

**CITY OF SHAMOKIN, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY REPORTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**EIN: 24-6001888**

**CITY OF SHAMOKIN, PENNSYLVANIA  
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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor  
Members of City Council  
City of Shamokin  
Shamokin, Pennsylvania

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

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

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-7), the statement of revenues, expenditures, and changes in fund balance- general fund- budget and actual (page 39), the schedule of changes in net pension liability and related ratios (page 40), and the schedule of employer pension contributions (page 41) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combined Special Revenue Funds statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combined Special Revenue Funds statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018 on our consideration of the City'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's internal control over financial reporting and on compliance.



October 30, 2018

**CITY OF SHAMOKIN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2017**

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As management of the City of Shamokin, Pennsylvania (the "City") we offer the readers of the City's financial statements this narrative overview of the financial activities of the City for the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City's Council.

The Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

**FINANCIAL HIGHLIGHTS**

The total cost to operate City of Shamokin, Pennsylvania for the year ended December 31, 2017 was \$4,383,647 compared to \$4,101,564 in 2016. These costs were covered by grants received from the Commonwealth of Pennsylvania, taxes, and charges for services, interest and other income.

Other financial highlights include:

- Total assets of the City are \$8,638,528, which is an increase of \$227,467 from the prior year. This increase is primarily attributed to an increase in current assets.
- Total revenues of the City were \$4,773,550, which is an increase of \$5,310,649 from the prior year. During 2016, funding in the amount of \$5,527,733 from the PA Emergency Management Agency was recorded. This funding was for the Shamokin Creek- Carbon Run Flood Restoration Project.
- Total expenses of the City were \$4,383,647 which is an increase of \$282,083 from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

## CITY OF SHAMOKIN, PENNSYLVANIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

December 31, 2017

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#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of activities presents information showing how the City's net position changed during the year. The City's accounting records are maintained and its financial statements are prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis, revenues are recognized when collected rather than when earned, and expenditures are recognized when paid rather than when incurred. The governmental activities of the City include all of the City's activities.

#### **FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of fund financial statements is short-term. Fund financial statements are prepared using the cash basis of accounting. The City uses governmental funds.

#### **GOVERNMENTAL FUNDS**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental-fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because of 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 with 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 City'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 this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental-fund balance sheet and in the governmental-fund statement of revenues, expenditures and changes in fund balances for the City's funds, which are the General Fund, Debt Service Fund, Liquid Fuels Fund and other funds.

**CITY OF SHAMOKIN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)**  
**December 31, 2017**

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**NOTES TO FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the City's financial statements.

**FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENT-WIDE ACTIVITIES**

Government-Wide Statement of Net Position.

	<b><u>Governmental Activities</u></b>	
	<b><u>2016</u></b>	<b><u>2017</u></b>
<b><u>ASSETS</u></b>		
Current Assets	\$ 1,958,572	\$2,264,793
Capital Assets, Land	34,922	34,922
Other Capital Assets, Net of Accumulated Depreciation	<u>6,417,567</u>	<u>6,338,813</u>
Total Assets	<u>\$ 8,411,061</u>	<u>\$8,638,528</u>
Deferred Outflows	\$ 806,085	\$ 648,649
Total Assets and Deferred Outflows	<u>\$ 9,217,146</u>	<u>\$ 9,287,177</u>
<b><u>LIABILITIES AND NET POSITION</u></b>		
Current liabilities	\$ 1,091,199	\$ 413,989
Long-term and other liabilities	<u>6,749,716</u>	<u>7,073,711</u>
Total Liabilities	<u>7,840,915</u>	<u>7,487,700</u>
Deferred Inflows	\$ 0	\$ 15,103
Net Position:		
Invested in Capital Assets	3,593,496	3,067,188
Restricted	527,056	1,214,289
Unrestricted	<u>(2,744,321)</u>	<u>(2,497,103)</u>
Total Net Position	<u>1,376,231</u>	<u>1,784,374</u>
Total Liabilities and Net Assets	<u>\$ 9,217,146</u>	<u>\$ 9,287,177</u>

**CITY OF SHAMOKIN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)**  
**December 31, 2017**

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**FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENT-WIDE ACTIVITIES  
(Cont'd)**

As of December 31, 2017, the City's governmental activities had a net position balance of \$1,784,374 an increase of \$408,143 compared to 2016. During 2017 assets increased by \$227,467 while liabilities decreased by \$353,215. This increase includes a prior period adjustment of \$18,240 to record the beginning account balance in the 150<sup>th</sup> Anniversary Committee account. Beginning net position is restated to include adjustment.

Assets of the City include cash of \$804,466, tax receivables of \$856,077, receivable from other governments of \$553,250 and net capital assets of \$6,373,735. The most significant liabilities of the City's governmental activities include notes payable of \$3,136,667 and Net Pension Liability of \$3,856,155.

The following presents the City's change in Statement of Activities for the years ended December 31, 2016 and 2017:

	<b><u>2016</u></b>	<b><u>2017</u></b>
REVENUES:		
Taxes	\$ 3,317,699	\$ 3,169,758
Licenses and Permits	128,784	134,884
Fines and Forfeits	93,751	99,751
Interest, Rents & Royalties	940	245
Rents & Royalties	14,188	14,439
Intergovernmental Revenue	6,249,930	1,087,943
Charges for Services	217,918	228,459
Miscellaneous	<u>60,989</u>	<u>38,071</u>
 TOTAL REVENUE	 <u>\$ 10,084,199</u>	 <u>\$ 4,773,550</u>

**CITY OF SHAMOKIN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)**

**December 31, 2017**

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EXPENSES:	2016	2017
General Government – Administrative	\$ 793,189	\$ 751,661
Public Safety	1,737,405	1,843,212
Public Works	732,838	719,477
Culture and Recreation	208,000	261,505
Community Development	228,809	402,159
Debt Service Interest	90,245	88,931
Insurance Premiums	81,003	89,696
Employee Benefits	216,303	216,756
Miscellaneous	<u>13,772</u>	<u>10,250</u>
TOTAL EXPENSES	<u>4,101,564</u>	<u>4,383,647</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 5,982,635</u>	<u>\$ 389,903</u>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The City's capital assets as of December 31, 2017, amounted to \$6,373,735 (net of accumulated depreciation). Capital assets include equipment, vehicles, building, infrastructure and land.

**SPECIAL CONDITIONS AND ECONOMIC FACTORS**

Management is not aware of any facts, decisions or conditions that would have a significant effect on the future operation of the City.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of the City of Shamokin, Pennsylvania's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City Administrator and/or City Council.

