructed.

In accordance with GASB Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*" infrastructure has been prospectively capitalized, beginning January 1, 2004.

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgets - Under the Borough Code, the Borough is required to adopt an annual budget for the General Fund. The Borough Council annually adopts a formal budget for all of the Governmental and Enterprise Funds. The annual budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles and is filed with the Pennsylvania Department of Community and Economic Development. The expenditures and other financing use amounts reported in the final budget column of the statement of revenues, expenditures, and changes in fund balance - budget and actual statement have been adjusted to reflect all budgetary increases and transfers made during the fiscal year. All unencumbered annual appropriations lapse at fiscal year end.

Encumbrances - Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of the goods or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end are re-appropriated in the next year.

Net Position - Net position in the government-wide financial statements is disclosed in one of the three following components:

Invested in Capital Assets, Net of Related Debt - consists of capital assets net of accumulated depreciation reduced by the outstanding balance of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, or contributors, or (2) law through constitutional provisions or enabling legislation.

Unrestricted - consists of all other net positions that do not meet the previous definitions.

Fund Balances

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

Non-spendable - consists of amounts that cannot be spent because they are either (1) not in spendable form, or (2) legally or contractually required to be maintained intact. The Borough has not reported any nonspendable fund balance as of December 31, 2016.

Restricted - consists of amounts with constraints placed on the use either by (1) external groups such as creditors, grantors, or contributors, or (2) law through constitutional provisions or enabling legislation. As of December 31, 2016 the Borough had restrictions through grant agreements and enabling legislation as described in the governmental funds balance sheet.

This category includes:

- Restricted for Drug Task Force program
- Restricted for Pennsylvania liquid fuels program
- Restricted for Pennsylvania Marcellus Shale program
- Restricted for capital projects

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balances - Continued

Committed - consists of amounts that can only be used for to specific purposes pursuant to constraints imposed by a resolution enacted by the Borough Council. Once committed, a resolution by the Borough Council is required to lift the commitment. Committed balances as of December 31, 2016 are described in the governmental funds balance sheet.

Assigned - consists of amounts that are constrained by the Borough's intent to be used for specific purposes. The Borough Council has authorization to assign fund balance. The Borough reports no assigned fund balance as of December 31, 2016.

Unassigned - represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

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

When committed, assigned, and unassigned resources are available for use, it is the Borough's policy to use committed resources first, assigned resources second, and then unassigned resources as they are needed.

Other Postemployment Benefits - The Borough pays certain healthcare insurance premiums for eligible retired employees until they become eligible for Medicare followed by Medicare supplement premiums. During the year ended December 31, 2009, the Borough adopted GASB Statement No. 45, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*," which provides guidance on how state and local governments should account for and report costs and obligations associated with postemployment healthcare and other non-pension benefits commonly referred to as other postemployment benefits or OPEB.

In accordance with the adoption of GASB Statement No. 45, the Borough's expense for other postemployment benefits is based on the annual required contribution ("ARC"), an actuarially determined amount. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The difference between the ARC and the Borough's actual payment for retiree healthcare insurance premiums is shown as a liability in the government-wide financial statements.

Deferred Inflows/Outflows of Resources - In addition to liabilities, the governmental funds balance sheets report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that is applicable to a future reporting period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The Borough's deferred inflows and outflows are pension related as a result of the adoption of GASB Statement No. 68.

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that period. The Borough has only one item that qualifies for reporting in this category. This item is an unrecognized loss in changes in pension liabilities.

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has one item that qualifies for reporting in this category. This item is an unrecognized gain in changes in pension liabilities.

Adoption of Accounting Pronouncements

The requirements of the following GASB Statements were adopted for the Borough's December 31, 2016 financial statements:

- GASB Statement No. 72, "*Fair Value Measurement and Application.*" This statement addresses accounting and financial reporting issues related to fair value measurements. This statement will become effective for fiscal years beginning after June 15, 2015.

Pending Accounting Pronouncements

GASB has issued the following statements that will become effective in future years as shown below. Management has not yet determined the impact of these statements on the Borough's financial statements.

- GASB Statement No.73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,*" effective for fiscal years beginning after June 15, 2016 - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for financial statements for fiscal years beginning after June 15, 2016. This Statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by Statements No. 67 and 68).
- GASB Statement No.74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,*" effective for fiscal years beginning after June 15, 2016. This statement addresses reporting by OPEB plans that administer benefits on behalf of governments. This Statement replaces Statement No. 43.
- GASB Statement No.75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,*" effective for fiscal years beginning after June 15, 2017. This Statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Statement replaces the requirements of Statement No. 45.
- GASB Statement No.76, "*Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,*" effective for fiscal years beginning after June 15, 2016. This Statement identifies the hierarchy of generally accepted accounting principles (GAAP), reduces this hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55.

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pending Accounting Pronouncements - Continued

- GASB Statement No.77, "*Tax Abatement Disclosures*," effective for fiscal years beginning after December 15, 2016. This Statement requires state and local governments for the first time to disclose information about tax abatement agreements, and is designed to provide financial statement users with essential information about these agreements and the impact that they have on a government's finances.
- GASB Statement No.78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*," effective for fiscal years beginning after December 31, 2016. This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, "Accounting and Financial Reporting for Pensions." The issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employees are provided with such pensions.
- GASB Statement No.79, "*Certain External Investment Pools and Pool Participants*," effective for fiscal years beginning after June 15, 2016. This statement addresses accounting and reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for the election to measure all of its investments at amortized cost for financial reporting purposes.
- GASB Statement No.80, "*Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*," effective for fiscal years beginning after June 15, 2016. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.
- GASB Statement No.81, "*Irrevocable Split-Interest Agreement*," effective for fiscal years beginning after December 31, 2016. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.
- GASB Statement No.82, "*Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*," effective for fiscal years beginning after June 15, 2016. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.

Use of Estimates - In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements; including revenues and expenditures during the reporting period. Actual results could differ from those estimates.

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES OR FUNDS

A. Property Taxes

Real estate taxes attach as an enforceable lien on property as of January 1 and are due by July 15, which may be extended by Council action. Taxes paid by May 15 are reduced by a 2% discount. Amounts paid after July 15 are assessed a 10% penalty.

