

Financial Statements

**BOROUGH OF
ELLWOOD CITY, PENNSYLVANIA**

DECEMBER 31, 2015





Outside the box. Within the lines.



BOROUGH OF ELLWOOD CITY
DECEMBER 31, 2015

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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, 2015 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, 2015, 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
May 31, 2016

BOROUGH OF ELLWOOD CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

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, 2015.

Financial Highlights

The 2015 year was a time for a wide range of municipal projects. It was a year of accomplishment focusing on improvements to streets and infrastructure with a commitment to enhance the Borough experience for both residents and businesses.

The Borough relied upon existing fund balances as the means to balance the 2015 General Operating Budget. A tax in the amount of one-half mill was implemented and dedicated to Public Works Improvements which brings the total real estate tax rate of 6.75 mills for 2015.

Establishing a blueprint to address the condition of Borough streets and aging infrastructure remains a priority. The Borough Council has also taken measures to collaborate with other groups to maximize the value of existing resources such as Borough parks and to demonstrate that the projects have been implemented and are completed.

In 2015, the Borough maximized the municipal paving program. This included four (4) phases of paving, Phase I was a multi-group effort including the Borough, the PA American Water Company, and the PA Department of Transportation. Phase II was underwritten in its entirety by the Borough through the use of Liquid Fuel funding. Phase III was a collaboration between the PA American Water Company and the Borough. Phase IV was a paving program through the Liquid Fuels and Marcellus Shale Grant provided by the County Commissioners addressing areas of crumbling concrete streets in the Borough primarily utilized by industry.

The Borough Council continues to work to enhance the core business areas of our community and is committed to working closely with municipal planning consultants to protect our business community and to maximize its potential throughout the Borough. At the end of 2015, the Borough Council worked to develop changes to our current zoning ordinances that would promote pedestrian areas to enhance "foot traffic" to the down town or core business area. Further, they 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 Borough Council was also able to bring closure to a new contract with the representatives of Local 964, who represents our Clerical, Public Works (street & wastewater), as well as our Electric division. 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 and, in some instances, an increase in hourly wage as well. 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 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 as joint projects.

BOROUGH OF ELLWOOD CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2015

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. In 2015, the Borough maintained the amount of transfer to the General Fund at \$1,350,000; however the additional amount of \$18,572 was deposited in this fund as the result of insurance proceeds recovered from the destruction of decorative street lamp poles, which would be replaced in 2016. The Second Street Bridge Project was finalized in 2015. In addition, the Borough eliminated the use of outdated regulators, as well as acquired meters for replacement in our industrial and commercial areas of customer usage.

In the Sewer Fund, it was necessary for the Borough Council to establish fund solvency. In this regard, the revenues generated from this Fund were not able to sustain fund operations especially in light of their vital operations. The Borough Council increased the rates, as well as provided for the permanent transfer of two (2) employees to the Street Department resulting in our being substantially under staffed. Also, there were some operational modifications put in place which actually helped to reduce the Borough's usage of water by using other available resources which helped to provide greater conservation of resources.

The Borough Council continued to address issues that were creating a negative influence upon wastewater treatment performance. The Borough worked our way through the preparation stages of pump house station design and engineering. Additionally, addressing infiltration through pipe relining and replacement which resulted in approximately \$300,000 of investment in these improvements.

The Highway Aid Fund provided a necessary back drop to add a significant phase to the 2015 Paving Program. The Phase II Paving Program was funded almost in its entirety through the Highway Aid Fund.

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 provided for a long awaited enhancement to the manner in which residential "spring residential trash clean up" would be addressed. The Borough Spring Clean Up days were revamped in 2015 to include a door to door pick up over a five (5) week period. This program cost the Borough approximately \$70,000 but resulted in the elimination of approximately 262 tons of trash.

The Borough continued to utilize the Marcellus Shale fund which is exclusive to recreational activity and projects. In these areas, the Borough finalized enhancements to the swimming pool area as well as installed a Baby Pool liner. We also made improvements to our parks which included park benches, the 7L Parklet enhancements, the Stieffel Park paving and DEK Hockey resurfacing. 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. In order to supplement the fund balance in this fund, the Borough transferred the amount of \$130,500 which had previously been dedicated to satisfy a portion of the 2nd Street Bridge Project improvements. Also, and demonstrating great foresight, the Borough reserved \$250,000 of the Marcellus Shale Funds when originally received to satisfy the portion of the Series B Bond dedicated to the municipal swimming pool. The Borough will satisfy this obligation in 2016.

In conclusion, 2015 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.

BOROUGH OF ELLWOOD CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2015

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.

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.

BOROUGH OF ELLWOOD CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2015

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.

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 \$8,850,376 for the year ended December 31, 2015 and \$12,181,209 for the year ended December 31, 2014.

BOROUGH OF ELLWOOD CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
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, 2015 and 2014:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 3,199,437	\$ 3,110,678	\$ 5,150,843	\$ 5,191,741	\$ 8,350,280	\$ 8,302,419
Capital assets	3,546,511	3,236,832	19,014,044	19,464,628	22,560,555	22,701,460
Total Assets	6,745,948	6,347,510	24,164,887	24,656,369	30,910,835	31,003,879
Deferred outflows	1,184,283	-	-	-	1,184,283	-
Current and other liabilities	268,506	287,846	1,653,517	1,625,877	1,922,023	1,913,723
Noncurrent liabilities	6,906,111	1,623,954	14,369,627	15,284,993	21,275,738	16,908,947
Total Liabilities	7,174,617	1,911,800	16,023,144	16,910,870	23,197,761	18,822,670
Deferred inflows	46,981				46,981	
Invested in capital assets, net of related debt	3,161,893	2,782,910	3,773,735	3,290,617	6,935,628	6,073,527
Restricted	668,424	453,283	1,264,517	1,606,390	1,932,941	2,059,673
Unrestricted	(3,121,684)	1,199,517	3,103,491	2,848,492	(18,193)	4,048,009
Total Net Position	\$ 708,633	\$ 4,435,710	\$ 8,141,743	\$ 7,745,499	\$ 8,850,376	\$ 12,181,209

Changes in Net Position

The Borough's net position decreased by \$1,275,118 for the year ended December 31, 2015, and increased \$343,691 for the year ended December 31, 2014. Approximately 5% of the Borough's revenue came from grants and contributions, 19% 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, 2015