**CITY OF SHAMOKIN, PENNSYLVANIA**  
**Statement of Net Position**  
**December 31, 2017**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 840,466
Taxes receivable, net	856,077
Accounts Receivable	15,000
Receivable from other governments	553,250
Total Current Assets	<u>2,264,793</u>
Capital Assets:	
Land	34,922
Buildings	967,376
Machinery and equipment	2,555,140
Furniture and fixtures	116,394
Infrastructure	5,966,967
Less: accumulated depreciation	<u>(3,267,064)</u>
Total Capital Assets	<u>6,373,735</u>
Total Assets	<u>8,638,528</u>
Deferred outflows of resources- pensions	<u>648,649</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 56,637
Escrows payable	52,710
Capital Lease- current	9,794
Notes payable- current	211,350
HOMES Grant Due to Commonwealth of Pennsylvania- current	83,498
Total Current Liabilities	<u>413,989</u>
Noncurrent Liabilities:	
Compensated absences	189,151
Capital Lease - long-term	19,589
Notes payable - long-term	2,925,317
HOMES Grant Due to Commonwealth of Pennsylvania	83,499
Net Pension Liability	3,856,155
Total Noncurrent Liabilities	<u>7,073,711</u>
Total Liabilities	<u>7,487,700</u>
Deferred inflows of resources- pensions	15,103
<b>NET POSITION</b>	
Net investment in capital assets	3,067,188
Restricted for:	
Debt service	315,416
Program services	898,873
Unrestricted	<u>(2,497,103)</u>
Total Net Position	<u>\$ 1,784,374</u>

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

**CITY OF SHAMOKIN, PENNSYLVANIA**  
**Statement of Activities**  
**For the Year Ended December 31, 2017**

	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
PRIMARY GOVERNMENT					
General government	\$ 751,661	\$ 319,592	\$ 339,530	\$ -	\$ (92,539)
Public Safety	1,843,212	-	43,765	-	(1,799,447)
Public works - highways and streets	719,477	33,157	210,600	-	(475,720)
Culture and recreation	261,505	60,157	-	-	(201,348)
Community development	402,159	-	494,048	-	91,889
Insurance	89,696	-	-	-	(89,696)
Employee Benefits	216,756	-	-	-	(216,756)
Miscellaneous	10,250	-	-	-	(10,250)
Interest Expense	88,931	-	-	-	(88,931)
<b>Total Primary Government</b>	<b>4,383,647</b>	<b>412,906</b>	<b>1,087,943</b>	<b>-</b>	<b>(2,882,798)</b>

**GENERAL REVENUES**

Taxes:

Real estate	1,689,419
Real estate transfer	18,455
Earned income	1,224,943
Occupation and per capita	101,552
Local services tax	53,165
Business privilege tax	80,004
Miscellaneous taxes	2,220
Cable TV franchise fees	50,188
Interest	245
Rents	14,439
Miscellaneous	38,071
<b>Total general revenues</b>	<b>3,272,701</b>

Change in Net Position 389,903

Net Position - Beginning of Year, Restated 1,394,471

**Net Position - End of Year** **\$ 1,784,374**

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

**CITY OF SHAMOKIN, PENNSYLVANIA**  
**Balance Sheet - Governmental Funds**  
**December 31, 2017**

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 403,602	\$ 291,288	\$ 145,576	\$ 840,466
Taxes receivable, net	835,072	8,048	12,957	856,077
Accounts Receivable	-	15,000	-	15,000
Receivable from other governments	1,534	551,716	-	553,250
Interfund Receivable	40,350	153,626	156,883	350,859
<b>Total Assets</b>	<b>\$ 1,280,558</b>	<b>\$ 1,019,678</b>	<b>\$ 315,416</b>	<b>\$ 2,615,652</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 34,202	\$ 22,435	\$ -	56,637
Escrows payable	52,710	-	-	52,710
Interfund Payable	252,489	98,370	-	350,859
<b>Total Liabilities</b>	339,401	120,805	-	460,206
<b>DEFERRED INFLOW OF RESOURCES</b>				
Unavailable Revenue	480,409	-	-	480,409
<b>FUND BALANCES</b>				
Restricted:				
Highways and streets	-	151,891	-	151,891
Culture and recreation	-	833,491	-	833,491
Debt Service	-	-	315,416	315,416
Assigned, capital improvement	2,378	-	-	2,378
Unassigned, general	458,370	(86,509)	-	371,861
<b>Total Fund Balances</b>	460,748	898,873	315,416	1,675,037
<b>Total Liabilities, Deferred inflows of Resources and Fund Balances</b>	<b>\$ 1,280,558</b>	<b>\$ 1,019,678</b>	<b>\$ 315,416</b>	<b>\$ 2,615,652</b>

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

**CITY OF SHAMOKIN, PENNSYLVANIA**  
**Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position**  
**December 31, 2017**

Total Governmental Fund Balances	\$	1,675,037
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		6,373,735
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are not reported as deferred revenue in the funds.		480,409
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds:		
Due to Commonwealth of Pennsylvania		(166,997)
Compensated absences		(189,151)
Capital Lease		(29,383)
General obligation debt		(3,136,667)
Net Pension Liability		(3,856,155)
Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		(15,103)
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		648,649
		648,649
Net position of governmental activities	\$	1,784,374

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

**CITY OF SHAMOKIN, PENNSYLVANIA**  
**Statements of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
**For the Year Ended December 31, 2017**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 2,423,078	\$ 232,580	\$ 373,966	\$ 3,029,624
Licenses and permits	134,884	-	-	134,884
Fines and Forfeits	99,751	-	-	99,751
Interest, rents and royalties	14,474	65	145	14,684
Intergovernmental revenues	383,295	704,648	-	1,087,943
Charges for services	168,302	60,157	-	228,459
Miscellaneous	20,846	17,125	-	37,971
<b>Total Revenues</b>	<b>3,244,630</b>	<b>1,014,575</b>	<b>374,111</b>	<b>4,633,316</b>
<b>EXPENDITURES</b>				
Current Operations				
General government	501,992	27,310	100	529,402
Public safety	1,578,003	143,547	-	1,721,550
Public works - highways and streets	630,523	58,009	-	688,532
Culture and recreation	-	235,183	-	235,183
Community development	27,578	468,997	-	496,575
Insurance	89,696	-	-	89,696
Employee Benefits	216,756	-	-	216,756
Miscellaneous	10,250	-	-	10,250
Debt service:				
Principal	383,498	-	272,872	656,370
Interest	15,280	-	73,651	88,931
<b>Total Expenditures</b>	<b>3,453,576</b>	<b>933,046</b>	<b>346,623</b>	<b>4,733,245</b>
<b>Expenditures under (over) revenues</b>	<b>(208,946)</b>	<b>81,529</b>	<b>27,488</b>	<b>(99,929)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt proceeds	300,000	578,216	-	878,216
Sale Proceeds	100	-	-	100
Transfers in (out)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>300,100</b>	<b>578,216</b>	<b>-</b>	<b>878,316</b>
Change in fund balances	91,154	659,745	27,488	778,387
Fund balances, beginning of year, Restated	369,594	239,128	287,928	896,650
<b>Fund Balances, End of Year</b>	<b>\$ 460,748</b>	<b>898,873</b>	<b>\$ 315,416</b>	<b>\$ 1,675,037</b>

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

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

Net Change in Fund Balances - Total Governmental Funds	\$ 778,387
Revenues on the Statement of Activities that do not provide current financial resources are not reported as revenues in Governmental Funds.	140,134
Repayment of notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	656,370
Short and long-term debt borrowings are revenues in the governmental funds but as increases in liabilities in the statement of net position.	(878,217)
Compensated absences reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	(2,004)
Capital assets are expended in the governmental fund statements but capitalized in the entity wide statements.	245,797
Depreciation expense is recognized in the Statement of Activities but is not recognized in the governmental funds.	(324,551)
Government funds report City pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	(224,301)
Governmental funds recognize capital lease payments as expenditures versus reduction of capital lease liability in the Statement of Net Position.	<u>(1,712)</u>
Change in net position of governmental activities	<u>\$ 389,903</u>

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

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Shamokin (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

The City adopted the Statement of Governmental Accounting Standards (GASB Statement) No. 68, *"Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27"* during the year ended December 31, 2015. The City also adopted the provisions of GASB Statement No. 71, *"Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68"*.

