

**CITY OF WARREN, PENNSYLVANIA**

**AUDIT REPORT**

**DECEMBER 31, 2021**

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

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CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

### **Independent Auditor's Report**

To the City Council  
City of Warren, Pennsylvania

#### **Report on the Audit of the Financial Statements**

##### ***Opinion***

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, 2021 and the related notes to the financial statements, which collectively comprise the City of Warren, Pennsylvania's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Warren, Pennsylvania as of December 31, 2021, 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.

##### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Warren, Pennsylvania and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

##### ***Responsibilities of Management for the Financial Statements***

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

## **Independent Auditor's Report** **(Continued)**

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate that raise substantial doubt about the City of Warren, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the statements as a whole are free from material misstatement, whether due to error or fraud, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Warren, Pennsylvania's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the City of Warren, Pennsylvania's ability to continue as a going concern for a reasonable period of time.

**Independent Auditor's Report**  
**(Continued)**

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Warren's basic financial statements. The accompanying combining and individual nonmajor fund, pension fund financial statements, and budget to actual schedules for the sewer and parking fund, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund, pension fund financial statements, and budget to actual schedules for the sewer and parking fund, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Independent Auditor's Report**  
**(Continued)**

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022 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.

December 16, 2022  
Erie, Pennsylvania

**CITY OF WARREN, PENNSYLVANIA**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2021**

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, 2021. 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 \$56,533,671 (net position). Of this amount, \$12,094,535 (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 \$5,427,931. Approximately 73% of this total amount, \$3,981,369 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 \$4,075,727 as of December 31, 2021 compared to a positive fund balance of \$3,990,235 as of December 31, 2020.

**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 outflows and inflows 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:

<b>City of Warren, Pennsylvania</b>						
Net Position at December 31, 2021 and 2020						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets</b>						
Current and other assets	\$ 5,843,787	\$ 5,905,356	\$ 5,930,043	\$ 5,854,872	\$ 11,773,830	\$ 11,760,228
Internal balances	900,012	429,702	(900,012)	(429,702)	-	-
Capital assets, net of depreciation	30,795,827	29,958,160	33,515,043	34,090,979	64,310,870	64,049,139
Note receivable	-	-	1,337,433	937,928	1,337,433	937,928
Net Pension Asset	3,591,029	2,514,892	-	-	3,591,029	2,514,892
Total Assets	<u>41,130,655</u>	<u>38,808,110</u>	<u>39,882,507</u>	<u>40,454,077</u>	<u>81,013,162</u>	<u>79,262,187</u>
<b>Deferred Outflows of Resources</b>						
Deferred Outflows - pensions	-	-	-	-	-	-
Total Deferred Outflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>						
Current and other liabilities	1,388,392	927,420	902,116	732,718	2,290,508	1,660,138
Long-term portion of liabilities	2,142,837	2,061,717	16,942,466	17,769,075	19,085,303	19,830,792
Total Liabilities	<u>3,531,229</u>	<u>2,989,137</u>	<u>17,844,582</u>	<u>18,501,793</u>	<u>21,375,811</u>	<u>21,490,930</u>
<b>Deferred Inflows of Resources</b>						
Deferred Inflows - pensions	3,025,516	2,899,069	-	-	3,025,516	2,899,069
Unearned revenues-spec assessments	78,164	98,726	-	-	78,164	98,726
Total Deferred Inflows	<u>3,103,680</u>	<u>2,997,795</u>	<u>-</u>	<u>-</u>	<u>3,103,680</u>	<u>2,997,795</u>
<b>Net Position</b>						
Investment in capital assets, net of related debt	28,607,943	27,541,491	15,755,501	15,669,648	44,363,444	43,211,139
Restricted	75,692	248,193	-	-	75,692	248,193
Unrestricted	5,812,111	5,031,494	6,282,424	6,282,636	12,094,535	11,314,130
Total Net Position	<u>\$ 34,495,746</u>	<u>\$ 32,821,178</u>	<u>\$ 22,037,925</u>	<u>\$ 21,952,284</u>	<u>\$ 56,533,671</u>	<u>\$ 54,773,462</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 \$56,533,671 at the close of the most recent fiscal year.

A significant portion of the City's net assets (78%) 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 \$75,692 are subject to external restrictions for highway, street and building renovation projects. The balance of unrestricted net position of \$12,094,535 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 \$1,674,568 from \$32,821,178 to \$34,495,746.

The City's net position from business-type activities increased \$85,641 from \$21,952,284 to \$22,037,925. Net investment in capital assets increased \$85,853; unrestricted net position decreased \$212.

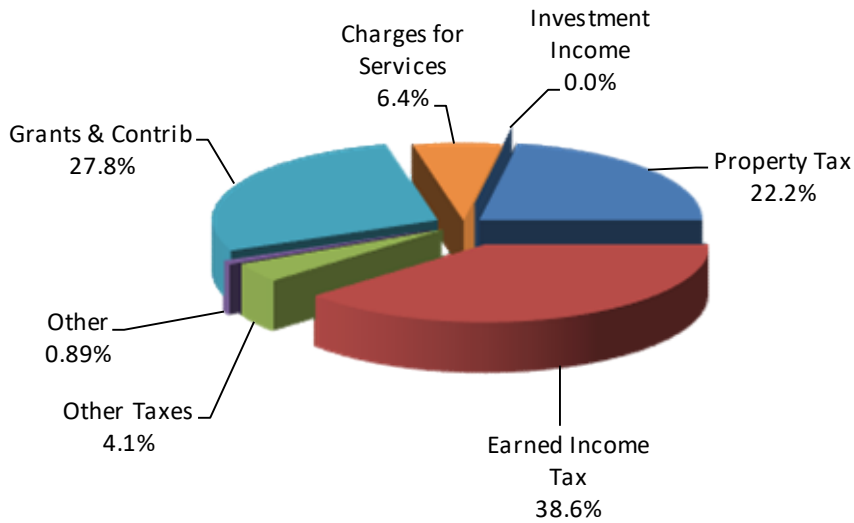
The following is a summary of the information presented in the statement of activities:

<b>City of Warren, Pennsylvania</b>						
Changes in Net Position for the Years Ended December 31, 2021 and 2020						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 656,391	\$ 1,091,110	\$ 2,993,928	\$ 2,962,054	\$ 3,650,319	\$ 4,053,164
Operating grants and contrib	1,270,356	1,041,234	-	54,000	1,270,356	1,095,234
Capital grants and contrib	1,588,805	591,444	-	-	1,588,805	591,444
General Revenues:						
Property taxes	2,286,085	2,362,085	-	-	2,286,085	2,362,085
Earned income tax	3,968,240	3,757,663	-	-	3,968,240	3,757,663
Other taxes	420,094	378,434	-	-	420,094	378,434
Investment income	2,162	2,917	36,037	33,093	38,199	36,010
Other	91,511	252,097	(24,352)	-	67,159	252,097
<b>Total Revenues</b>	<b>10,283,644</b>	<b>9,476,984</b>	<b>3,005,613</b>	<b>3,049,147</b>	<b>13,289,257</b>	<b>12,526,131</b>
<b>Expenses</b>						
Governmental Activities:						
General government	1,425,322	1,474,153	-	-	1,425,322	1,474,153
Public safety	3,875,326	3,737,698	-	-	3,875,326	3,737,698
Public works, culture/rec	1,882,620	1,998,562	-	-	1,882,620	1,998,562
Community development	1,557,248	830,649	-	-	1,557,248	830,649
Building code enforcement	181,770	221,739	-	-	181,770	221,739
Interest expense	80,946	12,532	-	-	80,946	12,532
Other	-	-	-	-	-	-
Business-type Activities:						
Sewer wastewater	-	-	2,088,099	2,263,745	2,088,099	2,263,745
Parking	-	-	437,717	515,706	437,717	515,706
<b>Total Expenses</b>	<b>9,003,232</b>	<b>8,275,333</b>	<b>2,525,816</b>	<b>2,779,451</b>	<b>11,529,048</b>	<b>11,054,784</b>
<b>Change in Net Position before other items</b>						
	1,280,412	1,201,651	479,797	269,696	1,760,209	1,471,347
Special Item	-	-	-	-	-	-
Transfers	394,156	394,156	(394,156)	(394,156)	-	-
Capital Contributions	-	-	-	-	-	-
<b>Change in Net Position</b>	<b>1,674,568</b>	<b>1,595,807</b>	<b>85,641</b>	<b>(124,460)</b>	<b>1,760,209</b>	<b>1,471,347</b>
Net Position, Beginning of Year	32,821,178	31,225,371	21,952,284	22,076,744	54,773,462	53,302,115
Prior Period Adjustments	-	-	-	-	-	-
<b>Net Position, End of year</b>	<b>\$ 34,495,746</b>	<b>\$ 32,821,178</b>	<b>\$ 22,037,925</b>	<b>\$ 21,952,284</b>	<b>\$ 56,533,671</b>	<b>\$ 54,773,462</b>

The City's governmental activities in 2021 relied heavily upon earned income tax revenue (38.6%), property tax revenue (22.2%), grants and contributions (27.8%), and charges for services (6.4%) to fund operations. Both real estate and earned income taxes increased for 2021. The real estate rate increased 1 mill to 20.8 mills; earned income was increased by 0.5% to 2.3% (2.8% including the school district rate of 0.5%) for City residents. Earned income tax revenue saw an increase over 2020 revenues by \$210,577, while property taxes saw a decrease of \$76,000. Overall tax revenue increased 5.8% over 2020 collections.

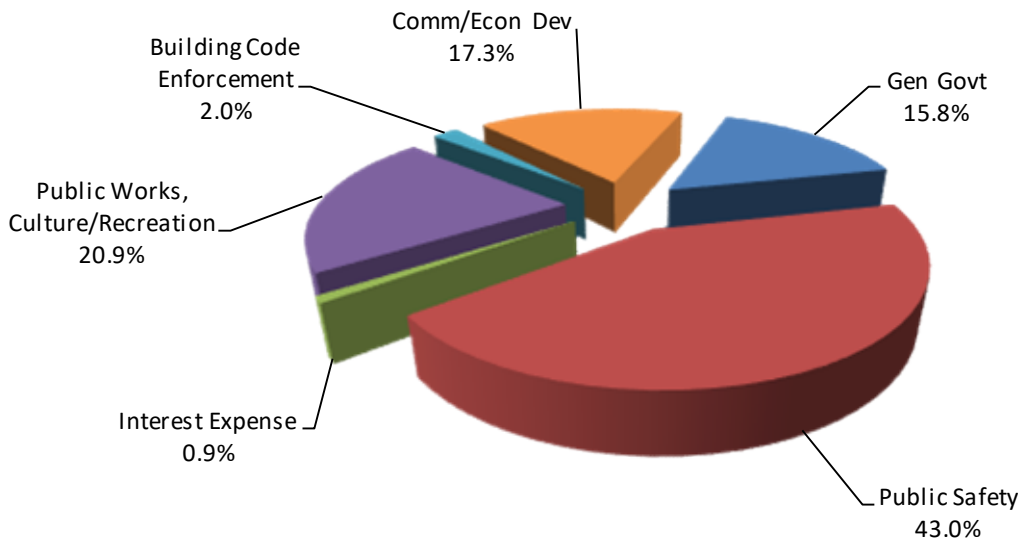
The following graph shows the composition of revenues by source for the City's governmental activities:

### 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, 2021, amounts to \$64,310,870 (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:

- 2021 Ford Interceptor for \$38,764 (offset by USDA grant funding) – Police Department
- Cub Cadet Lawn Mower for \$7,523 – Department of Public Works
- Rosenbauer Pumper Apparatus (fire engine) for \$462,072
- Toshiba E-Studio Color Copier for \$13,266 – Police Department
- Game Time Playground Equipment – Betts Playground for \$39,153
- Power Pro Ambulance Cot for \$35,580 – Fire Department
- Lion Bullseye digital fire extinguisher for \$12,862 – Fire Department
- 2021 Ford E-450 Lifeline Ambulance for \$229,320 – Fire Department
- AED for \$1,639 – Fire Department
- Ballistic helmets and face shields for \$17,959 (offset by grant funding) – Police Department
- Investigative camera equipment for \$3,349 – Police Department
- Radio equipment for \$3,431 – Fire Department
- Traffic Pole replacement at Marion & PA Ave for \$18,850
- Installation of a new cooling system to Managers Office and conference room for \$11,045
- A portion of West Fifth Avenue was rebuilt for \$49,337
- A portion of S South Street was reconstructed by way of CDBG grant funds. The total project cost was \$625,741 with \$591,249 being funded by CDBG.
- Renovations to Crescent Park began during 2021. As of December 31, 2021 the basketball court was completed for a total cost of \$35,702, which includes lighting, paving, poles/backboards/rims, coin box and fencing. Additionally, the current pavilion was upgraded with new flooring, upgraded electrical and new tables and grills for \$36,317. The remainder of the project will be completed in 2022.
- A sewer fund vehicle purchase included a 2021 Kenworth Sewer Vac truck for \$390,000.
- Sewer fund equipment purchased a Baldor severe duty motor for \$3,571 and a desktop computer for \$2,020

## Long-Term Liabilities

At the end of the current fiscal year, the City had revenue and general obligation notes that totaled \$2,168,821; compensated absences totaled \$396,975; capital leases totaled \$19,063. Included in the revenue and general obligation note balance are two notes obtained in 2010 for Streetscape Project funding and for capital equipment purchases; as well as promissory interfund notes for the 2020 purchase of an Aerial fire truck and the 2021 purchase of a Pumper Fire Truck, both financed with sewer funds. The balance outstanding at year end for the 2017 Pennvest sewer treatment plant upgrade construction project totaled \$17,759,542.

## **General Fund Budgetary Highlights**

The City employed a conservative budget approach due to the COVID-19 pandemic and anticipated decreases to revenues, specifically tax revenues. Fortunately, the loss of revenue was not realized, which created a positive variance from final appropriations in the amount of \$943,837 in revenues and \$1,022,572 in expenditures, resulting in an overall positive increase in fund balance of \$85,492.

## **Economic Factors and Next Year's Budgets and Rates**

Figures from the 2020 census show that the City of Warren has lost 3.2% of its population since the 2010 census going from 9,710 to approximately 9,404. 2021 estimates project that the City population could potentially fall further to 9,248. Additionally, there have been several large tax appeals filed for properties located within the City, which could potentially have a negative impact on the monies collected for real estate taxes.

The factors listed above as well as unemployment rates, infrastructure costs, public safety costs, employee-related costs for healthcare, pensions and wages were considered in preparing the City of Warren's budget for the 2022 fiscal year. The last few years have seen a pattern of appropriating the City's fund balance to balance the operational budget. After a 14.6% decrease in general fund balance at the end of 2019, the City experienced a 16.8% increase at the end of 2020 and only a 2% increase at the end of 2021. The City appropriated \$1,130,230 fund balance to balance its 2022 operational fiscal budget; fund balance of \$509,424 was appropriated in the 2022 budget to fund scheduled Capital Improvement Projects.

## **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.

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**CITY OF WARREN, PENNSYLVANIA**  
**Statement of Net Position**  
**December 31, 2021**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 4,401,438	\$ 5,404,916	\$ 9,806,354
Restricted cash	102,333	-	102,333
Receivable, net	114,879	437,532	552,411
Taxes receivable, net	314,463	-	314,463
Intergovernmental receivable, net	853,328	87,595	940,923
Prepaid items	57,346	-	57,346
Interfund receivable	900,012	(900,012)	-
Total Current Assets	<u>6,743,799</u>	<u>5,030,031</u>	<u>11,773,830</u>
Non-Current Assets			
Capital assets:			
Assets not being depreciated	1,299,192	54,532	1,353,724
Assets being depreciated, net	29,496,635	33,460,511	62,957,146
Note receivable	-	1,337,433	1,337,433
Net pension asset	3,591,029	-	3,591,029
Total Non-Current Assets	<u>34,386,856</u>	<u>34,852,476</u>	<u>69,239,332</u>
Total Assets	<u>\$ 41,130,655</u>	<u>\$ 39,882,507</u>	<u>\$ 81,013,162</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 262,847	\$ 53,342	\$ 316,189
Accrued liabilities	67,320	-	67,320
Intergovernmental payable	93,195	-	93,195
Interest payable	-	14,799	14,799
Other liabilities	523,008	-	523,008
Compensated absences	150,851	6,422	157,273
Capital leases payable	6,714	-	6,714
Notes payable	284,457	827,553	1,112,010
Total Current Liabilities	<u>1,388,392</u>	<u>902,116</u>	<u>2,290,508</u>
Non-Current Liabilities			
Compensated absences	246,124	10,477	256,601
Capital leases payable	12,349	-	12,349
Notes payable	1,884,364	16,931,989	18,816,353
Total Non-Current Liabilities	<u>2,142,837</u>	<u>16,942,466</u>	<u>19,085,303</u>
Total Liabilities	<u>3,531,229</u>	<u>17,844,582</u>	<u>21,375,811</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pensions	3,025,516	-	3,025,516
Unearned revenues-special assessments	78,164	-	78,164
Total Deferred Inflows	<u>3,103,680</u>	<u>-</u>	<u>3,103,680</u>
<b>NET POSITION</b>			
Net investment in capital assets	28,607,943	15,755,501	44,363,444
Restricted for:			
Liquid fuels	38,680	-	38,680
Streetscape project	37,012	-	37,012
Unrestricted	5,812,111	6,282,424	12,094,535
Total Net Position	<u>\$ 34,495,746</u>	<u>\$ 22,037,925</u>	<u>\$ 56,533,671</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, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		Operating Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities:</u>				
General government	\$ 1,425,322	\$ 139,844	\$ 213,757	\$ -
Public safety	3,875,326	58,398	684,672	-
Public works	1,298,173	322,982	358,045	-
Culture and recreation	584,447	78,436	509	-
Community development	1,557,248	13,475	13,373	1,588,805
Building code enforcement	181,770	43,256	-	-
Interest expense	80,946	-	-	-
Total Governmental Activities	9,003,232	656,391	1,270,356	1,588,805
<u>Business-Type Activities:</u>				
Sewer	2,088,099	2,568,232	-	-
Parking	437,717	425,696	-	-
Total Business-Type Activities	2,525,816	2,993,928	-	-
Total	\$ 11,529,048	\$ 3,650,319	\$ 1,270,356	\$ 1,588,805

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
\$ (1,071,721)	\$ -	\$ (1,071,721)
(3,132,256)	-	(3,132,256)
(617,146)	-	(617,146)
(505,502)	-	(505,502)
58,405	-	58,405
(138,514)	-	(138,514)
(80,946)	-	(80,946)
(5,487,680)	-	(5,487,680)
-	480,133	480,133
-	(12,021)	(12,021)
-	468,112	468,112
(5,487,680)	468,112	(5,019,568)

General Revenues:

Taxes			
Property tax	2,286,085	-	2,286,085
Earned income tax	3,968,240	-	3,968,240
Local services tax	315,080	-	315,080
Realty transfer tax	98,699	-	98,699
Utility tax	6,315	-	6,315
Investment earnings	2,162	36,037	38,199
Transfers in/(out)	394,156	(394,156)	-
Gain/(Loss) on sale of fixed assets	(46,963)	(24,352)	(71,315)
Miscellaneous revenues	138,474	-	138,474
Total General Revenues	7,162,248	(382,471)	6,779,777
Change in Net Position	1,674,568	85,641	1,760,209
Net Position, Beginning of Year	32,821,178	21,952,284	54,773,462
Net Position, End of Year	\$ 34,495,746	\$ 22,037,925	\$ 56,533,671

**CITY OF WARREN, PENNSYLVANIA**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2021**

	General Fund	Warren Redevelopment Assistance Loan Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,979,427	\$ 633,561	\$ 660,939	\$ 4,273,927
Restricted cash	102,333	-	-	102,333
Receivable, net	114,879	-	-	114,879
Taxes receivable, net	314,463	-	-	314,463
Intergovernmental receivable, net	-	500,000	353,328	853,328
Prepaid items	57,346	-	-	57,346
Interfund receivable	1,165,135	-	-	1,165,135
<b>Total Assets</b>	<b>\$ 4,733,583</b>	<b>\$ 1,133,561</b>	<b>\$ 1,014,267</b>	<b>\$ 6,881,411</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 202,049	\$ -	\$ 60,687	\$ 262,736
Accrued liabilities	67,320	-	-	67,320
Interfund payable	-	5,000	225,918	230,918
Other liabilities	18,989	-	504,019	523,008
<b>Total Liabilities</b>	<b>288,358</b>	<b>5,000</b>	<b>790,624</b>	<b>1,083,982</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	291,334	-	-	291,334
Unavailable revenue - special assessments	78,164	-	-	78,164
<b>Total Deferred Inflows of Resources</b>	<b>369,498</b>	<b>-</b>	<b>-</b>	<b>369,498</b>
<b>FUND BALANCE</b>				
Nonspendable:				
Prepaid items	57,346	-	-	57,346
Restricted:				
Liquid fuels	-	-	38,680	38,680
Streetscape project	37,012	-	-	37,012
Committed:				
Economic development funding	-	1,128,561	-	1,128,561
Capital improvement	-	-	157,500	157,500
Glade floodway	-	-	27,463	27,463
Assigned:				
Community improvement projects	509,424	-	-	509,424
Equipment	4	-	-	4
Operations	1,639,654	-	-	1,639,654
Parking fund	234,826	-	-	234,826
Unassigned	1,597,461	-	-	1,597,461
<b>Total Fund Balance</b>	<b>4,075,727</b>	<b>1,128,561</b>	<b>223,643</b>	<b>5,427,931</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 4,733,583</b>	<b>\$ 1,133,561</b>	<b>\$ 1,014,267</b>	<b>\$ 6,881,411</b>

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, 2021**

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

Fund balances - governmental funds	\$	5,427,931
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the governmental funds		30,795,827
Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		(3,025,516)
Certain long-term assets are not available to pay current period expenditures and, therefore, are unearned in the funds-Unavailable revenue-Property taxes		291,334
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Notes payable	\$	(2,168,821)
Capital leases payable		(19,063)
Net pension asset		3,591,029
Compensated absences		(396,975)
		1,006,170
Net position of governmental activities	\$	34,495,746

