

CITY OF WARREN, PENNSYLVANIA

AUDIT REPORT

DECEMBER 31, 2017

CITY OF WARREN, PENNSYLVANIA
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FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report

To the City Council
City of Warren, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Warren, Pennsylvania as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Independent Auditors' Report (Continued)

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Warren, Pennsylvania as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

**Independent Auditors' Report
(Continued)**

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Warren, Pennsylvania's basic financial statements. The other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The other supplementary information is the responsibility of management and was derived from and relates 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2018 on our consideration of the City of Warren, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Warren, Pennsylvania's internal control over financial reporting and compliance.

Felix and Gloekler, P.C.
Felix and Gloekler, P.C.

August 21, 2018
Erie, Pennsylvania

CITY OF WARREN, PENNSYLVANIA
Management's Discussion & Analysis
For the Year Ended December 31, 2017

As management of the City of Warren, we offer readers of the City of Warren's financial statements this narrative overview and analysis of the financial activities of the City of Warren for the fiscal year ended December 31, 2017. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

Government-wide Financial Statements

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$53,092,919 (net position). Of this amount, \$9,329,817 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.

Fund Financial Statements

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,042,395. Approximately 68% of this total amount, \$3,466,707 is available for spending at the government's discretion (assigned and unassigned fund balances).
- The City's General Fund reported a positive fund balance of \$3,504,303 as of December 31, 2017 compared to a positive fund balance of \$3,397,014 as of December 31, 2016.

Overview of the Financial Statements

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

The statement of net position provides information on all the of the City's assets, liabilities and deferred inflows and outflows of resources with the difference between the four reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City of Warren is improving or deteriorating. Other factors to consider are changes in the City's property tax base, changes in the resident base, and the condition of the City's roads and bridges.

The statement of activities presents information showing how the City'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 the 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 payroll, accrued interest on long-term debt, and intergovernmental receivables.

The government-wide financial statements distinguish functions of the City of Warren that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portions of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community development, building code enforcement, and culture and recreation. The business-type activities of the City include the operation of the sewage treatment plant and the operation of the parking lots and garage.

The City's government-wide financial statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the City (including infrastructure), as well as all liabilities (including long-term debt). Additionally, certain eliminations have been made in regard to internal activity, payables and receivables.

In the statement of net position and the statement of activities, we separate the City activities as follows:

Governmental Activities – Most of the City's basic services are reported in this category, including general government, fire, police, public works, building code enforcement, parks, recreation, and community services. Property and earned income taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type Activities – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's sewage treatment and parking activities are reported in this category.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Unlike government-wide financial statements, the focus of fund financial statements is directed toward specific activities of the City. Except for the general fund, specific funds are established to satisfy managerial control over resources or to satisfy finance-related legal requirements. The City's fund financial statements are divided into three categories: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

Governmental Funds

Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. The differences of results in the governmental fund financial statements from those in the government-wide financial statements are explained in a reconciliation schedule following each governmental fund financial statement.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds to similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of Warren adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. The City also adopts a budget for the capital improvement program fund, the sewer revenue fund, and the parking revenue fund.

Proprietary Funds

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. For financial reporting purposes, proprietary funds are grouped into enterprise funds and internal service funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City uses enterprise funds to account for its wastewater utility and parking facilities. An internal service fund is used to account for the City's tax collection office.

Fiduciary Funds

Assets held by the City for other parties, either as a trustee or an agent, and that cannot be used to finance the City's own operating programs are reported in the fiduciary funds. The City is the trustee, or fiduciary, for the City's three defined benefit pension plans. Fiduciary fund financial statements consist of a statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to 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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including a budgetary comparison schedule for the general fund, pension information, and postemployment benefit information. Other supplementary information includes a combining balance sheet and a combining statement of revenues, expenditures, and changes in fund balances for non-major governmental funds, and budgetary schedules for the sewer revenue fund and the parking revenue fund.

Government – Wide Financial Analysis

The following schedule is a summary of the statements of net position.

City of Warren, Pennsylvania
Net Position at December 31, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 5,491,854	\$ 5,677,605	\$ 5,814,159	\$ 5,359,595	\$ 11,306,013	\$ 11,037,200
Internal balances	421,753	422,913	(421,753)	(422,913)	-	-
Capital assets, net of depreciation	29,609,785	28,480,525	36,318,717	37,093,706	65,928,502	65,574,231
Total Assets	<u>35,523,392</u>	<u>34,581,043</u>	<u>41,711,123</u>	<u>42,030,388</u>	<u>77,234,515</u>	<u>76,611,431</u>
Deferred Outflows of Resources						
Deferred Outflows - pensions	-	185,925	-	-	-	185,925
Total Deferred Outflows	<u>-</u>	<u>185,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,925</u>
Liabilities						
Current and other liabilities	776,642	886,836	770,211	923,332	1,546,853	1,810,168
Long-term portion of liabilities	2,256,420	2,581,637	19,747,620	20,413,680	22,004,040	22,995,317
Total Liabilities	<u>3,033,062</u>	<u>3,468,473</u>	<u>20,517,831</u>	<u>21,337,012</u>	<u>23,550,893</u>	<u>24,805,485</u>
Deferred Inflows of Resources						
Deferred Inflows - pensions	374,207	-	-	-	374,207	-
Unearned revenues-spec assessments	216,496	368,055	-	-	216,496	368,055
Total Deferred Inflows	<u>590,703</u>	<u>368,055</u>	<u>-</u>	<u>-</u>	<u>590,703</u>	<u>368,055</u>
Net Position						
Investment in capital assets, net of related debt	27,540,029	26,596,156	15,875,056	17,086,544	43,415,085	43,682,700
Restricted	348,017	726,834	-	-	348,017	726,834
Unrestricted	4,011,581	3,607,450	5,318,236	3,606,832	9,329,817	7,214,282
Total Net Position	<u>\$ 31,899,627</u>	<u>\$ 30,930,440</u>	<u>\$ 21,193,292</u>	<u>\$ 20,693,376</u>	<u>\$ 53,092,919</u>	<u>\$ 51,623,816</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Warren, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$53,092,919 at the close of the most recent fiscal year.

A significant portion of the City's net assets (82%) reflects its investment in capital assets (land, buildings, improvements, infrastructure and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Resources of \$348,017 are subject to external restrictions for highway, street and building renovation projects. The balance of unrestricted net position of \$9,329,817 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

The City's net position from governmental activities increased \$969,187 from \$30,930,440 to \$31,899,627.

The City's net position from business-type activities increased \$499,916 from \$20,693,376 to \$21,193,292. Net investment in capital assets decreased \$1,211,488; unrestricted net position increased \$1,711,404.

The following is a summary of the information presented in the statement of activities:

City of Warren, Pennsylvania
Changes in Net Position for the Years Ended December 31, 2017 and 2016

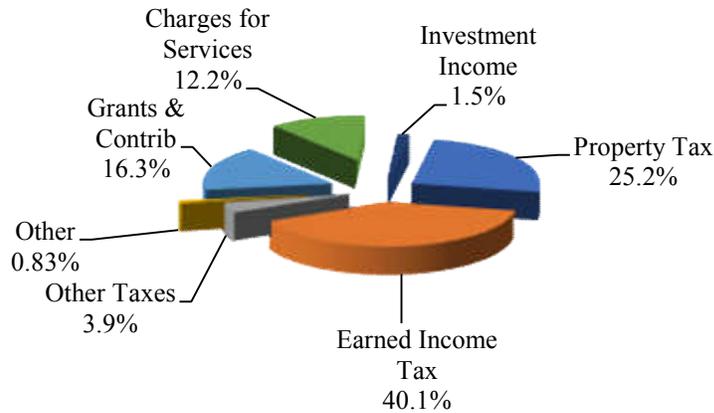
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
<u>Program Revenues:</u>						
Charges for services	\$ 1,125,447	\$ 1,071,737	\$ 3,123,778	\$ 2,971,400	\$ 4,249,225	\$ 4,043,137
Operating grants and contrib	1,053,567	753,268			1,053,567	753,268
Capital grants and contrib	447,762	1,492,934	7,012	494,279	454,774	1,987,213
<u>General Revenues:</u>						
Property taxes	2,329,796	2,250,771	-	-	2,329,796	2,250,771
Earned income tax	3,696,923	3,795,753	-	-	3,696,923	3,795,753
Other taxes	355,946	582,696	-	-	355,946	582,696
Investment income	141,293	18,585	27,903	6,245	169,196	24,830
Other	76,330	(109,694)	-	(530,082)	76,330	(639,776)
Total Revenues	<u>9,227,064</u>	<u>9,856,050</u>	<u>3,158,693</u>	<u>2,941,842</u>	<u>12,385,757</u>	<u>12,797,892</u>
Expenses						
<u>Governmental Activities:</u>						
General government	1,447,202	1,434,325	-	-	1,447,202	1,434,325
Public safety	3,934,768	3,760,486	-	-	3,934,768	3,760,486
Public works, culture/rec	2,411,720	2,298,165	-	-	2,411,720	2,298,165
Community development	125,948	681,032	-	-	125,948	681,032
Building code enforcement	437,186	397,685	-	-	437,186	397,685
Interest expense	79,472	105,073	-	-	79,472	105,073
Other	-	-	-	-	-	-
<u>Business-type Activities:</u>						
Sewer wastewater	-	-	2,014,953	1,105,754	2,014,953	1,105,754
Parking	-	-	465,405	480,437	465,405	480,437
Total Expenses	<u>8,436,296</u>	<u>8,676,766</u>	<u>2,480,358</u>	<u>1,586,191</u>	<u>10,916,654</u>	<u>10,262,957</u>
Change in Net Position						
before other items	790,768	1,179,284	678,335	1,355,651	1,469,103	2,534,935
Special Item	-	-	-	-	-	-
Transfers	178,419	101,205	(178,419)	(101,205)	-	-
Capital Contributions	-	-	-	-	-	-
Change in Net Position	<u>969,187</u>	<u>1,280,489</u>	<u>499,916</u>	<u>1,254,446</u>	<u>1,469,103</u>	<u>2,534,935</u>
<u>Net Position, Beginning of Year</u>						
	30,930,440	29,649,951	20,693,376	19,438,930	51,623,816	49,088,881
Prior Period Adjustments	-	-	-	-	-	-
Net Position, End of year	<u>\$ 31,899,627</u>	<u>\$ 30,930,440</u>	<u>\$ 21,193,292</u>	<u>\$ 20,693,376</u>	<u>\$ 53,092,919</u>	<u>\$ 51,623,816</u>

The City's governmental activities in 2017 relied heavily upon earned income tax revenue (40.1%), property tax revenue (25.2%), grants and contributions (16.3%), and charges for services (12.2%) to fund operations. The tax rate for both real estate and earned income remained the same for 2017 after an increase in 2013. The real estate rate is 19.8 mills; earned income is 2.2% (2.7% including the school district rate of .5%) for City residents. Although earned income tax revenue was lower than the previous year, overall tax revenue closely mirrored 2016 with a slight reduction of .83%. A 5% increase in charges for services was primarily attributed to an increase in emergency services revenue received, as well as an increase in street opening permits, recycling fees and recreational user fees. Interest rates experienced a slight rise in 2017 with an increase in investment income.

The cost of governmental activities totaled \$8,436,296 for the year ended December 31, 2017, a 2.8% decrease from the prior year primarily attributed to a decrease in professional services, contracted services, insurance costs, maintenance & repair and other operational costs.

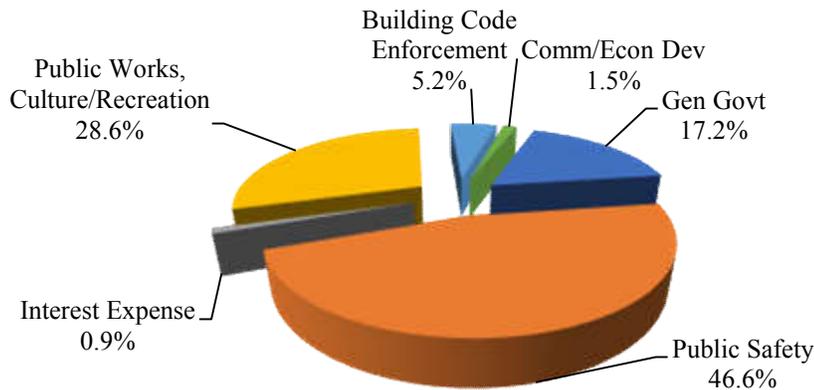
The following graph shows the composition of revenues by source for the City’s governmental activities:

Revenues by Source - Governmental Activities



The following graph presents governmental expenses by function:

Expenses by Function - Governmental Activities



Capital Assets

The City’s investment in capital assets for governmental and business-type activities as of December 31, 2017, amounts to \$43,415,085 (net of accumulated depreciation). This investment in capital assets includes land and buildings, machinery and equipment, vehicles, the sewer system, infrastructure and construction in progress.

Major capital asset events during the current fiscal year include the following:

- The Building Codes Department purchased a 2017 Ford Escape SE at a cost of \$24,098.