The Borough is permitted by the Borough Code of Pennsylvania to levy real estate taxes, not exceeding 30 mills for general Borough purposes. For 2016, Borough real estate taxes were levied at the rate of 7.75 mills for general purposes. The millage is applied to assessed market valuation as determined periodically by Lawrence County. Assessed valuation, which approximates 100% of market value, was approximately \$246,916,940 for 2016 (which includes a small portion of the Borough located in Beaver County).

B. Deposits and Investments

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury Bills, other short-term U.S. and Pennsylvania government obligations, 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, certain provisions of the Borough's Trust indentures specify types of investments allowed with Borough funds.

The deposit and investment policy of the borough adheres to state statutes and the Trust indentures. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the Trust indentures.

Custodial Credit Risk - Deposits. As of December 31, 2016, \$5,367,194 of the Borough's \$5,617,194 bank balance was insured by the Federal Depository Insurance Corporation ("FDIC"). The remaining bank balance of \$5,367,194 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

The Borough's cash equivalent investments in the Pennsylvania Local Government Investment Trust ("PLGIT") and bank investment funds held by the Pension Trust Funds cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. The fair value of the Borough's position in the external investment pools is the same as the value of the pool shares. All investments in an external investment pool that is not SEC-registered is subject to oversight by the Commonwealth of Pennsylvania. As of December 31, 2016 the total PLGIT bank balances were \$1,172,650.

The Pension Trust Funds' investments are held separately from those of other Borough funds. Currently, the investments are U.S. Government obligations, bond and equity funds, and common stocks. Investments were consistent with those authorized.

BOROUGH OF ELLWOOD CITY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES OR FUNDS - Continued

B. Deposits and Investments - Continued

As of December 31, 2016, investment balances for pension funds were classified as follows:

	<u>Investment Carrying Value</u>
Pension	
Common Stock and Equity Funds	\$ 5,487,595
Fixed Income Investments	3,735,066
Mutual Funds	1,129,956
Short Term Investments	<u>129,425</u>
Total Investment Balances	<u><u>\$ 10,482,042</u></u>

C. Interfund Balances, Payables and Transfers

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

There were no individual fund receivable and payable balances as of December 31, 2016.

Transactions between funds which are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected within the next fiscal year, the transactions are accounted for through the various due from and due to accounts.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General fund	\$ 1,986,595	\$ 426,975
Other governmental funds	-	109,620
Business-type activities		
Electric Fund	-	1,450,000
Sewer Fund	<u>228,827</u>	<u>228,827</u>
	<u><u>\$ 2,215,422</u></u>	<u><u>\$ 2,215,422</u></u>

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES OR FUNDS - Continued

C. Interfund Balances, Payables and Transfers - Continued

The transfer of \$1,450,000 from the Electric Fund to the General Fund was made for the purpose of supporting the ongoing operating activities of the General Fund.

D. Land, Buildings, Improvements and Equipment

The following is a summary of changes in capital assets for governmental activities during the fiscal year ended December 31, 2016:

	Balance as of January 1, 2016	Additions	Disposals	Balance at December 31, 2016
Not being depreciated:				
Land	\$ 660,509	\$ 63,641	\$ -	\$ 724,150
Other capital assets:				
Construction in process	-	82,394	-	82,394
Buildings and improvements	7,440,519	559,264		7,999,783
Furniture and equipment	1,600,540	15,174	(5,361)	1,610,353
Vehicles	1,272,873	40,704	(55,244)	1,258,333
Total other capital assets	10,313,932	697,536	(60,605)	10,950,863
Accumulated depreciation	(7,427,930)	(275,360)	60,605	(7,642,685)
Total capital assets, net of accumulated depreciation	<u>\$ 3,546,511</u>	<u>\$ 485,817</u>	<u>\$ -</u>	<u>\$ 4,032,328</u>

Depreciation was charged to functions as follows:

Governmental activities	
General government	\$ 45,137
Public safety	44,942
Public works	143,872
Conservation and development	3,475
Culture and recreation	37,934
Total Depreciation	<u>\$ 275,360</u>

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES OR FUNDS - Continued

D. Land, Buildings, Improvements and Equipment - Continued

The following is a summary of changes in capital assets for business-type activities during 2016:

	Balance at January 1, 2016	Additions	Disposals	Balance at December 31, 2016
Not being depreciated:				
Land	\$ 156,050	\$ -	\$ -	\$ 156,050
Construction in progress	-	-	-	-
Other capital assets:				
Buildings and improvements	25,843,556	36,319	-	25,879,875
Furniture and equipment	5,763,172	-	-	5,763,172
Vehicles	871,068	-	(26,999)	844,069
Total other capital assets	32,477,796	36,319	(26,999)	32,487,116
Accumulated depreciation	(13,619,802)	(839,731)	26,999	(14,432,534)
Total capital assets, net of accumulated depreciation	\$ 19,014,044	\$ (803,412)	\$ -	18,210,632

Depreciation was charged to funds as follows:

Business-type activities		
Electric fund		\$ 238,391
Sewer fund		601,340
Total Depreciation		\$ 839,731

E. Employee Retirement Plans

Summary of Significant Accounting Policies

Financial information of the Borough's pension plans is presented on the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Employer contributions to the plans are recognized when due as required by applicable law.

Plan Descriptions

The Borough Council administers three single employer defined benefit pension plans: the Municipal Employees' Pension Plan, the Firemen's Pension Plan, and the Policemen's Pension Plan. CS McKee has been designated by the Borough to handle investment management and Huntington Bank has been designated as custodian of the funds. Resources accumulated to provide pension benefits are presented in the Borough's financial statements as the Pension Trust Fund.

BOROUGH OF ELLWOOD CITY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES OR FUNDS - Continued

E. Employee Retirement Plans - Continued

Plan Descriptions - Continued

As of December 31, 2016, pension plan membership consisted of the following:

	Municipal Employees'	Firemen's	Policemen's	Total
Participants:				
Inactive plan members or beneficiaries currently receiving benefits	28	4	17	49
Inactive plan members entitled to but not yet receiving benefits	2	-	1	3
Active plan members	20	1	10	31
 Total plan membership	 50	 5	 28	 83

Plan Provisions

Municipal Employees' Pension

Normal Retirement eligibility

Age 65 or 20 years of service. Non-union participants hired before December 29, 1997 may retire at earlier of:

- 1) age 65 or 20 years of service
- 2) age 60 and 15 years of service

For the period January 31, 2009 through March 31, 2009, union participants were permitted to retire after either attaining age 65 or completing at least 17 years of service.

