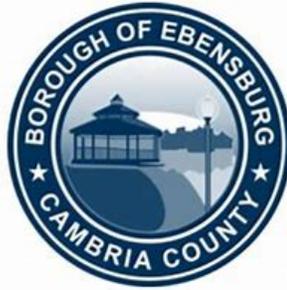


EBENSBURG BOROUGH  
EBENSBURG, PENNSYLVANIA



Financial Statements  
December 31, 2017

EBENSBURG BOROUGH  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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## REQUIRED SUPPLEMENTARY INFORMATION

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## INDEPENDENT AUDITOR'S REPORT

January 26, 2018

Borough Council  
Ebensburg Borough  
Ebensburg, Pennsylvania

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

Ebensburg Borough's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Ebensburg, as of December 31, 2017, and the respective changes in financial position – modified cash basis thereof for the year then ended on the basis of accounting described in Note 1.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 47 and 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

A handwritten signature in blue ink that reads "Wessel & Company". The signature is written in a cursive, flowing style.

WESSEL & COMPANY  
Certified Public Accountants

EBENSBURG BOROUGH  
 GOVERNMENT-WIDE STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
 DECEMBER 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS:</u></b>			
Cash and cash equivalents	\$ 1,790,850	\$ 1,697,610	\$ 3,488,460
<b>Total Assets</b>	<b>\$ 1,790,850</b>	<b>\$ 1,697,610</b>	<b>\$ 3,488,460</b>
<b><u>LIABILITIES AND NET POSITION:</u></b>			
<b>Current Liabilities</b>			
Accrued payroll taxes and withholdings	\$ 30,251	\$ -	\$ 30,251
<b>Total Liabilities</b>	<b>30,251</b>	<b>-</b>	<b>30,251</b>
<b>Net Position</b>			
Net Position - restricted	424,959	-	424,959
Net Position - unrestricted	1,335,640	1,697,610	3,033,250
<b>Total Net Position</b>	<b>1,760,599</b>	<b>1,697,610</b>	<b>3,458,209</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,790,850</b>	<b>\$ 1,697,610</b>	<b>\$ 3,488,460</b>

See Independent Auditor's Report and  
 Accompanying Notes to Financial Statements

EBENSBURG BOROUGH  
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Primary Government	
				Governmental Activities	Business-type Activities
Expenses					Total
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General government	\$ 179,876	\$ -	\$ -	\$ 44,966	\$ 44,966
Public safety	521,737	-	-	(483,664)	(483,664)
Planning and zoning	4,494	-	-	(4,494)	(4,494)
Public works - Sanitation	153,803	-	-	88,278	88,278
Public works - Highways & Streets	143,834	-	112,404	13,174	13,174
Public works - Other	60,457	-	-	(60,457)	(60,457)
Parking facilities	13,200	-	-	(13,200)	(13,200)
Culture and recreation	609,566	7,838	6,049	(29,330)	(29,330)
Economic development	91,499	-	-	(91,499)	(91,499)
Capital expenditures	134,598	-	-	(134,598)	(134,598)
<b>Total Governmental Activities</b>	<b>1,913,064</b>	<b>7,838</b>	<b>118,453</b>	<b>(670,824)</b>	<b>(670,824)</b>
<b>Business-type Activities:</b>					
Sewer	1,664,960	-	3,950	-	344,947
Water	1,422,247	-	18,375	-	96,450
Stormwater	129,140	-	-	-	80,787
<b>Total Business-type Activities</b>	<b>3,216,347</b>	<b>-</b>	<b>22,325</b>	<b>-</b>	<b>522,184</b>
<b>Total Primary Government</b>	<b>\$ 5,129,411</b>	<b>\$ 7,838</b>	<b>\$ 140,778</b>	<b>\$ (670,824)</b>	<b>\$ (148,640)</b>
<b>General Revenues:</b>					
Taxes:					
Property taxes				\$ 448,746	\$ 448,746
Local enabling taxes				473,862	473,862
Licenses and permits				59,580	59,580
Transfers in/(out) primary government				(578,885)	-
Unrestricted investment earnings				15,956	22,988
Proceeds from asset disposal				155,079	155,079
Debt service				(204,704)	(932,240)
Intergovernmental reimbursement				-	347,716
Other revenues				178,625	178,625
<b>Total General Revenues and Transfers</b>				<b>1,706,029</b>	<b>754,356</b>
Change in Net Position				1,035,205	605,716
Net Position - Beginning of Year				725,394	2,852,493
Net Position - End of Year				\$ 1,760,599	\$ 3,458,209

See Independent Auditor's Report and Accompanying Notes to Financial Statements

EBENSBURG BOROUGH  
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
DECEMBER 31, 2017

	Governmental Fund Types				Totals
	General	Highway Aid Fund	Capital Projects	Main Street Partnership	
	<u>ASSETS</u>				
Cash	\$ 1,319,930	\$ 424,459	\$ 500	\$ 45,961	\$ 1,790,850
Total Assets	<u>\$ 1,319,930</u>	<u>\$ 424,459</u>	<u>\$ 500</u>	<u>\$ 45,961</u>	<u>\$ 1,790,850</u>
	<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities					
Accrued payroll taxes and withholdings	\$ 30,251	\$ -	\$ -	\$ -	\$ 30,251
Total Liabilities	<u>30,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,251</u>
Fund Balance					
Restricted	-	424,459	500	-	424,959
Assigned	672,556	-	-	-	672,556
Unassigned	617,123	-	-	45,961	663,084
Total Fund Balance	<u>1,289,679</u>	<u>424,459</u>	<u>500</u>	<u>45,961</u>	<u>1,760,599</u>
Total Liabilities and Fund Balance	<u>\$ 1,319,930</u>	<u>\$ 424,459</u>	<u>\$ 500</u>	<u>\$ 45,961</u>	<u>\$ 1,790,850</u>