- The Police Department purchased 4 In-car Fujitsu Lifebook Laptops for installation in the police cruisers at a cost of \$11,426.
- The Fire Department purchased SCBA Carbon Cylinders 4500 PSI at a cost of \$136,090. This purchase was offset with FEMA federal grant proceeds.
- The Fire Department also purchased 7 sets of Turnout Gear at a cost of \$14,364. This purchase was offset with PEMA state grant proceeds.
- The Department of Public Works purchased a 2016 Chevy Silverado Pickup at a total cost of \$37,951 (shared 25% each with the sewer and parking funds.)
- Other items of equipment purchased by the Department of Public Works include round tables & benches for the parks \$10,909; SpeedAlert Radar Message sign \$6,253 (partially offset by PennPrime grant funds); HP printer/plotter \$5,895; 8-ft Spreader \$5,219; Line Striper Painting machine \$4,454.
- Welcome to Warren signs were installed at the eastern and western city entryways at a cost of \$17,204. This purchase was partially offset with PA Route 6 Alliance grant funds.
- The completion of a multi-year restroom and ballfield upgrade project at Betts Park at a total cost of \$187,154 partially funded by a DCNR grant, as well as private contributions. Also included was the installation of a 12-ft octagon Gazebo.
- The City purchased land located in Glade Township at a cost of \$75,319 to be used as a compost site.
- Fencing and a decorative metal Archway were installed at Art Kelsey Park at a cost of \$28,170.
- A portion of Crescent Park Street was reconstructed at a cost of \$297,355. Included in this project was the reconstruction of sewer lines at a cost of \$75,000.
- A renovation project within the Municipal Building included updates to the rotunda, a storage room and the council chambers totaling \$210,842. Also, included in this project was the installation of a sound system and 74.6-inch UHD TV at a cost of \$48,433; window treatments at \$7,460; and the installation of a water cooler dispenser costing \$6,177. This project was partially funded by a PHMC grant.
- Renovation improvements to the Police Department locker room/restroom, including a data room, were completed at a cost of \$403,689. This project was partially funded by a RACP grant.
- The Fire Station building received a new door and replacement windows at a cost of \$25,644. This project was also partially funded by a RACP grant.
- Sewer fund equipment purchases included two multi-stage pumps for a total of 6,865; a lab sampler \$6,786; locator line tracer \$2,684; pressure washer \$1,750.

- Total City-wide building, equipment and machinery disposed in 2017 totaled \$32,396 (net of accumulated depreciation).

Long-Term Liabilities

At the end of the current fiscal year, the City had revenue and general obligation notes that totaled \$21,877,050; compensated absences totaled \$417,705; other postemployment benefits totaled \$148,369; capital leases totaled \$192,606. Included in the revenue and general obligation note balance are two notes obtained in 2010 for Streetscape Project funding and for capital equipment purchases. Additionally, final funds were drawn down from the Pennvest note for the sewer treatment plant upgrade construction project in 2017. The balance outstanding at year end totals \$20,307,022. In addition, the City's obligation to repay \$500,000 to the Warren Redevelopment Assistance Loan fund was reduced after a legal settlement was reached and most of the principal balance was forgiven amounting to a total due of \$145,010 at year end. The City's total long-term liabilities decreased \$991,277.

General Fund Budgetary Highlights

Significant revenue differences between the final budget and actual amounts included a positive variance in taxes, primarily due to the collection of real estate tax and local services tax revenue higher than budgeted. A positive balance is also reflected in license and permit revenue which includes eating and drinking establishments, vendor/event permits, street/curb permits, and building permits/inspections. Intergovernmental revenue also reports a positive balance which includes an increase in pension state aid, and PENNDOT winter maintenance, as well the receipt of a FEMA assistance firefighter grant, a PEMA firefighter grant, a recycling performance grant, and numerous smaller grants. Charge for Services revenue also reflects a positive variance primarily due to an increase in recycling fees received, increased EMS fees received, and parks/recreation user fees.

Total general fund operating expenditures for the year were very close (90.7%) of budget.

Significant expenditure variances were:

- Wages and benefit costs were 6.1% less than budgeted.
- Supplies were 7.5% less than budgeted and include office, training, cleaning, and highway supplies.
- Property and liability insurance was 30.0% less than budgeted after applying member credit.
- Utility expense (telephone, electricity, gas, sewer, water and solid waste disposal) was 25% over budget. All utilities experienced an increase except for sewer and natural gas expense which was significantly under budget.
- Professional and legal services were 22.9% less than budgeted.

- Contracted services which includes sidewalk, curb and ADA ramps upgrades, recycling cost, tree care and maintenance/repair costs was 13.9% below budget.
- Capital equipment purchases were budgeted at \$383,500; however, only \$286,618 was spent as some purchases were reallocated in the next year.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Warren closely parallels the county seasonally adjusted rate of 5.3% at year end – lower than one year ago at 5.6% but higher than both the national (4.1%) and the state (4.6%). Warren County's rate is nearly the lowest in the region. Rates for Bradford and Erie were both 5.7% and 5.4% respectively. Forest County experienced a rate of 7.0%; 5.2% in Meadville and 5.7 in Oil City.
- Figures from the 2010 census show that the City of Warren has lost 5.4% of its population since the 2000 census from 10,259 to approximately 9,710. 2015 estimates projected that the population fell further to 9,400. This trend is mirrored by other northwestern Pennsylvania municipalities of similar size. The primary reason for the decline has been job loss. The new census data revealed that Warren County has one of the oldest populations in the state (5th out of 67 counties); 18.7% of county residents are over age 65, partly due to the fact that young people do not return to the area after college. Only 19.7% of Warren County's population was under the age of 18 in 2015. Statistics show a total population of 40,396 in 2015 – a 3.4% drop since the last census in 2010 at 41,815. At the current pace of loss, the population of Warren County will drop below 40,000 by 2021. Each census since 1970 has shown a decline in the number of residents for the County.
- Investment rates were up considerably at 1.09% up to 1.31% yield on the City's liquid investments with Pennsylvania Local Government Trust (PLGIT) at year end compared to .38% - .76% at December 2016. Certificate of deposit rates also increased averaging 1.55% for 90-180 day CD rates compared to .76%; 365-day rates were 1.80% compared to 1.10% a year ago.

These factors, as well as factors including infrastructure costs, public safety costs, employee-related costs for healthcare, pensions, wages, and cuts in state and federal aid, were considered in preparing the City of Warren's budget for the 2018 fiscal year. The last few years have seen a pattern of appropriating the City's fund balance to balance the operational budget. Due to the Gro-Warren loan settlement and subsequent DCED forgiveness of the remaining loan balance, the City experienced a 3.15% increase in general fund balance at year end for 2017 following a 3.5% decrease in 2016. The City appropriated \$523,207 fund balance to balance its 2018 operational fiscal budget; fund balance of \$1,261,250 was appropriated in the 2018 budget to fund scheduled Capital Improvement Projects.

Highlights of the 2018 fiscal budget include:

- Real estate tax revenue is projected to remain stable with an increase of \$30,000 budgeted in 2018. An increase in earned income tax revenue of \$100,000 is projected, as well as an increase of \$25,000 in local services tax revenue.

- Employee wage and benefit costs (net of pension) are projected to increase 4.5% for 2018 due to contractual wage increases of 3%, longevity increases and increased benefit costs. The margin of health insurance savings is shortening since the City entered into a pooled arrangement with Mockenhaupt Benefit Services beginning in 2015 with a 10% increase for 2018 even though union contracts negotiated for years 2018 thru 2020 resulted in increased cost sharing by employees. The I.A.F.F. collective bargaining agreement expired on December 31, 2017 and is currently in arbitration.
- The Minimum Municipal Obligation (MMO) expense for the City's pension plans contains a 20.1% increase and again reflects a substantial increase over and above the expected pension state aid in 2018.
- The City was awarded a grant by the PA Dept of Community and Economic Development (DCED) for participation in the Early Intervention Program for staff assistance with financial planning and trending analysis, as well as a view of operations to determine cost saving measures that could be implemented. With this grant, the City will receive a 50% offset of the \$84,000 expense allocation.
- A total of \$280,000 was appropriated for street resurfacing for the 2018 summer season to be funded by state appropriated Liquid Fuels funds. An additional \$200,000 has been appropriated to street resurfacing plus \$150,000 for concrete streets utilizing assigned fund balance. Also, \$120,000 has been reallocated from the general fund and \$40,000 from the sewer fund to rebuild the concrete intersection at Lexington Avenue and Parker Street. Funding of \$70,000 was allocated for the engineering design for a streetscape project in the 200 block of Pennsylvania Avenue. Also included is \$612,800 allocated for a streetscape project in the 400 block of Pennsylvania Avenue. It is expected that a \$397,800 multimodal transportation grant will offset this project.
- Community Development Block Grant (CDBG) funding of \$250,000 was appropriated for reconstruction of the curb, sidewalk, railing and retaining wall on Park Avenue, as well as \$25,000 of assigned general fund balance.
- The City continues to take an aggressive approach to upgrade its parks and playgrounds in order to bring them into compliance with the Americans with Disabilities Act (ADA). Included in the budget is \$150,000 for Lacy Park playground improvements and \$300,000 for Crescent Park's healing garden walking trail. Partial funding includes Pennsylvania Department of Conservation and Natural Resources (DCNR) as well as local contributions.
- Funds of \$60,000 has been appropriated for dredging at the Third Avenue Bridge and Glade Run areas. Also, \$50,000 has been appropriated for the Glade Run levee rehabilitation, right-of-way and relocation project.
- The City's Pridewalk program was resurrected in 2017 and includes an appropriation of \$66,000 to partially reimburse residents for sidewalk replacement costs. \$16,000 of this amount is to fund those sidewalks committed in 2017 with the additional \$50,000 to fund 2018 projected applications.

- Included in the Police Department budget is \$20,000 for the purchase of body cameras and in-car cameras. Also included is \$100,000 for 2 police vehicles.
- Included in the Fire Department budget is \$18,000 for the purchase of firehose line, nozzles, rescue air bags and rescue struts.
- Appropriations to continue the City's contracted services for grass cutting and snow removal for most City properties are included in the 2018 budget.
- Included in the Public Works budget is \$179,000 for the purchase of a pickup truck, one-ton truck, wood chipper and roller. Also, \$30,000 has been appropriated for the DPW garage roof repair.
- Contributions of \$88,200 are included to assist various agencies that have submitted funding requests. Included in this allocation is a \$50,000 contribution toward a Main Street Manager for a downtown merchants' program.
- Funds of \$20,500 were budgeted in the Parking Fund for the purchase of additional street meters, as well as parking enforcement equipment.
- After 10 years of sewer user charge increases of 10% per year in order to provide sufficient revenue to facilitate the increase in wastewater treatment system appropriations for residential, commercial and industrial customers; and to increase investments to fund the major upgrade to the sewage treatment plant completed in 2016, there were no user increases included in the 2018 budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Warren's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Warren Finance Office, 318 West Third Avenue, Warren, PA 16365.

CITY OF WARREN, PENNSYLVANIA
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 3,570,126	\$ 5,238,665	\$ 8,808,791
Restricted cash	482,016	-	482,016
Receivable, net	110,178	539,056	649,234
Taxes receivable, net	431,481	-	431,481
Intergovernmental receivable, net	897,470	36,438	933,908
Prepaid items	583	-	583
Interfund receivable	421,753	(421,753)	-
Total Current Assets	<u>5,913,607</u>	<u>5,392,406</u>	<u>11,306,013</u>
Non-current Assets			
Net pension asset	426,838	-	426,838
Capital assets:			
Assets not being depreciated	1,373,378	64,895	1,438,273
Assets being depreciated, net	27,809,569	36,253,822	64,063,391
Total Non-current Assets	<u>29,609,785</u>	<u>36,318,717</u>	<u>65,928,502</u>
Total Assets	<u>35,523,392</u>	<u>41,711,123</u>	<u>77,234,515</u>
LIABILITIES			
Current Liabilities			
Accounts payable	248,603	58,813	307,416
Accrued liabilities	49,590	-	49,590
Intergovernmental payable	68,323	-	68,323
Interest payable	-	16,923	16,923
Other liabilities	47,740	-	47,740
Compensated absences	152,892	5,836	158,728
Capital leases payable	37,700	61,286	98,986
Notes payable	171,794	627,353	799,147
Total Current Liabilities	<u>776,642</u>	<u>770,211</u>	<u>1,546,853</u>
Non-Current Liabilities			
Compensated absences	249,456	9,521	258,977
Capital leases payable	35,190	58,430	93,620
Notes payable	1,398,234	19,679,669	21,077,903
OPEB obligation	148,369	-	148,369
Net pension liability	425,171	-	425,171
Total Non-Current Liabilities	<u>2,256,420</u>	<u>19,747,620</u>	<u>22,004,040</u>
Total Liabilities	<u>3,033,062</u>	<u>20,517,831</u>	<u>23,550,893</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	374,207	-	374,207
Unearned revenues-special assessments	216,496	-	216,496
Total Deferred Inflows	<u>590,703</u>	<u>-</u>	<u>590,703</u>
NET POSITION			
Net investment in capital assets	27,540,029	15,875,056	43,415,085
Restricted for:			
Liquid fuels	311,005	-	311,005
Streetscape project	37,012	-	37,012
Unrestricted	4,011,581	5,318,236	9,329,817
Total Net Position	<u>\$ 31,899,627</u>	<u>\$ 21,193,292</u>	<u>\$ 53,092,919</u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA

Statement of Activities

For the Year Ended December 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Operating Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>Governmental Activities:</u>				
General government	\$ 1,447,202	\$ 110,314	\$ 114,706	\$ -
Public safety	3,934,768	381,084	392,296	-
Public works	1,794,289	355,540	546,565	20,166
Culture and recreation	617,431	167,313	-	-
Community development	125,948	-	-	427,596
Building code enforcement	437,186	111,196	-	-
Interest expense	79,472	-	-	-
Total Governmental Activities	8,436,296	1,125,447	1,053,567	447,762
<u>Business-Type Activities:</u>				
Sewer	2,014,953	2,685,611	-	7,012
Parking	465,405	438,167	-	-
Total Business-Type Activities	2,480,358	3,123,778	-	7,012
Total	\$ 10,916,654	\$ 4,249,225	\$ 1,053,567	\$ 454,774

The notes to the financial statements are an integral part of these statements.