Normal Retirement Pension for Life

Monthly benefit equal to 1.3% of highest 36 monthly average compensation at retirement multiplied by service.

Those participants who contributed an extra 1% until January 5, 1998 receive an additional benefit determined by accumulating the extra 1% contributions with interest to retirement and calculating the actuarial equivalent annuity.

Early Retirement

20 years of service or 15 years of service if non-union. Accrued benefit reduced by ½% per month commencement precedes normal retirement date.

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES OR FUNDS - Continued

E. Employee Retirement Plans - Continued

Plan Provisions - Continued

Post Retirement Death Benefit	100% of pension participant was receiving or would have been receiving had he been retired at death, payable to beneficiary. This benefit is payable for a maximum of 96 months from the original benefit commencement date.
Total and Permanent Disability Benefits	Accrued benefit for participants who are at least age 50 with 15 years of service.
Termination of Employment	A participant shall be entitled to a vested deferred benefit after 10 years of service. Participants who terminate before 10 years of service are entitled to a return of contributions plus 3.5% interest.
Compensation Basis for Benefits	W-2 compensation.
Employee Contributions	1%

There have been no significant changes to the above Plan Provisions since the prior valuation report.

Firemen's Pension

Normal Retirement eligibility	Age 46 and 21 years of service.
Normal Retirement Pension for Life	Monthly benefit equal to 50% of final 36 months average compensation at retirement.
Lump Sum Benefit	In addition to the Normal Retirement Pension, the participant receives a refund of $\frac{1}{2}$ of accumulated employee contributions plus 3% interest payable at normal retirement only.
Post Retirement Death Benefit	50% of pension participant was receiving or would have been receiving had he been retired at death, payable to widow until death or remarriage or to children until age 18. Any benefits to children will be paid for a maximum, of 96 months from the retiree's original benefit commencement date.
Service Related Disability Benefit	Monthly pension equal to 50% of final 36 months average compensation.

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES OR FUNDS - Continued

E. Employee Retirement Plans - Continued

Plan Provisions - Continued

Termination of Employment A participant shall be entitled to a return of accumulated employee contributions plus 3% interest. In lieu of the return of employee contributions with interest, a participant with 10 years of service shall be entitled to a vested deferred benefit equal to 50% of final 36 months average compensation multiplied by a fraction equal to service to termination divided by projected service to normal retirement date.

Compensation Basis for Benefits W-2 compensation.

Employee Contributions 5% of compensation.

There have been no significant changes to the above Plan Provisions since the prior valuation report.

Policemen's Pension

Normal Retirement eligibility Age 50 and 25 years of service.

DROP Participants are eligible to participate in the DROP at age 50 with 25 years of service. The DROP period is one to four years.

Normal Retirement Pension for Life Monthly benefit equal to 50% of final 36 months average compensation at retirement plus service increment of \$100 per month if service exceeds 25 completed years.

Post Retirement Death Benefit 50% of pension participant was receiving or would have been receiving had he been retired at death, payable to spouse until death or to children under age 18 or age 23 if attending college.

Post Retirement Death Benefit 50% of accrued benefit payable beginning at normal retirement age to spouse until death or to children under age 18 or age 23 if attending college.

Service Related Disability Benefit Monthly pension equal to 50% of salary at disability less Social Security disability benefits. The arbitration award dated May 17, 2006 removed the offset for future disability retirees.

Termination of Employment A participant shall be entitled to a vested deferred benefit after 12 years of service. Participants who terminate before 12 years of service are entitled to a return of contributions plus 3.5% interest.

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES OR FUNDS - Continued

E. Employee Retirement Plans - Continued

Police Pension - Continued

Post Retirement Cost of Living Benefit	The monthly benefit after normal or disability retirement will be increased annually based on the Consumer Price Index. The maximum total increase is 30% of the original monthly benefit. The arbitration award dated May 17, 2006 removed the maximum increase for future disability retirees.
Compensation Basis for Benefits	W-2 compensation.
Employee Contributions	3.5%
DROP Terms	The Plan offers a DROP with the following provisions: Term: 1 to 4 years Minimum Interest Rate: 0% per year Maximum Interest Rate: 4.5% per year DROP account assets are not segregated from the general assets of the Plan. Upon the end of the DROP period, a lump sum of the accrued account balance shall be paid to the participant.

There have been no significant changes to the above Plan Provisions since the prior valuation report.

Contributions

The pension plans are funded by the Borough on an annual basis pursuant to the provisions of Act 205 of 1984 of the Commonwealth of Pennsylvania ("Act"). The Act requires annual contributions to be based upon the calculation of the Minimum Municipal Obligation ("MMO"). Employees are not required to contribute under the Act; such contributions are subject to collective bargaining. Municipal employees were required to contribute 1%, Firemen 5% and Police 3.5% of their compensation, respectively. During the year, the Borough made their required contribution of \$120,435 to the Municipal, \$25,587 to the Firemen, and \$291,185 to the Police pension plans, respectively based upon the MMO in 2016.

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES OR FUNDS - Continued

E. Employee Retirement Plans - Continued

Net Pension Liability

The components of the net pension liability of the Plans as of December 31, 2016 were as follows:

	Municipal Employees'	Firemen's	Policemen's
Total pension liability	\$ 5,343,542	\$ 609,959	\$ 9,109,762
Plan fiduciary net position	4,061,309	306,553	6,820,061
Net pension liability	<u>\$ 1,282,233</u>	<u>\$ 303,406</u>	<u>\$ 2,289,701</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>76.00%</u>	<u>50.26%</u>	<u>74.87%</u>
Net pension liability +1% discount Rate (8.5%)	\$ 850,247	\$ 260,706	\$ 1,472,016
Net pension liability -1% discount rate (6.5%)	\$ 1,784,741	\$ 351,784	\$ 3,256,238

Significant Actuarial Assumptions

Municipal Employees' Pension

The total pension liability was determined by an actuarial valuation using the following significant actuarial assumptions, applied to all periods included in the measurement. Total pension liability was based on census data as of January 1, 2016. Unless noted below, all other assumptions are the same as those detailed in the most recent valuation report:

Measurement Date	December 31, 2016
Census Date	January 1, 2016
Actuarial cost method	Entry Age Normal (Level % of Salary)
Investment rate of return	7.50%
Projected salary increases	5.50%
Underlying inflation rate	2.75%

BOROUGH OF ELLWOOD CITY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES OR FUNDS - Continued

E. Employee Retirement Plans - Continued

Significant Actuarial Assumptions - Continued

Municipal Pension - Continued

Cost of living adjustments	None
Mortality Table	RP 2000 Mortality Table Projected to the Valuation Date (Scale AA)
Employee Termination	Crocker Sarason and Straight T-1 termination rates
Retirement	100% at age 65 or 20 years of service. Non-union participants hired to retire after age 60 with 15 years of service if earlier.
Disability	100% of 1964 OASDI Table

There have been no changes to the above assumption levels since the last report.