EBENSBURG BOROUGH  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Governmental Fund Types					Totals
	General	Highway Aid Fund	Capital Projects	Main Street Partnership		
<u>Revenues:</u>						
Real estate taxes	\$ 448,746	\$ -	\$ -	\$ -	\$ -	\$ 448,746
Local enabling taxes	473,862	-	-	-	-	473,862
State liquid fuel tax	-	110,124	-	-	-	110,124
Licenses and permits	59,580	-	-	-	-	59,580
Fines, forfeits and costs	38,073	-	-	-	-	38,073
Grant revenue	11,313	2,280	-	-	-	13,593
Interest	14,116	1,840	-	-	-	15,956
Charges for services	975,763	-	-	104,687	-	1,080,450
Miscellaneous revenue	169,951	-	8,674	-	-	178,625
<b>Total Revenues</b>	<b>2,191,404</b>	<b>114,244</b>	<b>8,674</b>	<b>104,687</b>		<b>2,419,009</b>
<u>Expenditures:</u>						
General government	179,876	-	-	-	-	179,876
Public safety	521,737	-	-	-	-	521,737
Planning and zoning	4,494	-	-	-	-	4,494
Public works - Sanitation	153,803	-	-	-	-	153,803
Public works - Highways & Streets	143,834	-	-	-	-	143,834
Public works - Other	60,457	-	-	-	-	60,457
Parking facilities	13,200	-	-	-	-	13,200
Culture and recreation	509,358	-	-	100,208	-	609,566
Economic development	82,825	-	8,674	-	-	91,499
Capital expenditures	134,598	-	-	-	-	134,598
<b>Total Expenditures</b>	<b>1,804,182</b>	<b>-</b>	<b>8,674</b>	<b>100,208</b>		<b>1,913,064</b>

Excess/(Deficiency) of Revenues Over Expenditures	387,222	114,244	-	4,479	505,945
Other Financing Sources/(Uses):					
Sale of a capital asset	155,079	-	-	-	155,079
Debt service	(204,704)	-	-	-	(204,704)
Operating transfers in	602,363	-	-	-	602,363
Operating transfers (out)	(23,478)	-	-	-	(23,478)
Total Other Financing Sources/(Uses)	529,260	-	-	-	529,260
Excess/(Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	916,482	114,244	-	4,479	1,035,205
Fund Balance - Beginning of Year	373,197	310,215	500	41,482	725,394
Fund Balance - End of Year	<u>\$ 1,289,679</u>	<u>\$ 424,459</u>	<u>\$ 500</u>	<u>\$ 45,961</u>	<u>\$ 1,760,599</u>

EBENSBURG BOROUGH  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds (page 10)	\$ 1,035,205
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of the differences in the treatment of long-term debt on the statement of activities.	-
The net effect of various transactions involving capital assets, (i.e. purchases, disposals, etc.) is to increase net assets	-
Change in net position of governmental activities (page 7)	<u>\$ 1,035,205</u>

EBENSBURG BOROUGH  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
 DECEMBER 31, 2017

ASSETS

	<u>Enterprise Sewer Fund</u>	<u>Enterprise Water Fund</u>	<u>Enterprise Stormwater Fund</u>	<u>Total</u>
Current Assets:				
Cash	\$ 1,119,221	\$ 286,365	\$ 292,024	\$ 1,697,610
Total Current Assets	<u>\$ 1,119,221</u>	<u>\$ 286,365</u>	<u>\$ 292,024</u>	<u>\$ 1,697,610</u>

LIABILITIES AND NET POSITION

Current Liabilities	\$ -	\$ -	\$ -	\$ -
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:				
Unrestricted	<u>1,119,221</u>	<u>286,365</u>	<u>292,024</u>	<u>1,697,610</u>
Total Net Position	<u>1,119,221</u>	<u>286,365</u>	<u>292,024</u>	<u>1,697,610</u>
Total Liabilities and Net Position	<u>\$ 1,119,221</u>	<u>\$ 286,365</u>	<u>\$ 292,024</u>	<u>\$ 1,697,610</u>

EBENSBURG BOROUGH  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES  
 IN NET POSITION - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Sewer Fund	Water Fund	Stormwater Fund	Total
Operating Revenues:				
Sewage service fees	\$ 2,005,957	\$ -	\$ -	\$ 2,005,957
Water service fees	-	1,500,322	-	1,500,322
Stormwater service fees	-	-	209,927	209,927
Total Operating Revenues	<u>2,005,957</u>	<u>1,500,322</u>	<u>209,927</u>	<u>3,716,206</u>
Operating Expenses:				
Personnel services	237,758	306,812	-	544,570
Operating expense	805,371	521,466	121,687	1,448,524
Utilities	14,879	98,606	-	113,485
Capital expenditures	606,952	495,363	7,453	1,109,768
Total Operating Expenses	<u>1,664,960</u>	<u>1,422,247</u>	<u>129,140</u>	<u>3,216,347</u>
Operating Income	<u>340,997</u>	<u>78,075</u>	<u>80,787</u>	<u>499,859</u>
Non-Operating Revenues/(Expenses):				
Sewer tap-ins	3,950	-	-	3,950
Water tap-ins	-	18,375	-	18,375
Interest income	3,516	3,516	-	7,032
Debt service	(220,965)	(506,571)	-	(727,536)
Intergovernmental reimbursement	9,667	338,049	-	347,716
Transfer in	66,909	-	-	66,909
Transfer (out)	(448,188)	(116,272)	(81,334)	(645,794)
Total Non-Operating Revenues/(Expenses)	<u>(585,111)</u>	<u>(262,903)</u>	<u>(81,334)</u>	<u>(929,348)</u>
Change in Net Position	(244,114)	(184,828)	(547)	(429,489)
Net Position - Beginning of Year	<u>1,363,335</u>	<u>471,193</u>	<u>292,571</u>	<u>2,127,099</u>
Net Position - End of Year	<u>\$ 1,119,221</u>	<u>\$ 286,365</u>	<u>\$ 292,024</u>	<u>\$ 1,697,610</u>

See Independent Auditor's Report and  
 Accompanying Notes to Financial Statements

EBENSBURG BOROUGH  
 FIDUCIARY FUND  
 STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS  
 DECEMBER 31, 2017

	<u>Police Pension Trust Fund</u>	<u>Non-Uniform Pension Trust Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Investments	<u>\$ 1,540,119</u>	<u>\$ 1,822,526</u>	<u>\$ 3,362,645</u>
Total Assets	<u>\$ 1,540,119</u>	<u>\$ 1,822,526</u>	<u>\$ 3,362,645</u>
<u>LIABILITIES AND NET POSITION</u>			
Current Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:			
Held in trust for employee pension benefits	<u>1,540,119</u>	<u>1,822,526</u>	<u>3,362,645</u>
Total Net Position	<u>1,540,119</u>	<u>1,822,526</u>	<u>3,362,645</u>
Total Liabilities and Net Position	<u>\$ 1,540,119</u>	<u>\$ 1,822,526</u>	<u>\$ 3,362,645</u>

See Independent Auditor's Report and  
 Accompanying Notes to Financial Statements