**Financial Reporting Entity**

The City of Shamokin was formed in 1864, operates a third-class city under the direction of an elected Mayor and City Council, and provides the following services: general administration, public improvements, public safety, culture and recreation, highways and streets, and economic development programs.

Consistent with the guidance provided by GASB 61, the criteria used by the City to evaluate possible inclusion of related entities (authorities, boards, etc.) within its reporting entity is the financial accountability concept. The financial accountability concept considers the fiscal dependency of the component unit to the City and the nature and significance of the financial benefit or burden relationship between the related entities. In determining financial accountability in a given case, the City reviews the applicability of the following criteria:

The City is financially accountable for:

1. Legally separate organizations if the City appoints a voting majority of the organization's governing body and the City is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.
  - a. Impose its will – if the City can significantly influence the programs, projects or activities of or the level of service performed or provided by the organization.
  - b. Financial benefit or burden – exists if the City (1) is entitled to the organization's resources, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial Reporting Entity (continued)**

2. Legally separate organizations that are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bond debt without approval of the City.

Based on the foregoing criteria, the reporting entity would be defined to include all funds for which the City is financially accountable and entities with which there is a significant financial benefit or burden relationship. Specific information on the nature of the City's component units and a description of how the aforementioned criteria have been considered in determining whether to include a unit in the City's financial statements is provided in the following paragraph.

The Redevelopment Authority of the City of Shamokin (the "Authority") –The City appoints a voting majority of the authority's board and guarantees outstanding debt on behalf of the Authority. The Authority serves on behalf of the Mayor and City Council of the City of Shamokin to provide programs and policies guiding development in areas such as land use, environmental protection, economic development, community facilities, housing transportation, and related human services. The Authority is not fiscally independent of the City as the City guarantees the debt of the Authority. The Authority's financial statements are not consolidated in the City's financial statements as of December 31, 2017.

**Basis of Presentation**

Governmental-wide Financial Statements

The statement of net position and statement of activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds and component units. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. In addition to funds that meet the criteria, any other fund determined by the City can be reported as a major fund.

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation (continued)**

Fund Financial Statements (continued)

The following paragraphs describe the fund accounting structure of the City:

Governmental Fund Types

Governmental funds are those funds through which most governmental functions of the city are financed.

General Fund – The principal fund of the City which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City are financed through revenues of the General Fund.

Special Revenue Funds – Account for the proceeds of specific revenue sources that are legally restricted for specific purposes. The special revenue funds of the City include the following funds:

- Library Fund – used to account for library taxes collected and library contributions
- Liquid Fuels Fund – used to account for state liquid fuels revenues and related expenditures
- Street Light Fund- used to account for street light taxes collected and the related expenditures
- CDBG Fund – used to account for Community Development Block Grants and related expenditures
- Recreation Fund – used to account for recreation taxes collected and related expenditures
- FEMA Fund – used to account for FEMA grant funds and related expenditures

**Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements.

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting (continued)**

Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statement of net position and statement of activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets deferred outflows of resources, all liabilities and deferred inflows of resources associated with the operation of these activities are either included on the statement of net position.

The statement of net position and statement of activities are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. The material modifications of the modified accrual method from the accrual method are as follows:

- a. Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. Available means collectable within the current period or within 60 days after year-end.

Intergovernmental revenues and investment income are recorded when earned since they are measurable and available. Real estate and other taxes which are uncollected are recorded as receivables, net of the allowance for doubtful accounts. Current levies of taxes which are not available to finance current expenditures are recorded as deferred inflows of resources, unavailable revenues. Assessed taxes are recognized when they become both measurable and available to finance expenditures of the fiscal period.

- b. Principal and interest on long-term debt are recognized when due.
- c. Accumulated unpaid vacation pay and sick pay amounts which are expected to be paid with expendable available financial resources are recorded in the respective fund financial statements. Accrued costs include payroll related expenditures such as the employer's share of Social Security taxes. As of December 31, 2017, no such costs have been recorded in the fund financial statements.

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting (continued)**

Receivables

The City's receivables consist of uncollected real estate, occupation and per capita taxes as of December 31, 2017, along with earned income taxes for the fourth quarter which have not yet been remitted to the City.

As of December 31, 2017, the City has determined the taxes believed to be uncollectable based on historical trends.

Capital Assets

General capital assets are capital assets which are associated with and arise from governmental activities. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City's infrastructure consists primarily of roads and sidewalks. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based the City's historical records of necessary improvements and replacements. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	40 years
Machinery & Equipment	5-7 years
Furniture & Fixtures	5-7 years
Infrastructure	10-20 years

Long-Term Debt

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of general obligation notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest is reported as expenditures.

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting (continued)**

Real Estate Taxes

Real estate taxes are levied March 1 of each year. Unpaid real estate taxes attach as an enforceable lien on property as of January 1 of the following year. Taxes are billed on March 1 and payable with a 2% discount to April 30, with no discount or penalty to June 30, and with a 10% penalty after July 1. All delinquent accounts as of December 31 are turned over for collection.

The City is permitted by the City Code of the Commonwealth of Pennsylvania to levy real estate taxes up to 25 mills on every dollar of adjusted valuation for general City purposes exclusive of the requirements for payment of interest and principal on funded debt, and the Library and Recreation Funds. The City has sought and received permission from the Court of Common Pleas to raise the millage to 30 mills for general purposes for the year ended December 31, 2017.

Equity Classification

Governmental-wide statements – Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net invested in capital assets.”

Fund statements – Governmental fund equity is classified as fund balance. Fund balance is further classified in 5 components:

- a. Nonspendable fund balance – Represents amounts that cannot be spent because they are either in a nonspendable form or are legally or contractually required to be maintained intact.
- b. Restricted fund balance – Represents amounts constrained to be used for a specific purpose stipulated by constitution, external resource providers or through enabling legislation.
- c. Committed fund balance – Represent limitations placed on spending to be used for a specific purpose that are imposed by, and may be removed by, an ordinance or resolution approved by a majority vote of the City Council.

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting (continued)**

Equity Classification (continued)

- d. Assigned fund balance – Reflect amounts intended to be used for a specific purpose by the City Council or City Clerk that may be subject to change.
- e. Unassigned fund balance – Reflect residual net resources that are the excess of nonspendable, restricted, committed, and assigned fund balance amounts.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Compensated Absences

The City's policies regarding vacation, sick and personal time permit employees to accumulate earned but unused vacation, sick and personal leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability as it matures and becomes due. Compensated absences recorded in the government-wide statements at December 31, 2017 were \$189,151.

Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future periods and thus, will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one type of item, unavailable tax revenues, which arise only under a modified accrual basis of accounting, which qualifies for reporting in this category.