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, 2021**

	General Fund	Warren Redevelopment Assistance Loan Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 6,739,929	\$ -	\$ -	\$ 6,739,929
Intergovernmental	671,374	487,500	1,401,178	2,560,052
Charges for services	571,523	-	-	571,523
Interest, rents and royalties	5,046	64	102	5,212
Licenses and permits	331,649	-	-	331,649
Fines and forfeits	53,278	-	-	53,278
Other	110,876	-	-	110,876
Total Revenues	<u>8,483,675</u>	<u>487,564</u>	<u>1,401,280</u>	<u>10,372,519</u>
<b>EXPENDITURES</b>				
General government	1,038,725	-	-	1,038,725
Public safety	5,169,788	-	-	5,169,788
Public works	1,318,802	-	-	1,318,802
Culture and recreation	642,145	-	-	642,145
Community development	147,899	502,500	1,906,710	2,557,109
Building code enforcement	220,638	-	-	220,638
Debt service	-	-	243,340	243,340
Total Expenditures	<u>8,537,997</u>	<u>502,500</u>	<u>2,150,050</u>	<u>11,190,547</u>
Excess of revenues over expenditures	<u>(54,322)</u>	<u>(14,936)</u>	<u>(748,770)</u>	<u>(818,028)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	853,255	-	1,200,371	2,053,626
Transfers out	(1,200,371)	-	(459,099)	(1,659,470)
Loan proceeds	462,072	-	-	462,072
Capital lease proceeds	13,266	-	-	13,266
Gain on sale of asset	11,592	-	-	11,592
Total Other Financing Sources (Uses)	<u>139,814</u>	<u>-</u>	<u>741,272</u>	<u>881,086</u>
Net Change in Fund Balance	85,492	(14,936)	(7,498)	63,058
Fund Balances, Beginning of Year	<u>3,990,235</u>	<u>1,143,497</u>	<u>231,141</u>	<u>5,364,873</u>
Fund Balances, End of Year	<u>\$ 4,075,727</u>	<u>\$ 1,128,561</u>	<u>\$ 223,643</u>	<u>\$ 5,427,931</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, 2021**

Net change in fund balances - total governmental funds	\$	63,058
Capital outlay, reported as expenditures in the governmental funds, are shown as capital assets in the Statement of Net Position		1,949,893
The net effect of various miscellaneous transactions involving capital assets (i.e. disposal of assets) is to decrease net position		(58,555)
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities		(1,053,671)
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	\$ (71,525)	
Change in net pension asset/liability	<u>1,076,137</u>	1,004,612
Deferred inflows are not reflected in the fund statements as they are related to future pension obligations		(126,447)
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:		
Payments on notes payable	260,505	
Payments on capital lease payable	5,601	
Issuance of note payable	(462,072)	
Issuance of capital lease payable	(13,266)	
Change in compensated absences	41,042	
Change in other post-employment benefits	<u>63,868</u>	<u>(104,322)</u>
Change in net position of governmental activities	\$	<u><u>1,674,568</u></u>

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, 2021**

	Business-Type Activities			Governmental
	Sewer Fund	Parking Fund	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 5,144,138	\$ 260,778	\$ 5,404,916	\$ 127,511
Receivable, net	421,662	15,870	437,532	-
Intergovernmental receivable, net	87,595	-	87,595	-
<b>Total Current Assets</b>	<b>5,653,395</b>	<b>276,648</b>	<b>5,930,043</b>	<b>127,511</b>
Non-Current Assets				
Land	32,902	21,630	54,532	-
Assets being depreciated, net	26,276,186	7,184,325	33,460,511	-
Note receivable	1,337,433	-	1,337,433	-
<b>Total Non-Current Assets</b>	<b>27,646,521</b>	<b>7,205,955</b>	<b>34,852,476</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 33,299,916</b>	<b>\$ 7,482,603</b>	<b>\$ 40,782,519</b>	<b>\$ 127,511</b>
<b>LIABILITIES AND NET POSITION</b>				
Liabilities				
Current Liabilities				
Accounts payable	\$ 50,488	\$ 2,854	\$ 53,342	\$ 111
Interest payable	14,799	-	14,799	-
Intergovernmental payable	-	-	-	93,195
Interfund payable	665,186	234,826	900,012	34,205
Compensated absences	6,422	-	6,422	-
Note payable	827,553	-	827,553	-
<b>Total Current Liabilities</b>	<b>1,564,448</b>	<b>237,680</b>	<b>1,802,128</b>	<b>127,511</b>
Non-Current Liabilities				
Compensated absences	10,477	-	10,477	-
Note payable	16,931,989	-	16,931,989	-
<b>Total Non-Current Liabilities</b>	<b>16,942,466</b>	<b>-</b>	<b>16,942,466</b>	<b>-</b>
<b>Total Liabilities</b>	<b>18,506,914</b>	<b>237,680</b>	<b>18,744,594</b>	<b>127,511</b>
<b>NET POSITION</b>				
Net investment in capital assets	8,549,546	7,205,955	15,755,501	-
Unrestricted	6,243,456	38,968	6,282,424	-
<b>Total Net Position</b>	<b>14,793,002</b>	<b>7,244,923</b>	<b>22,037,925</b>	<b>-</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 33,299,916</b>	<b>\$ 7,482,603</b>	<b>\$ 40,782,519</b>	<b>\$ 127,511</b>

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, 2021**

	Business-Type Activities			Governmental Activities
	Sewer Fund	Parking Fund	Total Enterprise Funds	Internal Service Fund
Operating Revenues				
Charges for services	\$ 2,568,232	\$ 425,696	\$ 2,993,928	\$ 29,615
Total Operating Revenues	2,568,232	425,696	2,993,928	29,615
Operating Expenses				
Salaries and wages	426,899	74,071	500,970	17,000
Employee benefits	158,374	10,827	169,201	11,847
Supplies	148,327	10,094	158,421	208
Sludge removal	147,588	-	147,588	-
Utilities	156,406	22,164	178,570	118
Other	181,884	61,444	243,328	442
Depreciation	688,057	259,117	947,174	-
Total Operating Expenses	1,907,535	437,717	2,345,252	29,615
Operating Income (Loss)	660,697	(12,021)	648,676	-
Non-Operating Revenues (Expenses)				
Investment earnings	36,012	25	36,037	-
Gain (loss) on disposal	(24,352)	-	(24,352)	-
Interest expense	(180,564)	-	(180,564)	-
Transfers out	(256,410)	(137,746)	(394,156)	-
Total Non-Operating Revenue (Expenses)	(425,314)	(137,721)	(563,035)	-
Change in Net Position	235,383	(149,742)	85,641	-
Net Position, Beginning of Year	14,557,619	7,394,665	21,952,284	-
Net Position, End of Year	\$ 14,793,002	\$ 7,244,923	\$ 22,037,925	\$ -

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, 2021**

	Business-Type Activities			Governmental
	Sewer Fund	Parking Fund	Total Enterprise Funds	Internal Service Fund
Cash flows from operating activities:				
Cash receipts from customers	\$ 2,592,103	\$ 420,335	\$ 3,012,438	\$ 29,615
Cash payments to suppliers for goods and services	(464,710)	(31,613)	(496,323)	(97)
Cash payments to employees for services	(139,546)	(58,792)	(198,338)	(34,622)
Cash payments for other operating expenses	(182,423)	(61,444)	(243,867)	(35,631)
Net cash provided by (used by) operating activities	<u>1,805,424</u>	<u>268,486</u>	<u>2,073,910</u>	<u>(40,735)</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(256,410)	(137,746)	(394,156)	-
Net cash used by noncapital and related activities	<u>(256,410)</u>	<u>(137,746)</u>	<u>(394,156)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(395,590)	-	(395,590)	-
Principal payments on note/lease	(646,451)	-	(646,451)	-
Interest paid on debt	(180,564)	-	(180,564)	-
Net cash used by capital and related financing activities	<u>(1,222,605)</u>	<u>-</u>	<u>(1,222,605)</u>	<u>-</u>
Cash flows from investing activities:				
Interest income	36,012	25	36,037	-
Payments received on note from General Fund	62,567	-	62,567	-
Note to General Fund	(462,072)	-	(462,072)	-
Net cash provided by investing activities	<u>(363,493)</u>	<u>25</u>	<u>(363,468)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(37,084)	130,765	93,681	(40,735)
Cash and cash equivalents, January 1, 2021	<u>5,181,222</u>	<u>130,013</u>	<u>5,311,235</u>	<u>168,246</u>
Cash and cash equivalents, December 31, 2021	<u>\$ 5,144,138</u>	<u>\$ 260,778</u>	<u>\$ 5,404,916</u>	<u>\$ 127,511</u>
Reconciliation of operating income to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ 660,697	\$ (12,021)	\$ 648,676	\$ -
Adjustment to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	688,057	259,117	947,174	-
Changes in assets, liabilities, and deferred inflows				
(Increase) decrease in receivable	35,669	(5,361)	30,308	-
(Increase) decrease in intergovernmental receivable	(11,798)	-	(11,798)	-
Increase (decrease) in accounts payable	(12,389)	645	(11,744)	111
Increase (decrease) in compensated absences	1,523	-	1,523	-
Increase (decrease) in intergovernmental payable	-	-	-	(35,071)
Increase (decrease) in interest payable	(539)	-	(539)	(5,775)
Increase (decrease) in interfund payable	444,204	26,106	470,310	-
Net cash provided by (used by) operating activities	<u>\$ 1,805,424</u>	<u>\$ 268,486</u>	<u>\$ 2,073,910</u>	<u>\$ (40,735)</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, 2021**

ASSETS

Cash and cash equivalents	\$ 96,690
Investments	<u>25,357,321</u>
Total Assets	<u><u>\$ 25,454,011</u></u>

LIABILITIES

Accounts payable	<u>\$ 775</u>
Total Liabilities	<u>775</u>

NET POSITION

Net position held in trust for pension benefits	<u>25,453,236</u>
Total Net Position	<u>25,453,236</u>
Total Liabilities and Net Position	<u><u>\$ 25,454,011</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, 2021**

Additions:	
Contributions	
Employer	\$ 731,125
Plan members	<u>131,059</u>
Total	862,184
Investment income (loss), net	<u>2,967,398</u>
Total Additions	<u>3,829,582</u>
Deductions:	
Benefits	1,050,372
Management expense	<u>71,606</u>
Total Deductions	<u>1,121,978</u>
Change in Net Position	2,707,604
Net Position, Beginning of Year	<u>22,745,632</u>
Net Position, End of Year	<u><u>\$ 25,453,236</u></u>

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

**CITY OF WARREN, PENNSYLVANIA**  
**Notes to Financial Statements**  
**December 31, 2021**

**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 issued separate financial statements for 2021.

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 \$112,895 mainly due to depreciation expense not being budgeted for by the City and lower than anticipated other expenditures. The amounts over expended were funded by prior year's accumulated net position.

### 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.

## 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. The government does not have any items that qualify for reporting in this category.

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 three types of deferred inflows, 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. The other deferred inflow of the City of Warren is related to actuarially determined changes in the net pension liability recognized over future periods (see note 7 for further information.) These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### 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 \$110,016,210 at a tax rate of 20.8 mills. Taxes are paid at discount to September 30<sup>th</sup> and at par to November 30<sup>th</sup>. Taxes paid after November 30<sup>th</sup> 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. Future Pronouncements

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

GASB Statement No. 87 "*Leases*", effective for fiscal years beginning after June 15, 2021. The objective of this statement is to improve accounting and financial reporting for leases.