Borough of Ellwood City's Statement of Activities

The following summarizes the Borough's Statement of Activities for the years ended December 31, 2015 and 2014:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program Revenues						
Charges for services	\$ 437,073	\$ 382,256	\$ 9,519,878	\$ 8,643,405	\$ 9,956,951	\$ 9,025,661
Operating grants and contributions	616,314	1,049,087	-	311,587	616,314	1,360,674
Capital grants and contributions	-	-	220,177	-	220,177	-
General Revenues						
Taxes	2,673,656	2,361,179	-	-	2,673,656	2,361,179
Investment income	182,050	221,487	19,656	25,897	201,706	247,384
Cable franchise fees	70,654	69,362	-	-	70,654	69,362
Sale of capital assets	70,000	20,060	1,221	13,462	71,221	33,522
Other revenues	20,467	-	33,521	22,408	53,988	22,408
Total Revenues	4,070,214	4,103,431	9,794,453	9,016,759	13,864,667	13,120,190
EXPENSES						
General government	729,668	422,636	-	-	729,668	422,636
Public safety	4,346,317	2,739,279	-	-	4,346,317	2,739,279
Public works and enterprises	1,533,580	1,401,366	5,846,079	5,800,542	7,379,659	7,201,908
Health and sanitation	3,337	3,278	1,985,614	2,114,767	1,988,951	2,118,045
Culture and recreation	369,858	353,094	-	-	369,858	353,094
Conservation and development	113,953	614,175	-	-	113,953	614,175
Interest	13,435	14,744	197,944	-	211,379	14,744
Total Expenses	7,110,148	5,548,572	8,029,637	7,915,309	15,139,785	13,463,881
Change in net position before transfers	(3,039,934)	(1,445,141)	1,764,816	1,101,450	(1,275,118)	(343,691)
Transfers in (out)	1,368,572	1,392,905	(1,368,572)	(1,392,905)	-	-
Change in net position	(1,671,362)	(52,236)	396,244	(291,455)	(1,275,118)	(343,691)
Net Position, beginning of year, as previously stated	4,435,710	5,239,197	7,745,499	8,389,705	12,181,209	13,628,902
Prior period adjustments	(2,055,715)	(751,251)	-	(352,751)	(2,055,715)	(1,104,002)
Net Position, end of year, as adjusted	2,379,995	4,487,946	7,745,499	8,036,954	10,125,494	12,524,900
Net Position, end of year	\$ 708,633	\$ 4,435,710	\$ 8,141,743	\$ 7,745,499	\$ 8,850,376	\$ 12,181,209

The Borough's governmental activities cover a wide range of services. The largest are public safety and public works and enterprises which consume 60% and 25% 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.

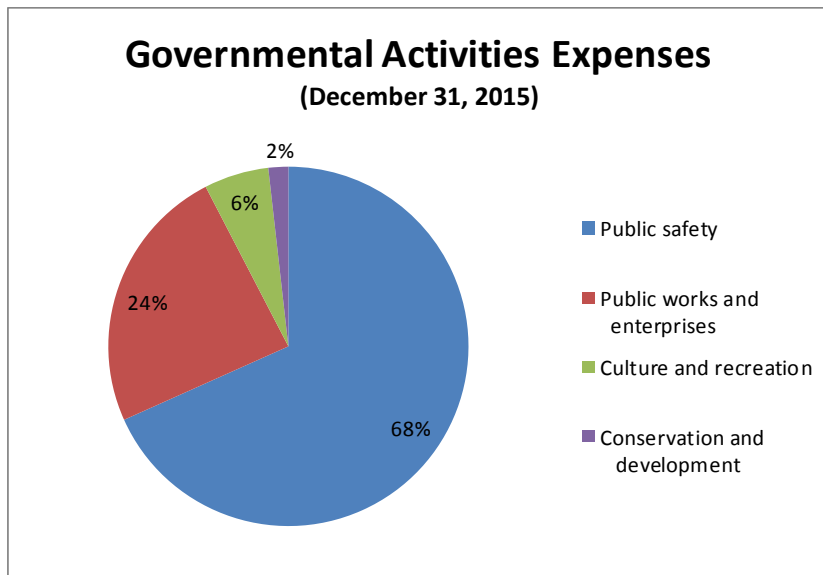
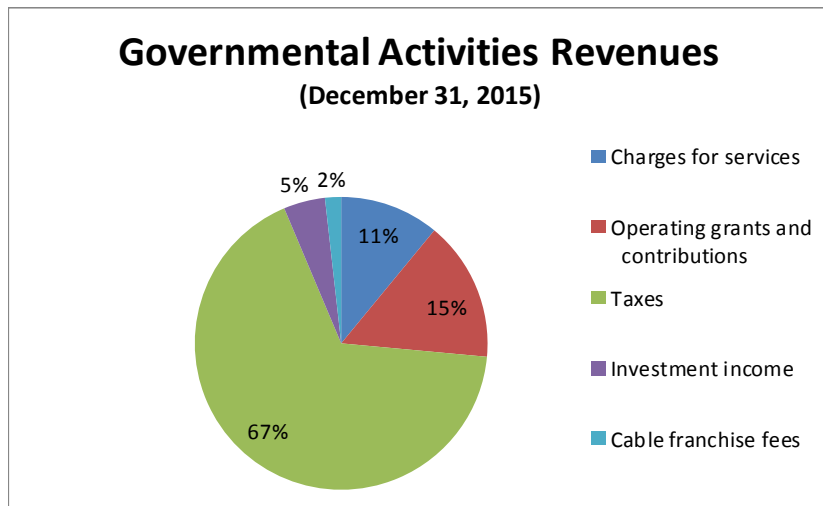
BOROUGH OF ELLWOOD CITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 DECEMBER 31, 2015

Analysis of Changes in Net Position

Governmental Activities

Governmental activities decreased the Borough's net position by \$1,671,362. In the prior year, governmental activities decreased the Borough's net position by \$52,236. Key elements of the decrease are an overall decrease in revenues and an increase in expenses.

**Program Revenues and Expenses
 Governmental Activities**

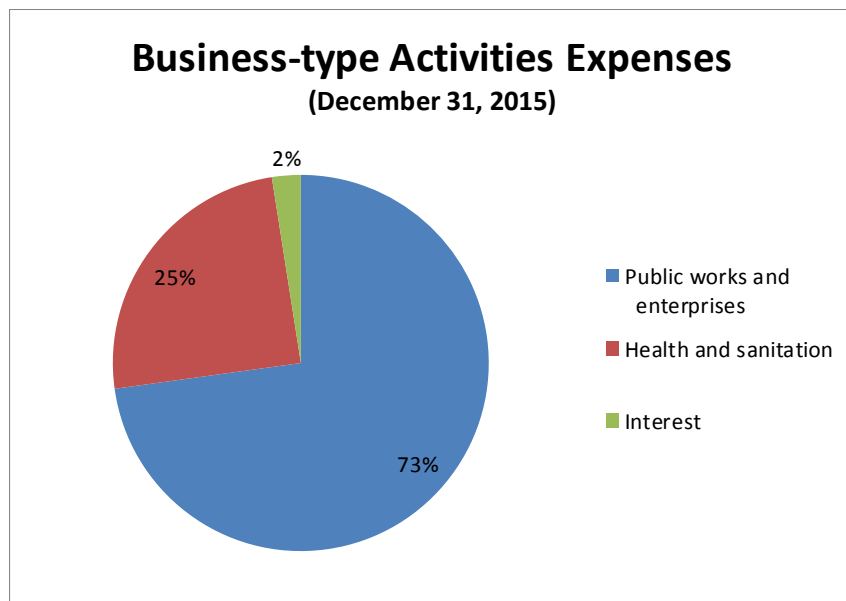
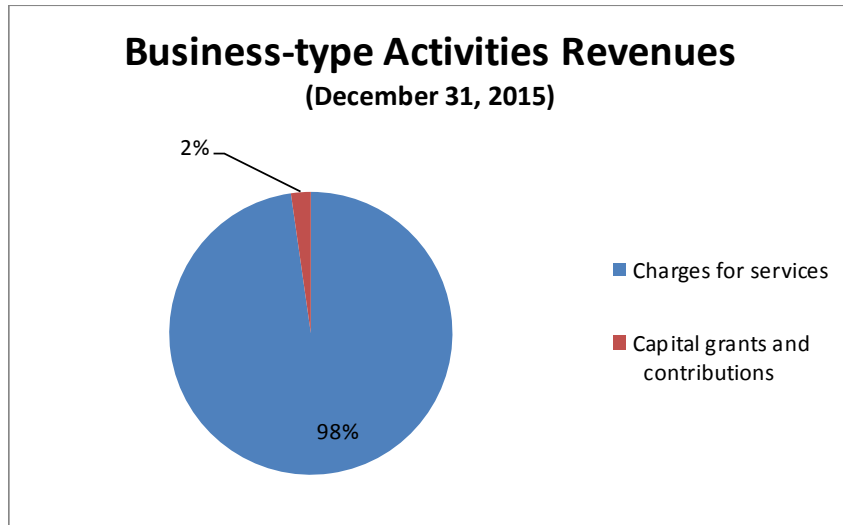


BOROUGH OF ELLWOOD CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2015

Business-type Activities

Business-type activities increased the Borough's net position by \$396,244 for the year ended December 31, 2015. In the prior year, business-type activities decreased the Borough's net position by \$291,455.