EBENSBURG BOROUGH  
FIDUCIARY FUND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Police Pension Trust Fund	Non-Uniform Pension Trust Fund	Total
<u>Additions</u>			
Contributions - employee	\$ 8,459	\$ 13,992	\$ 22,451
Contributions - employer	-	15,746	15,746
State Contribution	26,606	59,647	86,253
Net appreciation/(depreciation) in fair value of investments	225,618	246,429	472,047
Investment Income	410,267	539,757	950,024
Total Additions	<u>670,950</u>	<u>875,571</u>	<u>1,546,521</u>
<u>Deductions</u>			
Administrative expenses	50,722	96,583	147,305
Purchased annuities	419,771	533,061	952,832
Total Deductions	<u>470,493</u>	<u>629,644</u>	<u>1,100,137</u>
Change in Net Position	200,457	245,927	446,384
Net Position Held in Trust for Employee Pension Benefits:			
Beginning of the Year	<u>1,339,662</u>	<u>1,576,599</u>	<u>2,916,261</u>
End of the Year	<u>\$ 1,540,119</u>	<u>\$ 1,822,526</u>	<u>\$ 3,362,645</u>

See Independent Auditor's Report and  
Accompanying Notes to Financial Statements

EBENSBURG BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ebensburg Borough, the Borough, was incorporated under the Commonwealth of Pennsylvania Municipalities Act. The Borough operates under the Mayor-Council form of government whereby the mayor and council are elected officials.

**a. Basis of Accounting**

The accompanying financial statement has been prepared on the modified cash basis of accounting, a special purpose framework. Under this basis, the only asset recognized is cash and only liabilities due at year end are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. The modified cash basis differs from generally accepted accounting principles primarily because the effects of accounts receivable, capital assets and related depreciation, deferred inflows, accounts payable, long-term debt obligations, other liabilities, and deferred outflows are not included in the financial statement.

**b. Basis of Presentation**

The Borough's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

As described in Note 7, the Borough participates in two (2) defined benefit pension plans, the Police pension plan and the Non-Uniform pension plan, and as reported in the Schedule of Changes in Net Pension Liability and Related Ratios, the most recent actuarial valuations performed as of January 1, 2017, reflect an excess of assets over actuarial accrued liability approximating \$41,399 for the Police plan and unfunded pension obligations approximating \$604,434 for the Non-Uniform plan.

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the Borough as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities that are governmental and those that are considered business-type activities.

The statement of net position presents the financial position of the governmental and business-type activities of the Borough at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Borough's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods and services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Borough, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business-type activity is self-financing or draws from the general revenues of the Borough.

### **Fund Financial Statements**

During the year, the Borough segregates transactions related to certain Borough functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Borough at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Fiduciary funds are reported by type.

#### **c. Fund Accounting**

The Borough uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three (3) categories of funds: governmental, proprietary, and fiduciary.

#### **Governmental Funds**

Governmental funds are those which most governmental functions of the Borough are financed. The Governmental funds follow the modified cash basis of accounting.

The following are the funds maintained by the Borough:

#### Major Funds:

**General Fund** - The General Fund is the general operating fund of the Borough. It is used to account for all financial resources not accounted for and reported in another fund.

**Highway Aid Fund** – Revenue recorded within this special revenue fund is received annually by virtue of the Commonwealth of Pennsylvania Liquid Fuels Tax Act and expenditures are restricted to certain appropriations for highway purposes as approved by the Pennsylvania Department of Transportation. Unexpended allocations of such revenues are available for carryover and reappropriation to the succeeding year.

**Capital Projects Fund** – The Capital Projects Fund is used to account for financial resources that are restricted, committed, or assigned for capital outlays, including the acquisition or construction of capital facilities and other capital assets other than those financed by the Proprietary Fund.

Non-Major Fund:

**Mainstreet Partnership Fund** - Revenue recorded within this special revenue fund is received from various community events and provides support to preserve the architectural heritage of the Borough.

**Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, and financial position. Typically, proprietary funds may be used to account for any activity for which a fee is charged to external users for goods or services.

The following are the Borough's major proprietary funds:

**Enterprise Fund (Sewer, Water, and Stormwater Funds) –**

The Borough's Sewer, Water, and Stormwater Funds are enterprise funds. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Borough applies all GASB pronouncements and all Financial Accounting Standards Board (FASB) Accounting Standards Codification, unless they conflict with GASB pronouncements.

**Fiduciary Funds (Trust and Agency Funds)**

Fiduciary Funds account for assets held by a government unit in a trustee capacity and/or as an agent for individuals, private organizations, other governmental units and/or other funds. These include (a) expendable trust funds, (b) non-expendable trust funds, (c) pension trust funds, and (d) agency funds. The modified cash basis of accounting is utilized for fiduciary funds. The Borough's fiduciary fund is a pension trust fund, which consists of the Police and Non-uniform Pension Plans.

**d. Budgets**

The administration submits to the Borough Council proposed operating budgets in accordance with the Administrative Code. Prior to the inception of the calendar year, the budgets are legally enacted by the Council Members through passage of budget resolutions. All transfers of budgeted amounts between departments, as well as all budget amendments, require the approval of Council.

The budgets are prepared on the cash receipts and disbursements basis of accounting, for the following funds:

- General Fund
- Special Revenue
  - Highway Aid Fund
- Capital Projects Fund
- Proprietary Fund
  - Sewer Fund
  - Water Fund
  - Stormwater Fund

Formal budgetary integration is employed as a management control device on a cash receipts and disbursements basis of accounting during the year for the aforementioned funds. However, since the budgets are not adopted on a basis consistent with generally accepted accounting principles (GAAP), the budgetary comparisons presented in this report are on a non-GAAP budgetary basis. In this instance, however, the comparison is not materially by the different bases. The individual financial statements of the budgetary funds of the Borough present comparisons of non-GAAP budgets to actual results.

**e. Encumbrances**

Encumbrance accounting is not utilized by the Borough. This is the procedure under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Reservations of fund balances are, therefore, not provided for in the financial statements.

**f. Reporting Entity**

The Borough follows the Statement of Governmental Accounting Standards Board No. 61, "The Financial Reporting Entity." The criteria for including organizations as component units within the Borough's reporting entity include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Borough holds the corporate powers of the organization
- The Borough appoints a voting majority of the organization's board

- The Borough is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Borough
- There is fiscal dependency by the organization on the Borough

Based on the aforementioned criteria, the Borough has the following component units:

### **Ebensburg Main Street Partnership**

The Ebensburg Main Street Partnership, the “Partnership”, was created in 2012 by the Borough to preserve the architectural heritage of the Borough. The Partnership is a legally separate entity governed by a board that is appointed by the mayor and Borough council. Although the Partnership is legally separate from the Borough, the Partnership is reported as if it were a part of the primary government because its sole purpose is for the benefit of the Borough and its citizens. Furthermore, the Partnership is included as a component unit as the Partnership has no ability to issue debt or without the participation and agreement of the Borough. The operations of the Partnership are included in the governmental activities of the government wide financial statements as a separate special revenue fund. Separate financial statements are not published for the Partnership which follows the same accounting policies as the Borough.