GASB Statement No. 97 "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*," effective for fiscal year beginning after June 15, 2021. The objective of this statement is to increase the consistency and comparability related to the reporting of fiduciary component units.

## NOTE 2 – CASH DEPOSITS AND INVESTMENTS – PRIMARY GOVERNMENT

Primary Government:

Deposits

At December 31, 2021, the City’s deposits, excluding the pension trust funds, are as follows:

	<u>Bank</u>	<u>Book</u>
Governmental Activities:		
Cash and cash equivalents	\$ 4,635,551	\$ 4,503,771
Business-Type Activities:		
Cash and cash equivalents	<u>5,404,749</u>	<u>5,404,916</u>
	<u>\$ 10,040,300</u>	<u>\$ 9,908,687</u>

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 \$6,202,886 as of December 31, 2021. 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. The credit quality rating for PLGIT accounts is AAAM.

*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, 2021, \$549,464 of the City’s \$10,040,300 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). Of the remaining bank balance, \$9,490,836 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 \$9,908,687 as of December 31, 2021.

**NOTE 3 – RECEIVABLES**

Receivables as of December 31, 2021 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	Community Development Block Grant	Capital Improvement Program	Total
Taxes	\$ 314,463	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 314,463
Intergovernmental	-	87,595	-	500,000	62,642	290,686	940,923
Other	173,755	524,979	15,870	-	-	-	714,604
Gross Receivables	488,218	612,574	15,870	500,000	62,642	290,686	1,969,990
Less: Allowance for Uncollectable	(58,876)	(103,317)	-	-	-	-	(162,193)
Net Receivables	<u>\$ 429,342</u>	<u>\$ 509,257</u>	<u>\$ 15,870</u>	<u>\$ 500,000</u>	<u>\$ 62,642</u>	<u>\$ 290,686</u>	<u>\$ 1,807,797</u>

Reconciliation to Government-wide Statement of Net Position

Receivable	\$ 714,604
Allowance for uncollectible accounts	<u>(162,193)</u>
Receivable, net	<u>\$ 552,411</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, 2021 was as follows:

	Balance January 1, 2021	Additions/ Adjustments	Deletions/ Adjustments	Balance December 31, 2021
<b>Governmental Activities</b>				
Capital Assets not Depreciated:				
Land	\$ 609,956	\$ -	\$ -	\$ 609,956
Construction in progress	177,408	307,983	-	485,391
Redevelopment properties	203,845	-	-	203,845
Total Capital Assets not Depreciated	<u>\$ 991,209</u>	<u>\$ 307,983</u>	<u>\$ -</u>	<u>\$ 1,299,192</u>
Capital Assets Depreciated:				
Infrastructure	\$ 27,035,631	\$ 675,078	\$ -	\$ 27,710,709
Buildings	5,658,634	11,045	-	5,669,679
Improvements other than buildings	3,512,883	130,022	(9,277)	3,633,628
Machinery and equipment, computers and software	2,408,737	95,609	(14,676)	2,489,670
Vehicles	3,412,738	730,156	(582,688)	3,560,206
Furnitures and fixtures	128,012	-	-	128,012
Total Assets Depreciated	<u>42,156,635</u>	<u>1,641,910</u>	<u>(606,641)</u>	<u>43,191,904</u>
Less Accumulated Depreciation:				
Infrastructure	(5,008,753)	(434,825)	-	(5,443,578)
Buildings	(3,249,355)	(121,851)	-	(3,371,206)
Improvements other than buildings	(1,752,631)	(124,813)	9,277	(1,868,167)
Machinery and equipment, computers and software	(1,359,512)	(154,424)	14,389	(1,499,547)
Vehicles	(1,709,261)	(215,357)	524,420	(1,400,198)
Furnitures and fixtures	(110,172)	(2,401)	-	(112,573)
Total Accumulated Depreciation	<u>(13,189,684)</u>	<u>(1,053,671)</u>	<u>548,086</u>	<u>(13,695,269)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 28,966,951</u>	<u>\$ 588,239</u>	<u>\$ (58,555)</u>	<u>\$ 29,496,635</u>

## NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Balance January 1, 2021	Additions/ Adjustments	Deletions/ Adjustments	Balance December 31, 2021
<b>Business-Type Activities</b>				
Capital Assets not Depreciated:				
Land	\$ 54,532	\$ -	\$ -	\$ 54,532
Total Capital Assets not Depreciated	<u>\$ 54,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,532</u>
Capital Assets Depreciated:				
Buildings and improvements	\$ 5,770	\$ -	\$ -	\$ 5,770
Sewer treatment plant	26,155,219	-	-	26,155,219
Sewer machinery and equipment	619,977	5,590	-	625,567
Sewer collection system	3,075,041	-	-	3,075,041
Vehicles	572,280	390,000	(243,519)	718,761
Furniture and fixtures	342	-	-	342
Parking garage	9,570,275	-	-	9,570,275
Parking lots and parking equipment	1,123,356	-	-	1,123,356
Total Assets Depreciated	<u>41,122,260</u>	<u>395,590</u>	<u>(243,519)</u>	<u>41,274,331</u>
Less Accumulated Depreciation:				
Buildings and improvements	(1,222)	(289)	-	(1,511)
Sewer treatment plant	(2,108,100)	(527,025)	-	(2,635,125)
Sewer machinery and equipment	(229,382)	(53,516)	-	(282,898)
Sewer collection system	(1,085,668)	(52,163)	-	(1,137,831)
Vehicles	(410,927)	(55,063)	219,167	(246,823)
Furniture and fixtures	(325)	(2)	-	(327)
Parking garage	(1,888,020)	(192,565)	-	(2,080,585)
Parking lots and parking equipment	(362,169)	(66,551)	-	(428,720)
Total Accumulated Depreciation	<u>(6,085,813)</u>	<u>(947,174)</u>	<u>219,167</u>	<u>(6,813,820)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 35,036,447</u>	<u>\$ (551,584)</u>	<u>\$ (24,352)</u>	<u>\$ 34,460,511</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	\$	537,373
Public safety		242,344
Public works		179,124
Culture and recreation		84,294
Community development		5,268
Building code enforcement		<u>5,268</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>1,053,671</u></u>
Business-Type Activities:		
Depreciation		
Sewer fund	\$	688,057
Parking fund		<u>259,117</u>
Total Depreciation Expense - Business-Type Activities	\$	<u><u>947,174</u></u>

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of December 31, 2021 is as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General	Sewer	\$ 665,186
General	Parking	234,826
General	Tax Agency	34,205
General	Capital Improvement	185,869
General	Warren Redevelopment Loan	5,000
General	CDBG	<u>40,049</u>
		<u><u>\$ 1,165,135</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	\$ 1,165,135
Less: interfund balances between governmental funds	<u>(265,123)</u>
Total interfund balances between governmental activities and business-type activities	<u><u>\$ 900,012</u></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, 2021 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Glade Run Escrow Fund	\$ 7,500
General Fund	Capital Improvement Program Fund	949,531
General Fund	Debt Service Fund	243,340
Parking Fund	General Fund	137,746
Sewer Fund	General Fund	256,410
Highway Aid Fund	General Fund	<u>459,099</u>
		<u><u>\$ 2,053,626</u></u>

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

Governmental activities	\$ -
Business-Type activities	<u>-</u>
Total	<u><u>\$ -</u></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

### General Obligation Debt

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.

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 \$181,102. The outstanding amount of the note as of December 31, 2021 is \$17,759,542.

As of year ended December 31, 2021, there have been no significant events of default with finance-related consequences nor any termination events or subjective acceleration clauses.

### Debt Service Requirements

Year Ending	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 284,457	\$ 74,901	\$ 652,945	\$ 174,608	\$ 937,402	\$ 249,509
2023	297,831	61,527	659,504	168,049	957,335	229,576
2024	308,761	50,597	666,130	161,423	974,891	212,020
2025	262,456	36,084	672,822	154,731	935,278	190,815
2026	86,745	29,273	679,581	147,972	766,326	177,245
2027-2031	474,941	105,147	3,501,692	636,074	3,976,633	741,221
2032-2036	453,630	29,587	3,681,152	456,614	4,134,782	486,201
2037-2041	-	-	3,869,806	267,959	3,869,806	267,959
2042-2046	-	-	3,375,910	72,226	3,375,910	72,226
	<u>\$ 2,168,821</u>	<u>\$ 387,116</u>	<u>\$ 17,759,542</u>	<u>\$ 2,239,656</u>	<u>\$ 19,928,363</u>	<u>\$ 2,626,772</u>

### Interfund Notes

The City of Warren General Fund signed two promissory notes with the City of Warren Sewer Fund to borrow money for the purchase of two firetrucks. Principal and interest payments shall commence on January 1, 2021 and July 1, 2021. The Notes bear interest rates of 3.0% per annum and principal and interest payments of \$6,477 per month and \$3,191 per month, respectively for 15 years ending December 31, 2035 and December 31, 2036, respectively.

**NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)**

Capital Leases

The City entered into lease agreements to finance the acquisition of office equipment. 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 \$33,643, accumulated depreciation of \$16,590 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, 2021. Capital lease amortization is included in depreciation expense.

<u>Asset Class</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 33,643
Less accumulated depreciation	<u>(16,590)</u>
Total	<u><u>\$ 17,053</u></u>

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2021 are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>
2022	\$ 7,945
2023	6,204
2024	3,311
2025	3,311
2026	<u>1,104</u>
Total minimum lease payments	21,875
Less amount representing interest	<u>(2,812)</u>
Present value of minimum lease payments	<u><u>\$ 19,063</u></u>

**NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)**

Long-term liability activity for the year ended December 31, 2021 was as follows:

	January 1, 2021	Additions	Reductions	December 31, 2021	Due Within One Year
<b>Governmental Activities:</b>					
Notes payable	\$ 1,967,254	\$ 462,072	\$ (260,507)	\$ 2,168,819	\$ 284,457
Capital leases	11,398	13,266	(5,601)	19,063	6,714
Compensated absences	438,017	476,509	(517,551)	396,975	150,851
Other postemployment benefits	63,868	-	(63,868)	-	-
	<u>\$ 2,480,537</u>	<u>\$ 951,847</u>	<u>\$ (847,527)</u>	<u>\$ 2,584,857</u>	<u>\$ 442,022</u>
<b>Business-Type activities:</b>					
Sewer fund upgrade note	\$ 18,405,993	\$ -	\$ (646,451)	\$ 17,759,542	\$ -
Compensated absences	15,376	12,275	(10,752)	16,899	6,422
	<u>\$ 18,421,369</u>	<u>\$ 12,275</u>	<u>\$ (657,203)</u>	<u>\$ 17,776,441</u>	<u>\$ 6,422</u>

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

**NOTE 7 – 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.

**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, 2021.

## NOTE 7 – RETIREMENT PLANS (CONTINUED)

### Benefit Provisions

#### Eligibility Requirements

Normal Retirement: For those hired on or before January 1, 2018: Age 62 and 10 years of service.

For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: Age 60 and 20 years of service.

Early Retirement: For those hired on or before January 1, 2018: Age 57 and 12 years of service.

For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: None.

Vesting: For those hired on or before January 1, 2018: 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.

For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: 100% after 20 years of service.