Budgetary Basis of Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements: The City's budget process starts in August, no later than September 3<sup>rd</sup>, of the current fiscal year to budget for the next fiscal year. The City has many different meetings with each department head. The City looks at the current budget and the actual year to date and makes

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting (continued)**

Budgetary Basis of Accounting (continued)

decisions for next year's fiscal budget based on those numbers. The City then meets with department heads and City Council to present the budget and go over any questions. The City must submit the budget to the City's Act 47 coordinator for review no later than October 16<sup>th</sup>. Upon receipt, the coordinator shall review the proposed budget to verify that the proposed budget conforms to the recovery plan. The coordinator shall make any modifications necessary to the proposed budget to meet the objectives of the plan and return it to the City by November 17<sup>th</sup>. The City then can make changes as needed and present it to City Council for final review and vote.

Subsequent Events

Management has evaluated subsequent events through October 30, 2018. The date on which the financial statements were available to be issued.

**NOTE 2- CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk and Deposits**

For deposits, custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned to it. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral security that is in the possession of an outside party. The City has no policy regarding custodial credit risks for deposits.

Custodial Credit Risk - Deposits

The table presented below is designed to disclose the level of custodial credit risk assumed by the City based upon how its deposits were insured or secured with collateral at December 31, 2017. The categories of custodial credit risk are defined as follows:

- Category 1* - Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the City (or public trust) or by its agent in its name.
- Category 2* - Uninsured but collateralized with securities held by the pledging financial institutions trust department or agent in the City's name.
- Category 3* - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City's name; or properly collateralized with no written and approved collateral agreement.

**City of Shamokin, Pennsylvania  
Notes to the Financial Statements  
December 31, 2017**

**NOTE 2- CASH AND CASH EQUIVALENTS (continued)**

**Custodial Credit Risk and Deposits (continued)**

Primary Government

Primary Government

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total Carrying Value</u>
Insured deposits	\$ 405,682	\$405,682	\$ -0-	\$-0-	
Uninsured deposits:					
Collateralized	436,845	-0-	436,845	-0-	
Uncollateralized	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	
<b>Total Deposits</b>	<b><u>\$842,527</u></b>	<b><u>\$405,682</u></b>	<b><u>\$436,845</u></b>	<b><u>\$-0-</u></b>	<b><u>\$840,466</u></b>

Reconciliation to Statement of Net Position:

Cash and cash equivalents	\$840,466
Net Outstanding checks/ Deposits in transit	<u>2,061</u>
Total Bank Balance	<u>\$ 842,527</u>

The City's book balances consist of restricted cash of \$436,864, as detailed below.

*Restricted Cash by Fund*

Special Revenues Fund:

Highways and streets:			
Street Lights	\$ 1,803		
Liquid Fuels PA	<u>108,468</u>		
			\$ 110,271
Culture and recreation:			
Library	10,691		
Recreation	<u>162,618</u>		
			173,309
Community development			
CDBG	1,554		
FEMA	<u>6,154</u>		
			7,708
Debt Service Fund:			
Debt Service	<u>145,576</u>		
			<u>145,576</u>
<i>Total Restricted Cash</i>			<b><u>\$436,864</u></b>

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 2- DEPOSITS AND CASH EQUIVALENTS (continued)**

**Interest-Rate Risk**

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The City has no investment policy that limits its investment choices other than Act 72 of the Pennsylvania General Assembly.

Statutes authorize the City to invest in the following:

- U.S. treasury bills
- Obligations to the U.S. government and federal agencies
- Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions
- General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency or of any Pennsylvania political subdivision
- Shares of investment companies whose investments are restricted to the above categories

**CITY OF SHAMOKIN, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 3- CAPITAL ASSETS**

A summary of governmental activity is as follows:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2017</u>
Capital assets not being depreciated,				
Land	\$ 34,922	\$ -	\$ -	\$ 34,922
Capital assets being depreciated:				
Buildings	967,376	-	-	967,376
Machinery and Equipment	2,417,270	137,870	-	2,555,140
Furniture and Fixtures	96,389	20,005	-	116,394
Infrastructure	5,879,045	87,922	-	5,966,967
Total Capital assets being depreciated	<u>9,360,080</u>	<u>245,797</u>	<u>-</u>	<u>9,605,877</u>
Less accumulated depreciation:				
Buildings	561,079	15,936	-	577,015
Machinery and Equipment	2,109,963	150,039	-	2,260,002
Furniture and Fixtures	36,764	15,785	-	52,549
Infrastructure	234,707	142,791	-	377,498
Total accumulated depreciation	<u>2,942,513</u>	<u>324,551</u>	<u>-</u>	<u>3,267,064</u>
Total capital assets being depreciated, net	<u>6,417,567</u>	<u>(78,754)</u>	<u>-</u>	<u>6,338,813</u>
Governmental activities capital assets, net	<u>\$ 6,452,489</u>	<u>\$ (78,754)</u>	<u>\$ -</u>	<u>6,373,735</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 189,780
Public safety	69,504
Highways and streets	38,945
Recreation	26,322
Total	<u>\$ 324,551</u>

**CITY OF SHAMOKIN, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 4- GENERAL OBLIGATION BONDS AND NOTES PAYABLE**

	Balance at December 31, 2017
Governmental Activities:	
\$450,000 Guaranteed Lease Revenue Note of 2006, due in semi-annual installments, including interest, through maturity; interest at 3.25%.	\$ -
\$1,096,000 General Obligation Bond, Series A of 2012, payable in semi-annual installments, including interest, through 2031; interest at 4.5% through 2019 and 8.0% thereafter.	970,000
\$834,000 General Obligation Bond, Series B of 2012, payable in semi-annual installments, including interest, through 2031; interest at 3.4% through 2019 and 6.0% thereafter.	774,000
\$110,000 General Obligation Note of 2013, payable in monthly installments including interest, through maturity; interest at 3.150%.	-
\$650,000 General Obligation Note, Series of 2017, Principal is payable upon the earlier of the Maturity Date of March 31, 2019 or within fifteen days of receipt of proceeds from the FEMA Grant; Interest is payable monthly commencing March 1, 2017; interest at 6.20% through maturity.	578,217
\$1,163,500 DCED General Obligation Note of 2014 payable in annual installments through 2024; interest at 0%.	<u>814,450</u>
Total governmental activities	3,136,667
Less: current portion	211,350
Total	<u><u>\$ 2,925,317</u></u>

Accrued interest is included in the debt balances as of December 31, 2017.

The following is a summary of changes in governmental activities long-term liabilities for the year ended December 31, 2017:

	Balance December 31, 2016	Additions	Deductions	Balance December 31, 2017	Due Within One Year
Guaranteed Lease Revenue Note of 2006	\$ 28,800	\$ -	\$ 28,800	\$ -	\$ -
General Obligation Bonds, Series A of 2012	1,019,000	-	49,000	970,000	51,000
General Obligation Bonds, Series B of 2012	816,000	-	42,000	774,000	44,000
General Obligation Note of 2013	36,722	-	36,722	-	-
Tax and Revenue Anticipation Note, Series 2017	-	300,000	300,000	-	-
General Obligation Note of 2017	-	578,217	-	578,217	-
DCED General Obligation Note of 2014	930,800	-	116,350	814,450	116,350
Total	<u>\$ 2,831,322</u>	<u>\$ 878,217</u>	<u>\$ 572,872</u>	<u>\$ 3,136,667</u>	<u>\$ 211,350</u>

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 4- GENERAL OBLIGATION BONDS AND NOTES PAYABLE (continued)**

The scheduled payments relative to debt service are as follows:

	Interest	Principal	Total
2018	\$ 109,890	\$ 211,350	\$ 321,240
2019	78,632	793,567	872,199
2020	61,235	218,350	279,585
2021	59,624	223,350	282,974
2022	52,766	228,350	281,116
2023-2027	192,129	862,700	1,054,829
2028-2032	55,821	599,000	654,821
	<u>\$ 610,097</u>	<u>\$ 3,136,667</u>	<u>\$ 3,746,764</u>

Interest expense for the year ended December 31, 2017, was \$88,931 for general obligation bonds and notes payable.