Firemen's Pension

The total pension liability was determined by an actuarial valuation using the following significant actuarial assumptions, applied to all periods included in the measurement. Total pension liability was based on census data as of January 1, 2016. Unless noted below, all other assumptions are the same as those detailed in the most recent valuation report:

Measurement Date	December 31, 2016
Census Date	January 1, 2016
Actuarial cost method	Entry Age Normal (Level % of Salary)
Investment rate of return	7.50%
Projected salary increases	5.50%
Underlying inflation rate	2.75%
Cost of living adjustments	4.00%
Mortality Table	RP 2000 Mortality Projected to the Valuation Date (Scale AA)
Employee Termination	None
Retirement	100% at age 46 or 21 years of service
Disability	None

There have been no changes to the above assumption levels since the last report.

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES OR FUNDS - Continued

E. Employee Retirement Plans - Continued

Significant Actuarial Assumptions - Continued

Policemen's Pension

Measurement Date	December 31, 2016
Census Date	January 1, 2016
Actuarial cost method	Entry Age Normal (Level % of Salary)
Investment rate of return	7.50%
Projected salary increases	5.50%
Underlying inflation rate	2.75%
Cost of living adjustments	4.00%
Mortality Table	RP 2000 Mortality Table Projected to the Valuation Date (Scale AA); RP 2000 Mortality Table (unprojected) set forward 10 years for disabled lives
Employee Termination	Crocker Sarason and Straight T-1 termination rates
Retirement	100% at age 50 with 25 years of service
Disability	100% of 1964 OASDI Table, assuming $\frac{2}{3}$ are service related

There have been no changes to the above assumption levels since the last report.

Deferred Inflows/Outflows

	Municipal Employees' Pension		Firemen's Pension		Policemen's Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 109,300	\$ (20,949)	\$ 7,081	\$ (19,412)	\$ -	\$ (32,396)
Changes in Assumptions	76,863	-	6,979	-	-	-
Net difference between projected and actual earnings on pension plan investments	286,796	-	30,753	-	428,786	-
Total	<u>\$ 472,959</u>	<u>\$ (20,949)</u>	<u>\$ 44,813</u>	<u>\$ (19,412)</u>	<u>\$ 428,786</u>	<u>\$ (32,396)</u>

BOROUGH OF ELLWOOD CITY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES OR FUNDS - Continued

E. Employee Retirement Plans - Continued

Deferred Inflows/Outflows - Continued

<u>Year ended December 31</u>	<u>Municipal Employees' Pension</u>	<u>Firemen's Pension</u>	<u>Policemen's Pension</u>
2016	\$ 165,595	\$ 14,596	\$ 170,441
2017	165,959	14,596	89,138
2018	160,765	7,980	89,138
2019	110,748	1,328	63,426
2020	14,529	1,498	6,778
2021 and beyond	-	-	-

Plan Investments

Investment Policy - Each Plan has an Investment Policy Statement (“IPS”) which can be amended by the Borough Council based on recommendations from CS McKee Associates. The core objectives of the statement are as follows:

The purpose of the IPS is to set forth the objectives, policies and guidelines for the investment of the assets of the assets of the plans. Council reserves the right to establish or amend any or all portions of the IPS.

The IPS defines target asset allocations for the Plan assets according to the following schedule:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	40%
Equities	60%
Cash and Cash Equivalents	0-6%
Leeway (except cash)	10%

As of December 31, 2016 the Borough’s adopted target asset allocations:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	40%
Equities	48%
Cash and Cash Equivalents	12%
Leeway (except cash)	0%

The portfolio may hold the following bond classes: U.S. Treasury, mortgage-backed, asset-backed, agency, and corporate securities. All bonds must be rated as investment grade by Moody’s and/or Standard & Poor’s.

On a timely basis, but not less than quarterly, the board will meet to review whether each investment option continues to conform to the criteria outlined in the IPS.

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES OR FUNDS - Continued

E. Employee Retirement Plans - Continued

Plan Investments - Continued

The above information is contained in the IPS as effective during 2014. The IPS was supplied by the board for the purpose of this report. We are unaware of any changes to the IPS subsequent to the effective date.

In order to reach an appropriate level of diversification, the fund shall not invest more than 8% in an individual security or more than 15% in an individual industry.

F. Long-term Liabilities

Bonds and notes payable as of December 31, 2016 are composed of the following individual issues:

	Interest Rates	Final Maturity	Amounts	
			Issued	Outstanding
Governmental Activities:				
General Obligation Series 2016	0%	202046	7,080,000	\$ 7,080,000
Total Governmental Activities				<u>\$ 7,080,000</u>
Business-type Activities:				
General Obligation Series A of 2011	0.65-4.00%	2023	2,620,000	\$ 1,460,000
Revenue Note	1.00%	2032	18,960,000	12,834,286
Total Business-type Activities				<u>\$ 14,294,286</u>

Annual debt service requirements of the Borough are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 220,000	\$ 138,573	\$ 963,416	\$ 175,512
2018	165,000	198,256	965,884	161,993
2019	165,000	194,956	948,428	148,000
2020	170,000	191,656	961,048	134,111
2021	170,000	188,256	1,413,743	143,315
2022-2026	915,000	888,149	3,986,882	445,628
2027-2031	1,035,000	769,100	5,054,885	66,915
2032-2036	1,200,000	639,050	-	-
2037-2041	1,400,000	406,250	-	-
2042-2046	1,640,000	163,640	-	-
Total	<u>\$ 7,080,000</u>	<u>\$ 3,777,886</u>	<u>\$ 14,294,286</u>	<u>\$ 1,275,474</u>