Retirement Benefit: For those hired on or before January 1, 2018: A monthly benefit equal to 1.2% of Final Average Monthly Salary (base pay averaged over the final 60 months of employment), plus 1.0% of Final Average Monthly Salary in excess of \$550 multiplied by years of service.

For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: A monthly benefit equal to 50% of Average Compensation (base pay averaged over the highest 5-year period, or rate of monthly pay at retirement, whichever is higher). Such benefit shall be offset by 40% of a Participant's full Social Security old-age insurance benefit.

## NOTE 7 – RETIREMENT PLANS (CONTINUED)

### Death Benefit

Before 10 Years of service:	Refund of contributions if any, plus interest.
After 10 Years of service but before retirement:	For those hired on or before January 1, 2018: The participant's spouse will receive 50% of the participant's Accrued Benefit, payable for life or until remarriage.
Before Retirement:	For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: Refund of contributions.
After Retirement:	<p>For those hired on or before January 1, 2018: 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.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: None except that total benefits paid to the participant are less than the refund of contributions, the excess balance is payable.</p>
Late Retirement:	<p>For those hired on or before January 1, 2018: 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.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: The accrued benefit at actual Late Retirement date.</p>
Early Retirement	
Amount of Benefit:	<p>For those hired on or before January 1, 2018: Normal Retirement benefit based on Years of Continuous Service at date of actual retirement payable at Normal Retirement.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: None.</p>
Reduction for Early Commencement:	For those hired on or before January 1, 2018: Benefit may be elected immediately, but will be reduced by 6.7% for each year by which commencement of benefits precedes Normal Retirement Date.

## NOTE 7 – RETIREMENT PLANS (CONTINUED)

### Deposits

At December 31, 2021, the Plan held \$32,618 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:

<u>Asset Class</u>	<u>Target Percentage</u>
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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Fixed Income Mutual Funds	\$ 2,778,047	Not Rated

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

	<u>Level I</u>	<u>Level II</u>
Money Market Funds	\$ 5,278,494	\$ -
Fixed Income Mutual Funds	-	2,778,047
	<u>\$ 5,278,494</u>	<u>\$ 2,778,047</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. There were no significant changes in the valuation techniques used as of December 31, 2021.

*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, 2021, 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.

**NOTE 7 – RETIREMENT PLANS (CONTINUED)**

*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% limit on fixed income securities. The maturities of the Plan’s debt investments are listed on the table below.

Investment Type	Investment Maturities (in Years)					
	Fair Value	Less Than 1	N/A	1-5.99	6 - 10	More than 10
Debt Securities-Fixed Income Funds	\$ 2,778,047	\$ -	\$ -	\$ 556,213	\$ 2,221,834	\$ -
Equity Mutual Funds	5,278,494					
Total	\$ 8,056,541					

**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 hired on or before January 1, 2018 are required to contribute 2.0% of covered payroll to the Plan. Employees hired after January 1, 2018 are required to contribute 3.5% 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.

## NOTE 7 – RETIREMENT PLANS (CONTINUED)

### Net Pension Liability

The components of the net pension liability at December 31, 2021 are as follows:

Total pension liability*	\$ 6,963,688
Plan fiduciary net position	<u>(8,090,250)</u>
Net pension liability/(asset)	<u>\$ (1,126,562)</u>

Plan fiduciary net position as a percentage of the total pension liability: 116.2%

\*The total pension liability was determined by an actuarial valuation as of January 1, 2019 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

#### Actuarial Assumptions

Inflation: 2.50%

Salary increases: 4.50% including inflation

Mortality: PubG-2010 mortality projected for the year 2020 with rates derived from the Long-Range Demographic Assumptions for the 2020 SSA's trustee report.

#### Expected Long-Term

Rate of Return: 7.00 % 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, 2021 are summarized in the following table:

## NOTE 7 – RETIREMENT PLANS (CONTINUED)

<u>Asset Class</u>	<u>Long-Term Expected Real ROR</u>
US Equity-Large Cap	4.09% - 7.34%
US Equity-Small/Mid Cap	5.01% - 9.06%
Non-US Equity-Developed	4.62% - 8.26%
Non-US Equity-Emerging	5.65% - 10.49%
US Corp Bond - Core	.88% - 2.02%
US Corp Bond-High Yield	2.80% - 4.96%
Non-US Debt-Developed	.44% - 1.89%
Non-US Debt-Emerging	2.69% - 4.76%
US Treasuries / Cash	.07% - .53%

### Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the Minimum Municipal Obligation. Based on those assumptions, 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:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Net Pension Liability	<u>\$ (366,572)</u>	<u>\$ (1,126,562)</u>	<u>\$ (1,770,093)</u>

### Payable to the Pension Plan

At December 31, 2021, 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, 2021, pension Plan membership consists of:

Active employees	25
Retirees and beneficiaries currently receiving benefits	30
Terminated employees entitled to benefits but not yet receiving them	<u>5</u>
Total	<u><u>60</u></u>

## NOTE 7 – RETIREMENT PLANS (CONTINUED)

### Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 12/31/20</b>	\$ 6,596,710	\$ 7,312,690	\$ (715,980)
<b>Changes for the Year:</b>			
Service cost	189,453	-	189,453
Interest	468,458	-	468,458
Differences between expected and actual experience	13,298	-	13,298
Change of assumptions	83,275	-	83,275
Contributions - employer	-	212,654	(212,654)
Contributions - employee	-	30,347	(30,347)
Net investment income	-	946,066	(946,066)
Benefit payments and refunds of employee contributions	(387,506)	(387,506)	-
Administrative expense	-	(24,001)	24,001
<b>Net changes</b>	<u>366,978</u>	<u>777,560</u>	<u>(410,582)</u>
<b>Balances at 12/31/2021</b>	<u>\$ 6,963,688</u>	<u>\$ 8,090,250</u>	<u>\$ (1,126,562)</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, 2021.

### **Benefit Provisions**

#### Eligibility Requirements:

#### Normal Retirement:

If hired before January 1, 2021 – Completion of 20 years of service.

If hired on or after January 1, 2021 – Age 50 and completion of 20 years of service.

#### Vesting:

100% after 12 years of service.

## NOTE 7 – RETIREMENT PLANS (CONTINUED)

Retirement Benefit	<p>If hired before January 1, 2021 - 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.</p> <p>If hired on or after January 1, 2021 – A monthly benefit equal to 50% of Final Average Monthly Compensation (based pay plus longevity averaged over the final 36 months of employment).</p>
Death Benefit	
Before Retirement Eligibility:	Refund of contributions plus interest.
After Retirement Eligibility:	<p>If hired before January 1, 2021 - 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.</p> <p>If hired on or after January 1, 2021 - The surviving spouse will receive 50% 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.</p>
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.

**NOTE 7 – RETIREMENT PLANS (CONTINUED)**

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.

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, 2021, the Plan held \$57,631 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:

<u>Asset Class</u>	<u>Target Percentage</u>
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 formal 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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Fixed Income Mutual Funds	\$3,668,394	Not Rated

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

	<u>Level I</u>	<u>Level II</u>
Money Market Funds	\$ 7,007,884	\$ -
Fixed Income Mutual Funds	-	3,688,394
	<u>\$ 7,007,884</u>	<u>\$ 3,688,394</u>

## NOTE 7 – RETIREMENT PLANS (CONTINUED)

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. There were no significant changes in the valuation techniques used as of December 31, 2021.

*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, 2021, 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% 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>
Fixed Income Mutal Funds	\$3,688,394	\$ -	\$738,179	\$2,950,215	\$ -
Total	<u>\$3,688,394</u>	<u>\$ -</u>	<u>\$738,179</u>	<u>\$2,950,215</u>	<u>\$ -</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 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 7 – RETIREMENT PLANS (CONTINUED)

### Net Pension Liability

The components of the net pension liability (asset) at December 31, 2021 are as follows:

Total pension liability*	\$ 8,895,642
Plan fiduciary net position	<u>(10,749,048)</u>
Net pension asset	<u>\$ (1,853,406)</u>

Plan fiduciary net position as a percentage of the total pension liability: 120.8%

\*The total pension liability was determined by an actuarial valuation as of January 1, 2021 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

#### Actuarial Assumptions:

Inflation:	2.50%
Salary increases:	4.50% including inflation, plus additional 2.667% in the year preceding retirement to reflect unused sick days used in the calculation of Final Average Monthly Compensation.
Mortality:	PubS-2010 mortality projected from the year 2020 with rates derived from the Long-Range Demographic Assumptions for the 2020 SSA's Trustee report.
Expected Long-Term Rate of Return:	7.00% 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, 2021 are summarized in the following table:

**NOTE 7 – RETIREMENT PLANS (CONTINUED)**

<u>Asset Class</u>	<u>Long-Term Expected Real ROR</u>
US Equity-Large Cap	4.09% - 7.34%
US Equity-Small/Mid Cap	5.01% - 9.06%
Non-US Equity-Developed	4.62% - 8.26%
Non-US Equity-Emerging	5.65% - 10.49%
US Corp Bond - Core	.88% - 2.02%
US Corp Bond-High Yield	2.80% - 4.96%
Non-US Debt-Developed	.44% - 1.89%
Non-US Debt-Emerging	2.69% - 4.76%
US Treasuries / Cash	.07% - .53%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the Minimum Municipal Obligation. Based on those assumptions, 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):

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Net Pension Liability	\$ (821,565)	\$ (1,853,406)	\$ (2,706,596)

**Payable to the Pension Plan**

At December 31, 2021, 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, 2021, pension Plan membership consists of:

Active employees	16
Retirees and beneficiaries currently receiving benefits	25
Terminated employees entitled to benefits but not yet receiving them	<u>0</u>
Total	<u>41</u>

## NOTE 7 – RETIREMENT PLANS (CONTINUED)

### Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 12/31/20</b>	\$ 8,362,539	\$ 9,816,583	\$ (1,454,044)
<b>Changes for the Year:</b>			
Service cost	215,637	-	215,637
Interest	601,246	-	601,246
Differences between expected and actual experience	(143,969)	-	(143,969)
Changes of assumptions	156,886	-	156,886
Changes of benefit terms	283,149	-	283,149
Contributions - employer	-	229,924	(229,924)
Contributions - employee	-	43,231	(43,231)
Net investment income	-	1,270,307	(1,270,307)
Benefit payments and refunds of employee contributions	(579,846)	(579,846)	-
Administrative expense	-	(31,151)	31,151
<b>Net changes</b>	<b>533,103</b>	<b>932,465</b>	<b>(399,362)</b>
<b>Balances at 12/31/2021</b>	<b>\$ 8,895,642</b>	<b>\$ 10,749,048</b>	<b>\$ (1,853,406)</b>

### 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, 2021.

### **Benefit Provisions**

Pension Plan benefit provisions are as follows:

#### Eligibility Requirements

Normal Retirement: Age 50 and 20 years of service.

Early Retirement: None.

Vesting: 100% after 12 years of service.

## NOTE 7 – 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. For new hires after January 1, 2020, the maximum service increment is \$100. 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 upon 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 7 – RETIREMENT PLANS (CONTINUED)

### Member Contributions

Amount or Rate: 5.0% of wages + \$2.50 per month for service increment  
(For those hired after January 1, 2020, \$1 per month for service increment).