### **Ebensburg Municipal Authority**

Selected financial information from the most recently issued report of Ebensburg Municipal Authority is presented below. Complete financial statements are available from the Authority.

#### **Condensed Statement of Net Position**

	<u>December 31, 2017</u>
Assets:	
Current Assets	\$ 122,102
Capital Assets	<u>15,111,623</u>
Total Assets	<u>\$ 15,233,725</u>
Liabilities	
Current Liabilities	\$ 608,982
Non-Current Liabilities	<u>7,059,791</u>
Total Liabilities	<u>\$ 7,668,773</u>
Net Position	
Unrestricted	\$ 122,102
Invested in Capital Assets	<u>7,442,850</u>
Total Net Position	<u>\$ 7,564,952</u>

**g. Net Position**

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Borough or through external restrictions imposed by creditors, grantors, or laws or other regulations of other governments.

The Borough's policy is to first apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

**h. Fund Balance**

The Borough follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement required the governmental funds' fund balances to be reclassified into the following five (5) categories:

*Nonspendable* - fund balance permanently restricted and unavailable for current operations

*Restricted* - fund balance temporarily restricted for specified purposes stipulated by constitution, external resource providers, or through enabling legislation

*Committed* - fund balance temporarily restricted for specified purposes established by a formal action by the Borough Council. Formal action by Borough Council is also necessary to modify or rescind a fund balance commitment

*Assigned* - fund balance intended for specific purpose that does not meet the criteria to be classified as restricted or committed. Borough Council has authorized the Borough Manager as the official authorized to assign fund balance to a specific purpose

*Unassigned* - fund balance available for operations without any restriction

Borough Council will spend the most restricted dollars before less restricted in the order as defined above.

The Borough reports the following fund balance classifications:

**General Fund**

Assigned:

Unanticipated Expenditures	\$ 530,291
Sidewalk Improvements	<u>142,265</u>
	<u>\$ 672,556</u>

## Other Governmental Fund Types

The Highway Aid Fund maintains a restricted fund balance of \$424,459 for expenditures for highway purposes as approved by the Pennsylvania Department of Transportation.

The Capital Projects Fund maintains a restricted fund balance of \$500 for future construction projects and capital improvements.

### **i. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the Borough, these revenues are sewer and water service fees. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise funds.

### **j. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### **k. New GASB Pronouncements**

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB 14*, is effective for periods beginning after June 15, 2016. The adoption of this statement had no effect on previously reported amounts.

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, 68 and 73*, is effective for periods beginning after June 15, 2016. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employer (plan member) contribution requirements. The adoption of this statement had no effect on previously reported amounts.

## I. Pending Changes in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The Borough is required to adopt Statement No. 83 for its 2019 financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Borough is required to adopt Statement No. 84 for its 2019 financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The Borough is required to adopt Statement No. 85 for its 2019 financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The Borough is required to adopt Statement No. 86 for its 2019 financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Borough is required to adopt Statement No. 87 for its 2020 financial statements.

The Borough has not completed the various analysis required to estimate the financial statement impact of these new pronouncements.

## NOTE 2 - CASH AND INVESTMENTS

The Borough has a policy that requires all deposits and investments, other than U.S. government obligations, to be covered by Federal insurance or to be fully collateralized by the financial institution issuing the investment or acquiring the deposit. Deposits that are not insured by the Federal Deposit Insurance Corporation are collateralized using the pooled asset method to one hundred percent (100%) of value as required by Pennsylvania Law.

The securities pledged as collateral are held by the trust department of a financial institution or by its agents in the financial institution's name. When certificates of deposit are purchased, the Borough or its agent either holds the actual certificate of deposit or receives a safekeeping certificate as its proof of ownership.

Pennsylvania Law limits investment and deposit types the Borough may purchase as follows:

- (a) U.S. Treasury bills.
- (b) Short-term obligations of the U.S. government or its agencies.
- (c) Demand, savings and time deposits with institutions insured by the FDIC or the National Credit Union Share Funds or collateralized with securities as provided by law.
- (d) Obligations of the United States or any of its agencies, the Commonwealth of Pennsylvania or any of its agencies or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies providing the obligations are backed by the full faith and credit of the political subdivision.

Deposits include items described in (b) and (c).

A. Deposits

As of December 31, 2017 the carrying amount and the bank balance of the Borough's deposits, excluding the investments in the Wells Fargo Advisors for pension pooled funds as discussed below, totaled \$3,535,586 at one financial institution. Of the bank balances at the financial institution as of December 31, 2017, \$250,000 is covered by federal depository insurance. The remaining amount of \$3,285,586 is collateralized using the pooled asset method; however, because funds are not collateralized with securities registered in the Borough's name, they are considered uncollateralized. The amounts are included on the statements of net position as cash and cash equivalents.

B. Investment Pools

Wells Fargo Advisors

The Borough maintains two (2) single-employer defined benefit pension plans, and entered into an agreement with Wells Fargo Advisors. The Plans are governed by the Borough Council which may amend plan provisions, and which are responsible for the management of Plan assets.

Investments in external investment pools or in mutual funds are disclosed by Wells Fargo Advisors but not categorized because they are not evidenced by securities that exist in physical or book entry form. Securities underlying reverse repurchase agreements are also disclosed but not categorized because they are held by the buyer-lender. As of December 31, 2017, the carrying amount and fair value of the Wells Fargo Advisors pooled funds totaled \$3,362,645 which is the same as the value of the pool share.

NOTE 3 - SIDEWALK PROJECT AGREEMENTS

At December 31, 2017, the Borough had approximately eleven (11) agreements with property owners in the Borough for the payments associated with sidewalks projects at their properties. The balance due to the Borough amounted to approximately \$35,039 at December 31, 2017.

## NOTE 4 - LONG-TERM OBLIGATIONS

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

	Outstanding December 31, 2016	Additions	Payments	Outstanding December 31, 2017	Amounts Due Within One Year
General Obligation Note, Series A of 2001	\$ 88,440	\$ ---	\$ (88,440)	\$ ---	\$ ---
2011 Variable Loan – Swimming Pool	<u>311,357</u>	<u>---</u>	<u>(88,694)</u>	<u>222,663</u>	<u>78,529</u>
Total Obligations	<u>\$ 399,797</u>	<u>\$ ---</u>	<u>\$ (177,134)</u>	<u>\$ 222,663</u>	<u>\$ 78,529</u>

Capital Projects Fund – On September 27, 2001, the Borough entered into a general obligation note for the construction of the Youth Recreation Facilities. The Series A note was for \$600,000, with a term of two hundred fifty-two (252) months. The current interest rate on this note is 2.34%. This note was paid in full during 2017.