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



BOROUGH OF ELLWOOD CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2015

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, 2015, the Borough's governmental funds reported an ending fund balance of \$3,091,360. Overall, the governmental funds increased by \$572,251 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 \$2,784,907 while the Sewer Fund's net position increased to \$5,356,836. This is a current year increase in net position of \$136,159 and a prior period increase of \$38,537 for the Electric Fund. The Sewer Fund had a current year increase of \$260,085 and a prior period decrease of \$329,992.

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 decreased by \$414,943 during 2015. 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, 2015:

	Balance as of January 1, 2015	Additions	Disposals	Balance at December 31, 2015
Not being depreciated:				
Land	\$ 660,509	\$ -	\$ -	\$ 660,509
Other capital assets:				
Buildings and improvements	7,052,161	388,358	-	7,440,519
Furniture and equipment	1,600,836	47,027	47,323	1,600,540
Vehicles	1,480,754	148,035	355,916	1,272,873
Total other capital assets	10,133,751	583,420	403,239	10,313,932
Accumulated depreciation	(7,557,428)	(273,741)	(403,239)	(7,427,930)
Total capital assets, net of accumulated depreciation	<u>\$ 3,236,832</u>	<u>\$ 309,679</u>	<u>\$ -</u>	<u>\$ 3,546,511</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, 2015

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, 2015:

Governmental activities	
General obligation debt	\$ 365,000
General obligation notes	<u>19,618</u>
Total Governmental	<u>384,618</u>
Business-type activities	
General obligation debt	\$ 1,670,000
General obligation notes	<u>13,570,309</u>
Total Business-type	<u>15,240,309</u>
Total Debt	<u><u>\$ 15,624,927</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, 2015

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets:			
Cash and cash equivalents	\$ 2,637,507	\$ 4,202,165	\$ 6,839,672
Receivables, net:			
Taxes	365,421	-	365,421
Accounts	93,352	937,916	1,031,268
Loans	93,414	-	93,414
Prepaid expense	9,743	10,762	20,505
Capital assets, net of accumulated depreciation	3,546,511	19,014,044	22,560,555
Total Assets	6,745,948	24,164,887	30,910,835
Deferred outflows of resources			
Unrecognized loss in changes in net pension liabilities	1,184,283	-	1,184,283
Liabilities:			
Accounts payable	92,050	549,888	641,938
Wages and withholdings payable	11,202	3,744	14,946
Deposits payable	1,746	109,697	111,443
Due to others	5	4,275	4,280
Accrued interest payable	12,671	23,215	35,886
Current portion - long term liabilities			
Compensated absences	76,214	16,675	92,889
Bonds and notes payable	74,618	946,023	1,020,641
Non current portion - long term liabilities			
Compensated absences	229,901	75,341	305,242
Bonds and notes payable	310,000	14,294,286	14,604,286
Net OPEB liability	2,348,060	-	2,348,060
Net Pension liability	4,018,150	-	4,018,150
Total Liabilities	7,174,617	16,023,144	23,197,761
Deferred outflows of resources			
Unrecognized gains in changes in net pension liabilities	46,981	-	46,981
Net Position:			
Invested in capital assets, net of related debt	3,161,893	3,773,735	6,935,628
Restricted for:			
Drug Task Force Programs	37,089	-	37,089
Highway Aid	221,859	-	221,859
Marcellus Shale Program	409,476	-	409,476
Development Capital Projects	-	1,264,517	1,264,517
Unrestricted	(3,121,684)	3,103,491	(18,193)
Total Net Position	\$ 708,633	\$ 8,141,743	\$ 8,850,376

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

**BOROUGH OF ELLWOOD CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

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	\$ 729,668	\$ 65,682	\$ 242,589	\$ -	\$ (421,397)	\$ -	\$ (421,397)
Public safety	4,346,317	183,207	246,767	-	(3,916,343)	-	(3,916,343)
Public works	1,533,580	77,793	-	-	(1,455,787)	-	(1,455,787)
Health, welfare, and sanitation	3,337	110,391	6,199	-	113,253	-	113,253
Culture and recreation	369,858	-	-	-	(369,858)	-	(369,858)
Conservation and development	113,953	-	120,759	-	6,806	-	6,806
Interest	13,435	-	-	-	(13,435)	-	(13,435)
Total Governmental Activities	7,110,148	437,073	616,314	-			
Business-type Activities							
Electric	5,904,366	7,148,916	-	220,177	-	1,464,727	1,464,727
Sewer	2,125,271	2,370,962	-	-	-	245,691	245,691
Total Business-type activities	8,029,637	9,519,878	-	220,177	-	1,710,418	1,710,418
Total Primary Government	\$ 15,139,785	\$ 9,956,951	\$ 616,314	\$ 220,177	(6,056,761)	1,710,418	(4,346,343)
General Revenues:							
Taxes							
Property taxes					1,627,523	-	1,627,523
Earned income tax					825,354	-	825,354
Real estate transfer tax					64,965	-	64,965
Other tax					155,814	-	155,814
Interest and investment income					182,050	19,656	201,706
Cable franchise fees					70,654	-	70,654
Other income					20,467	33,521	53,988
Sale of capital assets					70,000	1,221	71,221
Transfers					1,368,572	(1,368,572)	-
Total General Revenues and Transfers					4,385,399	(1,314,174)	3,071,225
Change in Net Position					(1,671,362)	396,244	(1,275,118)
Net position, Beginning of Year, as previously stated					4,435,710	7,745,499	12,181,209
Prior period adjustment (Note 1)					(2,055,715)	-	(2,055,715)
Net position, Beginning of Year, as adjusted					2,379,995	7,745,499	10,125,494
Net Position, End of Year					\$ 708,633	\$ 8,141,743	\$ 8,850,376

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

BOROUGH OF ELLWOOD CITY
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 2,019,063	\$ 618,444	\$ 2,637,507
Receivables, net:			
Taxes	365,421	-	365,421
Accounts	93,352	-	93,352
Loans	93,414	-	93,414
Prepaid expense	7,048	-	7,048
Total Assets	<u>\$ 2,578,298</u>	<u>\$ 618,444</u>	<u>\$ 3,196,742</u>
Liabilities:			
Accounts payable	84,134	684	84,818
Wages and withholdings payable	20,564	-	20,564
Total Liabilities	<u>104,698</u>	<u>684</u>	<u>105,382</u>
Fund Balances:			
Restricted for:			
Community Development Block Programs	-	155,580	155,580
Drug Task Force Programs	-	37,089	37,089
Highway Aid	-	32,555	32,555
Marcellus Shale Program	-	390,287	390,287
Committed to:			
Capital projects fund	497,465		497,465
Revolving loan fund	202,282	-	202,282
Community projects	239,068	-	239,068
L&N property building maintenance	200,333	-	200,333
Unassigned	1,334,452	2,249	1,336,701
Total Fund Balances	<u>2,473,600</u>	<u>617,760</u>	<u>3,091,360</u>
Total Liabilities and Fund Balance	<u>\$ 2,578,298</u>	<u>\$ 618,444</u>	<u>\$ 3,196,742</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, 2015