Interest Rate Credited to  
Member Contributions: 0.0%

### Deposits

At December 31, 2021, the Plan held \$6,441 in deposits. Deposits are 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:

<u>Asset Class</u>	<u>Target Percentage</u>
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 formal policy for credit risk. At December 31, 2021, the credit ratings of the Plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Fixed Income Mutual Funds	\$2,207,610	Not Rated
Annuity Contract	\$204,203	Not Rated

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>
Money Market Funds	\$ 4,192,689	\$ -	\$ -
Fixed Income Mutual Funds	-	2,207,610	-
Annuity Contract	-	-	204,203
	<u>\$ 4,192,689</u>	<u>\$ 2,207,610</u>	<u>\$ 204,203</u>

## NOTE 7 – RETIREMENT PLANS (CONTINUED)

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. Annuity contract is based on contract value adjusted for any investment related activity. There were no significant changes in the valuation techniques used as of December 31, 2021.

*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, 2021, 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	\$ 2,207,610	<u>\$ -</u>	<u>\$ 315,514</u>	<u>\$ 1,264,897</u>	<u>\$ 627,199</u>
Annuity Contracts	204,203				
Money Market Funds	<u>4,192,689</u>				
	<u>\$ 6,604,502</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 (\$1.00 per month if hired after January 1, 2020) 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 7 – RETIREMENT PLANS (CONTINUED)

The components of the net pension liability at December 31, 2021 are as follows:

Total pension liability*	\$ 6,000,925
Plan fiduciary net position	<u>(6,611,986)</u>
Net pension liability/(asset)	<u>\$ (611,061)</u>

Plan fiduciary net position as a percentage of the total pension liability: 110.2%

\*The total pension liability was determined by an actuarial valuation as of January 1, 2021 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

### Actuarial Assumptions

Inflation:	2.50%
Salary increases:	4.5% including inflation
Mortality:	PubS-2010 mortality projected from the year 2020 with rates derived from the Long-Range Demographic Assumptions for the 2020 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, 2021 are summarized in the following table:

**NOTE 7 – RETIREMENT PLANS (CONTINUED)**

<u>Asset Class</u>	<u>Long-Term Expected Real ROR</u>
US Equity-Large Cap	4.09% - 7.34%
US Equity-Small/Mid Cap	5.01% - 9.06%
Non-US Equity-Developed	4.62% - 8.26%
Non-US Equity-Emerging	5.65% - 10.49%
US Corp Bond - Core	.88% - 2.02%
US Corp Bond-High Yield	2.80% - 4.96%
Non-US Debt-Developed	.44% - 1.89%
Non-US Debt-Emerging	2.69% - 4.76%
US Treasuries / Cash	.07% - .53%

**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 plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the Minimum Municipal Obligation. Based on those assumptions, 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:

	<u>1% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1% Increase 7.75%</u>
Net Pension Liability (asset)	<u>\$ 207,896</u>	<u>\$ (611,061)</u>	<u>\$ (1,279,076)</u>

**Payable to the Pension Plan**

At December 31, 2021, the City did not owe anything to the Plan.

**NOTE 7 – RETIREMENT PLANS (CONTINUED)**

**Plan Membership**

The Plan provides pensions for full-time firefighters of the City. As of December 31, 2021, pension Plan membership consists of:

Active employees	20
Retirees and beneficiaries currently receiving benefits	2
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
Total	<u><u>23</u></u>

**Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at 12/31/20</b>	<u>\$ 5,269,510</u>	<u>\$ 5,614,378</u>	<u>\$ (344,868)</u>
<b>Changes for the Year:</b>			
Service cost	223,779	-	223,779
Interest	382,170	-	382,170
Changes of benefit terms	-	-	-
Differences between expected and actual experiences	(117,355)	-	(117,355)
Changes of assumptions	327,471	-	327,471
Contributions - employer	-	288,547	(288,547)
Contributions - employee	-	57,481	(57,481)
Net investment income	-	755,873	(755,873)
Benefit payments and refunds of employee contributions	(84,650)	(84,650)	-
Administrative expense	-	(19,643)	19,643
<b>Net changes</b>	<u>731,415</u>	<u>997,608</u>	<u>(266,193)</u>
<b>Balances at 12/31/2021</b>	<u><u>\$ 6,000,925</u></u>	<u><u>\$ 6,611,986</u></u>	<u><u>\$ (611,061)</u></u>

**NOTE 7 – RETIREMENT PLANS (CONTINUED)**

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

For the year ended December 31, 2021, the City recognized pension expense of \$(218,565). At December 31, 2021, 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	\$ (770,075)
Changes of assumptions	491,579
Net difference between projected and actual earnings on pension plan investments	<u>(2,747,020)</u>
Total	<u><u>\$ (3,025,516)</u></u>

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

Year ended December 31:

2022	\$ (745,663)
2023	(1,198,178)
2024	(713,092)
2025	(330,799)
2026	(47,637)
Thereafter	<u>9,853</u>
Total	<u><u>\$ (3,025,516)</u></u>

## **NOTE 8 – 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 9 – 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, 2021, there is no material liability of unpaid claims to be reported by the City.

## **NOTE 10 – SUBSEQUENT EVENTS**

The City has evaluated subsequent events through December 16, 2022, the date which the financial statements were available to be issued.

**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, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 5,929,080	\$ 5,929,080	\$ 6,739,929	\$ 810,849
Intergovernmental	635,862	635,862	671,374	35,512
Charges for services	486,450	486,450	571,523	85,073
Interest, rents and royalties	9,050	9,050	5,046	(4,004)
Licenses and permits	386,095	386,095	331,649	(54,446)
Fines and forfeits	63,000	63,000	53,278	(9,722)
Other	30,300	30,300	110,876	80,576
Total Revenues	<u>7,539,837</u>	<u>7,539,837</u>	<u>8,483,675</u>	<u>943,838</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,261,155	1,261,155	1,038,725	222,430
Public safety	5,423,079	5,423,079	5,169,788	253,291
Public works	1,853,888	1,853,888	1,318,802	535,086
Culture and recreation	593,194	593,194	642,145	(48,951)
Community development	181,064	181,064	147,899	33,165
Building code enforcement	248,188	248,188	220,638	27,550
Total Expenditures	<u>9,560,568</u>	<u>9,560,568</u>	<u>8,537,997</u>	<u>1,022,571</u>
Excess of revenues over expenditures	<u>(2,020,731)</u>	<u>(2,020,731)</u>	<u>(54,322)</u>	<u>1,966,409</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	457,206	457,206	853,255	396,049
Transfers out	(507,500)	(507,500)	(1,200,371)	(692,871)
Loan proceeds	462,072	462,072	462,072	-
Capital lease proceeds	-	-	13,266	13,266
Gain on sale of asset	4,500	4,500	11,592	7,092
Total Other Financing Sources (Uses)	<u>416,278</u>	<u>416,278</u>	<u>139,814</u>	<u>(276,464)</u>
Net Change in Fund Balance	(1,604,453)	(1,604,453)	85,492	1,689,945
Fund Balances, Beginning of Year	<u>3,990,235</u>	<u>3,990,235</u>	<u>3,990,235</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 2,385,782</u>	<u>\$ 2,385,782</u>	<u>\$ 4,075,727</u>	<u>\$ 1,689,945</u>

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

**Municipal Employees Pension Plan**

**Total Pension Liability at Plan Year End**

	2021	2020	2019	2018	2017	2016	2015
Actuarial Accrued Liability at January 1	\$ 6,596,710	\$ 6,352,664	\$ 6,335,217	\$ 6,106,471	\$ 5,416,298	\$ 5,210,339	\$ 5,091,945
Service cost	189,453	170,404	162,677	151,378	166,289	137,298	135,432
Differences between expected and actual experience	13,298	-	(212,170)	-	70,534	-	(113,700)
Benefit payments	(387,506)	(385,549)	(375,405)	(363,384)	(327,099)	(320,606)	(276,676)
Changes of assumptions	83,275	-	-	-	356,408	-	-
Interest	468,458	459,191	442,345	440,752	424,041	389,267	373,338
<b>Total Pension Liability (TPL)</b>	<b>\$ 6,963,688</b>	<b>\$ 6,596,710</b>	<b>\$ 6,352,664</b>	<b>\$ 6,335,217</b>	<b>\$ 6,106,471</b>	<b>\$ 5,416,298</b>	<b>\$ 5,210,339</b>

**Plan Fiduciary Net Position**

Balance at January 1	\$ 7,312,690	\$ 6,425,877	\$ 5,461,886	\$ 5,893,933	\$ 5,320,229	\$ 5,139,874	\$ 5,280,405
Benefit payments	(387,506)	(385,549)	(375,405)	(363,384)	(327,099)	(320,606)	(276,676)
Contributions - employer	212,654	213,434	193,712	193,392	135,508	136,779	193,634
Contributions - member	30,347	29,975	26,515	24,575	24,878	22,187	21,480
Net investment income	946,066	1,049,999	1,135,471	(259,726)	760,021	369,746	(48,092)
Administrative expenses	(24,001)	(21,046)	(16,302)	(26,904)	(19,604)	(27,751)	(30,877)
<b>Total Plan Fiduciary Net Position</b>	<b>\$ 8,090,250</b>	<b>\$ 7,312,690</b>	<b>\$ 6,425,877</b>	<b>\$ 5,461,886</b>	<b>\$ 5,893,933</b>	<b>\$ 5,320,229</b>	<b>\$ 5,139,874</b>

<b>City Net Pension Liability (Asset)</b>	<b>\$ (1,126,562)</b>	<b>\$ (715,980)</b>	<b>\$ (73,213)</b>	<b>\$ 873,331</b>	<b>\$ 212,538</b>	<b>\$ 96,069</b>	<b>\$ 70,465</b>
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Plan fiduciary net position as a percentage of the total pension liability	116.2%	110.9%	101.2%	86.2%	96.5%	98.2%	98.6%
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Covered-employee payroll	\$ 1,301,859	\$ 1,475,101	\$ 1,478,079	\$ 1,279,181	\$ 1,255,134	\$ 1,264,036	\$ 1,114,818
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City's Net Pension Liability/(Asset) as a percentage of covered-employee payroll	-86.5%	-48.5%	-5.0%	68.3%	16.9%	7.6%	6.3%
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**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios**  
**December 31,**

**Police Pension Plan**

**Total Pension Liability at Plan Year End**

	2021	2020	2019	2018	2017	2016	2015
Actuarial Acrued Liability at January 1	\$ 8,362,539	\$ 8,146,516	\$ 8,063,251	\$ 7,873,272	\$ 7,269,402	\$ 7,113,618	\$ 7,193,968
Service cost	215,637	198,956	189,934	179,535	171,394	159,679	152,075
Changes of benefit terms	283,149	-	-	-	-	-	(18,267)
Differences between expected and actual experience	(143,969)	-	(115,414)	-	(59,672)	-	(267,700)
Benefit payments	(579,846)	(567,758)	(561,254)	(553,666)	(529,712)	(529,881)	(459,060)
Changes of assumptions	156,886	-	-	-	471,417	-	-
Interest	601,246	584,825	569,999	564,110	550,443	525,986	512,602
<b>Total Pension Liability (TPL)</b>	<b>\$ 8,895,642</b>	<b>\$ 8,362,539</b>	<b>\$ 8,146,516</b>	<b>\$ 8,063,251</b>	<b>\$ 7,873,272</b>	<b>\$ 7,269,402</b>	<b>\$ 7,113,618</b>