Capital Projects Fund – In 2011, the Borough entered into a variable rate loan agreement with First National Bank to finance the project costs associated with the Swimming Pool Rehabilitation Project. The \$750,000 loan is to be repaid over a ten (10) year period. The interest is calculated on the unpaid principal balance using an interest rate based on the Prime Rate as published in the Wall Street Journal times sixty-six percent (66%). The current interest rate on this loan is 2.97%. This loan is collateralized by property located at 151 Swimming Pool Road Ebensburg, PA 15931. The amount outstanding on the note at December 31, 2017, amounted to \$222,663.

Principal and interest requirements to retire the above long-term note payables are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 78,529	\$ 5,530	\$ 84,059
2019	80,231	3,829	84,060
2020	<u>63,903</u>	<u>1,734</u>	<u>65,637</u>
Total	<u>\$ 222,663</u>	<u>\$ 11,093</u>	<u>\$ 233,756</u>

## NOTE 5 - PROPERTY TAXES

The Borough utilizes a two-tier real estate tax assessment. This form of assessment encourages the development of vacant land and does not penalize property owners for improvements made to property.

The current tax rate rates are 33.25 mills on land 8.5 mills per dollar on buildings. This is the equivalent of a 13.0 mill real estate tax assessment. The assessed valuation for 2017 totaled \$34,868,920 which would generate \$453,296 of property tax revenue. The 13.0 mills of real estate tax is used for the following purposes, 11.0 mills for general purposes, 0.5 mills for storm water management purposes, and 1.5 mills for swimming pool expense purposes.

The following is a summary of the tax calendar for the year ended December 31, 2017:

Mailing Date --- March 1, 2017  
Discount Period at 2% --- March 1, 2017 to April 30, 2017  
Face Period --- May 1, 2017 to June 30, 2017  
Penalty Period at 10% --- July 1, 2017  
Lien Date --- January 15, 2018

## NOTE 6 - LIQUID FUELS TAX – HIGHWAY AID FUND

Revenues recorded within this special revenue fund are received annually by virtue of the Commonwealth of Pennsylvania Liquid Fuels Tax Act and expenditures are restricted to certain appropriations for highway purposes as approved by the Pennsylvania Department of Transportation. Unexpended allocations of such revenues are available for carryover and reappropriation to the succeeding year.

## NOTE 7 - PENSION PLANS

### Plan Description

The Borough maintains two (2) single employer defined benefit pension plans, the Police pension plan and the Non-Uniform pension plan. The benefits provided to the employees and beneficiaries under both plans are retirement, disability and death. The pension plans benefit provisions are established and may be amended by the Borough Council. The Borough Council has the authority to manage plan assets. The Borough issues a separate financial report on each pension plan. A copy of these financial reports can be obtained at the Borough Municipal Building.

The Commonwealth of Pennsylvania has enacted the “Municipal Pension Plan Funding and Recovery Act” (Act 205). This act establishes certain standards and requirements for municipal pensions in the areas of: (1) actuarial reporting; (2) employer contribution requirements; and (3) revising the State insurance allocations. The Borough’s actuarial reports for the pension have been changed to meet the reporting requirements of Act 205. The disclosure requirements for the plan are summarized as follows:

## **Uniform Plan**

### Plan administration

The Borough of Ebensburg Police Pension Plan is a single-employer defined benefit pension plan. The plan was established effective March 1, 1977, (adopted pursuant to Act 600 of 1956). The plan was amended and restated by Ordinance No. 506, effective January 1, 2001. The plan is governed by the Borough Council of the Borough of Ebensburg which may amend plan provisions, and which is responsible for the management of plan assets. The Borough Council has delegated the authority to manage certain plan assets to Wells Fargo Advisors. The plan is required to file Form PC-201C biennially with the Public Employee Retirement Commission (PERC). The most recent filing was as of January 1, 2017.

### Method used to value investments

Plan investments are reported at fair value. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

### Plan membership

The plan covers all full time employees of the Police Department. As of January 1, 2017, pension plan membership consisted of the following:

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

### Benefits provided

The plan provides normal retirement, vesting, survivor, and disability benefits to plan members and their beneficiaries in accordance with Ordinance No. 506, as amended. Retirement benefits for plan members are calculated as fifty percent (50%) of the final monthly average salary (total pay excluding task force pay averaged over the final thirty-six (36) months of employment), plus service increment of \$20 for each completed year of service in excess of twenty-five (25) years, to a maximum increment of \$100. Plan members with twenty-five (25) years of service are eligible to retire at age fifty-five (55). The members are vested after twelve (12) years of service.

Survivor benefits before retirement eligibility amount to a refund of contributions, if any, plus interest. Survivor benefits after retirement eligibility are determined as fifty percent (50%) of the amount that the participant was receiving or was eligible to receive, for life. In the event of the spouse's death, the participant's dependent children under eighteen (18), or age twenty-three (23) if attending college, will share the benefit.

Disability benefits are only received if the cause is service related and the benefits are determined as fifty percent (50%) of the average monthly salary at the time of disability, offset by any benefits payable under the Social Security Act because of the same injuries. Disability benefits are not provided to participants for incidents that are non-service related.

### Contributions

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Act 205 requires that annual contributions to the pension plan be based upon the minimum municipal obligation (MMO). The MMO is determined from the plan's latest actuarial valuation report along with estimates of payroll, employee contributions, and administrative costs. For the year ended December 31, 2016, the Borough's required contribution was \$13,567.

Employees are required to contribute five percent (5%) of covered payroll to the plan. This contribution is governed by the plan's governing ordinances and collective bargaining. Contributions are currently seven percent (7%) 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.

### Investments

The plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The plan's target asset allocation according to the investment policy adopted July 29, 2013, is as follows:

<u>Asset Class</u>	<u>Range</u>
Cash & Cash Equivalents	2-60%
Bonds	10-60%
Stocks	25-60%
Real Estate	0-20%
Natural Resources/Commodities	0-10%
Equipment Leasing	0-5%
Hedge Funds	0-10%
Preferred Stock	0-20%

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit ratings of the plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are included on the table below.

<u>Investment Type**</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Money Market Funds	\$ 40,410	Not rated
Fixed Income Mutual Funds	<u>267,192</u>	Not rated
Total	<u>\$307,602</u>	

\*\*Several items in this disclosure are provided as of December 31, 2016, the most recent year that was available as of the report date.

### Concentrations

Concentration of credit risk is the loss attributed to the magnitude of an investment in a single issuer. The plan places no limits on the amount that may be invested in any one issuer. At December 31, 2016, 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 than represent five percent (5%) of more of fiduciary net position.