Total Fund Balance - Governmental Funds		\$ 3,091,360
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		3,546,510
Expenditures incurred in the governmental funds which benefit future periods are deferred in the Statement of Net Position and reported as prepaid expenses		2,696
Contributions to the pension funds that relate to future years are not reported in the funds		(2,880,848)
Other post employment benefits that relate to future years are not reported in the funds		(2,348,060)
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	\$ (384,618)	
Accrued interest on bonds	(12,292)	
Compensated absences	(306,115)	(703,025)
Net Position of Governmental Activities in the Statement of Net Position		\$ 708,633

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, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes:			
Real estate	\$ 1,951,626	\$ -	\$ 1,951,626
Earned income	825,354	-	825,354
Real estate transfer	64,965	-	64,965
Other	155,814	-	155,814
Licenses and permits	136,380	-	136,380
Fines and forfeits	52,296	2,740	55,036
Government grants and subsidies	336,316	296,424	632,740
Charges for services	238,153	-	238,153
Interest and rentals	177,106	1,918	179,024
Miscellaneous revenue	31,999	-	31,999
Total Revenues	3,970,009	301,082	4,271,091
Expenditures:			
General government	558,791	-	558,791
Public safety	2,242,663	305	2,242,968
Public works	1,210,353	175,000	1,385,353
Health and sanitation	471,236	-	471,236
Culture and recreation	264,167	-	264,167
Conservation and development	154,232	91,202	245,434
Debt service:			
Principal	50,000	19,304	69,304
Interest and other charges	12,803	632	13,435
Total Expenditures	4,964,245	286,443	5,250,688
Excess of Revenues Over Expenditures (Excess of Expenditures Over Revenues)	(994,236)	14,639	(979,597)
Other Financing Sources (Uses):			
Sale of capital assets	123,276	-	123,276
Transfers in	1,380,557	-	1,380,557
Transfers out	-	(11,985)	(11,985)
Total Other Financing Sources (Uses)	1,503,833	(11,985)	1,491,848
Net Change In Fund Balance	509,597	2,654	512,251
Fund Balances, Beginning of Year	1,964,003	615,106	2,579,109
Fund Balances, End of Year	<u>\$ 2,473,600</u>	<u>\$ 617,760</u>	<u>\$ 3,091,360</u>

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, 2015

Net Change in Fund Balance - Total Governmental Funds		\$ 512,251
<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	\$ 583,214	
Depreciation	<u>(273,741)</u>	309,473
<p>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.</p>		
		69,304
<p>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.</p>		
		(314)
<p>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.</p>		
		(4,887)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(324,103)
<p>Expenditures for other post employment benefits will be recognized in future years in the fund statements.</p>		
		(1,286,873)
<p>Some expenditures for pension contributions will be recognized in future years in the fund statements.</p>		
		(887,856)
<p>Increase in compensated absence liability is reflected as an expense on the Statement of Activities, but not included in the fund statements.</p>		
		<u>(58,357)</u>
Change in Net Position of Governmental Activities on the Statement of Activities		<u><u>\$ (1,671,362)</u></u>

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

BOROUGH OF ELLWOOD CITY
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
DECEMBER 31, 2015

	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 1,799,984	\$ 2,402,181	\$ 4,202,165
Accounts receivable at estimated realizable value	719,673	218,243	937,916
Prepaid expenses	10,762	-	10,762
Capital assets, net of accumulated depreciation	<u>2,595,689</u>	<u>16,418,355</u>	<u>19,014,044</u>
Total Assets	<u>5,126,108</u>	<u>19,038,779</u>	<u>24,164,887</u>
Liabilities:			
Accounts payable	490,366	63,797	554,163
Accrued liabilities	2,040	1,704	3,744
Deposits payable	109,697	-	109,697
Accrued interest payable	23,215	-	23,215
Current portion - long term liabilities			
Compensated absences	5,553	11,122	16,675
Bonds and notes payable	210,000	736,023	946,023
Non current portion - long term liabilities			
Compensated absences	40,330	35,011	75,341
Bonds and notes payable	<u>1,460,000</u>	<u>12,834,286</u>	<u>14,294,286</u>
Total Liabilities	<u>2,341,201</u>	<u>13,681,943</u>	<u>16,023,144</u>
Net Position:			
Invested in capital assets, net of related debt	925,689	2,848,046	3,773,735
Restricted for capital projects	1,264,517	-	1,264,517
Unrestricted	<u>594,701</u>	<u>2,508,790</u>	<u>3,103,491</u>
Total Net Position	<u>\$ 2,784,907</u>	<u>\$ 5,356,836</u>	<u>\$ 8,141,743</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, 2015

	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for services and fees	\$ 7,148,916	\$ 2,370,962	\$ 9,519,878
Operating Expenses:			
Distribution	4,752,520	-	4,752,520
Disposal	-	69,266	69,266
Plant Operations	611,593	881,682	1,493,275
Administration	252,035	404,544	656,579
Depreciation	229,931	630,122	860,053
Total Operating Expenses	5,846,079	1,985,614	7,831,693
Operating Income	1,302,837	385,348	1,688,185
Non Operating Revenues (Expenses):			
Interest and investment income	9,341	10,315	19,656
Sale of assets	1,221	-	1,221
Intergovernmental grants	220,177	-	220,177
Other income	29,442	4,079	33,521
Interest expense	(58,287)	(139,657)	(197,944)
Total Non-Operating Revenues (Expenses)	201,894	(125,263)	76,631
Income before transfers	1,504,731	260,085	1,764,816
Transfers in	510,566	38,213	548,779
Transfers out	(1,879,138)	(38,213)	(1,917,351)
Change in Net Position	136,159	260,085	396,244
Net Position, Beginning of Year	2,648,748	5,096,751	7,745,499
Net Position, End of Year	<u>\$ 2,784,907</u>	<u>\$ 5,356,836</u>	<u>\$ 8,141,743</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, 2015**

	Business-type Activities-Enterprise Funds		
	Electric Fund	Sewer Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 7,137,437	\$ 2,291,044	\$ 9,428,481
Cash payments to suppliers	(4,971,074)	(783,138)	(5,754,212)
Cash payments to employees	(609,947)	(538,643)	(1,148,590)
Net Cash Provided by Operating Activities	1,556,416	969,263	2,525,679
Cash Flows from Non-Capital Financing Activities:			
Other income	29,442	4,079	33,521
Transfers to and from other funds	(1,368,572)	-	(1,368,572)
Net Cash Provided by (Used in) Non-Capital Financing Activities	(1,339,130)	4,079	(1,335,051)
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(282,861)	(126,608)	(409,469)
Proceeds on sales of capital assets	1,221	-	1,221
Intergovernmental grants	220,177	-	220,177
Principal paid on bonds payable	(205,000)	(728,702)	(933,702)
Interest paid on bonds payable	(58,287)	(139,657)	(197,944)
Net Cash Used in Capital and Related Financing Activities	(324,750)	(994,967)	(1,319,717)
Cash Flows from Investing Activities:			
Interest earnings	9,341	10,315	19,656
Net Cash Flows Provided by Investing Activities	9,341	10,315	19,656
Net Decrease in Cash and Cash Equivalents	(98,123)	(11,310)	(109,433)
Cash and Cash Equivalents, Beginning of Year	1,898,107	2,413,491	4,311,598
Cash and Cash Equivalents, End of Year	\$ 1,799,984	\$ 2,402,181	\$ 4,202,165
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 1,302,837	\$ 385,348	\$ 1,688,185
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	229,931	630,122	860,053
Change in operating assets and liabilities:			
Decrease in accounts receivable	10,011	(79,918)	(69,907)
Decrease in prepaid expenses	1,372	-	1,372
Increase (decrease) in accounts payable	25,022	26,870	51,892
Increase in deposits payable	(21,490)	-	(21,490)
Increase in accrued interest	(1,836)	-	(1,836)
Decrease in accrued liabilities	(1,732)	(1,567)	(3,299)
Increase in compensated absences	12,301	8,408	20,709
Total adjustments	253,579	583,915	837,494
Net Cash Provided by Operating Activities	\$ 1,556,416	\$ 969,263	\$ 2,525,679