Net (Expense)/Revenue and Changes in Net Position

Governmental Activities	Business- Type Activities	Total
\$ (1,222,182)	\$ -	\$ (1,222,182)
(3,161,388)	-	(3,161,388)
(872,018)	-	(872,018)
(450,118)	-	(450,118)
301,648	-	301,648
(325,990)	-	(325,990)
(79,472)	-	(79,472)
(5,809,520)	-	(5,809,520)
-	677,670	677,670
-	(27,238)	(27,238)
-	650,432	650,432
(5,809,520)	650,432	(5,159,088)

General Revenues:

Taxes			
Property tax	2,329,796	-	2,329,796
Earned income tax	3,696,923	-	3,696,923
Local services tax	336,102	-	336,102
Realty transfer tax	13,215	-	13,215
Utility tax	6,629	-	6,629
Investment earnings	141,293	27,903	169,196
Transfers in/(out)	178,419	(178,419)	-
Gain/(Loss) on sale of fixed assets	(35,964)	-	(35,964)
Miscellaneous revenues	112,294	-	112,294
Total General Revenues	6,778,707	(150,516)	6,628,191
Change in Net Position	969,187	499,916	1,469,103
Net Position, Beginning of Year	30,930,440	20,693,376	51,623,816
Net Position, End of Year	\$ 31,899,627	\$ 21,193,292	\$ 53,092,919

CITY OF WARREN, PENNSYLVANIA
Balance Sheet
Governmental Funds
December 31, 2017

	General Fund	Warren Redevelopment Assistance Loan Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,573,339	\$ 578,073	\$ 313,616	\$ 3,465,028
Restricted cash	482,016	-	-	482,016
Receivable, net	110,178	-	-	110,178
Taxes receivable, net	431,481	-	-	431,481
Intergovernmental receivable, net	35,049	500,000	362,421	897,470
Advance from general fund	-	145,010	-	145,010
Prepaid items	583	-	-	583
Interfund receivable	728,444	-	-	728,444
	<u>4,361,090</u>	<u>1,223,083</u>	<u>676,037</u>	<u>6,260,210</u>
Total Assets	<u>\$ 4,361,090</u>	<u>\$ 1,223,083</u>	<u>\$ 676,037</u>	<u>\$ 6,260,210</u>
LIABILITIES				
Accounts payable	\$ 157,496	\$ -	\$ 90,840	\$ 248,336
Accrued liabilities	49,590	-	-	49,590
Advance to Warren Redevelopment Assistance Loan fund	145,010	-	-	145,010
Interfund payable	-	-	270,183	270,183
Other liabilities	47,735	-	5	47,740
	<u>399,831</u>	<u>-</u>	<u>361,028</u>	<u>760,859</u>
Total Liabilities	<u>399,831</u>	<u>-</u>	<u>361,028</u>	<u>760,859</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	240,460	-	-	240,460
Unavailable revenue - special assessments	216,496	-	-	216,496
	<u>456,956</u>	<u>-</u>	<u>-</u>	<u>456,956</u>
Total Deferred Inflows of Resources	<u>456,956</u>	<u>-</u>	<u>-</u>	<u>456,956</u>
FUND BALANCE				
Nonspendable:				
Prepaid items	583	-	-	583
Restricted:				
Liquid fuels	-	-	311,005	311,005
Streetscape project	37,012	-	-	37,012
Committed:				
Economic development funding	-	1,223,083	-	1,223,083
Glade floodway	-	-	4,004	4,004
Assigned:				
Community improvement projects	1,261,250	-	-	1,261,250
Equipment	549,139	-	-	549,139
Operations	523,207	-	-	523,207
Unassigned	1,133,112	-	-	1,133,112
	<u>3,504,303</u>	<u>1,223,083</u>	<u>315,009</u>	<u>5,042,395</u>
Total Fund Balance	<u>3,504,303</u>	<u>1,223,083</u>	<u>315,009</u>	<u>5,042,395</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 4,361,090</u>	<u>\$ 1,223,083</u>	<u>\$ 676,037</u>	<u>\$ 6,260,210</u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2017

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

Fund balances - governmental funds	\$	5,042,395
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the governmental funds		29,182,947
Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		(374,207)
Certain long-term assets are not available to pay current period expenditures and, therefore, are unearned in the funds-Unavailable revenue-Property taxes		240,460
Other post-employment benefits are reflected on the Statement of Net Position, but are not considered a current expenditure for the fund statements		(148,369)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Notes payable	\$	(1,570,028)
Capital leases payable		(72,890)
Net pension (liability)/asset		1,667
Compensated absences		(402,348)
		(2,043,599)
Net position of governmental activities	\$	31,899,627

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2017

	General Fund	Warren Redevelopment Assistance Loan Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 6,427,896	\$ -	\$ -	\$ 6,427,896
Intergovernmental	770,843	-	741,815	1,512,658
Charges for services	490,645	-	-	490,645
Interest, rents and royalties	122,816	17,402	2,811	143,029
Licenses and permits	466,435	-	-	466,435
Fines and forfeits	69,477	-	-	69,477
Other	94,157	-	70,000	164,157
Total Revenues	<u>8,442,269</u>	<u>17,402</u>	<u>814,626</u>	<u>9,274,297</u>
EXPENDITURES				
General government	1,006,844	-	-	1,006,844
Public safety	3,830,188	-	-	3,830,188
Public works	1,658,263	-	-	1,658,263
Culture and recreation	525,794	-	-	525,794
Community development	83,371	55,868	1,526,807	1,666,046
Building code enforcement	413,663	-	-	413,663
Debt service	-	-	249,147	249,147
Total Expenditures	<u>7,518,123</u>	<u>55,868</u>	<u>1,775,954</u>	<u>9,349,945</u>
Excess of revenues over expenditures	<u>924,146</u>	<u>(38,466)</u>	<u>(961,328)</u>	<u>(75,648)</u>
OTHER FINANCING SOURCES (USES)				
Loan settlement	264,609	(264,609)	-	-
Transfers in	85,318	-	1,259,885	1,345,203
Transfers out	(1,166,784)	-	-	(1,166,784)
Total Other Financing Sources (Uses)	<u>(816,857)</u>	<u>(264,609)</u>	<u>1,259,885</u>	<u>178,419</u>
Net Change in Fund Balance	107,289	(303,075)	298,557	102,771
Fund Balances, Beginning of Year	<u>3,397,014</u>	<u>1,526,158</u>	<u>16,452</u>	<u>4,939,624</u>
Fund Balances, End of Year	<u>\$ 3,504,303</u>	<u>\$ 1,223,083</u>	<u>\$ 315,009</u>	<u>\$ 5,042,395</u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2017

Net change in fund balances - total governmental funds	\$	102,771
Capital outlay, reported as expenditures in the governmental funds, are shown as capital assets in the Statement of Net Position		1,631,096
The net effect of various miscellaneous transactions involving capital assets (i.e. disposal of assets) is to decrease net position		(35,964)
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities		(892,710)
Certain activities reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as revenues in the governmental funds- Unavailable revenue-Property taxes		(51,860)
Deferred inflows are not reflected in the fund statements as they are related to future pension obligations		(560,132)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In the current year these amounts are:</p>		
Payments on notes payable	\$	169,675
Payments on capital lease payable		71,776
Change in compensated absences		(21,083)
Change in net pension liability		524,741
Change in other post-employment benefits		30,877
		775,986
Change in net position of governmental activities	\$	969,187

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA

Statement of Net Position

Proprietary Funds

December 31, 2017

	Business-Type Activities			Governmental
	Sewer Fund	Parking Fund	Total Enterprise Funds	Internal Service Fund
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 5,176,256	\$ 62,409	\$ 5,238,665	\$ 105,098
Receivable, net	534,994	4,062	539,056	-
Intergovernmental receivable, net	36,438	-	36,438	-
Total Current Assets	<u>5,747,688</u>	<u>66,471</u>	<u>5,814,159</u>	<u>105,098</u>
Non-Current Assets				
Capital Assets:				
Land	25,165	21,630	46,795	-
Construction in progress	18,100	-	18,100	-
Assets being depreciated, net	28,025,368	8,228,454	36,253,822	-
Total Capital Assets, Net	<u>28,068,633</u>	<u>8,250,084</u>	<u>36,318,717</u>	<u>-</u>
Total Assets	<u>\$ 33,816,321</u>	<u>\$ 8,316,555</u>	<u>\$ 42,132,876</u>	<u>\$ 105,098</u>
LIABILITIES AND NET POSITION				
Liabilities				
Current Liabilities				
Accounts payable	\$ 54,415	\$ 4,398	\$ 58,813	\$ 267
Interest payable	16,923	-	16,923	-
Intergovernmental payable	-	-	-	68,323
Interfund payable	57,658	364,095	421,753	36,508
Compensated absences	5,836	-	5,836	-
Capital lease payable	12,010	46,420	58,430	-
Note payable	627,353	-	627,353	-
Total Current Liabilities	<u>774,195</u>	<u>414,913</u>	<u>1,189,108</u>	<u>105,098</u>
Non-Current Liabilities				
Compensated absences	9,521	-	9,521	-
Capital lease payable	11,926	49,360	61,286	-
Note payable	19,679,669	-	19,679,669	-
Total Non-Current Liabilities	<u>19,701,116</u>	<u>49,360</u>	<u>19,750,476</u>	<u>-</u>
Total Liabilities	<u>20,475,311</u>	<u>464,273</u>	<u>20,939,584</u>	<u>105,098</u>
NET POSITION				
Net investment in capital assets	7,720,752	8,154,304	15,875,056	-
Unrestricted	5,620,258	(302,022)	5,318,236	-
Total Net Position	<u>13,341,010</u>	<u>7,852,282</u>	<u>21,193,292</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 33,816,321</u>	<u>\$ 8,316,555</u>	<u>\$ 42,132,876</u>	<u>\$ 105,098</u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activities			Governmental Activities
	Sewer Fund	Parking Fund	Total Enterprise Funds	Internal Service Fund
Operating Revenues				
Charges for services	\$ 2,685,611	\$ 438,167	\$ 3,123,778	\$ 40,591
Intergovernmental revenues	7,012	-	7,012	-
Total Operating Revenues	2,692,623	438,167	3,130,790	40,591
Operating Expenses				
Salaries and wages	332,625	61,113	393,738	23,438
Employee benefits	107,955	26,121	134,076	14,623
Supplies	112,988	12,408	125,396	313
Sludge removal	257,068	-	257,068	-
Utilities	185,322	26,981	212,303	588
Other	176,436	73,032	249,468	1,629
Depreciation	642,714	262,436	905,150	-
Total Operating Expenses	1,815,108	462,091	2,277,199	40,591
Operating Income (Loss)	877,515	(23,924)	853,591	-
Non-Operating Revenues (Expenses)				
Investment earnings	27,749	154	27,903	-
Interest expense	(199,845)	(3,314)	(203,159)	-
Gain/(Loss) on sale of asset	-	-	-	-
Transfers out	(66,410)	(112,009)	(178,419)	-
Total Non-Operating Revenue (Expenses)	(238,506)	(115,169)	(353,675)	-
Change in Net Position	639,009	(139,093)	499,916	-
Net Position, Beginning of Year	12,702,001	7,991,375	20,693,376	-
Net Position, End of Year	<u>\$ 13,341,010</u>	<u>\$ 7,852,282</u>	<u>\$ 21,193,292</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2017

	Business-Type Activities			Governmental Activities
	Sewer Fund	Parking Fund	Total Enterprise Funds	Internal Service Fund
Cash flows from operating activities:				
Cash receipts from customers	\$ 3,933,515	\$ 436,842	\$ 4,370,357	\$ 40,591
Other operating cash receipts	7,012	-	7,012	
Cash payments to suppliers for goods and services	(671,789)	(41,553)	(713,342)	(816)
Cash payments to employees for services	(423,611)	(101,974)	(525,585)	(23,056)
Cash payments for other operating expenses	(176,436)	(73,032)	(249,468)	(1,629)
Net cash provided by (used by) operating activities	<u>2,668,691</u>	<u>220,283</u>	<u>2,888,974</u>	<u>15,090</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(66,410)	(112,009)	(178,419)	-
Net cash used by noncapital and related activities	<u>(66,410)</u>	<u>(112,009)</u>	<u>(178,419)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets/loss on disposal	(120,673)	(9,488)	(130,161)	-
Principal payments on note/lease	(646,702)	(57,293)	(703,995)	-
Interest paid on debt	(199,845)	(3,314)	(203,159)	-
Net cash used by capital and related financing activities	<u>(967,220)</u>	<u>(70,095)</u>	<u>(1,037,315)</u>	<u>-</u>
Cash flows from investing activities:				
Interest income	27,749	154	27,903	-
Net cash provided by investing activities	<u>27,749</u>	<u>154</u>	<u>27,903</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,662,810	38,333	1,701,143	15,090
Cash and cash equivalents, January 1, 2017	<u>3,513,446</u>	<u>24,076</u>	<u>3,537,522</u>	<u>90,008</u>
Cash and cash equivalents, December 31, 2017	<u>\$ 5,176,256</u>	<u>\$ 62,409</u>	<u>\$ 5,238,665</u>	<u>\$ 105,098</u>
Reconciliation of operating income to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ 877,515	\$ (23,924)	\$ 853,591	\$ -
Adjustment to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	642,714	262,436	905,150	-
Changes in assets, liabilities, and deferred inflows				
(Increase) decrease in receivable	12,286	(1,325)	10,961	-
(Increase) decrease in intergovernmental receivable	1,235,618	-	1,235,618	-
Increase (decrease) in accounts payable	(116,759)	(2,164)	(118,923)	85
Increase (decrease) in compensated absences	3,389	-	3,389	-
Increase (decrease) in intergovernmental payable	-	-	-	7,329
Increase (decrease) in interest payable	348	-	348	-
Increase (decrease) in interfund payable	13,580	(14,740)	(1,160)	7,676
Net cash provided by (used by) operating activities	<u>\$ 2,668,691</u>	<u>\$ 220,283</u>	<u>\$ 2,888,974</u>	<u>\$ 15,090</u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Statement of Fiduciary Net Position
Pension Trusts
December 31, 2017

ASSETS

Cash and cash equivalents	\$ 71,724
Investments	<u>17,469,947</u>
Total Assets	<u><u>\$ 17,541,671</u></u>

LIABILITIES

Accounts payable	<u>\$ 11,629</u>
Total Liabilities	<u>11,629</u>

NET POSITION

Net position held in trust for pension benefits	<u>17,530,042</u>
Total Net Position	<u>17,530,042</u>
Total Liabilities and Net Position	<u><u>\$ 17,541,671</u></u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Statement of Changes in Fiduciary Net Position
Pension Trusts
For the Year Ended December 31, 2017

Additions:	
Contributions	
Employer	\$ 579,164
Plan members	89,663
	668,827
Total	668,827
Investment income (loss), net	2,220,671
	2,889,498
Total Additions	2,889,498
Deductions:	
Benefits	875,425
Management expense	70,759
	946,184
Total Deductions	946,184
Change in Net Position	1,943,314
Net Position, Beginning of Year	15,586,728
	17,530,042
Net Position, End of Year	\$ 17,530,042

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Notes to Financial Statements
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Warren, Pennsylvania was incorporated in 1832, operating as a borough under the Borough code until December 31, 1977, when it changed to a Home Rule Municipality under the Home Rule Charter and Optional Plans Law, Pennsylvania Act 62 of 1972. On January 2, 1989, the Borough changed its name to the City of Warren. The City operates under a council-manager form of government and provides the following services as authorized by its charter: Public Safety – Police and Fire, Highways and Streets, Sanitation, Health and Social Services, Culture/Recreation, Public Improvements, Planning and Zoning, Code Enforcement, and General Administrative Services.