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES OR FUNDS - Continued

F. Long-term Liabilities - Continued

Long-term liability activity for the year ended December 31, 2016 was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 365,000	\$ 7,080,000	\$ (365,000)	\$ 7,080,000	\$ 220,000
General Obligation Notes	19,618	-	(19,618)	-	-
Compensated Absences	247,758	-	-	247,758	-
Governmental Activities Total	<u>\$ 632,376</u>	<u>\$ 7,080,000</u>	<u>\$ (384,618)</u>	<u>\$ 7,327,758</u>	<u>\$ 220,000</u>
<u>Business-type Activities</u>					
General Obligation Bonds	\$ 1,670,000	\$ -	\$ (210,000)	\$ 1,460,000	\$ 220,000
General Obligation Notes	13,570,310	-	(736,023)	12,834,287	743,417
Compensated Absences	71,307	-	-	71,307	-
Business-type Activities Total	<u>\$ 15,311,617</u>	<u>\$ -</u>	<u>\$ (946,023)</u>	<u>\$ 14,365,594</u>	<u>\$ 963,417</u>

G. Claims and Judgements

The Borough participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. The Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Borough.

H. Risk Management

The Borough is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters, as well as from workers' compensation and health care programs. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

I. Postemployment Health Care Benefits

Plan Description

In addition to the pension benefits described in Note 1, the Borough provides other postemployment benefits ("OPEB") under a single employer plan in the form of postretirement healthcare benefits, in accordance with various union contracts, to all employees who retire from the Borough on or after attaining age 50 with 20 years of service with the Borough. The plan includes 23 members of which 11 are currently receiving benefits. The Borough maintains the same medical plans for its retirees as for its active employees, with one exception. Once a retiree becomes eligible for Medicare, the Borough's obligation for providing healthcare benefits is limited to providing a Medicare supplement plan.

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES OR FUNDS - Continued

I. Postemployment Health Care Benefits - Continued

Funding Policy

The Borough's contributions are based on the annual required contribution ("ARC") of the employer an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting of Post Employment Benefits Other Than Pensions." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The Borough's total payments of monthly retiree premiums are \$73,240, and were applied toward the annual required contribution of \$161,900.

Annual OPEB Cost

The Borough's annual OPEB cost is based on the ARC of the Borough. The following table represents the annual OPEB cost for the year. The amount actually contributed to the plan and the net OPEB assets are as follows:

Year Ended	Annual Operating Costs	% of Annual Operating Costs Contributed	Net OPEB Asset
December 31, 2012	\$ 77,261	147%	\$ 113,388
December 31, 2013	\$ 57,566	174%	\$ 100,041
December 31, 2014	\$ 75,918	100%	\$ 75,918
December 31, 2015	\$ 193,753	68%	\$ 13,875
December 31, 2016	\$ 162,109	84%	\$ (11,466)

Postemployment Health Care Benefits - Continued

Funding Status and Funding Progress

The funded status of the plan as of January 1, 2016 is as follows:

Actuarial accrued liability (AAL)	\$ 2,003,861
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	2,003,861
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	919,232
UAAL as a percentage of covered payroll	218%

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES OR FUNDS - Continued

I. Postemployment Health Care Benefits - Continued

Actuarial Methods and Assumptions

Actuarial valuations must make certain assumptions regarding the probability of occurrence of certain events such as employment turnover, retirement, and mortality, as well as economic assumptions regarding future healthcare costs and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the Borough are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the January 1, 2016 actuarial valuation, the entry age cost method was used. The actuarial assumptions included a discount rate of 5.0%, payroll growth rate of 3.0% and an inflation rate of 3.0%. The unfunded actuarial accrued liability is amortized using the level percentage of payroll method over 30 years.

Under GASB Statement No. 45, governments with less than 100 plan members, such as the Borough, are allowed to elect to apply certain simplifying modifications for the selection of actuarial assumptions and calculate their annual contribution and the funded status of their plan instead of engaging an actuary. These assumptions are as follows:

General - assumptions generally are based on the actual experience of the plan members, to the extent that credible experience data are available.

Expected point at which benefits begin - employees are assumed to retire at the later of age 50 and service of 25 years.

Marital and dependency status - based on expected statute.

Mortality - based on mortality tables.

Use of health insurance premiums - based on current unadjusted health insurance premiums since the Borough's health insurance is a community rated plan.

Use of grouping - the plan uses grouping in the determination of turnover rates.

J. Subsequent Events

Management has evaluated subsequent events through June 16 2017, the date the financial statements were available to be issued and determined that no material subsequent events have occurred.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:			
Taxes:			
Real estate	\$ 1,863,107	\$ 1,905,461	\$ 42,354
Earned income	710,000	733,707	23,707
Real estate transfer	41,000	63,743	22,743
Other	139,800	141,483	1,683
Licenses and permits	128,470	141,082	12,612
Fines and forfeits	50,500	51,305	805
Government grants and subsidies	278,037	281,634	3,597
Charges for services	109,050	227,714	118,664
Interest and rentals	13,075	134,245	121,170
Miscellaneous revenue	406,479	32,721	(373,758)
Total Revenues	3,739,518	3,713,095	(26,423)
Expenditures:			
General government	597,824	634,879	(37,055)
Public safety	2,613,773	2,425,593	188,180
Public works	1,281,790	1,174,409	107,381
Health and sanitation	19,827	430,204	(410,377)
Culture and recreation	280,002	304,740	(24,738)
Conservation and development	127,000	133,117	(6,117)
Debt service:			
Principal	-	163,524	(163,524)
Interest and other charges	-	12,824	(12,824)
Total Expenditures	4,920,216	5,279,290	(359,074)
Excess of Revenues Over Expenditures	(1,180,698)	(1,566,195)	385,497
Other Financing Sources (Uses):			
Sale of Assets	23,000	30,667	(7,667)
Transfers in	1,450,000	1,986,595	(536,595)
Transfers out	(292,728)	(426,975)	134,247
Total Other Financing Sources (Uses)	1,180,272	1,590,287	(410,015)
Net Change In Fund Balance	<u>\$ (426)</u>	24,092	<u>\$ (24,518)</u>
Fund Balances, Beginning of Year		<u>2,473,599</u>	
Fund Balances, End of Year		<u>\$ 2,497,691</u>	