**Plan Fiduciary Net Position**

Balance at January 1	\$ 9,816,583	\$ 8,768,129	\$ 7,568,938	\$ 8,300,110	\$ 7,611,053	\$ 7,478,342	\$ 7,835,276
Benefit payments	(579,846)	(567,758)	(561,254)	(553,666)	(529,712)	(529,881)	(459,060)
Contributions - employer	229,924	205,345	192,439	183,505	145,471	133,197	188,168
Contributions - member	43,231	21,541	19,988	19,727	17,913	18,538	17,049
Net investment income	1,270,307	1,413,188	1,566,206	(360,541)	1,086,322	544,151	(66,660)
Administrative expenses	(31,151)	(23,862)	(18,188)	(20,197)	(30,937)	(33,294)	(36,431)
<b>Total Plan Fiduciary Net Position</b>	<b>\$ 10,749,048</b>	<b>\$ 9,816,583</b>	<b>\$ 8,768,129</b>	<b>\$ 7,568,938</b>	<b>\$ 8,300,110</b>	<b>\$ 7,611,053</b>	<b>\$ 7,478,342</b>
<b>City Net Pension Liability (Asset)</b>	<b>\$ (1,853,406)</b>	<b>\$ (1,454,044)</b>	<b>\$ (621,613)</b>	<b>\$ 494,313</b>	<b>\$ (426,838)</b>	<b>\$ (341,651)</b>	<b>\$ (364,724)</b>

Plan fiduciary net position as a percentage of the total pension liability	120.8%	117.4%	107.6%	93.9%	105.4%	104.7%	105.1%
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Covered-employee payroll	\$ 1,141,448	\$ 977,503	\$ 1,024,603	\$ 881,638	\$ 931,319	\$ 784,113	\$ 937,229
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City's Net Pension Liability/(Asset) as a percentage of covered-employee payroll	-162.4%	-148.8%	-60.7%	56.1%	-45.8%	-43.6%	-38.9%
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**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios**  
**December 31**

**Firefighters Pension Plan**

**Total Pension Liability at Plan Year End**

	2021	2020	2019	2018	2017	2016	2015
Actuarial Accrued Liability at January 1	\$ 5,269,510	\$ 4,825,391	\$ 4,684,512	\$ 3,560,261	\$ 3,411,066	\$ 3,069,427	\$ 2,678,393
Service cost	223,779	170,095	220,114	193,215	154,335	154,629	147,970
Benefit payments	(84,650)	(61,141)	(21,402)	(1,352)	-	(21,854)	-
Change of benefit terms	-	-	-	636,134	-	-	388,152
Differences between expected and actual experience	(117,355)	-	(363,639)	-	(142,810)	-	(332,424)
Changes of assumptions	327,471	-	-	-	(87,452)	-	-
Interest	382,170	335,165	305,806	296,254	225,122	208,864	187,336
<b>Total Pension Liability (TPL)</b>	<b>\$ 6,000,925</b>	<b>\$ 5,269,510</b>	<b>\$ 4,825,391</b>	<b>\$ 4,684,512</b>	<b>\$ 3,560,261</b>	<b>\$ 3,411,066</b>	<b>\$ 3,069,427</b>

**Plan Fiduciary Net Position**

Balance at January 1	\$ 5,614,378	\$ 4,600,661	\$ 3,533,786	\$ 3,347,628	\$ 2,642,410	\$ 2,153,292	\$ 1,848,930
Benefit payments	(84,650)	(61,141)	(21,402)	(1,352)	-	(21,854)	-
Contributions - employer	288,547	289,890	287,120	318,798	298,185	293,375	255,310
Contributions - member	57,481	57,442	55,027	48,304	46,872	42,398	40,464
Net investment income	755,873	747,807	758,568	(159,269)	374,329	189,906	25,278
Administrative expenses	(19,643)	(20,281)	(12,438)	(20,323)	(14,168)	(14,707)	(16,690)
<b>Total Plan Fiduciary Net Position</b>	<b>\$ 6,611,986</b>	<b>\$ 5,614,378</b>	<b>\$ 4,600,661</b>	<b>\$ 3,533,786</b>	<b>\$ 3,347,628</b>	<b>\$ 2,642,410</b>	<b>\$ 2,153,292</b>
<b>City Net Pension Liability (NPL)</b>	<b>\$ (611,061)</b>	<b>\$ (344,868)</b>	<b>\$ 224,730</b>	<b>\$ 1,150,726</b>	<b>\$ 212,633</b>	<b>\$ 768,656</b>	<b>\$ 916,135</b>

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

110.2%      106.5%      95.3%      75.4%      94.0%      77.5%      70.2%

Covered-employee payroll

\$ 1,364,829      \$ 1,231,796      \$ 1,240,987      \$ 1,161,591      \$ 1,039,727      \$ 940,445      \$ 873,664

City's Net Pension Liability as a percentage of covered-employee payroll

-44.8%      -28.0%      18.1%      99.1%      20.5%      81.7%      104.9%

**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
2012	238,199	238,199	-	1,120,583	21.3%
2013	211,217	211,217	-	-	N/A
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%
2018	193,392	193,392	-	1,279,181	15.1%
2019	193,712	193,712	-	1,478,079	13.1%
2020	213,434	213,434	-	1,475,101	14.5%
2021	212,654	212,654	-	1,409,640	15.1%

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**

Unless otherwise specified, the following actuarial methods and assumptions were used in the calculation of actuarially determined contribution reported in the supplementary schedules:

Actuarial valuation date	January 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	14 years (aggregate)
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. Rates projected to improve 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:**

Effective 1-1-2018, the pension plan was amended to grant Third Class City Code minimum required benefits for full-time, non-uniformed, non-union employees hired after January 1, 2018 and for full-time, non-uniformed, non-union employees hired after January 1, 2019.

**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

Effective 1-1-2017, inflation lowered from 3.0% to 2.75%; interest rate lowered from 7.5% to 7.25%; salary increase rate lowered from 5.0% to 4.75%; mortality assumption updated from RP-2000 Combined Healthy mortality and 7.5% Scale AA to RP-2014 mortality and mortality improvement based on the Social Security Administration's 2015 Demographic Assumptions; disability assumption updated from 60% of the rates from Advanced Pension tables to rates based on the Social Security Administration's 2010 projections of disability incidence.

**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
2012	174,099	174,099	-	864,627	20.1%
2013	181,370	181,370	-	-	N/A
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%
2018	183,505	183,505	-	881,638	20.8%
2019	192,439	192,439	-	1,024,003	18.8%
2020	205,345	205,345	-	977,503	21.0%
2021	229,924	229,924	-	1,141,448	20.1%

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**

Unless otherwise specified, the following actuarial methods and assumptions were used in the calculation of the most recent actuarially determined contribution reported in the supplementary schedules:

Actuarial valuation date	January 1, 2019
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 and projected to improve with rates derived from the Long-Range Demographic Assumptions for the 2015 SSA's Trustee Report.
Retirement age	Participants who will be over age 55+ at 20 or more years of service are assumed to retire. For all others 40% are assumed to retire upon reaching 20 years of service, 20% are assumed to retire after reaching 21 or more years of service before 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.

**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Contributions**  
**Police Pension Plan**  
**(Continued)**

**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.

Effective 1-1-2017, inflation lowered from 3.0% to 2.75%; interest rate lowered from 7.5% to 7.25%; salary increase rate lowered from 5.0% to 4.75%; mortality assumption updated from RP-2000 Combined Healthy Mortality with Blue Collar adjustment and 75% Scale AA to RP-2014 mortality with 50% Blue Collar adjustment and mortality improvement based on the Social Security Administration's 2015 Demographic Assumptions; disability assumption updated from 60% of the rates from Advance Pension Tables to rates based on the Social Security Administration's 2010 projections of disability incidence; retirement assumption was modified, increasing rates of retirement under age 55.

**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
2012	101,786	101,786	-	805,823	12.6%
2013	300,800	300,800	-	-	N/A
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%
2018	318,798	318,798	-	1,161,591	27.4%
2019	287,120	287,120	-	1,240,987	23.1%
2020	289,890	289,890	-	1,231,796	23.5%
2021	288,547	288,547	-	1,364,829	21.1%

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**

Unless otherwise specified, the following actuarial methods and assumptions were used in the calculation of the most recent actuarially determined contribution reported in the supplementary schedules:

Actuarial valuation date	January 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	4 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% of the Blue-Collar Adjustment, rates set forward 5 years for disabled lives. Mortality improvement rates derived from Long-Range Assumptions for the 2015 Social Security Administration'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 \$250 a month and employee contributions increased \$2.50 per month per employee.

Effective 1-1-2018, as of January 1, 2020, the retirement eligibility has been reduced from age 55 with 20 years of service to age 50 with 20 years of service. Additionally, for new hires after January 1, 2020, the maximum service increment has been reduced from \$250 a month to \$100 a month.

**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.

**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Contributions**  
**Firefighters Pension Plan**  
**(Continued)**

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.

Effective 1-1-2017, interest rate was increased to 6.75%. The rate of inflation was lowered to 2.75% the mortality table was updated to RP-2014 Mortality Table with 50% Blue Collar Adjustment. Mortality Improvement rates derived from the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report. Disability assumption changed to rates based on the Social Security Administration's 2010 projection of disability incidence.

**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Investment Ratios**

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

Municipal Employees

2015	-0.93%
2016	7.36%
2017	14.63%
2018	-4.45%
2019	21.35%
2020	16.64%
2021	13.20%

Police

2015	-0.87%
2016	7.46%
2017	14.70%
2018	-4.44%
2019	21.33%
2020	16.46%
2021	13.25%

Firefighters

2015	1.34%
2016	8.67%
2017	13.97%
2018	-4.70%
2019	21.21%
2020	16.12%
2021	13.48%

**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)
<b>Employee Pension Fund</b>						
1/1/2021	\$ 6,660,959	\$ 6,693,283	\$ 32,324	99.5%	\$ 1,475,101	2.2%
1/1/2019	5,779,012	6,123,047	344,035	94.4%	1,279,181	26.9%
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%
<b>Police Pension Fund</b>						
1/1/2021	\$ 8,939,453	\$ 8,658,605	\$ (280,848)	103.2%	\$ 977,503	N/A
1/1/2019	8,001,853	7,947,837	(54,016)	100.7%	881,638	NA
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%
<b>Firefighters Pension Fund</b>						
1/1/2021	\$ 5,288,647	\$ 5,479,626	\$ 190,979	96.5%	\$ 1,231,796	15.5%
1/1/2019	3,533,786	4,320,873	787,087	81.8%	1,161,591	67.8%
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%