The City's financial statements include the accounts of all City operations. The criteria for including organizations within the City's reporting entity primarily include the degree of oversight responsibility maintained by the City Council. Examples of oversight responsibility include financial interdependency, selection of governing authority, designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

The City established the Redevelopment Authority of the City of Warren, whose purpose is to acquire and dispose of blighted properties within the City. Financial data for the Redevelopment Authority of the City of Warren is not included as a component unit in these financial statements because inclusion is immaterial to the City's basic financial statements. The Redevelopment Authority of the City of Warren has not issued separate financial statements for 2017.

B. Description of 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 nonfiduciary activities of the City. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following governmental funds:

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

The Warren Redevelopment Assistance Loan fund is used to provide funding for start-up businesses and non-profit organizations created to improve the City of Warren.

The Capital Improvement Program fund accounts for governmental fund-type capital projects of the City.

The Community Development Block Grant fund accounts for federally funded programs of the City.

The Highway Aid fund accounts for monies received from the state and used for street and road projects.

The Glade Run Escrow fund accounts for funds held for the maintenance of Glade Run under an agreement with Department of Environmental Protection.

The Debt Service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following proprietary funds:

The Sewer Revenue fund accounts for activities of the City's sewage system. The City operates the sewage treatment plant and sewage pumping stations and collections systems.

The Parking Revenue fund accounts for the activities of the City's parking operations.

Additionally, the City reports the following fund types:

The Internal Service fund accounts for services provided to other departments of the City, or to other governments, on a cost reimbursement basis.

The Fiduciary funds account for the activities of the City's pension funds, which accumulates resources for pension benefit payments to qualified employees.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. 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.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary and pension trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

The City follows these procedures in establishing the budget:

1. In accordance with the City's Home Rule Charter, on or before 45 days prior to December 31, the City Manager submits a proposed budget and an accompanying message to the City Council for the ensuing year. The message explains the budget both in fiscal terms and in terms of programs, policies, activities, and plans. The budget document provides a financial plan of the general fund, the capital improvement fund, the sewer revenue fund, and the parking revenue fund for the upcoming year and is balanced in that the total of proposed expenditures does not exceed total estimated revenues. The budget is in such form as the City Manager deems desirable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. A public hearing is conducted to obtain taxpayer comment.
3. Prior to December 31, the budget is legally enacted by resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general fund, the capital improvement fund, and the enterprise funds.
5. Adoption of the budget constitutes the appropriation of the amounts specified in the general fund as expenditures.
6. Appropriations may be transferred within departments at any time during the year by the City Manager. City Council may, by resolution, transfer appropriations between departments. Appropriations may not be reduced below any amounts required by law or by more than the amount of unappropriated balance remaining.
7. Appropriations lapse at the end of each fiscal year unless encumbered.
8. City Council may authorize supplemental appropriations during the year.

The City does not provide a budget for its major special revenue fund, the Warren Redevelopment Assistance Loan fund, as the fund's revenues and expenditures relate only to the fund's loan activity.

Excess of expenditures over appropriations

The budget for the parking revenue fund disclosed an excess of expenditures over appropriations of \$127,575 mainly due to depreciation expense not being budgeted for by the City. The amounts over expended were funded by prior year's accumulated fund balances.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and cash equivalents and investments

The government's cash and cash equivalents as used in the statement of cash flows are considered to be cash on hand, demand deposits, pooled for investment purposes in the Pennsylvania Local Government Investment Trust (PLGIT), and short-term investments with original maturities of three months or less from the date of acquisition.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Governmental Funds for investment purposes. Fiduciary Fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practices.

The deposit and investment policy of the City adheres to state statutes and prudent business practice. The investments of the Fiduciary Funds are administered by trustees and are held separately from those of other City funds.

2. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. For infrastructure assets the same estimated minimum useful life is used (in excess of one year), but only those infrastructure projects that cost more than \$10,000 are reported as capital assets.

Capital assets in governmental activities acquired prior to December 31, 2002 are valued at acquisition costs provided by an industrial appraiser. Governmental capital assets purchased after December 31, 2002 are valued at cost. Governmental infrastructure assets acquired after December 31, 2003 are reported at cost. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets life are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Computers and software	5
Machinery and equipment	8-15
Vehicles	8
Improvements	15-20
Buildings	20-40
Infrastructure	50

4. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of this item, which arise under a modified accrual basis of accounting and full accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental funds balance sheet and statement of net position. The governmental funds report unavailable revenues from two sources: property taxes, which is currently shown in the fund statements, and special assessments, which is shown in both the fund statements and government-wide statements. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government has another item that qualifies for reporting in this category. It is related to actuarially determined changes in the net pension liability recognized over future periods (see note 8 for further information).

5. Net position flow assumption

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Fund balance flow assumptions

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

7. Fund balance policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the director of finance to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

The property tax is levied each June on the assessed valuation of property located in the City as of the preceding June. Assessed values are established annually by Warren County and are equalized by the State at an estimated 50% of current market value. Assessed valuation of taxable real estate amounted to \$114,006,254 at a tax rate of 19.8 mills. Taxes are paid at discount to September 30th and at par to November 30th. Taxes paid after November 30th are assessed a 10% penalty.

Unpaid property taxes are returned to the County Treasurer by the City on the last Monday in April. The property is levied at that time. Delinquent notices are sent in July. Taxpayers have until the following June to pay the balance. If unpaid by July 1, property is advertised for sale. The property is then posted in August and sold on the second Monday of September.

3. Compensated absences and accumulated unpaid employee benefits

Unionized and nonunionized City employees generally earn sick leave at rates set forth in the respective union contracts. Sick leave accumulates on a monthly basis and is fully vested when earned. Accumulation policies vary depending on the contract.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts.

5. Credit risk

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Proprietary funds operating and nonoperating revenues and expenses.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the sewer fund, parking fund, and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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 nonoperating revenues and expenses.

I. Pronouncement Implemented

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

J. Future Pronouncement

The City will adopt GASB 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions* for the year ended December 31, 2018. The objective of this statement is to improve accounting and financial reporting for Postemployment Benefits Other Than Pensions. (OPEB)

NOTE 2 – CASH DEPOSITS AND INVESTMENTS – PRIMARY GOVERNMENT

Primary Government:

Deposits

At December 31, 2017, the City’s deposits, excluding the pension trust funds, are as follows:

	<u>Bank</u>	<u>Book</u>
Governmental Activities:		
Cash and cash equivalents	\$ 4,091,628	\$ 4,052,142
Business-Type Activities:		
Cash and cash equivalents	<u>5,232,230</u>	<u>5,238,665</u>
	<u>\$ 9,323,858</u>	<u>\$ 9,290,807</u>

NOTE 2 – CASH DEPOSITS AND INVESTMENTS – PRIMARY GOVERNMENT
(CONTINUED)

Included in the governmental activities and business-type activities, unrestricted cash is the City’s investment in PLGIT external investment pools, with total deposit of \$6,166,565 as of December 31, 2017. The City’s investment in the investment pool is the same as the value of the pool shares and is reported at amortized cost, which approximate market. All investments in an external investment pool that are not SEC-registered are subject to oversight by the Commonwealth. The City can withdraw funds from the investment pools without limitation or fees.

Custodial Credit Risk – For a deposit, custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of December 31, 2017, \$331,501 of the City’s \$9,323,858 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). Of the remaining bank balance, \$8,992,357 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, and the remaining balance is uncollateralized and uninsured. These deposits have carrying amounts of \$9,290,807 as of December 31, 2017.

NOTE 3 – RECEIVABLES

Receivables as of December 31, 2017 for the government’s individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	Sewer Fund	Parking Fund	Warren Redevelopment Assistance Loan Fund	CDBG Fund	Capital Improvement Program	Highway Aid	Total
Taxes	\$ 431,481	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 431,481
Intergovernmental	35,049	36,438	-	645,010	14,564	346,450	1,407	1,078,918
Other	145,705	740,936	4,062	-	-	-	-	890,703
Gross Receivables	612,235	777,374	4,062	645,010	14,564	346,450	1,407	2,401,102
Less: Allowance for Uncollectable	(35,527)	(205,942)	-	-	-	-	-	(241,469)
Net Receivables	<u>\$ 576,708</u>	<u>\$ 571,432</u>	<u>\$ 4,062</u>	<u>\$ 645,010</u>	<u>\$ 14,564</u>	<u>\$ 346,450</u>	<u>\$ 1,407</u>	<u>\$ 2,159,633</u>

Reconciliation to Government-wide Statement of Net Position

Intergovernmental receivable	\$ 1,078,918	Receivable	\$ 890,703
To offset long-term receivable	<u>(145,010)</u>	Allowance for uncollectible accounts	<u>(241,469)</u>
Intergovernmental receivable, net	<u>\$ 933,908</u>	Receivable, net	<u>\$ 649,234</u>

The receivable in the Warren Redevelopment Assistance Loan Fund is related to West of Liberty Apartments and is not expected to be received within a one-year period.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance January 1, 2017	Additions/ Adjustments	Deletions/ Adjustments	Balance December 31, 2017
Governmental Activities				
Capital Assets not Depreciated:				
Land	\$ 534,637	\$ 75,319	\$ -	\$ 609,956
Construction in progress	326,394	26,737	-	353,131
Redevelopment properties	410,291	-	-	410,291
Total Capital Assets not Depreciated	\$ 1,271,322	\$ 102,056	\$ -	\$ 1,373,378
Capital Assets Depreciated:				
Infrastructure	\$ 25,697,742	\$ 297,355	\$ -	\$ 25,995,097
Buildings	4,434,578	894,953	(29,432)	5,300,099
Improvements other than buildings	2,916,824	71,264	-	2,988,088
Machinery and equipment, computers and software	2,120,291	214,935	(90,743)	2,244,483
Vehicles	2,124,769	43,073	(42,758)	2,125,084
Furnitures and fixtures	124,268	7,460	-	131,728
Total Assets Depreciated	37,418,472	1,529,040	(162,933)	38,784,579
Less Accumulated Depreciation:				
Infrastructure	(3,033,040)	(406,276)	-	(3,439,316)
Buildings	(2,782,524)	(96,210)	22,143	(2,856,591)
Improvements other than buildings	(1,402,635)	(102,689)	-	(1,505,324)
Machinery and equipment, computers and software	(1,101,966)	(152,511)	65,731	(1,188,746)
Vehicles	(1,406,200)	(132,853)	39,095	(1,499,958)
Furnitures and fixtures	(482,904)	(2,171)	-	(485,075)
Total Accumulated Depreciation	(10,209,269)	(892,710)	126,969	(10,975,010)
Total Capital Assets Being Depreciated, Net	\$ 27,209,203	\$ 636,330	\$ (35,964)	\$ 27,809,569

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Balance January 1, 2017	Additions/ Adjustments	Deletions/ Adjustments	Balance December 31, 2017
Business-Type Activities				
Capital Assets not Depreciated:				
Land	\$ 46,795	\$ -	\$ -	\$ 46,795
Construction in progress	-	18,100	-	18,100
Total Capital Assets not Depreciated	<u>\$ 46,795</u>	<u>\$ 18,100</u>	<u>\$ -</u>	<u>\$ 64,895</u>
Capital Assets Depreciated:				
Buildings and improvements	\$ 5,770	\$ -	\$ -	\$ 5,770
Sewer treatment plant	26,155,219	-	-	26,155,219
Sewer machinery and equipment	448,207	18,085	-	466,292
Sewer collection system	2,842,085	75,000	-	2,917,085
Vehicles	489,147	9,488	-	498,635
Furniture and fixtures	342	-	-	342
Parking garage	9,570,275	-	-	9,570,275
Parking lots and parking equipment	1,131,244	9,488	-	1,140,732
Total Assets Depreciated	<u>40,642,289</u>	<u>112,061</u>	<u>-</u>	<u>40,754,350</u>
Less Accumulated Depreciation:				
Buildings and improvements	(68)	(289)	-	(357)
Sewer treatment plant	-	(527,025)	-	(527,025)
Sewer machinery and equipment	(192,400)	(27,577)	-	(219,977)
Sewer collection system	(888,139)	(47,655)	-	(935,794)
Vehicles	(294,419)	(40,147)	-	(334,566)
Furniture and fixtures	(236)	(22)	-	(258)
Parking garage	(2,117,757)	(192,565)	-	(2,310,322)
Parking lots and parking equipment	(102,359)	(69,870)	-	(172,229)
Total Accumulated Depreciation	<u>(3,595,378)</u>	<u>(905,150)</u>	<u>-</u>	<u>(4,500,528)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 37,046,911</u>	<u>\$ (793,089)</u>	<u>\$ -</u>	<u>\$ 36,253,822</u>

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 455,281
Public safety	205,323
Public works	151,761
Culture and recreation	71,417
Community development	4,464
Building code enforcement	<u>4,464</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 892,710</u></u>

Business-Type Activities:

Depreciation	
Sewer fund	\$ 642,715
Parking fund	<u>262,435</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 905,150</u></u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer	\$ 57,658
General	Parking	364,095
General	Tax Agency	36,508
General	Capital Improvement Program	255,619
General	CDBG fund	<u>14,564</u>
		<u><u>\$ 728,444</u></u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Reconciliation of interfund balances between governmental activities and business-type activities were as follows:

Total interfund balances above	\$ 728,444
Less: interfund balances between governmental funds	<u>(306,691)</u>
Total interfund balances between governmental activities and business-type activities	<u>\$ 421,753</u>

Interfund balances represent amounts owed to general fund for short-term payments made out of the general fund for operating expenses.