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
 REQUIRED SUPPLEMENTARY INFORMATION
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE SCHEDULE OF
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 (BUDGETARY BASIS) - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Modified Accrual Basis	Police Canine Fund	Police Youth Bureau	L&N Property	Façade Fund	Recycling Program	General Capital Reserve	Economic Development Fund	Revolving Loan Fund	Debt Service Fund	Pittsburgh Circle Heritage Park	Park Improvement Fund	Budgetary Basis
Revenues:													
Taxes													
Real estate	\$ 1,905,461	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,905,461
Earned income	733,707	-	-	-	-	-	-	-	-	-	-	-	733,707
Real estate transfer	63,743	-	-	-	-	-	-	-	-	-	-	-	63,743
Other	141,483	-	-	-	-	-	-	-	-	-	-	-	141,483
Licenses and permits	141,082	-	-	-	-	-	-	-	-	-	-	-	141,082
Fines and Violations	51,305	-	-	-	-	-	-	-	-	-	-	-	51,305
Government grants and subsidies	281,634	-	-	-	-	-	-	-	-	-	-	-	281,634
Charges for services	227,714	-	-	-	-	120,113	-	-	-	-	-	-	107,601
Interest and rentals	134,245	1	3	87,288	-	125	1,237	709	359	-	41	30,186	14,296
Miscellaneous	32,721	-	-	-	-	-	-	-	-	-	-	-	32,721
Total Revenues	3,713,095	1	3	87,288	-	120,238	1,237	709	359	-	41	30,186	3,473,033
Expenditures:													
General government	634,879	-	-	-	-	-	-	-	-	-	-	-	634,879
Public safety	2,425,593	-	758	-	-	-	-	-	-	-	-	-	2,424,835
Public works	1,174,409	-	-	-	2	-	-	-	-	-	-	-	1,174,407
Health and sanitation	430,204	-	-	-	-	127,867	286,416	-	-	-	-	-	15,921
Culture and recreation	304,740	-	-	-	-	-	-	-	-	-	-	13,984	290,756
Conservation and development	133,117	-	-	69,959	-	-	-	-	-	-	8,461	-	54,697
Debt Service:													
Principal	163,524	-	-	-	-	-	-	-	-	163,524	-	-	-
Interest	12,824	-	-	-	-	-	-	-	-	12,824	-	-	-
Total Expenditures	5,279,290	-	758	69,959	2	127,867	286,416	-	-	176,348	8,461	13,984	4,595,495
Excess (deficiency) of revenues over expenditures	(1,566,195)	1	(755)	17,329	(2)	(7,629)	(285,179)	709	359	(176,348)	(8,420)	16,202	(1,122,462)
Other financing sources (uses):													
Proceeds from sale of assets	30,667	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	1,986,595	-	-	-	-	-	250,000	-	627	176,348	-	-	1,559,620
Transfers out	(426,975)	-	-	-	(627)	-	-	-	-	-	-	-	(426,348)
Total Other Financing Sources (Uses)	1,590,287	-	-	-	(627)	-	250,000	-	627	176,348	-	-	1,163,939
Net Change in Fund Balances	24,092	1	(755)	17,329	(629)	(7,629)	(35,179)	709	986	-	(8,420)	16,202	41,477
Fund balance:													
Beginning of year	2,473,599	1,537	3,033	180,334	629	86,905	208,999	73,082	202,282	-	44,091	113,440	1,559,267
End of year	\$ 2,497,691	\$ 1,538	\$ 2,278	\$ 197,663	\$ -	\$ 79,276	\$ 173,820	\$ 73,791	\$ 203,268	\$ -	\$ 35,671	\$ 129,642	\$ 1,600,744

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CHANGES IN FIDUCIARY NET PENSION LIABILITY AND RELATED RATIOS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
Municipal Employees' Pension Plan										
Total Pension Liability - beginning	\$ 4,996,156	\$ 4,812,413	\$ 4,493,095	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Service cost	124,065	115,409	93,392	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest	368,569	354,527	352,228	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actuarial (gain)/loss	142,623	-	(55,290)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Assumption (gain)/loss	-	-	202,868	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan changes	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(287,871)	(286,193)	(273,880)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	347,386	183,743	319,318	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Pension Liability - ending	\$ 5,343,542	\$ 4,996,156	\$ 4,812,413	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	\$ 3,920,801	\$ 4,140,370	\$ 4,124,325	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - employer	163,457	120,435	97,375	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - member	14,733	14,233	14,258	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	259,024	(40,667)	196,520	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(287,871)	(286,193)	(273,880)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actuarial costs	(2,950)	(9,210)	(5,345)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	(5,885)	(18,167)	(12,883)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Change in plan fiduciary net position	140,508	(219,569)	16,045	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - ending	\$ 4,061,309	\$ 3,920,801	\$ 4,140,370	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability - beginning	\$ 1,075,355	\$ 672,043	\$ 368,770	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability - ending	\$ 1,282,233	\$ 1,075,355	\$ 672,043	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of total pension liability	76.00%	78.48%	86.04%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	1,533,281	1,479,572	1,412,944	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	83.63%	72.68%	47.56%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CHANGES IN FIDUCIARY NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2016

	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
Firemen's Pension Plan										
Total Pension Liability - beginning	\$ 643,059	\$ 654,392	\$ 624,672	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Service cost	12,337	11,476	10,588	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest	46,217	46,896	47,461	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actuarial (gain)/loss	(25,948)	-	22,702	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Assumption (gain)/loss	-	-	22,374	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan changes	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(66,005)	(69,705)	(73,405)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	(33,399)	(11,333)	29,720	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Pension Liability - ending	\$ 609,660	\$ 643,059	\$ 654,392	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	\$ 324,724	\$ 378,477	\$ 415,677	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - employer	33,714	25,587	20,567	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - member	2,657	2,549	2,380	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	14,686	(5,012)	14,921	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(66,005)	(69,705)	(73,405)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actuarial costs	(1,735)	(5,885)	(425)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	(1,488)	(1,287)	(1,238)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Change in plan fiduciary net position	(18,171)	(53,753)	(37,200)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - ending	\$ 306,553	\$ 324,724	\$ 378,477	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability - beginning	\$ 318,335	\$ 275,915	\$ 208,995	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability - ending	\$ 303,107	\$ 318,335	\$ 275,915	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of total pension liability	50.28%	50.50%	57.84%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	53,138	47,604	47,604	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	570.41%	668.71%	579.60%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CHANGES IN FIDUCIARY NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2016