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

BOROUGH OF ELLWOOD CITY
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
DECEMBER 31, 2015

	<u>Pension Fund</u>
Assets:	
Cash and equivalents	\$ 423,187
Investments (at fair value):	
Equities	5,082,590
Fixed income	3,807,351
Short-term funds	1,279,937
Total Assets	\$ 10,593,065
Net Position:	
Restricted for pension benefits	\$ 10,593,065
Deferred outflows of resources	1,184,283
Deferred inflows of resources	(46,981)
Net Position Restricted for Pensions	\$ 11,730,367

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, 2015

	<u>Pension Fund</u>
Additions:	
Contributions:	
Employer	\$ 437,207
Employee	<u>44,578</u>
Total Contributions	481,785
Investment income	<u>87</u>
Total Additions	481,872
Deductions:	
Benefits distributed	715,748
Administrative expenses	113,826
Loss on investments	<u>67,241</u>
Total Deductions	<u>896,815</u>
Change in Net Position	(414,943)
Net Position, Beginning of Year	<u>11,008,008</u>
Net Position, End of Year	<u><u>\$ 10,593,065</u></u>

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

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015.

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, 2015 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, 2015

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, 2015 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, 2015.

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, 2015

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, 2015 financial statements:

- During 2015 the Borough adopted GASB 68. In June 2012, the Governmental Accounting Standards Board adopted Statement No. 68, "*Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 27.*" This statement further revises existing guidance for the financial reports of most pension plans and establishes new financial reporting requirements. The Borough's financial disclosures were updated to reflect this pronouncement. GASB Statement No. 68 is required for financial statements of periods beginning after June 15, 2014. The adoption of GASB Statement No. 68 required an adjustment to the beginning of the year balance on the statement of activities. The total adjustment was \$2,055,715.
- In November 2014, the GASB adopted Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date, and Amendment of GASB Statement No. 68." This statement is a technical correction involving the implementation of GASB Statement No. 68. This is required to be applied simultaneously with GASB Statement No. 68.

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. 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.
- 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, 2015 - 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.

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pending Accounting Pronouncements - Continued

- 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, 2015. 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.
- GASB Statement No.77, “*Tax Abatement Disclosures,*” effective for fiscal years beginning after December 15, 2015. 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, 2015. 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, 2015. 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.

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pending Accounting Pronouncements - Continued

- 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.

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 2015, Borough real estate taxes were levied at the rate of 6.75 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 \$247,088,340 for 2015 (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, 2015, \$250,000 of the Borough's \$4,679,882 bank balance was insured by the Federal Depository Insurance Corporation ("FDIC"). The remaining bank balance of \$4,429,253 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. These deposits have carrying amounts of \$4,873,198 as of December 31, 2015.

BOROUGH OF ELLWOOD CITY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2015

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

B. Deposits and Investments - Continued

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, 2015 the total PLGIT bank balances were \$1,867,227.

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.

As of December 31, 2015, investment balances for pension funds were classified as follows:

	Investment Carrying Value
Pension	
Common Stock and Equity Funds	\$ 5,082,590
Fixed Income Investments	3,807,351
Mutual Funds	1,159,955
Short Term Investments	119,982
Total Investment Balances	\$ 10,169,878

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, 2015.

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.

Fund	Transfers In	Transfers Out
Governmental activities:		
General fund	\$ 1,380,557	\$ -
Other governmental funds	-	11,985
Business-type activities		
Electric Fund	510,566	1,879,138
Sewer Fund	38,213	38,213
	\$ 1,929,336	\$ 1,929,336

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

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

C. Interfund Balances, Payables and Transfers - Continued

The transfer of \$1,368,572 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, 2015:

	Balance as of January 1, 2015	Additions	Disposals	Balance at December 31, 2015
Not being depreciated:				
Land	\$ 660,509	\$ -	\$ -	\$ 660,509
Other capital assets:				
Buildings and improvements	7,052,161	388,358	-	7,440,519
Furniture and equipment	1,600,836	47,027	47,323	1,600,540
Vehicles	1,480,754	148,035	355,916	1,272,873
Total other capital assets	10,133,751	583,420	403,239	10,313,932
Accumulated depreciation	(7,557,428)	(273,741)	(403,239)	(7,427,930)
Total capital assets, net of accumulated depreciation	<u>\$ 3,236,832</u>	<u>\$ 309,679</u>	<u>\$ -</u>	<u>\$ 3,546,511</u>

Depreciation was charged to functions as follows:

Governmental activities	
General government	\$ 33,152
Public safety	46,490
Public works	154,931
Conservation and development	3,053
Culture and recreation	36,115
Total Depreciation	<u>\$ 273,741</u>

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

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 2015:

	Balance at January 1, 2015	Additions	Disposals	Balance at December 31, 2015
Not being depreciated:				
Land	\$ 156,050	\$ -	\$ -	\$ 156,050
Construction in progress	301,246	-	301,246	-
Other capital assets:				
Buildings and improvements	25,221,236	622,320	-	25,843,556
Furniture and equipment	5,766,127	88,395	91,350	5,763,172
Vehicles	1,046,394	-	175,326	871,068
Total other capital assets	32,033,757	710,715	266,676	32,477,796
Accumulated depreciation	(13,026,425)	(860,053)	(266,676)	(13,619,802)
Total capital assets, net of accumulated depreciation	<u>\$ 19,464,628</u>	<u>\$ (149,338)</u>	<u>\$ 301,246</u>	<u>19,014,044</u>

Depreciation was charged to funds as follows:

Business-type activities		
Electric fund		\$ 229,931
Sewer fund		<u>630,122</u>
Total Depreciation		<u>\$ 860,053</u>

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, 2015

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

E. Employee Retirement Plans - Continued

Plan Descriptions - Continued

As of December 31, 2015, pension plan membership consisted of the following:

	Municipal Employees'	Firemen's	Policemen's	Total
Participants:				
Inactive plan members or beneficiaries currently receiving benefits	28	1	16	45
Inactive plan members entitled to but not yet receiving benefits	2	-	1	3
Active plan members	19	4	8	31
Total plan membership	49	5	25	79

E. Employee Retirement Plans - Continued

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, 2015

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, 2015

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.
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Compensation Basis for Benefits	W-2 compensation.
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Employee Contributions	5% of compensation.
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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.
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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.
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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.
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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.
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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.
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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.
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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.
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BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

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 2015.