Transfers for the year ended December 31, 2017 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Glade Run Escrow Fund	\$ 2,000
General Fund	Capital Improvement Program Fund	1,008,738
General Fund	Debt Service Fund	249,147
Parking Fund	General Fund	112,009
Sewer Fund	General Fund	66,410
General Fund	Sewer Fund	<u>93,101</u>
		<u>\$ 1,531,405</u>

Reconciliation of transfers between governmental activities and business-type activities were as follows:

Governmental activities	\$ 1,352,986
Business-Type activities	<u>178,419</u>
Total	<u>\$ 1,531,405</u>

Transfers are made to account for capital items purchased through the capital improvement fund and to fund operating expenses out of the general fund.

NOTE 6 – LONG-TERM LIABILITIES

The City’s long-term debt consists of the following:

General Obligation Debt

Downtown Revitalization Project – The City obtained a note in the amount of \$600,000 for revitalization projects in the downtown area. The note is payable to a bank in monthly installments of \$6,135, including interest at 4.15%. The note was paid off in 2017.

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Streetscape Project – A note in the amount of \$1,500,000 was obtained to provide financing for the City’s Streetscape project and associated costs. The note is payable to a bank in quarterly installments of \$35,097, including interest at 4.75%. The note matures July 2025. The note is secured by the full faith, credit, and taxing power of the City.

Parking Garage – The City obtained a note in the amount of \$1,100,000 for repair work on the Clark Street parking garage and other capital projects. The note is payable to a bank in quarterly installments of \$25,738, including interest at 4.75%. The note matures July 2025. The note is secured by the full faith, credit, and taxing power of the City.

Parking Revenue Fund Note – A note in the amount of \$900,000 was obtained to pay for costs of the parking garage. The note is payable to a bank in monthly installments of \$10,053, including interest at 6.05%. The note was paid off in 2017.

Sewer Treatment Plant Upgrade – A note in the amount of \$21,491,723 was obtained to pay for costs of the sewer treatment plant upgrade. The note is payable to Pennvest in monthly installments of \$69,126, including interest at 1%, maturing in 2044. The note is secured by full faith, credit, and taxing power of the City. Payments begin at the earlier of three months after the estimated date of completion, the first day of the calendar month following completion of the project, or three years from the date of settlement. Interest expense for the year was \$199,845. The outstanding amount of the note as of December 31, 2017 is \$20,307,022.

Debt Service Requirements

Year Ending	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 171,794	\$ 71,545	\$ 627,353	\$ 200,200	\$ 799,147	\$ 271,745
2019	180,101	63,244	633,655	193,898	813,756	257,142
2020	188,809	54,531	640,021	187,535	828,830	242,066
2021	197,938	45,401	646,451	181,102	844,389	226,503
2022	207,510	35,830	652,945	174,608	860,455	210,438
2023-2027	623,876	45,324	3,364,445	773,321	3,988,321	818,645
2028-2032	-	-	3,536,870	600,896	3,536,870	600,896
2033-2037	-	-	3,718,131	419,634	3,718,131	419,634
2038-2042	-	-	3,908,683	229,083	3,908,683	229,083
2043-2045	-	-	2,578,468	42,115	2,578,468	42,115
	<u>\$1,570,028</u>	<u>\$ 315,875</u>	<u>\$ 20,307,022</u>	<u>\$3,002,392</u>	<u>\$21,877,050</u>	<u>\$3,318,267</u>

On December 23, 2013, the City of Warren entered into an agreement with Erie Bank to obtain a revolving line of credit not to exceed \$2.5 million dollars in order to assist with the short-term financing for the construction of a new waste water treatment plant. The line of credit matures on December 22, 2018 and has a fixed interest rate of 2.79%. The outstanding balance at December 31, 2017 is \$0.

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Capital Leases

The City entered into lease agreements to finance the acquisition of police cars, a tractor, office equipment and parking project. The leases are recorded at the present value of the future minimum lease payments as of the date of their purchase. The assets acquired under capital leases are recorded at \$438,908, accumulated depreciation of \$150,652, and are included with capital assets in the statement of net position.

Following is a schedule of the future minimum lease payments required under these capital leases, and the present value of the net minimum lease payments at December 31, 2017. Capital lease amortization is included in depreciation expense.

Asset Class	Governmental Activities	Business-Type Activities
Machinery and equipment	\$ 21,365	\$ -
Vehicles	333,320	84,223
Less accumulated depreciation	<u>(123,212)</u>	<u>(27,440)</u>
Total	<u>\$ 231,473</u>	<u>\$ 56,783</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2017 are as follows:

Year Ending	Governmental Activities	Business-Type Activities
2018	\$ 39,507	\$ 63,823
2019	<u>36,020</u>	<u>59,324</u>
Total minimum lease payments	75,527	123,147
Less amount representing interest	<u>(2,637)</u>	<u>(3,431)</u>
Present value of minimum lease payments	<u>\$ 72,890</u>	<u>\$ 119,716</u>

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the year ended December 31, 2017 was as follows:

	January 1, 2017	Additions	Reductions	December 31, 2017	Due Within One Year
Governmental Activities:					
Notes payable	\$ 1,739,703	\$ -	\$ (169,675)	\$ 1,570,028	\$ 171,794
Capital leases	144,666	-	(71,776)	72,890	37,700
Compensated absences	381,265	480,827	(459,744)	402,348	152,892
Other postemployment benefits	179,246	-	(30,877)	148,369	-
	<u>\$ 2,444,880</u>	<u>\$ 480,827</u>	<u>\$ (732,072)</u>	<u>\$ 2,193,635</u>	<u>\$ 362,386</u>
Business-Type activities:					
Parking fund general obligation note	\$ 9,235	\$ -	\$ (9,235)	\$ -	\$ -
Sewer fund upgrade note	20,931,072	-	(624,050)	20,307,022	627,353
Capital leases	190,427	-	(70,711)	119,716	61,286
Compensated absences	11,968	41,647	(38,258)	15,357	5,836
	<u>\$ 21,142,702</u>	<u>\$ 41,647</u>	<u>\$ (742,254)</u>	<u>\$ 20,442,095</u>	<u>\$ 694,475</u>

The liability for compensated absences is normally liquidated by the general, sewer or parking funds.

NOTE 7 – WARREN REDEVELOPMENT ASSISTANCE LOAN FUND PAYABLE

Under the terms of a settlement agreement with the Pennsylvania Department of Community and Economic Development (DCED), the City of Warren is obligated to repay \$500,000 to the Warren Redevelopment Assistance Loan fund for grant payments disallowed by the DCED. The agreement calls for monthly payments of \$3,030, including interest at 4%, maturing December 2032. The obligation is secured by all funds contained in the Warren Redevelopment Assistance Loan Fund. The loan was settled in March of 2018 for the amount of \$145,010.

NOTE 8 – RETIREMENT PLANS

The City administers three single-employer defined benefit pension Plans: Municipal employees, Police and Firefighters. The Plans were established by municipal ordinance with the authority for municipal contributions required by Act 205 of the Pennsylvania legislature. A separate report is not issued for each Plan. Each Plan is accounted for as a separate pension trust fund on the accrual basis and is governed by City Council. Assets are held separately and may be used only for the payment of benefits to members of the respective Plans.

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Municipal Employees

The City of Warren Municipal Employee Pension Plan is a single-employer defined benefit pension Plan. The Plan was established by Ordinance No. 845, effective August 15, 1966. The Plan was amended and restated by Ordinance No. 1880, effective October 17, 2016. The Plan is governed by the City Council of the City of Warren which may amend Plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to Vanguard. The Plan is required to file Form PC-203C biennially with the Pennsylvania Department of the Auditor General’s Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2017.

Benefit Provisions

Eligibility Requirements

Normal Retirement: Age 62 and 10 years of service.

Early Retirement: Age 57 and 12 years of service.

Vesting: 50% after 5 years of service, increasing by 10% for each additional year, up to a maximum of 100% after the completion of 10 years of service.

Retirement Benefit A monthly benefit equal to 1.2% of Final Average Monthly Salary (Base pay average over the final 60 months of employment), plus 1.0% of Final Average Monthly Salary in excess of \$550 multiplied by years of service.

Death Benefit

Before 10 Years of service: Refund of contributions if any, plus interest.

After 10 Years of service but before retirement: The participant’s spouse will receive 50% of the participant’s Accrued Benefit, payable for life or until remarriage.

After Retirement: The Normal Form of Benefit is a life annuity. At retirement, the participant may select an optional form of benefit payment that is an actuarial equivalent of the Normal Form.

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Disability Benefit

Service Related:	In the event of total and permanent disablement, the accrued benefit at date of disablement is payable 5 months after disablement and continuing for duration of Disability prior to Normal Retirement date and life thereafter.
Non-Service Related:	Same.
DROP Benefit:	None.
Vesting Benefit:	If eligible, the Accrued Benefit at date of termination, multiplied by the vested percentage is payable at Normal Retirement.
Late Retirement:	The Benefit is the greater of the Normal Retirement Benefit actuarially increased to Late Retirement date, or the accrued benefit at actual Late Retirement date.
Early Retirement	
Amount of Benefit:	Normal Retirement Benefit based on Years of Continuous Service at date of actual retirement payable at Normal Retirement.
Reduction for Early Commencement:	Benefit may be elected immediately, but will be reduced by 6.7% for each year by which commencement of benefits precedes Normal Retirement Date.

Deposits

At December 31, 2017, the Plan held \$27,490 in deposits. All deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC).

Investments

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

Asset Class	Target Percentage
Equities	55-65%
Fixed Income	32.5-42.5%
Cash Equivalents	0-5.0%

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Credit Risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has no investment policy for credit risk. The credit ratings of the Plan’s investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below.

Investment Type	Fair Value	Credit Rating
Fixed Income Mutual Funds	\$ 2,327,124	Not Rated
Total	\$ 2,327,124	

The above investments are categorized in the fair value hierarchy in the following manner:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Equity Mutual Funds	\$3,539,319	\$ -	\$ -
Fixed Income Mutual Funds	-	2,327,124	-
	<u>\$3,539,319</u>	<u>\$2,327,124</u>	<u>\$ -</u>

The valuation technique used in determining the above fair value are recently executed transactions, market price quotations and pricing models that factor in where applicable interest rates, bond, or CD spread volatility. No significant changes in the valuation technique were used as of December 31, 2017.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan places no limit on the amount that may be invested in any one issuer. At December 31, 2017, the Plan had no investments (other than U.S. Government and U. S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represent 5% or more of Fiduciary Net Position.

Interest Rate Risk for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The Plan has no investment policy for interest rate risk other than the 42.5 percent limit on fixed income securities. The maturities of the Plan’s debt investments are listed on the table below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				
		<u>Less Than 1</u>	<u>N/A</u>	<u>1-5.99</u>	<u>6 - 10</u>	<u>More than 10</u>
Debt Securities-Fixed Income Funds	\$ 2,327,124	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 464,802</u>	<u>\$ 1,862,322</u>	<u>\$ -</u>
Equity Mutual Funds	<u>3,539,319</u>					
Total	<u>\$ 5,866,443</u>					

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Contributions

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the Plan's most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute 2.0 percent of covered payroll to the Plan. This contribution is governed by the Plan's governing ordinances and collective bargaining.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or Plan earnings.

Net Pension Liability

The components of the net pension liability at December 31, 2017 are as follows:

Total pension liability*	\$ 6,106,471
Plan fiduciary net position	<u>(5,893,933)</u>
Net pension liability	<u>\$ 212,538</u>

Plan fiduciary net position as a percentage of the total pension liability: 96.5%

*The total pension liability was determined by an actuarial valuation as of January 1, 2017 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Actuarial Assumptions

Inflation:	2.75%
Salary increases:	4.75% including inflation
Mortality:	RP-2014 Mortality Table with rates set forward 5 years for disabled members. Mortality improvement based on long-range demographic assumptions for 2015 SSA's trustee report.

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Expected Long-Term

Rate of Return:

7.25 % applied to all periods

The long-term expected rate of return on pension Plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2017 are summarized in the following table:

Asset Class	Long Term Expected Real ROR
Equities	6.3 %
Fixed Income	2.0 %
Cash and Equivalents	0.0 %

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the Plan will continue to be funded based on the Minimum Municipal Obligation as determined in accordance with Act 205. Based on that assumption, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 885,478	\$ 212,538	\$ (358,049)

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Payable to the Pension Plan

At December 31, 2017, the City did not owe anything to the Plan.

Plan Membership

The Plan provides pensions for full-time municipal employees of the City. As of December 31, 2017, pension Plan membership consists of:

Active employees	24
Retirees and beneficiaries currently receiving benefits	27
Terminated employees entitled to benefits but not yet receiving them	<u>7</u>
Total	<u><u>58</u></u>

Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at 12/31/16	<u>\$ 5,416,298</u>	<u>\$ 5,320,229</u>	<u>\$ 96,069</u>
Changes for the Year:			
Service cost	166,289	-	166,289
Interest	424,041	-	424,041
Differences between expected and actual experience	70,534	-	70,534
Change of assumptions	356,408	-	356,408
Contributions - employer	-	135,508	(135,508)
Contributions - employee	-	24,878	(24,878)
Net investment income	-	760,021	(760,021)
Benefit payments and refunds of employee contributions	(327,099)	(327,099)	-
Administrative expense	-	(19,604)	19,604
Net changes	<u>690,173</u>	<u>573,704</u>	<u>116,469</u>
Balances at 12/31/2017	<u><u>\$ 6,106,471</u></u>	<u><u>\$ 5,893,933</u></u>	<u><u>\$ 212,538</u></u>

Police Pension

The City of Warren Police Pension Plan is a single-employer defined benefit pension Plan. The Plan was established by Ordinance No. 376, effective May 7, 1945. The Plan was amended and restated by Ordinance No. 1669, effective January 1, 2002. The Plan is governed by the City Council of the City of Warren which may amend Plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to Vanguard. The Plan is required to file Form PC-201C biennially with the Pennsylvania Department of the Auditor General’s Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2017.

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Benefit Provisions

Eligibility Requirements:

Normal Retirement: Completion of 20 years of service.

Vesting: 100% after 12 years of service.