	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
Policemen's Pension Plan										
Total Pension Liability - beginning	\$ 8,972,000	\$ 8,584,409	\$ 7,850,243	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Service cost	121,337	112,872	139,814	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest	662,394	634,569	618,375	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actuarial (gain)/loss	(244,471)	-	(64,026)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Assumption (gain)/loss	-	-	420,932	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan changes	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(401,498)	(359,850)	(380,929)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	137,762	387,591	734,166	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Pension Liability - ending	\$ 9,109,762	\$ 8,972,000	\$ 8,584,409	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	\$ 6,347,540	\$ 6,489,161	\$ 6,327,902	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - employer	424,572	291,185	229,079	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - member	31,702	27,796	30,398	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	431,761	(67,394)	304,125	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(401,498)	(359,850)	(380,929)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actuarial costs	(5,175)	(12,250)	(1,925)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	(8,841)	(21,108)	(19,489)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Change in plan fiduciary net position	472,521	(141,621)	161,259	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - ending	\$ 6,820,061	\$ 6,347,540	\$ 6,489,161	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability - beginning	\$ 2,624,460	\$ 2,095,248	\$ 1,522,341	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability - ending	\$ 2,289,701	\$ 2,624,460	\$ 2,095,248	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of total pension liability	74.87%	70.75%	75.59%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	899,894	856,324	760,594	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	254.44%	306.48%	275.48%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF ACTUARIALLY DETERMINED CONTRIBUTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>12/31/2010</u>	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>
Municipal Employees' Pension Plan										
Actuarially determined contributions	\$ 163,457	\$ 120,435	\$ 97,375	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions	<u>163,457</u>	<u>120,435</u>	<u>97,375</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	1,533,281	1,479,572	1,412,944	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution as a percentage of covered-employee payroll	10.66%	8.14%	6.89%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Firemen's Pension Plan										
Actuarially determined contributions	\$ 33,714	\$ 25,587	\$ 20,567	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions	<u>33,714</u>	<u>25,587</u>	<u>20,567</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	53,138	47,604	47,604	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution as a percentage of covered-employee payroll	63.45%	53.75%	43.20%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Policemen's Pension Plan										
Actuarially determined contributions	\$ 424,572	\$ 291,185	\$ 229,079	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions	<u>424,572</u>	<u>291,185</u>	<u>229,079</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	899,894	856,324	760,594	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution as a percentage of covered-employee payroll	47.18%	34.00%	30.12%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016

NOTE 1 - IDENTIFICATION AND SUMMARY OF SIGNIFICANT ACTUARIAL METHODS AND ASSUMPTIONS

	<u>Municipal Employees'</u>	<u>Firemen's</u>	<u>Policemen's</u>
Annual pension cost	\$ 120,435	\$ 25,587	\$ 291,185
Contributions made	\$ 120,435	\$ 25,587	\$ 291,185
Actuarial valuation date	January 1, 2015	January 1, 2015	January 1, 2015
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Asset valuation method	Actuarial	Actuarial	Actuarial
Actuarial assumptions:			
Investment rate of return	7.5%	7.5%	7.5%
Projected salary increases	5.5%	5.5%	5.5%
Underlying inflation rate	2.75%	2.75%	2.75%
Mortality table	RP 2000 Mortality Table, Projected to the Valuation Date Scale AA	RP 2000 Mortality Table, Projected to the Valuation Date Scale AA	RP 2000 Mortality Table, Projected to the Valuation Date Scale AA
Cost of living adjustments	None	4.0%	4.0%

ADDITIONAL INFORMATION

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
 COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS -
 NONMAJOR FUNDS
 DECEMBER 31, 2016

	Special Revenue Funds				Subtotal
	Drug Investigation Fund 004	Marcellus Shale Fund 005	Animal Guardian Fund 006	Summer Food Program Fund 008	Non-Major Governmental Funds
Assets:					
Cash and cash equivalents	\$ 36,330	\$ 286,924	\$ 1,725	\$ 1,562	\$ 326,541
Receivables					-
Accounts	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total Assets	\$ 36,330	\$ 286,924	\$ 1,725	\$ 1,562	\$ 326,541
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	-
Due to other funds	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Fund Balances:					
Restricted for:					
Community Development Block Programs	-	-	-	-	-
Department of Environmental Protection Programs	-	-	-	-	-
Drug Task Force Programs	36,330	-	-	-	36,330
Department of Conservation and Natural Resources Programs	-	-	-	-	-
Highway Aid	-	-	-	-	-
Marcellus Shale Program	-	286,924	-	-	286,924
Unassigned	-	-	1,725	1,562	3,287
Total Fund Balances	36,330	286,924	1,725	1,562	326,541
Total Liabilities and Fund Balance	\$ 36,330	\$ 286,924	\$ 1,725	\$ 1,562	\$ 326,541

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
 COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS -
 NONMAJOR FUNDS (CONTINUED)
 DECEMBER 31, 2016

Special Revenue Funds, Continued					
	Subtotal-Prior Page	CDGB 2013 Fund 065	Keystone Community Grant Fund 069	Highway Aid Fund 135	Total Non-Major Governmental Funds
Assets:					
Cash and cash equivalents	\$ 326,541	\$ -	\$ 156,115	\$ 47,210	\$ 529,866
Receivables					
Accounts	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total Assets	\$ 326,541	\$ -	\$ 156,115	\$ 47,210	\$ 529,866
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 535	\$ -	\$ 535
Due to other funds	-	-	-	-	-
Total Liabilities	-	-	535	-	535
Fund Balances:					
Restricted for:					
Community Development Block		-			
Programs	-	-	155,580	-	155,580
Drug Task Force Programs	36,330	-		-	36,330
Highway Aid	-	-		47,210	47,210
Marcellus Shale Program	286,924	-	-	-	286,924
Unassigned	3,287	-		-	3,287
Total Fund Balances	326,541	-	155,580	47,210	529,331
Total Liabilities and Fund Balance	\$ 326,541	\$ -	\$ 156,115	\$ 47,210	\$ 529,866