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

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, 2015 were as follows:

	<u>Municipal Employees'</u>	<u>Firemen's</u>	<u>Policemen's</u>
Total pension liability	\$ 4,996,156	\$ 643,059	\$ 8,972,000
Plan fiduciary net position	<u>3,920,801</u>	<u>324,724</u>	<u>6,347,540</u>
Net pension liability	<u>\$ 1,075,355</u>	<u>\$ 318,335</u>	<u>\$ 2,624,460</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>78.48%</u>	<u>50.50%</u>	<u>70.75%</u>
Net pension liability +1% discount Rate (8.5%)	\$ 653,407	\$ 257,748	\$ 1,918,532
Net pension liability -1% discount rate (6.5%)	\$ 1,532,479	\$ 367,006	\$ 3,792,709

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, 2015. Unless noted below, all other assumptions are the same as those detailed in the most recent valuation report:

Measurement Date	December 31, 2015
Census Date	January 1, 2015
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, 2015

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES OR FUNDS - 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, 2015. Unless noted below, all other assumptions are the same as those detailed in the most recent valuation report:

Measurement Date	December 31, 2015
Census Date	January 1, 2015
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, 2015

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, 2015
Census Date	January 1, 2015
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	\$ -	\$ (32,396)	\$ 12,288	\$ -	\$ -	\$ (14,585)
Changes in Assumptions	118,865	-	12,111	-	95,888	-
Net difference between projected and actual earnings on pension plan investments	362,874	-	34,059	-	548,198	-
Total	<u>\$ 481,739</u>	<u>\$ (32,396)</u>	<u>\$ 58,458</u>	<u>\$ -</u>	<u>\$ 644,086</u>	<u>\$ (14,585)</u>

BOROUGH OF ELLWOOD CITY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2015

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>
2015	\$ 127,437	\$ 19,635	\$ 284,327
2016	127,437	19,635	227,829
2017	127,437	19,635	146,526
2018	122,243	13,018	146,526
2019	72,225	6,170	108,622
2020 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, 2015 the Boroughs 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, 2015

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, 2015 are composed of the following individual issues:

	Interest Rates	Final Maturity	Amounts	
			Issued	Outstanding
Governmental Activities:				
General Obligation Series B of 2011	0.65-4.00%	2023	600,000	\$ 365,000
PA Infrastructure	1.63%	2016	95,000	19,618
Total Governmental Activities				<u>\$ 384,618</u>
Business-type Activities:				
General Obligation Series A of 2011	0.65-4.00%	2023	2,620,000	\$ 1,670,000
Revenue Note	1.00%	2032	18,960,000	13,570,309
Total Business-type Activities				<u>\$ 15,240,309</u>

Annual debt service requirements of the Borough are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 74,618	\$ 12,047	\$ 946,023	\$ 188,053
2017	55,000	10,380	963,417	175,512
2018	60,000	8,868	965,884	161,993
2019	50,000	7,068	948,428	148,000
2020	50,000	5,418	961,048	134,111
2021-2025	95,000	6,023	4,587,233	445,628
2026-2030	-	-	4,149,522	192,269
2031-2035	-	-	1,718,754	17,961
Total	<u>\$ 384,618</u>	<u>\$ 49,804</u>	<u>\$ 15,240,309</u>	<u>\$ 1,463,527</u>

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

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, 2015 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 415,000	\$ -	\$ (50,000)	\$ 365,000	\$ 55,000
General Obligation Notes	38,922	-	(19,304)	19,618	19,618
Compensated Absences	247,758	-	-	247,758	-
Governmental Activities Total	<u>\$ 701,680</u>	<u>\$ -</u>	<u>\$ (69,304)</u>	<u>\$ 632,376</u>	<u>\$ 74,618</u>
<u>Business-type Activities</u>					
General Obligation Bonds	\$ 1,875,000	\$ -	\$ (205,000)	\$ 1,670,000	\$ 210,000
General Obligation Notes	14,299,011	-	(728,701)	13,570,310	736,023
Compensated Absences	71,307	-	-	71,307	-
Business-type Activities Total	<u>\$ 16,245,318</u>	<u>\$ -</u>	<u>\$ (933,701)</u>	<u>\$ 15,311,617</u>	<u>\$ 946,023</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 22 members of which 10 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, 2015

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 payments of monthly retiree premiums of \$127,791 were applied toward the annual required contribution of \$192,610.

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

Postemployment Health Care Benefits - Continued

Funding Status and Funding Progress

The funded status of the plan as of January 1, 2015 is as follows:

Actuarial accrued liability (AAL)	\$ 2,348,060
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	2,348,060
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	886,201
UAAL as a percentage of covered payroll	265%

BOROUGH OF ELLWOOD CITY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

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, 2015 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 May 31, 2016, 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, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:			
Taxes:			
Real estate	\$ 1,635,882	\$ 1,951,626	\$ 315,744
Earned income	680,000	825,354	145,354
Real estate transfer	38,000	64,965	26,965
Other	159,800	155,814	(3,986)
Licenses and permits	149,500	136,380	(13,120)
Fines and forfeits	53,500	52,296	(1,204)
Government grants and subsidies	287,424	336,316	48,892
Charges for services	103,900	238,153	134,253
Interest and rentals	15,500	177,106	161,606
Miscellaneous revenue	467,611	31,999	(435,612)
Total Revenues	3,591,117	3,970,009	378,892
Expenditures:			
General government	606,827	558,791	48,036
Public safety	2,491,094	2,242,663	248,431
Public works	1,203,184	1,210,353	(7,169)
Health and sanitation	24,282	471,236	(446,954)
Culture and recreation	276,649	264,167	12,482
Conservation and development	149,850	154,232	(4,382)
Debt service:			
Principal	-	50,000	(50,000)
Interest and other charges	-	12,803	(12,803)
Total Expenditures	4,751,886	4,964,245	(212,359)
Excess of Revenues Over Expenditures	(1,160,769)	(994,236)	(166,533)
Other Financing Sources (Uses):			
Sale of Assets	30,000	123,276	(93,276)
Transfers in	1,418,572	1,380,557	38,015
Transfers out	(287,803)	-	(287,803)
Total Other Financing Sources (Uses)	1,160,769	1,503,833	(343,064)
Net Change In Fund Balance	<u>\$ -</u>	509,597	<u>\$ (509,597)</u>
Fund Balances, Beginning of Year		<u>1,964,003</u>	
Fund Balances, End of Year		<u>\$ 2,473,600</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, 2015

	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	\$ 1,951,626	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,951,626
Earned income	825,354	-	-	-	-	-	-	-	-	-	-	-	825,354
Real estate transfer	64,965	-	-	-	-	-	-	-	-	-	-	-	64,965
Other	155,814	-	-	-	-	-	-	-	-	-	-	-	155,814
Licenses and permits	136,380	-	-	-	-	-	-	-	-	-	-	-	136,380
Fines and Violations	52,296	-	-	-	-	-	-	-	-	-	-	-	52,296
Government grants and subsidies	336,316	-	-	-	-	6,199	-	-	-	-	50,000	-	280,117
Charges for services	238,153	-	-	-	-	110,186	-	-	-	-	-	-	127,967
Interest and rentals	177,106	1	4	123,145	-	512	451	504	281	-	22	31,640	20,546
Miscellaneous	31,999	-	-	-	-	-	-	-	-	-	-	-	31,999
Total Revenues	3,970,009	1	4	123,145	-	116,897	451	504	281	-	50,022	31,640	3,647,064
Expenditures:													
General government	558,791	-	-	-	-	-	-	-	-	-	-	-	558,791
Public safety	2,242,663	-	737	-	-	-	-	-	-	-	-	-	2,241,926
Public works	1,210,353	-	-	-	-	-	-	-	-	-	-	-	1,210,353
Health and sanitation	471,236	-	-	-	-	142,807	312,087	-	-	-	-	-	16,342
Culture and recreation	264,167	-	-	-	-	-	-	-	-	-	-	14,760	249,407
Conservation and development	154,232	-	-	71,306	-	-	-	-	-	-	5,931	-	76,995
Debt Service:													
Principal	50,000	-	-	-	-	-	-	-	-	50,000	-	-	-
Interest	12,803	-	-	-	-	-	-	-	-	12,803	-	-	-
Total Expenditures	4,964,245	-	737	71,306	-	142,807	312,087	-	-	62,803	5,931	14,760	4,353,814
Excess (deficiency) of revenues over expenditures	(994,236)	1	(733)	51,839	-	(25,910)	(311,636)	504	281	(62,803)	44,091	16,880	(706,750)
Other financing sources (uses):													
Proceeds from sale of assets	123,276	-	-	-	-	-	-	-	-	-	-	-	1,380,557
Transfers in	1,380,557	-	-	-	-	-	-	-	-	-	-	-	1,380,557
Transfers out	-	-	-	-	-	-	225,000	-	-	62,803	-	-	(287,803)
Total Other Financing Sources (Uses)	1,503,833	-	-	-	-	-	225,000	-	-	62,803	-	-	1,216,030
Net Change in Fund Balances	509,597	1	(733)	51,839	-	(25,910)	(86,636)	504	281	-	44,091	16,880	509,280
Fund balance:													
Beginning of year	1,964,003	886	3,766	128,494	629	112,816	295,635	2,579	198,975	-	-	96,510	1,123,713
End of year	\$ 2,473,600	\$ 887	\$ 3,033	\$ 180,333	\$ 629	\$ 86,906	\$ 208,999	\$ 3,083	\$ 199,256	\$ -	\$ 44,091	\$ 113,390	\$ 1,632,993