### Rate of return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 7.35 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Net Pension Liability/(Asset) of the Borough

The components of the net pension asset of the Borough at December 31, 2016, were as follows:

Total Pension Plan Liability	\$ 1,271,245
Plan Fiduciary Net Position	<u>(1,341,654)</u>
Borough's Net Pension Liability/(Asset)	\$ <u>(70,409)</u>

Plan fiduciary net position as a percentage of the total pension asset is 105.5%.

### Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	5.0% including inflation
Investment rate of return	7.5% net of investment expenses not funded through the MMO, and including inflation

Mortality rates were based on the UP-94 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements. The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2014.

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, 2016, (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Equities	6.3%
Fixed income	2.0%
Cash and cash equivalents	0.0%

### Discount rate

The discount rate used to measure the total pension liability/(asset) was 7.5%. The projection of cash flows used to determine the discount rate assumed that Borough 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 payments to determine the total pension liability/(asset).

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

The following presents the net pension liability/(asset) of the Borough, calculated using the discount rate of 7.5%, as well as what the Borough's net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	<u>-1% (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>+1% (8.5%)</u>
Borough net pension liability/(asset)	\$63,908	(\$70,409)	(\$184,144)

Ebensburg Borough  
Police Pension Plan  
Schedule of Changes in the Borough's Net Pension  
Liability and Related Ratios

	2017	2016	2015
Total pension liability			
Service cost	\$ 26,714	\$ 25,442	\$ 20,552
Interest	89,952	84,286	83,321
Change in benefit terms	-	-	-
Differences between expected and actual experience	-	(59,191)	-
Change in assumptions	-	-	-
Benefit payments, including refunds of member contributions	(35,479)	(35,444)	(37,924)
Net change in pension liability	81,187	15,093	65,949
Total pension liability/(asset) - beginning	1,190,058	1,174,965	1,109,016
Total pension liability/(asset) - ending (A)	<u>\$ 1,271,245</u>	<u>\$ 1,190,058</u>	<u>\$ 1,174,965</u>
Plan fiduciary net position			
General Municipal State Aid	\$ 30,372	\$ 31,367	\$ 23,238
Contributions - employer	-	54,547	62,593
Contributions - member	12,029	15,220	11,943
Net investment income	91,588	(27,466)	51,723
Benefit payments, including refunds of member contributions	(35,479)	(35,444)	(37,924)
Administrative expenses	(15,711)	(10,697)	(13,918)
Other	-	-	-
Net change in plan fiduciary net position	82,799	27,527	97,655
Plan fiduciary net position - beginning	1,258,855	1,231,328	1,133,673
Plan fiduciary net position - ending (B)	<u>\$ 1,341,654</u>	<u>\$ 1,258,855</u>	<u>\$ 1,231,328</u>
Borough's net pension liability/(asset) - ending (A-B)	<u>\$ (70,409)</u>	<u>\$ (68,797)</u>	<u>\$ (56,363)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>105.5%</u>	<u>105.8%</u>	<u>104.8%</u>
Covered employee payroll	<u>\$ 244,858</u>	<u>\$ 226,264</u>	<u>\$ 200,559</u>
Borough's net pension liability as a percentage of covered employee payroll	<u>-28.8%</u>	<u>-30.4%</u>	<u>-28.1%</u>

Notes to Schedule:

Note: The years presented in this schedule are all of the years in which information is available.

Ebensburg Borough  
Police Pension Plan  
Schedule of Borough's Contributions

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 13,567	\$ 85,914	\$ 85,831
Contributions in relation to the actuarially determined contributions	<u>30,372</u>	<u>85,914</u>	<u>85,831</u>
Contribution deficiency/(excess)	<u>\$ (16,805)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 244,858</u>	<u>\$ 226,264</u>	<u>\$ 200,559</u>
Borough's net pension liability as a percentage of covered employee payroll	<u>12.4%</u>	<u>38.0%</u>	<u>42.8%</u>

**Notes to Schedule:**

Valuation Date: 1/1/2017

**Methods and assumptions:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed
Remaining amortization period	2 years (aggregate)
Asset valuation method	Fair value
Inflation	2.75%
Salary increases	5.0% include inflation
Investment rate of return	7.0%, net of investment expenses not funded through the MMO, and including inflation
Retirement age	See accompanying footnotes to the financial statements
Mortality	See accompanying footnotes to the financial statements

Other:

Note: The years presented in this schedule are all of the years in which information is available.

Ebensburg Borough  
Police Pension Plan  
Schedule of Investment Return

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	<u>7.35%</u>	<u>-2.23%</u>	<u>4.60%</u>

Note: The years presented in this schedule are all of the years in which information is available.

## **Non-Uniform Plan**

### Plan administration

The Borough of Ebensburg Non-Uniformed Employees' Pension Plan is a single-employer defined benefit pension plan. The plan was established effective March 27, 1972. The plan was amended and restated by Ordinance No. 606, effective January 1, 2013. The plan is governed by the Borough Council of the Borough of Ebensburg which may amend plan provisions, and which is responsible for the management of plan assets. The Borough Council has delegated the authority to manage certain plan assets to Wells Fargo Advisors. The plan is required to file Form PC-203C biennially with the Public Employee Retirement Commission (PERC). The most recent filing was as of January 1, 2017.

### Method used to value investments

Plan investments are reported at fair value. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

### Plan membership

The plan covers all full-time, non-uniform employees. As of January 1, 2017, pension plan membership consisted of the following:

Active employees	13
Retirees and beneficiaries currently receiving benefits	9
Terminated employees entitled to benefits but not yet receiving them	<u>5</u>
Total	<u>27</u>

### Benefits provided

The plan provides normal retirement, early retirement, vesting, survivor, and disability benefits to plan members and their beneficiaries in accordance with Ordinance No. 606. Retirement benefits for plan members are calculated as 1.2% of average monthly pay multiplied by years of service completed prior to January 1, 2007, plus 1.5% of average monthly pay multiplied by years of service completed after January 1, 2007. Average monthly pay is the monthly pay averaged over the five (5) consecutive plan years out of last ten (10) which gives the highest average. Normal retirement is at age sixty-five (65).

Plan members with ten (10) years of service are eligible to retire at age fifty-five (55). The accrued benefit at the date of actual retirement is payable at normal retirement. The benefit may be elected early but will be reduced by 6 2/3% for each of the first five (5) years plus 3 1/3% for each additional year by which commencement precedes normal retirement date.

Survivor benefits before early retirement eligibility amount to a refund of contributions, if any. Survivor benefits after early retirement eligibility but before retirement are determined as fifty percent (50%) of the amount the participant would have received had they retired the day before death and elected immediate commencement of benefits in the form of a joint and fifty percent (50%) survivor annuity. Survivor benefits after retirement are determined as the form of benefit payment in force for the participant at the time the death occurs.