Retirement Benefit A monthly benefit equal to 50% of Final Average Monthly Compensation (compensation averaged over the final 36 months of employment), plus Extra Service benefit of 1/40 of the Normal Retirement Benefit for each completed Year of Service in excess of 20 years, up to a maximum increase of \$500. Service completed after age 65 is not counted.

Death Benefit

Before Retirement Eligibility: Refund of contributions plus interest.

After Retirement Eligibility: The surviving spouse will receive 100% of the amount the participant was receiving or entitled to receive payable for life or until remarriage. In the event of the spouse's death or remarriage, the participant's children under age 18 will share the benefit, or until age 21 if a full-time student.

Disability Benefit

Service Related: For total and permanent disablement, a monthly benefit equal to 50% of compensation averaged over the final 36 months prior to disablement will be payable commencing the first day of the month following disablement and continuing for duration of Disability prior to Normal Retirement date and life thereafter.

Non-Service Related: None.

DROP Benefit: None.

Cost-of Living Adjustment: Normal retirees will receive a 2.0% per year increase in their benefit. Total increases may not exceed 70% of the contractual pay rate of a fourth-year officer/First Class Patrolman at the time of retirement. Disabled retirees will receive annual increases based on the Consumer Price Index up to a maximum of 30% of the original benefit.

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Vesting Benefit: A benefit at Normal Retirement date equal to 50% of Final Average Monthly Compensation in the 36 months preceding termination multiplied by the ratio of actual service to 20 years. Benefit is paid in lieu of the return of member contributions.

Deposits

At December 31, 2017, the Plan held \$44,234 in deposits. All deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC).

Investments

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

Asset Class	Target Percentage
Equities	55-65%
Fixed Income	32.5-42.5%
Cash Equivalents	0-5.0%

Credit Risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has no investment policy for credit risk. The credit ratings of the Plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below.

Investment Type	Fair Value	Credit Rating
Fixed Income Mutual Funds	\$ 3,268,387	Not Rated
Total	\$ 3,268,387	

The above investments are categorized in the fair value hierarchy in the following manner:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Fixed Income Mutual Funds	\$ -	\$ 3,268,387	\$ -
Equity Mutual Funds	<u>4,987,489</u>	<u>-</u>	<u>-</u>
	<u>\$4,987,489</u>	<u>\$ 3,268,387</u>	<u>\$ -</u>

The valuation technique used in determining the above fair value are recently executed transactions, market price quotations and pricing models that factor in where applicable interest rates, bond, or CD spread volatility. No significant changes in the valuation technique were used as of December 31, 2017.

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan places no limit on the amount that may be invested in any one issuer. At December 31, 2017, the Plan had no investments (other than U.S. Government and U. S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represent 5% or more of Fiduciary Net Position.

Interest Rate Risk for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The Plan has no investment policy for interest rate risk other than the 42.5 percent limit on fixed income securities. The maturities of the Plan’s debt investments are listed on the table below.

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>					
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5.99</u>	<u>6 - 10</u>	<u>More than 10</u>	<u>N/A</u>
Debt Securities-Fixed Income Funds	\$3,268,387	\$ -	\$ 652,935	\$2,615,452	\$ -	\$ -
Equity Mutual Funds	4,987,489					
Total	\$8,255,876					

Contributions

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the Plan’s most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute 5.0% of covered payroll to the Plan. This contribution is governed by the Plan’s governing ordinances and collective bargaining. Contributions are currently reduced to 2.0% of covered payroll.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or Plan earnings.

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Net Pension Liability

The components of the net pension liability (asset) at December 31, 2017 are as follows:

Total pension liability*	\$ 7,873,272
Plan fiduciary net position	<u>(8,300,110)</u>
Net pension liability (asset)	<u>\$ (426,838)</u>

Plan fiduciary net position as a percentage of the total pension liability: 105.4%

*The total pension liability was determined by an actuarial valuation as of January 1, 2017 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Actuarial Assumptions:

Inflation: 2.75%

Salary increases: 4.75% including inflation

Mortality: RP-2014 Mortality Table with 50% Blue Collar adjustment, with rates set forward 5 years for disabled members. Mortality improvement based on long-range demographic assumptions for 2015 SSA's Trustee report.

Expected Long-Term
Rate of Return:

7.25 % applied to all periods

The long-term expected rate of return on pension Plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2017 are summarized in the following table:

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Asset Class	Long Term Expected Real ROR
Equities	6.3%
Fixed Income	2.0%
Cash and Equivalents	0.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the Plan will continue to be funded based on the Minimum Municipal Obligation as determined in accordance with Act 205. Based on that assumption, the pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following shows the effect of a 1% change in the discount rate on the net pension liability(asset):

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 436,520	\$ (426,838)	\$ (1,149,096)

Payable to the Pension Plan

At December 31, 2017, the City did not owe anything to the Plan.

Plan Membership

The Plan provides pensions for full-time policemen of the City. As of December 31, 2017, pension Plan membership consists of:

Active employees	14
Retirees and beneficiaries currently receiving benefits	24
Terminated employees entitled to benefits but not yet receiving them	-
Total	<u>38</u>

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/16	\$ 7,269,402	\$ 7,611,053	\$ (341,651)
Changes for the Year:			
Service cost	171,394	-	171,394
Interest	550,443	-	550,443
Differences between expected and actual experience	(59,672)	-	(59,672)
Changes of assumptions	471,417	-	471,417
Contributions - employer	-	145,471	(145,471)
Contributions - employee	-	17,913	(17,913)
Net investment income	-	1,086,322	(1,086,322)
Benefit payments and refunds of employee contributions	(529,712)	(529,712)	-
Administrative expense	-	(30,937)	30,937
Net changes	<u>603,870</u>	<u>689,057</u>	<u>(85,187)</u>
Balances at 12/31/2017	<u>\$ 7,873,272</u>	<u>\$ 8,300,110</u>	<u>\$ (426,838)</u>

Firefighter Pension

The City of Warren Firefighters Pension Plan is a single-employer defined benefit pension Plan. The Plan was established September 1, 1974 (adopted pursuant to Act 600 of 1956). The Plan was amended and restated by Ordinance No. 1668, effective January 1, 2010. The Plan is governed by the City Council of the City of Warren which may amend Plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to Brighthouse Life Insurance Company and Vanguard. The Plan is required to file Form PC-202C biennially with the Pennsylvania Department of the Auditor General’s Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2017.

Benefit Provisions

Pension Plan benefit provisions are as follows:

Eligibility Requirements

Normal Retirement: Age 55 and 20 years of service.

Early Retirement: None.

Vesting: 100% after 12 years of service.

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Retirement Benefit:	A monthly benefit equal to 50% of Final Average Monthly Compensation, base pay plus longevity averaged over the highest 5 years or the final monthly rate of pay, whichever is higher, plus a service increment of 1/40 of the Normal Retirement Benefit for each completed Year of Service in excess of 20 years, up to a maximum of \$250. Service completed after age 65 is not counted.
Death Benefit	
Before Retirement Eligibility:	A monthly benefit equal to 50% of Vested Accrued Benefit at date of death is payable to the participant's spouse immediately until death.
After Retirement Eligibility Or in-Service death:	A monthly benefit equal to 100% of the benefit the participant was receiving or was entitled to receive payable to the survivor for life. For those participants who die while in active service, the benefit is deferred until the participant's normal retirement date.
Disability Benefit	
Service Related:	Upon total and permanent disablement as determined by a qualified physician, participant will receive a monthly benefit equal to 50% of compensation averaged over the final 60 months prior to disablement. Benefit commences the first day of the month following disablement and continuing for duration of Disability prior to Normal Retirement date and life thereafter.
Non-Service Related:	Hired on or after 1/1/2010, there is a 10-year service requirement. Monthly benefit is 30%.
DROP Benefit	None.
Other Benefits	
Vesting Benefit	Prospective Normal Retirement Benefit is multiplied by the ratio of service to date divided by projected service to Normal Retirement payable at Normal Retirement Date.

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Member Contributions

Amount or Rate: 5.0% of wages + \$2.50 per month for service increment.

Interest Rate Credited to Member Contributions: 0.0%

Deposits

At December 31, 2017, the Plan held no deposits.

Investments

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

Asset Class	Target Percentage
Equities	55-65%
Fixed Income	32.5-42.5%
Cash Equivalents	0-5.0%

Credit Risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has no investment policy for credit risk. At December 31, 2017, the credit ratings of the Plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below.

Investment Type	Fair Value	Credit Rating
Mutual Funds	\$ 864,481	Not Rated
Annuity Contract	\$ 456,767	Not Rated

The above investments are categorized in the fair value hierarchy in the following manner:

	Level I	Level II	Level III
Money Market Funds	\$ 2,026,380	\$ -	\$ -
Fixed Income Mutual Funds	-	864,481	-
Annuity Contract	-	-	456,767
	<u>\$ 2,026,380</u>	<u>\$ 864,481</u>	<u>\$ 456,767</u>

The valuation technique used in determining the above fair value are recently executed transactions, market price quotations and pricing models that factor in where applicable interest rates, bond, or CD spread volatility. No significant changes in the valuation technique were used as of December 31, 2017.

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan places no limit on the amount that may be invested in any one issuer. At December 31, 2017, all Plan assets were held by Brighthouse Life Insurance Company or Vanguard.

Interest Rate Risk for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The maturities of the Plan’s debt investments are listed on the table below.

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5.99</u>	<u>6 - 10</u>	<u>More than 10</u>
Mutual Funds	\$ 864,481	\$ -	\$ 172,467	\$692,014	\$ -
Insurance Contracts	456,767				
Equity Mutual Funds	2,026,380				
	<u>\$3,347,628</u>				

Contributions

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the Plan’s most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute 5.0% of covered payroll + \$2.50 per month for service increment to the Plan. This contribution is governed by the Plan’s governing ordinances and collective bargaining.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or Plan earnings.

NOTE 8 – RETIREMENT PLANS (CONTINUED)

The components of the net pension liability at December 31, 2017 are as follows:

Total pension liability*	\$ 3,560,261
Plan fiduciary net position	<u>3,347,628</u>
Net pension liability	<u>\$ 212,633</u>

Plan fiduciary net position as a percentage of the total pension liability: 94%

*The total pension liability was determined by an actuarial valuation as of January 1, 2017 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Actuarial Assumptions

Inflation:	2.75%
Salary increases:	4.5% including inflation
Mortality:	RP-2014 Mortality Table with 50% Blue Collar adjustment, with rates set forward 5 years for disabled members. Mortality improvement based on long-range demographic assumptions for 2015 SSA's Trustee report.
Expected Long-Term Rate of Return:	6.75 % applied to all periods

The long-term expected rate of return on pension Plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2017 are summarized in the following table:

Asset Class	Long Term Expected Real ROR
Equities	6.3%
Fixed Income	2.0%
Cash and Equivalents	0.0%

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the Plan will continue to be funded based on the Minimum Municipal Obligation as determined in accordance with Act 205. Based on that assumption, the pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease <u>5.75%</u>	Current Discount Rate <u>6.75%</u>	1% Increase <u>7.75%</u>
Net Pension Liability	<u>\$ 757,147</u>	<u>\$ 212,633</u>	<u>\$ (232,500)</u>

Payable to the Pension Plan

At December 31, 2017, the City did not owe anything to the Plan.

Plan Membership

The Plan provides pensions for full-time firefighters of the City. As of December 31, 2017, pension Plan membership consists of:

Active employees	19
Retirees and beneficiaries currently receiving benefits	-
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
Total	<u>20</u>

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/16	\$ 3,411,066	\$ 2,642,410	\$ 768,656
Changes for the Year:			
Service cost	154,335	-	154,335
Interest	225,122	-	225,122
Differences between expected and actual experiences	(142,810)	-	(142,810)
Changes of assumptions	(87,452)	-	(87,452)
Contributions - employer	-	298,185	(298,185)
Contributions - employee	-	46,872	(46,872)
Net investment income	-	374,329	(374,329)
Administrative expense	-	(14,168)	14,168
Net changes	<u>149,195</u>	<u>705,218</u>	<u>(556,023)</u>
Balances at 12/31/2017	<u>\$ 3,560,261</u>	<u>\$ 3,347,628</u>	<u>\$ 212,633</u>

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

For the year ended December 31, 2017, the City recognized pension expense of \$614,555. At December 31, 2017, the Plan reported deferred outflows of resources and deferred inflows of resources related to the municipal employee's, firefighter's and police officer's pension from the following sources:

	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 487,603
Changes of assumptions	(569,166)
Net difference between projected and actual earnings on pension plan investments	<u>455,770</u>
Total	<u>\$ 374,207</u>

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

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Year ended December 31:

2018	\$ 41,918
2019	108,843
2020	(136,379)
2021	(206,694)
2022	20,499
Thereafter	<u>(202,394)</u>
Total	<u>\$ (374,207)</u>

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

Plan Provisions

The City offers a single-employer Plan that provides health care, disability, and life insurance benefits to eligible retired City employees and their spouses. These benefits were established under collective bargaining agreements or by resolution of Council. The Plan does not issue a stand-alone financial report.

The Summary of Substantive Plan Provisions below is included to clarify the basis of our actuarial valuation and is not meant to govern the operation of the Plan. The summary represents our understanding of the benefits provided by the Plan, based upon documentation provided by the employer and our understanding of the way in which the employer operates the Plan.

Firefighters Union

Benefits Provided: Any employee retiring after January 1, 2015 shall not be entitled to continue to be part of any City employee health, dental or vision insurance plan.

Police Officers Union

Benefits Provided: Any employee retiring after January 1, 2015 shall not be entitled to continue to be part of any City employee health, dental or vision insurance plan.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Municipal Employees

Non-Union (including Fire and Police Captain and Chief)

Benefits Covered: Any employee retiring after January 1, 2015 shall not be entitled to continue to be part of any City employee health, dental or vision insurance plan. (One current retiree receives City-paid life insurance benefits.)

Department of Public Works Union (IBEW)

Normal Retirement Eligibility: Age 62 with 10 years of service.

Disability Retirement Eligibility: Total and permanent disablement as determined by a qualified physician.

Persons Covered: Eligible retiree, spouse or other dependents

Benefits Covered: Eligible retirees hired before January 1, 1993 may continue on the Group Health insurance until the retiree reaches age 65.