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, 2015

	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	12/31/2006	12/31/2005
Municipal Employees' Pension Plan											
Total Pension Liability - beginning	\$ 4,812,413	\$ 4,493,095	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Service cost	115,409	93,392	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest	354,527	352,228	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actuarial (gain)/loss	-	(55,290)	N/A	N/A	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	N/A	N/A
Plan changes	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	<u>(286,193)</u>	<u>(273,880)</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	183,743	319,318	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Pension Liability - ending	\$ 4,996,156	\$ 4,812,413	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	\$ 4,140,370	\$ 4,124,325	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - employer	120,435	97,375	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - member	14,233	14,258	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	(40,667)	196,520	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(286,193)	(273,880)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actuarial costs	(9,210)	(5,345)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	<u>(18,167)</u>	<u>(12,883)</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Change in plan fiduciary net position	(219,569)	16,045	N/A	N/A	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	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability - beginning	\$ 672,043	\$ 368,770	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability - ending	\$ 1,075,355	\$ 672,043	N/A	N/A	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	78.48%	86.04%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	1,479,572	1,412,944	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	72.68%	47.56%	N/A	N/A	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, 2015

	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	12/31/2006	12/31/2005
Firemen's Pension Plan											
Total Pension Liability - beginning	\$ 654,392	\$ 624,672	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Service cost	11,476	10,588	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest	46,896	47,461	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actuarial (gain)/loss	-	22,702	N/A	N/A	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	N/A	N/A
Plan changes	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(69,705)	(73,405)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	(11,333)	29,720	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Pension Liability - ending	\$ 643,059	\$ 654,392	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	\$ 378,477	\$ 415,677	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - employer	25,587	20,567	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - member	2,549	2,380	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	(5,012)	14,921	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(69,705)	(73,405)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actuarial costs	(5,885)	(425)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	(1,287)	(1,238)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Change in plan fiduciary net position	(53,753)	(37,200)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	\$ 324,724	\$ 378,477	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability - beginning	\$ 275,915	\$ 208,995	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability - ending	\$ 318,335	\$ 275,915	N/A	N/A	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	50.50%	57.84%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	47,604	47,604	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	668.71%	579.60%	N/A	N/A	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, 2015

	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	12/31/2006	12/31/2005
Policemen's Pension Plan											
Total Pension Liability - beginning	\$ 8,584,409	\$ 7,850,243	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Service cost	112,872	139,814	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest	634,569	618,375	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actuarial (gain)/loss	-	(64,026)	N/A	N/A	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	N/A	N/A
Plan changes	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	<u>(359,850)</u>	<u>(380,929)</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	387,591	734,166	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Pension Liability - ending	\$ 8,972,000	\$ 8,584,409	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	\$ 6,489,161	\$ 6,327,902	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - employer	291,185	229,079	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - member	27,796	30,398	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	(67,394)	304,125	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(359,850)	(380,929)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actuarial costs	(12,250)	(1,925)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	<u>(21,108)</u>	<u>(19,489)</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Change in plan fiduciary net position	(141,621)	161,259	N/A	N/A	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	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability - beginning	\$ 2,095,248	\$ 1,522,341	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability - ending	\$ 2,624,460	\$ 2,095,248	N/A	N/A	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	70.75%	75.59%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	856,324	760,594	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	306.48%	275.48%	N/A	N/A	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, 2015

	<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>	<u>12/31/2006</u>
Municipal Employees' Pension Plan										
Actuarially determined contributions	\$ 120,435	\$ 97,375	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions	<u>120,435</u>	<u>97,375</u>	N/A	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	N/A
Covered-employee payroll	1,479,572	1,412,944	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution as a percentage of covered-employee payroll	8.14%	6.89%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Firemen's Pension Plan										
Actuarially determined contributions	\$ 20,567	\$ 20,567	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions	<u>20,567</u>	<u>20,567</u>	N/A	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	N/A
Covered-employee payroll	47,604	47,604	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution as a percentage of covered-employee payroll	53.75%	43.20%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Policemen's Pension Plan										
Actuarially determined contributions	\$ 291,185	\$ 229,079	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions	<u>291,185</u>	<u>229,079</u>	N/A	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	N/A
Covered-employee payroll	856,324	760,594	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution as a percentage of covered-employee payroll	34.00%	30.12%	N/A	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, 2015

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, 2015

	Special Revenue Funds					Subtotal Non-Major Governmental Funds
	Drug Investigation Fund 004	Marcellus Shale Fund 005	Animal Guardian Fund 006	Summer Food Program Fund 008	CDGB 2013 Fund 065	
Assets:						
Cash and cash equivalents	\$ 37,394	\$ 390,287	\$ 1,723	\$ 526	\$ -	\$ 429,930
Receivables						-
Accounts	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total Assets	\$ 37,394	\$ 390,287	\$ 1,723	\$ 526	\$ -	\$ 429,930
Liabilities:						
Accounts payable	\$ 305	\$ -	\$ -	\$ -	\$ -	305
Due to other funds	-	-	-	-	-	-
Total Liabilities	305	-	-	-	-	305
Fund Balances:						
Restricted for:						
Community Development Block Programs	-	-	-	-	-	-
Department of Environmental Protection Programs	-	-	-	-	-	-
Drug Task Force Programs	37,089	-	-	-	-	37,089
Department of Conservation and Natural Resources Programs	-	-	-	-	-	-
Highway Aid	-	-	-	-	-	-
Marcellus Shale Program	-	390,287	-	-	-	390,287
Unassigned	-	-	1,723	526	-	2,249
Total Fund Balances	37,089	390,287	1,723	526	-	429,625
Total Liabilities and Fund Balance	\$ 37,394	\$ 390,287	\$ 1,723	\$ 526	\$ -	\$ 429,930

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
 COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS -
 NONMAJOR FUNDS (CONTINUED)
 DECEMBER 31, 2015