**NOTE 5- CAPITAL LEASE**

On February of 2015, the City entered into a lease-purchase agreement with Ford Motor Credit Company to purchase a 2017 Ford F-350 pick-up truck for \$44,222. The agreement was for a term of five years. Payments of \$2,534.85 are due four times a year. The lease was paid in full during 2017.

In April of 2017, the City entered into a lease-purchase agreement with Ford Motor Credit Company to purchase a 2017 Ford Police Interceptor Sedan. The agreement was for a term of four years. Payments of \$9,794.36 are due each year.

The following is a summary of the remaining scheduled capital lease payments:

2017	\$ 9,794
2018	9,794
2019	<u>9,795</u>
	<u>\$ 29,383</u>

**NOTE 6- ESCROWS PAYABLE**

Escrows payable represent the City's liability for insurance proceeds resulting from fire damage to properties to be returned to the property owner pending inspection following repairs to ensure property is in agreement with codes. At December 31, 2017, the Escrows Payable balance was \$52,710.

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 7- DEFINED BENEFIT PENSION PLANS**

All regular, full-time City employees are covered under one of two single-employer defined benefit pension plans. The employees are covered according to their occupation in either the Police or Non-Uniformed pension plans.

**Police Pension Plan**

Plan Description

The City of Shamokin Police pension Plan is a single-employer defined benefit pension plan that covers all full-time police officers of the City and which is controlled by the provisions of Chapter 20 of the City code, as amended. The plan is governed by the City Council which is responsible for the management of plan assets. City Council has appointed the Pension Board as the official body to which all related investment matters of the fund are delegated. The Pension Board consists of eight members: the Mayor, Director of Accounts and Finance, City Treasurer, City Controller, City Administrator, Chief of Police, and two employees. The City Council has delegated the authority to manage plan assets to TCG Investment Advisory, Inc., with Nationwide Financial as custodian.

Plan Membership

At December 31, 2017 pension plan membership consisted of the following:

Active plan members	10
Inactive plan members or beneficiaries currently receiving benefits	<u>18</u>
Total	<u>28</u>

Eligibility Requirements

Normal retirement – 20 years of service

Early retirement – none

Vesting – none for the first 12 years of service; thereafter, 100%

Retirement Benefit

The monthly benefit shall be 50% of the average monthly salary at the time of retirement or vesting, or the highest average annual salary received during any five (5) years of service preceding retirement, whichever is higher, plus a service increment of one-fortieth of the amount of the retirement allowance multiplied by each year of service beyond 20 years (maximum \$100).

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 7- DEFINED BENEFIT PENSION PLANS (continued)**

**Police Pension Plan (continued)**

Survivor Benefit

A pension benefit shall be automatically provided to a retired officer's spouse or to the spouse of any officer eligible to retire, even if he or she remarries, equal to 50% of the eligible pension. If there is no spouse or if spouse dies, then the benefit shall be provided to children under age 18.

Disability Benefit

Service related – Based on the normal retirement formula.

Non-service related – If disabled after 6 months and before 10 years of service, the benefit is 25% of the salary. After 10 years of service the benefit is based on the normal retirement formula.

Postretirement Adjustments

A cost of living adjustment shall be provided to retired officers not to exceed the increase in the Consumer price index from year to year (maximum 5%). The total pension benefit shall not exceed one-half of the current salary paid to a patrolman of the highest grade.

Funding Requirements

Act 205 known as the "Municipal Pension Plan Funding Standard and Recovery Act" mandates actuarial funding standards, establishes a recovery program for financially distressed pension plans, and provides for the distribution of the tax on the premiums of foreign fire insurance companies.

The act requires minimum funding standards based on the most recent actuarial valuation report, including normal cost and administrative expense requirements and an amortization contribution of the unfunded actuarial accrued liability.

The plans governing document provides the City with the authority to establish and amend contribution requirements. For the year ended December 31, 2017, active members were required to contribute 5% of their pay to the plan plus \$1 per month for the service increment.

The pension plan may also receive an annual allocation from the General Municipal Pension System State Aid Program which must be used for pension plan funding. Any funding requirements in excess of members' contributions and state aid must be paid by the municipality in accordance with Act 205.

**City of Shamokin, Pennsylvania  
Notes to the Financial Statements  
December 31, 2017**

**NOTE 7- DEFINED BENEFIT PENSION PLANS (continued)**

**Police Pension Plan (continued)**

Actuarial Assumptions

The total pension liability was determined as part of an actuarial valuation at January 1, 2017. Update procedures were used to roll forward to the plan's fiscal year end of December 31, 2017. This report was based upon the plan's actuarial assumptions as described below:

Actuarial valuation date	1/1/2017
Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	11 years
Asset valuation method	Market
Inflation	3.0%
Salary increases	4.5%, including inflation
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Disability Rates	D1378
Termination Rates	W65
Mortality	RP2000
Retirement age	54
Cost of living adjustments	1.0%

Investment Policy

The Pension Board, with the assistance of TCG Investment Advisory, Inc., selects the appropriate asset weighting percentage to be allocated to each specific asset class. Each asset class consists of a combination of investment options that have been made available to obtain the absolute investment objective of the fund. It is not expected that the Investment Policy Statement will change frequently. However, any changes to the asset allocation model will only be implemented with formal authorization and instructions given by the Pension Board.

As of December 31, 2017, the investment policy of the Pension Board to invest the fund's assets with the following allocations:

<u>Asset Class</u>	<u>Asset Weighting Range</u>	<u>Target Allocation</u>
Domestic Equity	48% - 58%	53%
International Equity	8% - 16%	12%
Fixed Income	27% - 37%	32%
Real Estate	0% - 5%	0%
Cash	1% - 5%	3%
Total		<u>100%</u>

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 7- DEFINED BENEFIT PENSION PLANS (continued)**

**Police Pension Plan (continued)**

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 14.95%. The money-weighted rate of return expresses investment of performance, net of investment expense, adjusted for the changes in amounts actually invested.