Retiree Contributions: Retiree pays premium charged.

Benefit Plan: PPO 500/1000 Health Insurance Plan administered by Municipal Benefits Services.

Annual Other Postemployment Benefit (OPEB) Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period of 15 years. The following table shows the components of the City's annual OPEB cost for the year ended December 31, 2017, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

<u>Year Ended</u>	<u>Annual OPEB cost</u>	<u>Actual Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 50,784	\$ 13,994	27.60%	\$ 137,515
2016	51,617	9,886	19.15%	154,376
2017	(3,276)	2,731	-83.36%	148,369

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

Annual required contribution	\$ 4,578
Interest on net OPEB obligation	5,789
Adjustment to net OPEB obligation	(13,643)
Annual OPEB cost	(3,276)
Contribution made	(2,731)
Decrease in net OPEB obligation/(asset)	(6,007)
Net OPEB obligation/(asset) - beginning of year, restated	154,376
Net OPEB obligation/(asset) - end of year	<u>\$ 148,369</u>

Funded Status and Funding Progress

As of January 1, 2017, the actuarial accrued liability for benefits was \$148,369, all of which was unfunded.

The projection of future benefit payments for an ongoing Plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Projections include assumptions about future employment, mortality, and healthcare cost trend. Amounts determining the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the actuary, employer, and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Actuarial Cost Method	Entry Age Normal Actuarial Cost Method								
Actuarial Present Value of Projected Benefits	Level dollar								
Interest Rate	3.75% per year								
Mortality	RP-2014 Combined Healthy Mortality Table								
Disablement	No discount								
Turnover (Withdrawal)	No discount								
Retirement	Normal Retirement Age								
Rates of Participation for Future Retirees	25%								
Individual or Husband/Wife Coverage	50% Individual / 50% Husband/Wife								
Spouse Age for Future Retirees	Male spouses assumed to be 3 years older than female spouses								
Initial Annual Cost	As of the valuation date, the cost for medical (including prescription drug) coverage was developed starting with the applicable actual premium schedules in effect								
Premium Schedules	<table> <tr> <td>Single</td> <td>\$ 10,481</td> </tr> <tr> <td>Two people</td> <td>27,255</td> </tr> <tr> <td>Family</td> <td>33,535</td> </tr> <tr> <td>Parent/Children</td> <td>23,055</td> </tr> </table>	Single	\$ 10,481	Two people	27,255	Family	33,535	Parent/Children	23,055
Single	\$ 10,481								
Two people	27,255								
Family	33,535								
Parent/Children	23,055								

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based upon the types of benefits provided under the substantive Plan at the time of each valuation and on the pattern of sharing the benefit costs between the employer and Plan members to that point.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Grant Programs

The City participates in both state and federal grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City is potentially liable for any expenditure that may be disallowed pursuant to the terms of these grant programs.

Litigation

The City may be subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the City's financial position.

NOTE 11 – SELF INSURANCE – HEALTH INSURANCE

The City entered into an agreement with Municipal Benefit Services (funded by the Municipal Employees Insurance Trust) to provide health and welfare benefits to the City's employees and retirees.

The City's self-insurance program pays health and dental insurance coverage for City employees. Retired employees are also covered by the program provided they pay a monthly premium to the City. Under the Trust Agreement, the City is obligated to make employer contributions as determined by the Trust or on a monthly basis.

At December 31, 2017, there is no material liability of unpaid claims to be reported by the City.

**Required Supplementary
Information**

CITY OF WARREN, PENNSYLVANIA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 6,362,000	\$ 6,362,000	\$ 6,427,896	\$ 65,896
Intergovernmental	593,808	593,808	770,843	177,035
Charges for services	436,600	436,600	490,645	54,045
Interest, rents and royalties	2,000	2,000	122,816	120,816
Licenses and permits	407,950	407,950	466,435	58,485
Fines and forfeits	62,500	62,500	69,477	6,977
Other	37,970	37,970	94,157	56,187
Total Revenues	<u>7,902,828</u>	<u>7,902,828</u>	<u>8,442,269</u>	<u>539,441</u>
EXPENDITURES				
Current:				
General government	1,238,953	1,238,953	1,006,844	232,109
Public safety	4,082,694	4,082,694	3,830,188	252,506
Public works	1,840,303	1,840,303	1,658,263	182,040
Culture and recreation	613,434	613,434	525,794	87,640
Community development	115,750	115,750	83,371	32,379
Building code enforcement	507,556	507,556	413,663	93,893
Debt service	189,510	189,510	-	189,510
Total Expenditures	<u>8,588,200</u>	<u>8,588,200</u>	<u>7,518,123</u>	<u>1,070,077</u>
Excess of revenues over expenditures	<u>(685,372)</u>	<u>(685,372)</u>	<u>924,146</u>	<u>1,609,518</u>
OTHER FINANCING SOURCES (USES)				
Loan settlement	-	-	264,609	264,609
Transfers in	254,377	254,377	85,318	(169,059)
Transfers out	(985,900)	(985,900)	(1,166,784)	(180,884)
Total Other Financing Sources (Uses)	<u>(731,523)</u>	<u>(731,523)</u>	<u>(816,857)</u>	<u>(85,334)</u>
Net Change in Fund Balance	(1,416,895)	(1,416,895)	107,289	1,524,184
Fund Balances, Beginning of Year	<u>3,397,014</u>	<u>3,397,014</u>	<u>3,397,014</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,980,119</u>	<u>\$ 1,980,119</u>	<u>\$ 3,504,303</u>	<u>\$ 1,524,184</u>

CITY OF WARREN, PENNSYLVANIA
Schedule of Changes in the City's Net Pension Liability and Related Ratios
December 31, 2017

Municipal Employees Pension Plan

Total Pension Liability at Plan Year End

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarial Accrued Liability at January 1	\$ 5,416,298	\$ 5,210,339	\$ 5,091,945	\$ 4,849,243
Service Cost	166,289	137,298	135,432	140,145
Differences between expected and actual experience	70,534	-	(113,700)	-
Benefit Payments	(327,099)	(320,606)	(276,676)	(262,000)
Changes of assumptions	356,408	-	-	-
Interest	424,041	389,267	373,338	364,557
Total Pension Liability (TPL)	\$ 6,106,471	\$ 5,416,298	\$ 5,210,339	\$ 5,091,945

Plan Fiduciary Net Position

Balance at January 1	\$ 5,320,229	\$ 5,139,874	\$ 5,280,405	\$ 4,997,925
Benefit Payments	(327,099)	(320,606)	(276,676)	(262,000)
Contributions - employer	135,508	136,779	193,634	198,243
Contributions - member	24,878	22,187	21,480	21,042
Net Investment Income	760,021	369,746	(48,092)	356,595
Administrative Expenses	(19,604)	(27,751)	(30,877)	(31,400)
Total Plan Fiduciary Net Position	\$ 5,893,933	\$ 5,320,229	\$ 5,139,874	\$ 5,280,405
City Net Pension Liability (Asset)	\$ 212,538	\$ 96,069	\$ 70,465	\$ (188,460)

Plan fiduciary net position as a percentage of the total pension liability	96.5%	98.2%	98.6%	103.7%
Covered-employee payroll	\$ 1,255,134	\$ 1,264,036	\$ 1,114,818	\$ 1,160,268
City's Net Pension Liability/(Asset) as a percentage of covered-employee payroll	16.9%	7.6%	6.3%	-16.2%

CITY OF WARREN, PENNSYLVANIA
Schedule of Changes in the City's Net Pension Liability and Related Ratios
December 31, 2017

Police Pension Plan

Total Pension Liability at Plan Year End

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarial Acrued Liability at January 1	\$ 7,269,402	\$ 7,113,618	\$ 7,193,968	\$ 6,973,104
Service Cost	171,394	159,679	152,075	181,479
Changes of benefit terms	-	-	(18,267)	-
Differences between expected and actual experience	(59,672)	-	(267,700)	-
Benefit Payments	(529,712)	(529,881)	(459,060)	(479,565)
Changes of assumptions	471,417	-	-	-
Interest	550,443	525,986	512,602	518,950
Total Pension Liability (TPL)	<u>\$ 7,873,272</u>	<u>\$ 7,269,402</u>	<u>\$ 7,113,618</u>	<u>\$ 7,193,968</u>

Plan Fiduciary Net Position

Balance at January 1	\$ 7,611,053	\$ 7,478,342	\$ 7,835,276	\$ 7,556,913
Benefit Payments	(529,712)	(529,881)	(459,060)	(479,565)
Contributions - employer	145,471	133,197	188,168	221,701
Contributions - member	17,913	18,538	17,049	16,650
Net Investment Income	1,086,322	544,151	(66,660)	556,253
Administrative Expenses	(30,937)	(33,294)	(36,431)	(36,676)

Total Plan Fiduciary Net Position	<u>\$ 8,300,110</u>	<u>\$ 7,611,053</u>	<u>\$ 7,478,342</u>	<u>\$ 7,835,276</u>
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City Net Pension Liability (Asset)	<u>\$ (426,838)</u>	<u>\$ (341,651)</u>	<u>\$ (364,724)</u>	<u>\$ (641,308)</u>
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Plan fiduciary net position as a percentage of the total pension liability	105.4%	104.7%	105.1%	108.9%
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Covered-employee payroll	\$ 931,319	\$ 784,113	\$ 937,229	\$ 782,344
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City's Net Pension Liability/(Asset) as a percentage of covered-employee payroll	-45.8%	-43.6%	-38.9%	-82.0%
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CITY OF WARREN, PENNSYLVANIA
Schedule of Changes in the City's Net Pension Liability and Related Ratios
December 31, 2017

Firefighters Pension Plan

Total Pension Liability at Plan Year End

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarial Accrued Liability at January 1	\$ 3,411,066	\$ 3,069,427	\$ 2,678,393	\$ 2,386,991
Service Cost	154,335	154,629	147,970	139,989
Benefit Payments	-	(21,854)	-	(12,443)
Change of benefit terms	-	-	388,152	-
Differences between expected and actual experience	(142,810)	-	(332,424)	-
Changes of assumptions	(87,452)	-	-	-
Interest	225,122	208,864	187,336	163,856
Total Pension Liability (TPL)	\$ 3,560,261	\$ 3,411,066	\$ 3,069,427	\$ 2,678,393

Plan Fiduciary Net Position

Balance at January 1	\$ 2,642,410	\$ 2,153,292	\$ 1,848,930	\$ 1,472,478
Benefit Payments	-	(21,854)	-	(12,443)
Contributions - employer	298,185	293,375	255,310	255,007
Contributions - member	46,872	42,398	40,464	38,551
Net Investment Income	374,329	189,906	25,278	116,202
Administrative Expenses	(14,168)	(14,707)	(16,690)	(20,865)

Total Plan Fiduciary Net Position	\$ 3,347,628	\$ 2,642,410	\$ 2,153,292	\$ 1,848,930
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City Net Pension Liability (NPL)	\$ 212,633	\$ 768,656	\$ 916,135	\$ 829,463
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Plan fiduciary net position as a percentage of the total pension liability	94.0%	77.5%	70.2%	69.0%
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Covered-employee payroll	\$ 1,039,727	\$ 940,445	\$ 873,664	\$ 807,829
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City's Net Pension Liability as a percentage of covered-employee payroll	20.5%	81.7%	104.9%	102.7%
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CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Municipal Employees Pension Plan

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- employee Payroll	Contributions As a Percentage of Covered- employee Payroll
2007	\$ 131,499	\$ 133,838	\$ (2,339)		
2008	137,975	139,031	(1,056)	\$ 1,136,096	12.2%
2009	149,285	155,078	(5,793)		
2010	156,819	208,971	(52,152)	1,239,358	16.9%
2011	227,145	242,259	(15,114)		
2012	238,199	238,199	-	1,120,583	21.3%
2013	211,217	211,217	-		
2014	198,243	198,243	-	1,160,268	17.1%
2015	193,634	193,634	-	1,114,818	17.4%
2016	136,779	136,779	-	1,264,036	10.8%
2017	135,508	135,508	-	1,255,134	10.8%

See Notes to the Supplementary Schedules for an explanation of changes to benefits and actuarial assumptions.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Municipal Employees Pension Plan

Notes to the Supplementary Schedules

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

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	17 years
Asset valuation method	4-year smoothing
Inflation	2.75%
Salary increase	4.75% including inflation
Investment rate of return	7.25% net of investment expenses not funded through the MMO, and including inflation
Mortality	RP-2014 Mortality Table with rates set forward 5 years for disabled members. Mortality improvement based on long-range demographic assumptions for 2015 SSA's trustee report.
Retirement age	Later of Normal Retirement age or attained age if currently eligible to retire.

Changes to Benefits: None.

Changes to Assumptions:

Effective 1-1-2009, AVA smoothing (4-year) and RP-2000 Combined Healthy Mortality Table

Effective 1-1-2011, pre-retirement death benefits are valued directly

Effective 1-1-2013, mortality assumption updated to recognize mortality improvements are expected to continue to occur

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Police Pension Plan

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- employee Payroll	Contributions As a Percentage of Covered- employee Payroll
2007	\$ -	\$ -	\$ -		N/A
2008	-	-	-	\$ 697,393	N/A
2009	-	-	-		N/A
2010	-	-	-	813,673	N/A
2011	174,963	188,423	(13,460)		
2012	174,099	174,099	-	864,627	20.1%
2013	181,370	181,370	-		
2014	221,701	221,701	-	782,344	28.3%
2015	188,168	188,168	-	937,229	20.1%
2016	133,197	133,197	-	784,113	17.0%
2017	145,471	145,471	-	931,319	15.6%

See Notes to the Supplementary Schedules for an explanation of changes to benefits and actuarial assumptions.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Police Pension Plan

Notes to the Supplementary Schedules

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

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	17 years
Asset valuation method	4-year smoothing
Inflation	2.75%
Salary increase	4.75% plus an additional 2.667% in the year preceding retirement to reflect the inclusion of pay for unused sick days in the calculation of Final Average Monthly Compensation including inflation.
Investment rate of return	7.25% net of investment expenses not funded through the MMO, and including inflation.
Mortality	RP-2014 Mortality Table with 50% Blue Collar Adjustments, with rates set forward 5 years for disabled members. Mortality improvement based on long-range demographic assumptions for 2015 SSA's trustee report.
Retirement age	Participants who will be over age 55 at 20 years of service are assumed to retire. For all others 20% are assumed to retire after reaching 20 years of service with 100% assumed at age 55.