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL NONMAJOR FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue Funds				
	Drug Investigation Fund 004	Marcellus Shale Fund 005	Animal Guardian Fund 006	Summer Food Program Fund 008	Subtotal Non-Major Governmental Funds
Revenues:					
Government grants and subsidies	\$ -	\$ 12,541	\$ -	\$ 5,486	\$ 18,027
Fines and forfeits	1,863	-	-	-	1,863
Interest and rentals	69	625	2	-	696
Miscellaneous	-	-	-	-	-
Total Revenues	1,932	13,166	2	5,486	20,586
Expenditures:					
Public safety	2,691	-	-	-	2,691
Public works	-	-	-	-	-
Health and sanitation	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Conservation and development	-	6,909	-	4,451	11,360
Debt Service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total Expenditures	2,691	6,909	-	4,451	14,051
Excess (deficiency) of revenues over expenditures	(759)	6,257	2	1,035	6,535
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	(109,620)	-	-	(109,620)
Total Other Financing Sources (Uses)	-	(109,620)	-	-	(109,620)
Net Change in Fund Balances	(759)	(103,363)	2	1,035	(103,085)
Fund balance:					
Beginning of year	37,089	390,287	1,723	527	429,626
End of year	\$ 36,330	\$ 286,924	\$ 1,725	\$ 1,562	\$ 326,541

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL NONMAJOR FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue Funds, Continued				
	Subtotal-Prior Page	CDGB 2013 Fund 065	Keystone Community Grant Fund 069	Highway Aid Fund 135	Total Non-Major Governmental Funds
Revenues:					
Government grants and subsidies	\$ 18,027	\$ 46,326	\$ -	\$ 243,330	\$ 307,683
Fines and forfeits	1,863	-	-	-	1,863
Interest and rentals	696	-	-	520	1,216
Miscellaneous	-	-	-	-	-
Total Revenues	20,586	46,326	-	243,850	310,762
Expenditures:					
General government	-	-	-	-	-
Public safety	2,691	-	-	-	2,691
Public works	-	-	-	209,259	209,259
Health and sanitation	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Conservation and development	11,360	46,326	-	-	57,686
Debt Service:					
Principal	-	-	-	19,617	19,617
Interest and other charges	-	-	-	319	319
Total Expenditures	14,051	46,326	-	229,195	289,572
Excess (deficiency) of revenues over expenditures	6,535	-	-	14,655	21,190
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	(109,620)	-	-	-	(109,620)
Total Other Financing Sources (Uses)	(109,620)	-	-	-	(109,620)
Net Change in Fund Balances	(103,085)	-	-	14,655	(88,430)
Fund balance:					
Beginning of year	429,626	-	155,580	32,555	617,761
End of year	<u>\$ 326,541</u>	<u>\$ -</u>	<u>\$ 155,580</u>	<u>\$ 47,210</u>	<u>\$ 529,331</u>

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET - HIGHWAY AID FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Actual	Original and Final Budget	Variance with Final Budget Over (Under)
Revenues:			
Government grants and subsidies	\$ 243,330	\$ -	\$ 243,330
Interest and rentals	520	-	520
Other Income	-	-	-
Total Revenues	243,850	-	243,850
Expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	209,259	-	209,259
Health and sanitation	-	-	-
Culture and recreation	-	-	-
Conservation and development	-	-	-
Miscellaneous	-	-	-
Debt Service:			
Principal	19,617	-	19,617
Interest	319	-	319
Total Expenditures	229,195	-	229,195
Excess (deficiency) of revenues over expenditures	14,655	-	14,655
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	14,655	\$ -	\$ 14,655
Fund balance:			
Beginning of year	32,555		
End of year	\$ 47,210		

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
 COMBINING STATEMENT OF NET POSITION -
 FIDUCIARY FUNDS
 DECEMBER 31, 2016

	<u>Municipal Employees' Pension Fund</u>	<u>Firemen's Pension Fund</u>	<u>Policemen's Pension Fund</u>	<u>Total Pension Funds</u>
Assets:				
Cash	\$ 130,565	\$ 93,484	\$ 480,473	\$ 704,522
Investments	<u>3,930,743</u>	<u>213,069</u>	<u>6,339,588</u>	<u>10,483,400</u>
Total Assets	<u>4,061,308</u>	<u>306,553</u>	<u>6,820,061</u>	<u>11,187,922</u>
Plan Fiduciary Net Position				
Pension Benefits	<u>\$ 4,061,308</u>	<u>\$ 306,553</u>	<u>\$ 6,820,061</u>	<u>\$ 11,187,922</u>
Deferred outflows of resources	475,951	44,813	428,786	949,550
Deferred inflows of resources	<u>(20,949)</u>	<u>(19,412)</u>	<u>(180,306)</u>	<u>(220,667)</u>
Net Position Restricted for Pensions	<u>\$ 4,516,310</u>	<u>\$ 331,954</u>	<u>\$ 7,068,541</u>	<u>\$ 11,916,805</u>

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
 COMBINING STATEMENT OF CHANGES IN NET POSITION -
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Municipal Employees' Pension Fund</u>	<u>Firemen's Pension Fund</u>	<u>Policemen's Pension Fund</u>	<u>Total Pension Funds</u>
Additions:				
Contributions:				
Employer - state aid portion	\$ 163,457	\$ 33,714	\$ 424,572	\$ 621,743
Employee	<u>14,733</u>	<u>2,657</u>	<u>31,702</u>	<u>49,092</u>
Total Contributions	178,190	36,371	456,274	670,835
Investment income	<u>281,294</u>	<u>17,112</u>	<u>460,328</u>	<u>758,734</u>
Total Additions	459,484	53,483	916,602	1,429,569
Deductions				
Benefits	287,871	66,005	401,498	755,374
Administrative expense	<u>31,105</u>	<u>5,649</u>	<u>42,584</u>	<u>79,338</u>
Total Deductions	<u>318,976</u>	<u>71,654</u>	<u>444,082</u>	<u>834,712</u>
Increase (Decrease) in Net Position	<u>140,508</u>	<u>(18,171)</u>	<u>472,520</u>	<u>594,857</u>
Net Position:				
Beginning of year	<u>3,920,800</u>	<u>324,724</u>	<u>6,347,541</u>	<u>10,593,065</u>
End of year	<u>\$ 4,061,308</u>	<u>\$ 306,553</u>	<u>\$ 6,820,061</u>	<u>\$ 11,187,922</u>