	Special Revenue Funds, Cont.						
	Subtotal-Prior Page	Home Grant 2011 Fund 068	Keystone Community Grant Fund 069	HRA Community Plaza Fund 71	Conno Stormwater Fund 075	Highway Aid Fund 135	Total Non-Major Governmental Funds
Assets:							
Cash and cash equivalents	\$ 429,930	\$ -	\$ 155,959	\$ -	\$ -	\$ 32,555	\$ 618,444
Receivables							
Accounts	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Total Assets	\$ 429,930	\$ -	\$ 155,959	\$ -	\$ -	\$ 32,555	\$ 618,444
Liabilities:							
Accounts payable	\$ 305	\$ -	\$ 379	\$ -	\$ -	\$ -	\$ 684
Due to other funds	-	-	-	-	-	-	-
Total Liabilities	305	-	379	-	-	-	684
Fund Balances:							
Restricted for:							
Community Development Block Programs	-	-	155,580	-	-	-	155,580
Drug Task Force Programs	37,089	-	-	-	-	-	37,089
Highway Aid	-	-	-	-	32,555	-	32,555
Marcellus Shale Program	390,287	-	-	-	-	-	390,287
Unassigned	2,249	-	-	-	-	-	2,249
Total Fund Balances	429,625	-	155,580	-	-	32,555	617,760
Total Liabilities and Fund Balance	\$ 429,930	\$ -	\$ 155,959	\$ -	\$ -	\$ 32,555	\$ 618,444

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL NONMAJOR FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds					Subtotal Non-Major Governmental Funds
	Drug Investigation Fund 004	Marcellus Shale Fund 005	Animal Guardian Fund 006	Summer Food Program Fund 008	CDGB 2013 Fund 065	
Revenues:						
Government grants and subsidies	\$ -	\$ 17,126	\$ -	\$ 3,802	\$ 45,615	\$ 66,543
Fines and forfeits	2,740	-	-	-	-	2,740
Interest and rentals	356	1,599	2	-	-	1,957
Miscellaneous	-	-	-	-	-	-
Total Revenues	3,096	18,725	2	3,802	45,615	71,240
Expenditures:						
Public safety	305	-	-	-	-	305
Public works	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Conservation and development	-	28,511	-	3,276	45,615	77,402
Debt Service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Total Expenditures	305	28,511	-	3,276	45,615	77,707
Excess (deficiency) of revenues over expenditures	2,791	(9,786)	2	526	-	(6,467)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	2,791	(9,786)	2	526	-	(6,467)
Fund balance:						
Beginning of year	34,298	400,073	1,721	-	-	436,092
End of year	<u>\$ 37,089</u>	<u>\$ 390,287</u>	<u>\$ 1,723</u>	<u>\$ 526</u>	<u>\$ -</u>	<u>\$ 429,625</u>

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, 2015

Special Revenue Funds, Continued

	Subtotal-Prior Page	Home Grant 2011 Fund 068	Keystone Community Grant Fund 069	HRA Community Plaza Fund 71	Conno Stormwater Fund 075	Highway Aid Fund 135	Total Non-Major Governmental Funds
Revenues:							
Government grants and subsidies	\$ 66,543	\$ 11,800	\$ -	\$ -	\$ 9,542	\$ 208,539	\$ 296,424
Fines and forfeits	2,740	-	-	-	-	-	2,740
Interest and rentals	1,957	-	-	(79)	-	40	1,918
Miscellaneous	-	-	-	-	-	-	-
Total Revenues	71,240	11,800	-	(79)	9,542	208,579	301,082
Expenditures:							
General government	-	-	-	-	-	-	-
Public safety	305	-	-	-	-	-	305
Public works	-	-	-	-	-	175,000	175,000
Health and sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Conservation and development	77,402	11,800	-	2,000	-	-	91,202
Debt Service:							
Principal	-	-	-	-	-	19,304	19,304
Interest and other charges	-	-	-	-	-	632	632
Total Expenditures	77,707	11,800	-	2,000	-	194,936	286,443
Excess (deficiency) of revenues over expenditures	(6,467)	-	-	(2,079)	9,542	13,643	14,639
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(11,985)	-	(11,985)
Total Other Financing Sources (Uses)	-	-	-	-	(11,985)	-	(11,985)
Net Change in Fund Balances	(6,467)	-	-	(2,079)	(2,443)	13,643	2,654
Fund balance:							
Beginning of year	436,092	-	155,580	2,079	2,443	18,912	615,106
End of year	<u>\$ 429,625</u>	<u>\$ -</u>	<u>\$ 155,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,555</u>	<u>\$ 617,760</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, 2015

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:			
Government grants and subsidies	\$ 208,539	\$ 201,007	\$ 7,532
Interest and rentals	40	25	15
Other Income	-	2,000	2,000
	<u>208,579</u>	<u>203,032</u>	<u>9,547</u>
Expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	175,000	203,032	(28,032)
Health and sanitation	-	-	-
Culture and recreation	-	-	-
Conservation and development	-	-	-
Miscellaneous	-	-	-
Debt Service:			
Principal	19,304	-	19,304
Interest	632	-	(632)
	<u>194,936</u>	<u>203,032</u>	<u>(9,360)</u>
Excess (deficiency) of revenues over expenditures	<u>13,643</u>	<u>-</u>	<u>18,907</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>13,643</u>	<u>\$ -</u>	<u>\$ 18,907</u>
Fund balance:			
Beginning of year	<u>18,912</u>		
End of year	<u>\$ 32,555</u>		

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
 COMBINING STATEMENT OF NET POSITION -
 FIDUCIARY FUNDS
 DECEMBER 31, 2015

	<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	\$ 78,709	\$ 35,092	\$ 309,386	\$ 423,187
Investments	<u>3,842,091</u>	<u>289,632</u>	<u>6,038,155</u>	<u>10,169,878</u>
Total Assets	<u>3,920,800</u>	<u>324,724</u>	<u>6,347,541</u>	<u>10,593,065</u>
Plan Fiduciary Net Position				
Pension Benefits	<u>\$ 3,920,800</u>	<u>\$ 324,724</u>	<u>\$ 6,347,541</u>	<u>\$ 10,593,065</u>
Deferred outflows of resources	481,739	58,458	644,086	1,184,283
Deferred inflows of resources	<u>(32,396)</u>	<u>-</u>	<u>(14,585)</u>	<u>(46,981)</u>
Net Position Restricted for Pensions	<u>\$ 4,370,143</u>	<u>\$ 383,182</u>	<u>\$ 6,977,042</u>	<u>\$ 11,730,367</u>

BOROUGH OF ELLWOOD CITY, PENNSYLVANIA
 COMBINING STATEMENT OF CHANGES IN NET POSITION -
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<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	\$ 120,435	\$ 25,587	\$ 291,185	\$ 437,207
Employee	<u>14,233</u>	<u>2,549</u>	<u>27,796</u>	<u>44,578</u>
Total Contributions	134,668	28,136	318,981	481,785
Investment income	<u>15</u>	<u>23</u>	<u>49</u>	<u>87</u>
Total Additions	134,683	28,159	319,030	481,872
Deductions				
Benefits	286,193	69,705	359,850	715,748
Administrative expense	<u>68,059</u>	<u>12,207</u>	<u>100,801</u>	<u>181,067</u>
Total Deductions	<u>354,252</u>	<u>81,912</u>	<u>460,651</u>	<u>896,815</u>
Increase (Decrease) in Net Position	<u>(219,569)</u>	<u>(53,753)</u>	<u>(141,621)</u>	<u>(414,943)</u>
Net Position:				
Beginning of year	<u>4,140,369</u>	<u>378,477</u>	<u>6,489,162</u>	<u>11,008,008</u>
End of year	<u><u>\$ 3,920,800</u></u>	<u><u>\$ 324,724</u></u>	<u><u>\$ 6,347,541</u></u>	<u><u>\$ 10,593,065</u></u>