Changes to Benefits:

Effective 1-1-2007, the extra service benefit was changed to 1/40 of normal retirement benefit for each year completed over 20 up to a maximum monthly benefit of \$500. Also, the percentage of accumulated sick days used in the calculation of final average monthly compensation increased to 40%.

Effective 1-1-2009, normal retirement eligibility was changed to 20 years of service with no age requirement.

Effective 1-1-2015, Plan amended to eliminate killed-in-service benefit.

Changes to Assumptions:

Effective 1-1-2009, asset smoothing (4-year), pre-retirement death benefits now directly valued, mortality table changed to RP-2000 Combined Healthy Mortality Table projected forward to 2005 with scale AA, and retirement assumption of 20% once 20 years of service with 100% assumed to age 55.

Effective 1-1-2013, mortality improvement and blue-collar adjustment now included.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Firefighters Pension Plan

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- employee Payroll	Contributions As a Percentage of Covered- employee Payroll
2007	\$ 74,909	\$ 75,284	\$ (375)		
2008	79,850	81,653	(1,803)	\$ 702,840	11.6%
2009	75,251	79,889	(4,638)		
2010	73,598	98,339	(24,741)	741,390	13.3%
2011	99,007	107,671	(8,664)		
2012	101,786	101,786	-	805,823	12.6%
2013	300,800	300,800	-		
2014	255,007	255,007	-	807,829	31.6%
2015	255,310	255,310	-	873,664	29.2%
2016	293,375	293,375	-	940,445	31.2%
2017	298,185	298,185	-	1,039,727	28.7%

See Notes to the Supplementary Schedules for an explanation of changes to benefits and actuarial assumptions.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Firefighters Pension Plan

Notes to the Supplementary Schedules

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

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	7 years aggregate
Asset valuation method	Market Value
Inflation	2.75%
Salary increase	4.5% including inflation
Investment rate of return	6.75% net of investment expenses not funded through the MMO, and including inflation
Mortality	RP-2014 Mortality Table with 50% Blue Collar Adjustments, with rates set forward 5 years for disabled members. Mortality improvement based on long-range demographic assumptions for 2015 SSA's trustee report.
Retirement Age:	Normal retirement age, or attained age, if currently eligible to retire

Changes to Benefits:

Effective in 2010, compensation base for benefits was changed to the greater of monthly rate of pay at retirement, normal retirement benefit is 50% of final average salary, employee contributions increased to 5.0% and a differentiation was made between service and non-service related disabilities.

Effective 1-1-2015, a 100% survivor benefit was added, a pre-retirement death benefit was added with 50% of the vested accrued payable immediately or 100% of the accrued payable at normal retirement, a service increment equal to 1/40 of benefit for service over 20 years up to a maximum of \$4,250 a month and employee contributions increased \$2.50 per month per employee.

Changes to Assumptions:

Effective 1-1-2007, interest rate lowered to 5.5%.

Effective 1-1-2009, mortality table updated to RP-2000 Combined Healthy Mortality.

Effective 1-1-2011, interest rate lowered to 5.25% and direct value of the pre-retirement death benefits.

Effective 1-1-2013, interest rate increased to 6.50%, no turnover assumed and a mortality projection and blue-collar adjustment were included.

CITY OF WARREN, PENNSYLVANIA
Schedule of Investment Ratios

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

Municipal Employees

2014	7.29%
2015	(0.93)%
2016	7.36%
2017	8.68%

Police

2014	7.57%
2015	(0.87)%
2016	7.46%
2017	14.70%

Firefighters

2014	7.73%
2015	1.34%
2016	8.67%
2017	13.97%

CITY OF WARREN, PENNSYLVANIA
Pension Trusts
Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Excess as a % of Covered Payroll ((b-a)/c)
Employee Pension Fund						
1/1/2017	\$ 5,545,250	\$ 5,843,240	\$ 297,990	94.9%	\$ 1,264,036	23.60%
1/1/2015	4,989,306	4,978,245	(11,061)	100.2%	1,160,268	NA
1/1/2013	4,148,734	4,607,336	458,602	90.0%	1,120,583	40.9%
1/1/2011	3,510,531	4,151,305	640,774	84.6%	1,239,358	51.7%
1/1/2009	2,997,482	3,618,059	620,577	82.8%	1,136,096	54.6%
1/1/2007	3,217,048	3,190,995	(26,053)	100.8%	973,143	NA
Police Pension Fund						
1/1/2017	\$ 7,928,591	\$ 7,681,147	\$ (247,444)	103.2%	\$ 784,113	NA
1/1/2015	7,358,838	6,908,001	(450,837)	106.5%	782,344	NA
1/1/2013	6,494,538	6,772,003	277,465	95.9%	864,627	32.1%
1/1/2011	6,152,280	6,346,882	194,602	96.9%	813,673	23.9%
1/1/2009	6,031,216	6,062,150	30,934	99.5%	697,393	4.4%
1/1/2007	7,297,265	5,749,836	(1,547,429)	126.9%	491,614	NA
Firefighters Pension Fund						
1/1/2017	\$ 2,642,410	\$ 3,180,804	\$ 538,394	83.1%	\$ 940,445	57.20%
1/1/2015	1,848,930	2,734,121	885,191	67.6%	807,829	109.6%
1/1/2013	1,062,663	2,115,985	1,053,322	50.2%	805,823	130.7%
1/1/2011	729,441	2,027,225	1,297,784	36.0%	741,390	175.0%
1/1/2009	812,665	1,200,322	387,657	67.7%	702,840	55.2%
1/1/2007	1,000,463	1,261,852	261,389	79.3%	682,214	38.3%

CITY OF WARREN, PENNSYLVANIA
POSTEMPLOYMENT BENEFITS
OTHER THAN PENSION TRUSTS
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/2017	-	\$ 148,369	\$ 148,369	0%	\$ 54,434	2.72%
01/01/2014	-	439,604	439,604	0%	2,391,807	19.0%
01/01/2011	-	531,979	531,979	0%	2,311,759	23.0%

Other Supplementary Information

CITY OF WARREN, PENNSYLVANIA
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Parking Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating Revenues				
Charges for service	\$ 356,440	\$ 356,440	\$ 438,167	\$ 81,727
Total Operating Revenues	<u>356,440</u>	<u>356,440</u>	<u>438,167</u>	<u>81,727</u>
Operating Expenses				
Salaries and wages	72,588	72,588	61,113	11,475
Employee benefits	29,918	29,918	26,121	3,797
Supplies	32,250	32,250	12,408	19,842
Utilities	26,000	26,000	26,981	(981)
Other	173,760	173,760	73,032	100,728
Depreciation	-	-	262,436	(262,436)
Total Operating Expenses	<u>334,516</u>	<u>334,516</u>	<u>462,091</u>	<u>(127,575)</u>
Operating Income (Loss)	<u>21,924</u>	<u>21,924</u>	<u>(23,924)</u>	<u>(45,848)</u>
Non-Operating Revenue (Expense)				
Investment earnings	-	-	154	154
Interest expense	(3,313)	(3,313)	(3,314)	(1)
Transfers out	(112,010)	(112,010)	(112,009)	1
Total Non-Operating Revenue (Expense)	<u>(115,323)</u>	<u>(115,323)</u>	<u>(115,169)</u>	<u>154</u>
Change in Net Position	(93,399)	(93,399)	(139,093)	(45,694)
Net Position, Beginning of Year	<u>7,991,375</u>	<u>7,991,375</u>	<u>7,991,375</u>	<u>-</u>
Net Position, End of Year	<u><u>\$ 7,897,976</u></u>	<u><u>\$ 7,897,976</u></u>	<u><u>\$ 7,852,282</u></u>	<u><u>\$ (45,694)</u></u>

CITY OF WARREN, PENNSYLVANIA
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Sewer Fund

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating Revenues				
Charges for service	\$ 1,962,562	\$ 1,962,562	\$ 2,685,611	\$ 723,049
Intergovernmental revenues	-	-	7,012	7,012
Total Operating Revenues	1,962,562	1,962,562	2,692,623	730,061
Operating Expenses				
Salaries and wages	298,763	298,763	332,625	(33,862)
Employee benefits	90,513	90,513	107,955	(17,442)
Supplies	97,800	97,800	112,988	(15,188)
Sludge removal	84,000	84,000	257,068	(173,068)
Utilities	321,450	321,450	185,322	136,128
Other	947,234	947,234	176,436	770,798
Depreciation / amortization	-	-	642,714	(642,714)
Total Operating Expenses	1,839,760	1,839,760	1,815,108	24,652
Operating Income (Loss)	122,802	122,802	877,515	754,713
Non-Operating Revenue (Expense)				
Investment earnings	2,500	2,500	27,749	25,249
Interest expense	(209,870)	(209,870)	(199,845)	10,025
Transfers out	(106,409)	(106,409)	(66,410)	39,999
Total Non-Operating Revenue (Expense)	(313,779)	(313,779)	(238,506)	75,273
Change in Net Position	(190,977)	(190,977)	639,009	829,986
Net Position, Beginning of Year	12,702,001	12,702,001	12,702,001	-
Net Position, End of Year	\$ 12,511,024	\$ 12,511,024	\$ 13,341,010	\$ 829,986

CITY OF WARREN, PENNSYLVANIA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

	Capital Improvement Program Fund	Highway Aid	Glade Run Escrow	Community Development Block Grant	Debt Service	Total Nonmajor Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 9	\$ 309,598	\$ 4,004	\$ 5	\$ -	\$ 313,616
Intergovernmental receivable, net	346,450	1,407	-	14,564	-	362,421
Total Assets	\$ 346,459	\$ 311,005	\$ 4,004	\$ 14,569	\$ -	\$ 676,037
LIABILITIES						
Accounts payable	\$ 90,840	\$ -	\$ -	\$ -	\$ -	\$ 90,840
Interfund payable	255,619	-	-	14,564	-	270,183
Deferred revenue	-	-	-	5	-	5
Total Liabilities	346,459	-	-	14,569	-	361,028
FUND BALANCE						
Restricted:						
Liquid fuels	-	311,005	-	-	-	311,005
Committed						
Glade floodway	-	-	4,004	-	-	4,004
Total Fund Balance	-	311,005	4,004	-	-	315,009
Total Liabilities and Fund Balance	\$ 346,459	\$ 311,005	\$ 4,004	\$ 14,569	\$ -	\$ 676,037

CITY OF WARREN, PENNSYLVANIA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	Capital Improvement Program Fund	Highway Aid	Glade Run Escrow	Community Development Block Grant	Debt Service	Total Nonmajor Governmental Funds
REVENUES						
Intergovernmental	\$ 427,596	\$ 294,053	\$ -	\$ 20,166	\$ -	\$ 741,815
Interest, rents and royalties	-	2,810	1	-	-	2,811
Other	70,000	-	-	-	-	70,000
Total Revenues	497,596	296,863	1	20,166	-	814,626
EXPENDITURES						
Community development	1,506,334	307	-	20,166	-	1,526,807
Debt service	-	-	-	-	249,147	249,147
Total Expenditures	1,506,334	307	-	20,166	249,147	1,775,954
Excess of revenues over expenditures	(1,008,738)	296,556	1	-	(249,147)	(961,328)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,008,738	-	2,000	-	249,147	1,259,885
Transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	1,008,738	-	2,000	-	249,147	1,259,885
Net Change in Fund Balance	-	296,556	2,001	-	-	298,557
Fund Balance, Beginning of Year	-	14,449	2,003	-	-	16,452
Fund Balance, End of Year	\$ -	\$ 311,005	\$ 4,004	\$ -	\$ -	\$ 315,009

CITY OF WARREN, PENNSYLVANIA
Combining Schedule of Fiduciary Net Position
Pension Trusts
December 31, 2017

	Firefighter Pension	Police Pension	Non-Uniform Employee Pension	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 44,234	\$ 27,490	\$ 71,724
Investments	3,347,628	8,255,876	5,866,443	17,469,947
Total Assets	\$ 3,347,628	\$ 8,300,110	\$ 5,893,933	\$ 17,541,671
LIABILITIES				
Accounts payable	\$ 4,801	\$ -	\$ 6,828	\$ 11,629
Total Liabilities	4,801	-	6,828	11,629
NET POSITION				
Net position held in trust for pension	3,342,827	8,300,110	5,887,105	17,530,042
Total Net Position	3,342,827	8,300,110	5,887,105	17,530,042
Total Liabilities and Net Position	\$ 3,347,628	\$ 8,300,110	\$ 5,893,933	\$ 17,541,671

CITY OF WARREN, PENNSYLVANIA
Combining Schedule of Changes in Fiduciary Net Position
Pension Trusts
For the Year Ended December 31, 2017

	Firefighter Pension	Police Pension	Non-Uniform Employee Pension	Total
Additions:				
Contributions				
Employer	\$ 298,185	\$ 145,471	\$ 135,508	\$ 579,164
Plan members	46,872	17,913	24,878	89,663
Total	345,057	163,384	160,386	668,827
Investment income (loss), net	374,329	1,086,321	760,021	2,220,671
Total Additions	719,386	1,249,705	920,407	2,889,498
Deductions:				
Benefits	-	548,326	327,099	875,425
Management expense	16,157	29,466	25,136	70,759
Total Deductions	16,157	577,792	352,235	946,184
Change in Net Position	703,229	671,913	568,172	1,943,314
Net Position, Beginning of Year	2,639,598	7,628,197	5,318,933	15,586,728
Net Position, End of Year	<u>\$ 3,342,827</u>	<u>\$ 8,300,110</u>	<u>\$ 5,887,105</u>	<u>\$ 17,530,042</u>



FELIX & GLOEKLER, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

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

To the City Council
City of Warren, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Warren, Pennsylvania as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Warren, Pennsylvania's basic financial statements, and have issued our report thereon dated August 21, 2018.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

August 21, 2018
Erie, Pennsylvania