Net Pension Liability

The net pension liability is equal to the total pension liability minus the net position of the plan. The components of the net pension liability as of December 31, 2017 were as follows:

Total Pension Liability	\$ 8,332,345
Plan Fiduciary Net position	<u>(4,977,292)</u>
 Net Pension Liability	 <u>\$ 3,355,053</u>
 Plan Fiduciary Net Position as a percentage of Total Pension Liability	 59.73%

Long Term Expected Rate of Return

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2017 are summarized in the following table.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	
Large Cap	8.25%
Medium Cap	8.75%
Small Cap	9.00%
International Equity	8.75%
Fixed Income	4.40%
Real Estate	8.75%
Cash	2.10%

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 7- DEFINED BENEFIT PENSION PLANS (continued)**

**Police Pension Plan (continued)**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease <u>6%</u>	Current Discount Rate <u>7%</u>	1% Increase <u>8%</u>
Net Pension Liability	\$ 4,277,640	\$ 3,355,053	\$ 2,576,423

For the year ended December 31, 2017, the City recognized pension expense of \$633,416 for the Police Pension Plan. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 300,786	\$ -0-
Changes in assumptions	213,923	-0-
Net difference between projected and actual investment earnings	<u>-0-</u>	<u>15,103</u>
	<u>\$ 514,709</u>	<u>\$ 15,103</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ended December 31:	
2017	\$ 221,965
2019	221,965
2020	73,722
2021	(18,046)
Thereafter	-0-

**City of Shamokin, Pennsylvania  
Notes to the Financial Statements  
December 31, 2017**

**NOTE 7- DEFINED BENEFIT PENSION PLANS (continued)**

**Non-Uniformed Pension Plan**

Plan Description

The City of Shamokin Non-Uniformed Pension Plan is a single-employer defined benefit pension plan that covers all full-time non-uniformed employees of the City and which is controlled by the provisions of Chapter 25 of the City code, as amended. The Plan is governed by the City Council which is responsible for the management of plan assets. City Council has appointed the Pension Board as the official body to which all related investment matters of the fund are delegated. The Pension Board consists of four members: the Mayor, Director of Accounts and Finance, and two plan participants. The City Council has delegated the authority to manage plan assets to TCG Investment Advisory, Inc., with Nationwide Financial as custodian.

Plan Membership

At December 31, 2017 pension plan membership consisted of the following:

Active plan members	11
Inactive plan members or beneficiaries currently receiving benefits	12
Inactive plan members entitled to but not yet receiving benefits	<u>1</u>
Total	<u>24</u>

Eligibility Requirements

Normal retirement – Age 60 and 20 years of service

Early retirement – None

Vesting – None for the first 12 years of service; thereafter, 100%

Retirement Benefit

The monthly benefit shall be 50% of the average yearly or wages earned during any five (5) years of service preceding retirement, or the rate of monthly pay at the date of retirement, whichever is higher, offset by 40% of the primary social security benefit.

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 7- DEFINED BENEFIT PENSION PLANS (continued)**

**Non-Uniformed Pension Plan**

Survivor Benefit

A pension benefit shall be automatically provided to the spouse of an employee who retires, or is eligible to retire, so long as the spouse does not remarry, equal to 50% of the pension the employee was receiving or would have been receiving had he or she been retired at the time of death.

Disability Benefit

Service related – If over age 55 and after 15 years of service, based on the normal retirement formula.

Non-service related – Same as service-related.

Funding Requirements

Act 205 known as the “Municipal Pension Plan Funding Standard and Recovery Act” mandates actuarial funding standards, establishes a recovery program for financially distressed pension plans, and provides for the distribution of the tax on the premiums of foreign fire insurance companies.

The act requires minimum funding standards based on the most recent actuarial valuation report, including normal cost and administrative expense requirements and an amortization contribution of the unfunded actuarial accrued liability.

The plans governing document provides the City with the authority to establish and amend contribution requirements. For the year ended December 31, 2017, active members were required to contribute 4.5% of their pay up to the Social Security Wage Base, plus 6% over.

The pension plan may also receive an annual allocation from the General Municipal Pension System State Aid Program which must be used for pension plan funding. Any funding requirements in excess of members' contributions and state aid must be paid by the municipality in accordance with Act 205.

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 7- DEFINED BENEFIT PENSION PLANS (continued)**

**Non-Uniformed Pension Plan**

Actuarial Assumptions

The total pension liability was determined as part of an actuarial valuation at January 1, 2017. Update procedures were used to roll forward to the plan's fiscal year end of December 31, 2017. This report was based upon the plan's actuarial assumptions as described below:

Valuation date	1/1/2017
Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	11 years
Asset valuation method	Market
Salary increases	4.5%
Investment rate of return	7.0%
Disability Rates	D1378
Termination Rates	W65
Mortality	RP2000
Retirement age	60
Cost of living adjustments	None

Investment Policy

The Pension Board, with the assistance of TCG Investment Advisory, Inc., selects the appropriate asset weighting percentage to be allocated to each specific asset class. Each asset class consists of a combination of investment options that have been made available to obtain the absolute investment objective of the fund. It is not expected that the Investment Policy Statement will change frequently. However, any changes to the asset allocation model will only be implemented with formal authorization and instructions given by the Pension Board.

As of December 31, 2017, the investment policy of the Pension Board to invest the fund's assets with the following allocations:

<u>Asset Class</u>	<u>Asset Weighting Range</u>	<u>Target Allocation</u>
Domestic Equity	48% - 58%	53%
International Equity	8% - 16%	12%
Fixed Income	27% - 37%	32%
Real Estate	0% - 5%	0%
Cash	1% - 5%	<u>3%</u>
 Total		 <u>100%</u>

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 7- DEFINED BENEFIT PENSION PLANS (continued)**

**Non-Uniformed Pension Plan**

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 13.46%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changes in amounts actually invested.

Net Pension Liability

The Net Pension Liability is equal to the Total Pension Liability minus the Net Position of the plan. The Net Pension Liability as of December 31, 2017, was as follows:

Total Pension Liability	\$ 1,145,981
Plan Fiduciary Net position	<u>(644,879)</u>
Net Pension Liability	<u>\$ 501,102</u>

Plan Fiduciary Net Position as a  
percentage of Total Pension Liability      56.27%

Long Term Expected Rate of Return

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2017 are summarized in the following table.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	
Large Cap	8.25%
Medium Cap	8.75%
Small Cap	9.00%
International Equity	8.75%
Fixed Income	4.40%
Real Estate	8.75%
Cash	2.10%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

**City of Shamokin, Pennsylvania  
Notes to the Financial Statements  
December 31, 2017**

**NOTE 7- DEFINED BENEFIT PENSION PLANS (continued)**

**Non-Uniformed Pension Plan**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (continued)

	1% Decrease <u>6%</u>	Current Discount Rate <u>7%</u>	1% Increase <u>8%</u>
Net Pension Liability	\$ 609,322	\$ 501,102	\$ 407,487

For the year ended December 31, 2017, the City recognized pension expense of \$115,550 for the Non-Uniformed Pension Plan. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 54,835	\$ -0-
Changes in assumptions	79,013	-0-
Net difference between projected and actual investment earnings	<u>92</u>	<u>-0-</u>
	<u>\$ 133,940</u>	<u>\$ -0-</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ended December 31:	
2018	\$ 38,077
2019	38,079
2020	27,965
2021	25,935
2022	4,089
Thereafter	(205)

The following table summarizes the Net Pension Liability, Deferred Outflows of Resources, and Deferred Inflows of Resources as of December 31, 2017, as detailed previously in this Note. These items reconcile to the amounts reported on the Statement of Net Position and the Statement of Activities.

<u>Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Police Plan	\$ 3,355,053	\$514,709	\$15,103
Non-Uniformed	<u>501,102</u>	<u>133,940</u>	<u>-0-</u>
TOTAL	<u>\$3,856,155</u>	<u>\$648,649</u>	<u>\$15,103</u>

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 8- RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and acts of God. The City maintains coverage from commercial insurance companies to cover these risks of loss.