## **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, 2021**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating Revenues				
Charges for service	\$ 437,720	\$ 437,720	\$ 425,696	\$ (12,024)
Other	-	-	-	-
Total Operating Revenues	<u>437,720</u>	<u>437,720</u>	<u>425,696</u>	<u>(12,024)</u>
Operating Expenses				
Salaries and wages	77,671	77,671	74,071	3,600
Employee benefits	37,351	37,351	10,827	26,524
Supplies	48,850	48,850	10,094	38,756
Utilities	25,600	25,600	22,164	3,436
Other	135,350	135,350	61,444	73,906
Depreciation	-	-	259,117	(259,117)
Total Operating Expenses	<u>324,822</u>	<u>324,822</u>	<u>437,717</u>	<u>(112,895)</u>
Operating Income (Loss)	<u>112,898</u>	<u>112,898</u>	<u>(12,021)</u>	<u>(124,919)</u>
Non-Operating Revenue (Expense)				
Investment earnings	-	-	25	25
Transfers out	(137,748)	(137,748)	(137,746)	2
Total Non-Operating Revenue (Expense)	<u>(137,748)</u>	<u>(137,748)</u>	<u>(137,721)</u>	<u>27</u>
Change in Net Position	(24,850)	(24,850)	(149,742)	(124,892)
Net Position, Beginning of Year	<u>7,394,665</u>	<u>7,394,665</u>	<u>7,394,665</u>	-
Net Position, End of Year	<u>\$ 7,369,815</u>	<u>\$ 7,369,815</u>	<u>\$ 7,244,923</u>	<u>\$ (124,892)</u>

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

**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual**  
**Sewer Fund**  
**For the Year Ended December 31, 2021**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating Revenues				
Charges for service	\$ 2,480,862	\$ 2,480,862	\$ 2,568,232	\$ 87,370
Total Operating Revenues	2,480,862	2,480,862	2,568,232	87,370
Operating Expenses				
Salaries and wages	369,234	369,234	426,899	(57,665)
Employee benefits	141,007	141,007	158,374	(17,367)
Supplies	184,650	184,650	148,327	36,323
Sludge removal	115,300	115,300	147,588	(32,288)
Utilities	182,050	182,050	156,406	25,644
Other	981,331	981,331	181,884	799,447
Depreciation / amortization	-	-	688,057	(688,057)
Total Operating Expenses	1,973,572	1,973,572	1,907,535	66,037
Operating Income (Loss)	507,290	507,290	660,697	153,407
Non-Operating Revenue (Expense)				
Investment earnings	87,662	87,662	36,012	(51,650)
Gain (loss) on disposal	-	-	(24,352)	(24,352)
Interest expense	(181,102)	(181,102)	(180,564)	538
Transfers out	(256,409)	(256,409)	(256,410)	(1)
Total Non-Operating Revenue (Expense)	(349,849)	(349,849)	(425,314)	(75,465)
Change in Net Position	157,441	157,441	235,383	77,942
Net Position, Beginning of Year	14,557,619	14,557,619	14,557,619	-
Net Position, End of Year	\$ 14,715,060	\$ 14,715,060	\$ 14,793,002	\$ 77,942

**CITY OF WARREN, PENNSYLVANIA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2021**

	Capital Improvement Program Fund	Highway Aid	Glade Run Escrow	Community Development Block Grant	Debt Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 594,793	\$ 38,680	\$ 27,463	\$ 3	\$ -	\$ 660,939
Accounts receivable	-	-	-	-	-	-
Intergovernmental receivable, net	290,686	-	-	62,642	-	353,328
<b>Total Assets</b>	<b><u>\$ 885,479</u></b>	<b><u>\$ 38,680</u></b>	<b><u>\$ 27,463</u></b>	<b><u>\$ 62,645</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,014,267</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ 38,094	\$ -	\$ -	\$ 22,593	\$ -	\$ 60,687
Interfund payable	185,869	-	-	40,049	-	225,918
Deferred revenue	504,016	-	-	3	-	504,019
<b>Total Liabilities</b>	<b><u>727,979</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>62,645</u></b>	<b><u>-</u></b>	<b><u>790,624</u></b>
<b>FUND BALANCE</b>						
Restricted:						
Liquid fuels	-	38,680	-	-	-	38,680
Committed						
Capital improvement	157,500					157,500
Glade floodway	-	-	27,463	-	-	27,463
<b>Total Fund Balance</b>	<b><u>157,500</u></b>	<b><u>38,680</u></b>	<b><u>27,463</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>223,643</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 885,479</u></b>	<b><u>\$ 38,680</u></b>	<b><u>\$ 27,463</u></b>	<b><u>\$ 62,645</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,014,267</u></b>

**CITY OF WARREN, PENNSYLVANIA**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2021**

	Capital Improvement Program Fund	Highway Aid	Glade Run Escrow	Community Development Block Grant	Debt Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>						
Intergovernmental	\$ 472,365	\$ 286,496	\$ 3	\$ 642,314	\$ -	\$ 1,401,178
Interest, rents and royalties	-	102	-	-	-	102
<b>Total Revenues</b>	<b>472,365</b>	<b>286,598</b>	<b>3</b>	<b>642,314</b>	<b>-</b>	<b>1,401,280</b>
<b>EXPENDITURES</b>						
Community development	1,264,396	-	-	642,314	-	1,906,710
Debt service	-	-	-	-	243,340	243,340
<b>Total Expenditures</b>	<b>1,264,396</b>	<b>-</b>	<b>-</b>	<b>642,314</b>	<b>243,340</b>	<b>2,150,050</b>
Excess of revenues over expenditures	(792,031)	286,598	3	-	(243,340)	(748,770)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	949,531	-	7,500	-	243,340	1,200,371
Transfers out	-	(459,099)	-	-	-	(459,099)
<b>Total Other Financing Sources (Uses)</b>	<b>949,531</b>	<b>(459,099)</b>	<b>7,500</b>	<b>-</b>	<b>243,340</b>	<b>741,272</b>
Net Change in Fund Balance	157,500	(172,501)	7,503	-	-	(7,498)
Fund Balance, Beginning of Year	-	211,181	19,960	-	-	231,141
Fund Balance, End of Year	<u>\$ 157,500</u>	<u>\$ 38,680</u>	<u>\$ 27,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,643</u>

**CITY OF WARREN, PENNSYLVANIA**  
**Combining Schedule of Fiduciary Net Position**  
**Pension Trusts**  
**December 31, 2021**

	Firefighter Pension	Police Pension	Non-Uniform Employee Pension	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,441	\$ 57,631	\$ 32,618	\$ 96,690
Investments	6,604,502	10,696,278	8,056,541	25,357,321
Total Assets	<u>\$ 6,610,943</u>	<u>\$ 10,753,909</u>	<u>\$ 8,089,159</u>	<u>\$ 25,454,011</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 475	\$ 300	\$ -	\$ 775
Total Liabilities	475	300	-	775
<b>NET POSITION</b>				
Net position held in trust for pension	6,610,468	10,753,609	8,089,159	25,453,236
Total Net Position	6,610,468	10,753,609	8,089,159	25,453,236
Total Liabilities and Net Position	<u>\$ 6,610,943</u>	<u>\$ 10,753,909</u>	<u>\$ 8,089,159</u>	<u>\$ 25,454,011</u>

**CITY OF WARREN, PENNSYLVANIA**  
**Combining Schedule of Changes in Fiduciary Net Position**  
**Pension Trusts**  
**For the Year Ended December 31, 2021**

	<u>Firefighter Pension</u>	<u>Police Pension</u>	<u>Non-Uniform Employee Pension</u>	<u>Total</u>
Additions:				
Contributions				
Employer	\$ 288,547	\$ 229,924	\$ 212,654	\$ 731,125
Plan members	57,481	43,231	30,347	131,059
Total	346,028	273,155	243,001	862,184
Investment income (loss), net	753,802	1,268,622	944,974	2,967,398
Total Additions	<u>1,099,830</u>	<u>1,541,777</u>	<u>1,187,975</u>	<u>3,829,582</u>
Deductions:				
Benefits	85,217	574,977	390,178	1,050,372
Management expense	19,396	28,755	23,455	71,606
Total Deductions	<u>104,613</u>	<u>603,732</u>	<u>413,633</u>	<u>1,121,978</u>
Change in Net Position	995,217	938,045	774,342	2,707,604
Net Position, Beginning of Year	<u>5,615,251</u>	<u>9,815,564</u>	<u>7,314,817</u>	<u>22,745,632</u>
Net Position, End of Year	<u>\$ 6,610,468</u>	<u>\$ 10,753,609</u>	<u>\$ 8,089,159</u>	<u>\$ 25,453,236</u>



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FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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**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, 2021, 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 December 16, 2022.

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) as a basis for designing 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 or significant deficiencies 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.

December 16, 2022  
Erie, Pennsylvania



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FELIX & GLOEKLER, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

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**Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by  
the Uniform Guidance**

To City Council  
City of Warren, Pennsylvania

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Warren's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Warren's major federal programs for the year ended December 31, 2021. The City of Warren's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Warren complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Warren and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Warren's compliance with the compliance requirements referred to above.

**Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by  
the Uniform Guidance  
(Continued)**

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Warren's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Warren's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Warren's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Warren's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Warren's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Warren's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by  
the Uniform Guidance  
(Continued)**

**Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Felix and Gloekler, P.C.*

Felix and Gloekler, P.C.

December 16, 2022  
Erie, Pennsylvania

**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

Description of Grantor Agency/Program Title	Assistance Listing Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Housing/Urban Development</u>			
<i>Passed through the PA Department of Housing and Urban Development</i>			
Community Development Block Grant	14.228	\$ -	\$ 642,314
<u>U.S. Department of Transportation</u>			
<i>Passed through the PA Department of Transportation</i>			
Highway Planning and Construction Grant	20.205	-	218,991
<u>U.S. Department of Agriculture</u>			
Community Facilities Grant	10.766	-	21,200
<u>Federal Emergency Management Agency</u>			
Assistance to Firefighters Grant	97.044	-	12,219
Total Expenditures of Federal Awards		\$ -	\$ 894,724

**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Expenditures of Federal Awards**  
**Footnotes and Other Information**  
**For the Year Ended December 31, 2021**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the City of Warren, Pennsylvania under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Warren, Pennsylvania it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Warren, Pennsylvania.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein contained types of expenditures are not allowable or are limited as to reimbursement. The City did not use the de Minimis cost rate of 10 percent as provided by the federal government in accordance with the Uniform Guidance.

**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2021**

1. Summary of auditors' results

- (i) Type of report issued on the financial statements: Unqualified opinion.
- (ii) Internal control over financial reporting:
  - Material weakness(es) identified – None
  - Significant deficiency(ies) identified – None reported
- (iii) The audit disclosed no noncompliance which is material to the financial statements.
- (iv) Internal control over major federal program:
  - Material weakness(es) identified – None
  - Significant deficiency(ies) identified – None reported
- (v) Type of report issued on compliance for major programs: Unqualified opinion.
- (vi) The audit disclosed no audit findings which are required to be reported.
- (vii) Major programs:

Community Development Block Grant	14.228
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- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
- (ix) City of Warren, Pennsylvania did not qualify as a low-risk auditee.

2. Findings required to be reported in accordance with generally accepted government auditing standards

None.

3. Findings and questioned costs for Federal awards

None.

**CITY OF WARREN, PENNSYLVANIA**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2021**

1. Prior significant deficiencies: None.
2. Prior material noncompliance with provisions of laws, regulations, contracts, or grant agreements related to a major program: None.
3. Known questioned costs greater than \$25,000: None.
4. There were no findings in the prior year.

**CITY OF WARREN, PENNSYLVANIA**  
**Corrective Action Plan**  
**For the Year Ended December 31, 2021**

Not applicable. There were no current year findings required to be reported.

**CITY OF WARREN, PENNSLVANIA**  
**List of Report Distribution**  
**December 31, 2021**

The following is a listing of all agencies that the audit reports are distributed to:

1. United States Bureau of the Census