Disability benefits for total and permanent disablement and qualification for social security disability benefits are calculated as a monthly benefit equal to the accrued benefit at the date of disablement payable following date of disablement until normal retirement date at which time the normal retirement benefit will commence. The accrued benefit is equal to the prospective normal retirement benefit based on years of service and average monthly pay at date of disability.

### Contributions

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Act 205 requires that annual contributions to the pension plan be based upon the minimum municipal obligation (MMO). The MMO is determined from the plan's latest actuarial valuation report along with estimates of payroll, employee contributions, and administrative costs. For the year ended December 31, 2016, the Borough's required contribution was \$70,758.

Employees are required to contribute to the plan in an amount to be determined from time to time. This contribution is governed by the plan's governing ordinances and collective bargaining. Contributions are currently three percent (3%) 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.

### Investments

The plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The plan's target asset allocation according to the investment policy adopted October 27, 2008, is as follows:

<u>Asset Class</u>	<u>Range</u>
Cash & Cash Equivalents	2-60%
Bonds	10-60%
Stocks	25-60%
Real Estate	0-20%
Natural Resources	0-10%
Equipment Leasing	0-5%
Hedge Funds	0-10%
Preferred Stock	0-20%

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit ratings of the plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are included on the table below.

<u>Investment Type**</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Money Market Funds	\$ 12,751	Not rated
Fixed Income Mutual Funds	<u>318,847</u>	Not rated
Total	\$ <u>331,598</u>	

\*\*Several items in this disclosure are provided as of December 31, 2016, the most recent year that was available as of the report date.

### Concentrations

Concentration of credit risk is the loss attributed to the magnitude of an investment in a single issuer. The plan places no limits on the amount that may be invested in any one issuer. At December 31, 2016, 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 than represent five percent (5%) of more of fiduciary net position.

### Rate of return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 7.48 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Net Pension Liability/(Asset) of the Borough

The components of the net pension asset of the Borough at December 31, 2016, were as follows:

Total Pension Plan Liability	\$ 1,916,468
Plan Fiduciary Net Position	<u>(1,579,480)</u>
Borough's Net Pension Liability	\$ <u>336,988</u>

Plan fiduciary net position as a percentage of the total pension asset is 82.4%.

### Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	4.5% including inflation
Investment rate of return	7.5% net of investment expenses not funded through the MMO, and including inflation

Mortality rates were based on the UP-94 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements. The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2014.

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, 2016, (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Equities	6.3%
Fixed income	2.0%
Cash and cash equivalents	0.0%

### Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that Borough 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 payments to determine the total pension liability.

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

The following presents the net pension liability/(asset) of the Borough, calculated using the discount rate of 7.5%, as well as what the Borough's net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	<u>-1% (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>+1% (8.5%)</u>
Borough net pension liability/(asset)	\$568,687	\$336,988	\$139,380

Ebensburg Borough  
Non-Uniform Pension Plan  
Schedule of Changes in the Borough's Net Pension  
Liability and Related Ratios

	2017	2016	2015
Total pension liability			
Service cost	\$ 58,142	\$ 58,565	\$ 60,509
Interest	136,733	128,322	126,960
Change in benefit terms	-	-	-
Differences between expected and actual experience	-	(108,200)	-
Change in assumptions	-	-	-
Benefit payments, including refunds of member contributions	(85,212)	(63,808)	(54,683)
Net change in pension liability	109,663	14,879	132,786
Total pension liability/(asset) - beginning	1,806,805	1,791,926	1,659,140
Total pension liability/(asset) - ending (A)	<u>\$ 1,916,468</u>	<u>\$ 1,806,805</u>	<u>\$ 1,791,926</u>
Plan fiduciary net position			
General Municipal State Aid	\$ 56,870	\$ 50,971	\$ 50,343
Contributions - employer	13,888	32,212	35,124
Contributions - member	17,980	19,219	19,280
Net investment income	109,241	(28,389)	68,605
Benefit payments, including refunds of member contributions	(85,212)	(63,809)	(54,683)
Administrative expenses	(18,905)	(13,044)	(12,769)
Other	-	-	-
Net change in plan fiduciary net position	93,862	(2,840)	105,900
Plan fiduciary net position - beginning	1,485,618	1,488,458	1,382,558
Plan fiduciary net position - ending (B)	<u>\$ 1,579,480</u>	<u>\$ 1,485,618</u>	<u>\$ 1,488,458</u>
Borough's net pension liability/(asset) - ending (A-B)	<u>\$ 336,988</u>	<u>\$ 321,187</u>	<u>\$ 303,468</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>82.4%</u>	<u>82.2%</u>	<u>83.1%</u>
Covered employee payroll	<u>\$ 638,271</u>	<u>\$ 607,893</u>	<u>\$ 687,287</u>
Borough's net pension liability as a percentage of covered employee payroll	<u>52.8%</u>	<u>52.8%</u>	<u>44.2%</u>

Notes to Schedule:

Note: The years presented in this schedule are all of the years in which information is available.

Ebensburg Borough  
Non-Uniform Pension Plan  
Schedule of Borough's Contributions

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 70,758	\$ 83,183	\$ 85,467
Contributions in relation to the actuarially determined contributions	<u>70,758</u>	<u>83,183</u>	<u>85,467</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 637,900</u>	<u>\$ 607,893</u>	<u>\$ 687,287</u>
Borough's net pension liability as a percentage of covered employee payroll	<u>11.09%</u>	<u>13.68%</u>	<u>12.44%</u>

**Notes to Schedule:**

Valuation Date: 1/1/2017

**Methods and assumptions:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed
Remaining amortization period	16 years (aggregate)
Asset valuation method	Fair value
Inflation	2.75%
Salary increases	4.25% include inflation
Investment rate of return	7.0%, net of investment expenses not funded through the MMO, and including inflation
Retirement age	See accompanying footnotes to the financial statements
Mortality	See accompanying footnotes to the financial statements

Other:

Note: The years presented in this schedule are all of the years in which information is available.

Ebensburg Borough  
Non-Uniform Pension Plan  
Schedule of Investment Return

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	<u>7.48%</u>	<u>-1.93%</u>	<u>5.00%</u>

Note: The years presented in this schedule are all of the years in which information is available.

## GASB Statement 45 – Post Employment Benefits

The Borough does not provide any other post-retirement benefits (OPEB) other than pension benefits; therefore GASB 45 does not apply.