**NOTE 9- COMMITMENTS AND CONTINGENCIES**

Litigation

In the normal course of business, there are various claims and suits pending against the City and its elected officials. Management is of the opinion that these matters will not have a material adverse effect on the City's financial position as of December 31, 2017.

Grants Repayment

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The Pennsylvania Department of Community and Economic Development ("DCED") has found the City to be in violation of HOME Program Contract #C000003392 Article IV (b) that requires repayment of funds found to be ineligible. DCED has demanded the City repay \$284,530 of misused grant proceeds as well as an additional sum of \$219,965, representing income realized by the City through misuse of the grant proceeds. As of December 31, 2017, there have been payments of \$337,498 against this liability, which includes the payment of \$83,498 paid in 2017. Management is currently negotiating the repayment terms and their estimate of those terms, based on a tentative agreement with DCED, are as follows:

<u>Year</u>	<u>Amount Due</u>
2018	\$ 83,498
2019	83,499
Total Due at 12/31/2017	<u>\$ 166,997</u>

**NOTE 10- FINANCIAL RECOVERY PLAN**

On May 12, 2014, the City filed a Request for Determination of a Municipal Financial Distress under Section 203(3) of the Municipalities Financial Recover Act 47 of 1987, as amended. On June 16, 2015, the Pennsylvania Department of Community and Economic Development declared the City to be "financially distressed" under the provision of Act 47 and the City was officially adopted into the Act 47 program for Distressed Municipalities. The City received \$1,163,500 interest-free loan to assist with its financial recovery. The loan is to be repaid in equal annual installments of \$116,350 over 10 years beginning in June of 2015. The balance at December 31, 2017 was \$814,450. A copy of the City's Recovery Plan is available on the City's web site ([www.shamokincity.org](http://www.shamokincity.org)).

**City of Shamokin, Pennsylvania**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 11- SUBSEQUENT EVENTS**

In January of 2018, the City of Shamokin had two debt issuances for a total amount of \$1,744,000, as follows:

General Obligation Note, Series A of 2018	\$970,000
General Obligation Note, Series B of 2018	774,000

These proceeds were used to payoff General Obligation Notes Series A and B of 2012.

**NOTE 12- RESTATEMENT OF NET POSITION / FUND BALANCE**

The beginning net position was restated to include the 150<sup>th</sup> Anniversary Committee bank account that was not previously included with the City's accounting records. The changes are detailed below:

Net Position at 12/31/16	\$ 1,376,231
Adjustment to include bank account	<u>18,240</u>
Net Position, Beginning of Year, Restated	<u>\$ 1,394,471</u>

General Fund:	
Fund balance at 12/31/16	\$ 351,354
Adjustment to include bank account	<u>18,240</u>
Fund balance, Beginning of Year, Restated	<u>\$ 369,594</u>

**SUPPLEMENTAL INFORMATION**

**CITY OF SHAMOKIN, PENNSYLVANIA**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund - Budget and Actual**  
**For the Year Ended December 31, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
<b>REVENUES</b>				
Taxes	\$ 2,326,439	\$ 2,326,439	\$ 2,423,078	96,639
Licenses and permits	130,100	130,100	134,884	4,784
Fines and Forfeits	77,500	77,500	99,751	22,251
Interest, rents and royalties	2,792	2,792	14,474	11,682
Intergovernmental revenues	353,656	353,656	383,295	29,639
Charges for services	143,500	143,500	168,302	24,802
Miscellaneous	200	200	20,846	20,646
	-	-	-	-
<b>Total Revenues</b>	<u>3,034,187</u>	<u>3,034,187</u>	<u>3,244,630</u>	<u>210,443</u>
<b>EXPENDITURES</b>				
General government	496,534	496,534	501,992	5,458
Public safety	1,519,842	1,519,842	1,578,003	58,161
Public works - highways and streets	628,020	628,020	630,523	2,503
Culture and recreation	-	-	-	-
Community development	104,810	104,810	27,578	(77,232)
Insurance	95,000	95,000	89,696	(5,304)
Employee Benefits	176,698	176,698	216,756	40,058
Miscellaneous	4,000	4,000	10,250	6,250
Debt service, principal and interest	5,000	5,000	398,778	393,778
	-	-	-	-
<b>Total Expenditures</b>	<u>3,029,904</u>	<u>3,029,904</u>	<u>3,453,576</u>	<u>423,672</u>
Excess (deficiency) of revenue over expenditures	4,283	4,283	(208,946)	(213,229)
<b>Other Financing Sources (Uses)</b>				
Debt Proceeds	-	-	300,000	300,000
Sale Proceeds	-	-	100	100
Transfers in (out)	-	-	-	-
	-	-	-	-
<b>Change in Fund Balance</b>	4,283	4,283	91,154	86,871
Fund Balance, beginning of year , Restated	<u>369,594</u>	<u>369,594</u>	<u>369,594</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 373,877</u>	<u>\$ 373,877</u>	<u>\$ 460,748</u>	<u>\$ 86,871</u>

**CITY OF SHAMOKIN, PENNSYLVANIA**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**December 31, 2016**

	2017		2016		2015	
	<u>Police Pension</u>	<u>Nonuniformed Pension</u>	<u>Police Pension</u>	<u>Nonuniformed Pension</u>	<u>Police Pension</u>	<u>Nonuniformed Pension</u>
Total pension liability						
Service cost	\$ 102,193	\$ 57,821	\$ 95,182	\$ 56,309	\$ 91,083	\$ 53,884
Interest	565,923	78,128	527,702	75,226	526,272	71,994
Changes in Benefit Terms	78,950	-	-	-	65,718	-
Differences between expected and actual experience	216,432	(44,784)	-	-	311,942	161,375
Changes in Assumption	239,454	43,637	-	-	65,644	71,407
Benefit payments, including refunds of member contributions	(636,397)	(96,526)	(601,026)	(84,353)	(601,026)	(79,919)
<b>Net change in total pension liability</b>	<u>566,555</u>	<u>38,276</u>	<u>21,858</u>	<u>47,182</u>	<u>459,633</u>	<u>278,741</u>
Total pension liability - beginning	7,765,790	1,107,705	7,743,932	1,060,523	7,284,299	781,782
Total pension liability - ending (a)	<u>8,332,345</u>	<u>1,145,981</u>	<u>7,765,790</u>	<u>1,107,705</u>	<u>7,743,932</u>	<u>1,060,523</u>
Plan fiduciary net position						
Contributions - employer	332,189	50,240	231,548	30,171	241,297	28,923
Contributions- State Aid	91,765	50,471	87,493	43,746	78,417	39,208
Contributions - members	32,940	20,900	33,440	22,183	33,073	21,136
Net investment income/ (loss)	637,123	70,364	191,419	24,863	(126,781)	(15,135)
Benefit payments, including refunds of member contributions	(636,397)	(96,526)	(601,026)	(84,353)	(601,026)	(79,919)
<b>Net change in plan fiduciary net position</b>	<u>457,620</u>	<u>95,449</u>	<u>(57,126)</u>	<u>36,610</u>	<u>(375,020)</u>	<u>(5,787)</u>
Plan fiduciary net position - beginning	4,519,672	549,430	4,576,798	512,820	4,951,818	518,607
Plan fiduciary net position - ending (b)	<u>4,977,292</u>	<u>644,879</u>	<u>4,519,672</u>	<u>549,430</u>	<u>4,576,798</u>	<u>512,820</u>
<b>Net pension liability - ending (a) - (b)</b>	<u>\$ 3,355,053</u>	<u>\$ 501,102</u>	<u>\$ 3,246,118</u>	<u>\$ 558,275</u>	<u>\$ 3,167,134</u>	<u>\$ 547,703</u>
Plan fiduciary net position as a percentage of total pension liability	59.73%	56.27%	58.20%	49.60%	59.10%	48.36%
Covered employee payroll	\$ 699,216	\$ 486,982	\$ 658,096	\$ 500,583	\$ 666,070	\$ 430,114
Net liability as a percentage of covered payroll	479.83%	102.90%	493.26%	111.52%	475.50%	127.34%

Notes to schedule:

Assumption Changes- In 2015, the interest rate assumption was lowered from 8.0% to 7.0% per annum and the salary scale was lowered from 5.0% to 4.5%. In 2017, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2017 using Scale AA.