### NOTE 8 - DEFERRED COMPENSATION PLAN

The Borough offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits them to defer a portion of their salary until further years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The plan complies with Section 457 of the Internal Revenue Code, whereby, trust provisions are incorporated so that plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. As a result, as of December 31, 2017, the assets and liabilities of the deferred compensation plan are not included in the accompanying financial statements.

### NOTE 9 - RELATED PARTY TRANSACTIONS

In December 2017, the Borough entered into an Operating Agreement, amending a prior agreement dated November 2012, with the Municipal Authority of the Borough of Ebensburg, whereby the Borough is authorized to manage and operate the day to day operations of the sewer and water systems and to employ Borough personnel in connection with all routine procedures.

The Borough remits both principal and interest costs related to all Municipal Authority loans, in addition to payments for certain other Authority obligations. In 2017 payments made by the Borough amounted to \$734,306. The Borough also made payments of \$452,706 to the Municipal Authority in 2017 for the Waste Water Project. See Note 10 for additional information.

In connection with the Pennsylvania Municipal Authorities' Act, the Borough appoints all members of the Authority board. However, the Authority retains all powers regarding the establishment of rates, regulations and major policies.

### NOTE 10 - COMMITMENTS AND CONTINGENCIES

#### Litigation

In the normal course of operations, the Borough is involved in various disputes and grievances. Management is of the opinion that any outcome resulting from these actions would not have a material effect on the Borough's financial position.

### Grant Programs

The Borough participates in various state and federal grant programs which are subject to program compliance audits by the grantors or their representatives. Although the Borough believes it has complied with applicable rules and regulations of the grants, it is potentially liable for any expenditures which may be disallowed pursuant to the terms of the grants.

### Ebensburg Municipal Authority Loan Guarantees

Currently the Borough guarantees five (5) Municipal Authority loans, summarized as follows:

	<u>Principal Balance</u> <u>As of December 31, 2017</u>	<u>Year of</u> <u>Maturity</u>
2004 PENNVEST Loan	\$ 1,830,202	2025
2007 PENNVEST Loan	\$ 1,152,195	2028
2008 PENNVEST Loan	\$ 332,833	2028
2012 PENNVEST Loan	\$ 3,891,742	2033
2007 Pennsylvania D.C.E.D. Loan	\$ 461,800	2027

### NOTE 11 - SUBRECIPIENTS

As part of their ongoing operations, the Borough submits funding requests to Pennsylvania Department of Community & Economic Development ("DCED") for federal and state program funding that is passed through to Ebensburg Downtown Partners (subrecipient). The Borough performs subrecipient monitoring procedures over this program activity throughout the course of the year. In addition, it has been the regular practice of the Borough to have closeout audits performed to satisfy any federal or state audit requirements.

### NOTE 12 - OPERATING LEASES

#### Lessor

The Borough has various operating leases for the lease of property to tenants. The leases generally contain renewal options, as well as escalation provisions.

The future minimum rentals on such leases as of December 31, 2017, are approximately as follows:

2018	\$ 3,594
2019	<u>1</u>
	\$ <u>3,595</u>

Lessee

The Borough entered into a lease agreement for the leasing of a parking lot. The following is a schedule of the future minimum payments required under the lease obligation:

2018	\$ <u>8,000</u>
	\$ <u>8,000</u>

NOTE 13 - SUBSEQUENT EVENTS

Effective January 1, 2018, the Borough entered into an Agreement of Lease with the Municipal Authority of the Borough of Ebensburg, whereby the Authority is the owner of and desires to lease to the Borough certain water distribution and treatment facilities, sanitary sewer collection and treatment facilities and stormwater management systems.

Subsequent events were considered through January 26, 2018, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

EBENSBURG BOROUGH  
GENERAL FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Real estate taxes	\$ 454,000	\$ 454,000	\$ 448,746	\$ (5,254)
Local enabling taxes	465,000	465,000	473,862	8,862
State liquid fuels tax	7,500	7,500	-	(7,500)
Licenses and permits	58,500	58,500	59,580	1,080
Fines, forfeitures and costs	39,500	39,500	38,073	(1,427)
Grant revenue	3,500	3,500	11,313	7,813
Interest	10,400	10,400	14,116	3,716
Charges for services	923,530	923,530	975,763	52,233
Miscellaneous revenue	76,800	76,800	169,951	93,151
Total Revenues	<u>2,038,730</u>	<u>2,038,730</u>	<u>2,191,404</u>	<u>152,674</u>
Expenditures - Operating:				
General government	193,090	193,090	179,876	13,214
Public safety	523,930	523,930	521,737	2,193
Planning and zoning	4,200	4,200	4,494	(294)
Public works - Sanitation	154,500	154,500	153,803	697
Public works - Highways & Streets	175,160	175,160	143,834	31,326
Public works - Other	87,880	87,880	60,457	27,423
Parking facilities	12,000	12,000	13,200	(1,200)
Culture and recreation	484,150	484,150	509,358	(25,208)
Economic development	83,200	83,200	82,825	375
Capital expenditures	51,500	51,500	134,598	(83,098)
Total Expenditures - Operating	<u>1,769,610</u>	<u>1,769,610</u>	<u>1,804,182</u>	<u>(34,572)</u>
Excess/(Deficiency) of Revenues Over Expenditures	269,120	269,120	387,222	118,102
Other Financing Sources/(Uses):				
Sale of a capital asset	-	-	155,079	155,079
Debt Service	(164,100)	(164,100)	(204,704)	(40,604)
Operating transfers in	-	-	602,363	602,363
Operating transfers (out)	-	-	(23,478)	(23,478)
Total Other Financing Sources	<u>(164,100)</u>	<u>(164,100)</u>	<u>529,260</u>	<u>693,360</u>
Excess/(Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 105,020</u>	<u>\$ 105,020</u>	916,482	<u>\$ 811,462</u>
Fund Balance - Beginning of Year			<u>373,197</u>	
Fund Balance - End of Year			<u>\$ 1,289,679</u>	

EBENSBURG BOROUGH  
HIGHWAY AID FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State liquid fuel tax	\$ 107,824	\$ 107,824	\$ 110,124	\$ 2,300
Act 32	2,280	2,280	2,280	-
Interest	400	400	1,840	1,440
	<u>110,504</u>	<u>110,504</u>	<u>114,244</u>	<u>3,740</u>
Total Revenues				
Expenditures - Operating:				
Public works - Capital expenditures	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures - Operating				
Excess/(Deficiency) of Revenues Over Expenditures	110,504	110,504	114,244	3,740
Other Financing Sources/(Uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources				
Excess/(Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 110,504</u>	<u>\$ 110,504</u>	<u>114,244</u>	<u>\$ 3,740</u>
Fund Balance - Beginning of Year			<u>310,215</u>	
Fund Balance - End of Year			<u>\$ 424,459</u>	