Benefit Changes (Police Plan)- In 2015 and 2017, cost of living increases were granted to retirees.

\* This schedule is presented on prospective basis

**CITY OF SHAMOKIN, PENNSYLVANIA**  
**Schedule of Employer Pension Contributions**  
**December 31, 2017**

	2017		2016		2015	
	<u>Police Pension</u>	<u>Nonuniformed Pension</u>	<u>Police Pension</u>	<u>Nonuniformed Pension</u>	<u>Police Pension</u>	<u>Nonuniformed Pension</u>
Actuarially determined contribution	\$ 423,954	\$ 100,711	\$ 319,041	\$ 73,917	\$ 319,714	\$ 68,131
Contribution in relation to actuarially determined contribution	(423,954)	(100,711)	(319,041)	(73,917)	(319,714)	(68,131)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 699,216	\$ 486,982	\$ 658,096	\$ 500,583	\$ 666,070	\$ 430,114
Contribution as a percentage of covered employee payroll	60.63%	20.68%	48.48%	14.77%	48.00%	15.84%

Methods and assumptions used to determine Police Pension contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	11 years
Asset valuation method	Market
Salary increases	4.50%
Investment rate of return	7.00%
Disability Rates	D1378
Termination Rates	W65
Mortality	RP2000
Retirement age	54
Cost of living adjustments	1.00%

Methods and assumptions used to determine Non-Uniformed Pension contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	11 years
Asset valuation method	Market
Salary increases	4.50%
Investment rate of return	7.00%
Disability Rates	D1378
Termination Rates	W65
Mortality	RP2000
Retirement age	60
Cost of living adjustments	None

\*\*This schedule is presented on a prospective basis.

**CITY OF SHAMOKIN, PENNSYLVANIA**  
**Combined Balance Sheet**  
**Special Revenue Funds**  
**December 31, 2017**

	Liquid Fuels Fund	Library Fund	Recreation Fund	Street Light	FEMA	CDBG	Total Special Revenue Funds
<b>ASSETS</b>							
Cash and investments	\$ 108,468	\$ 10,691	\$ 162,618	\$ 1,803	\$ 6,154	\$ 1,554	\$ 291,288
Taxes receivable, net	-	682	6,229	1,137	-	-	8,048
Accounts receivable	-	-	15,000	-	-	-	15,000
Intergovernmental receivable	-	-	-	-	551,716	-	551,716
Interfund receivable	57,962	9,538	75,403	10,723	-	-	153,626
<b>Total Assets</b>	<b>\$ 166,430</b>	<b>\$ 20,911</b>	<b>\$ 259,250</b>	<b>\$ 13,663</b>	<b>\$ 557,870</b>	<b>\$ 1,554</b>	<b>\$ 1,019,678</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 14,539	\$ 2,906	\$ 887	\$ -	\$ -	\$ 4,103	\$ 22,435
Accrued payroll	-	-	-	-	-	-	-
Escrows payable	-	-	-	-	-	-	-
Interfund Payable	-	59	688	95,063	-	2,560	98,370
<b>Total Liabilities</b>	<b>14,539</b>	<b>2,965</b>	<b>1,575</b>	<b>95,063</b>	<b>-</b>	<b>6,663</b>	<b>120,805</b>
<b>Fund Balances:</b>							
Restricted:							
Highways and streets	151,891	-	-	-	-	-	151,891
Culture and recreation	-	17,946	257,675	-	557,870	-	833,491
Community development	-	-	-	-	-	-	-
Assigned, capital improvement	-	-	-	-	-	-	-
Unassigned, general	-	-	-	(81,400)	-	(5,109)	(86,509)
<b>Total Fund Balances</b>	<b>151,891</b>	<b>17,946</b>	<b>257,675</b>	<b>(81,400)</b>	<b>557,870</b>	<b>(5,109)</b>	<b>898,873</b>
<b>Total Liabilities, Deferred inflows of Resources and Fund Balances</b>	<b>\$ 166,430</b>	<b>\$ 20,911</b>	<b>\$ 259,250</b>	<b>\$ 13,663</b>	<b>\$ 557,870</b>	<b>\$ 1,554</b>	<b>\$ 1,019,678</b>

**CITY OF SHAMOKIN, PENNSYLVANIA**  
**Combined Statements of Revenues, Expenditures and Changes in Fund Balances**  
**Special Revenue Funds**  
**For the Year Ended December 31, 2017**

	Liquid Fuels Fund	Library Fund	Recreation Fund	Street Light	FEMA	CDBG	Total Special Revenue Funds
<b>REVENUES</b>							
Taxes	\$ -	\$ 20,850	\$ 176,983	\$ 34,747	\$ -	\$ -	\$ 232,580
Interest, rents and royalties	15	6	-	-	2	42	65
Intergovernmental revenues	210,600	-	-	-	-	494,048	704,648
Charges for services	-	-	60,157	-	-	-	60,157
Miscellaneous	-	-	17,125	-	-	-	17,125
<b>Total Revenues</b>	<b>210,615</b>	<b>20,856</b>	<b>254,265</b>	<b>34,747</b>	<b>2</b>	<b>494,090</b>	<b>1,014,575</b>
<b>EXPENDITURES</b>							
Current Operations							
General government	-	-	-	-	27,310	-	27,310
Public safety	109,495	-	-	34,052	-	-	143,547
Public works - highways and streets	58,009	-	-	-	-	-	58,009
Culture and recreation	-	26,159	209,024	-	-	-	235,183
Community development	-	-	-	-	-	468,997	468,997
<b>Total Expenditures</b>	<b>167,504</b>	<b>26,159</b>	<b>209,024</b>	<b>34,052</b>	<b>27,310</b>	<b>468,997</b>	<b>933,046</b>
<b>Expenditures under (over) revenues</b>	<b>43,111</b>	<b>(5,303)</b>	<b>45,241</b>	<b>695</b>	<b>(27,308)</b>	<b>25,093</b>	<b>81,529</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Loan advances	-	-	-	-	578,216	-	578,216
Transfers in (out)	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>578,216</b>	<b>-</b>	<b>578,216</b>
Change in fund balances	43,111	(5,303)	45,241	695	550,908	25,093	659,745
Fund balances, beginning of year	108,780	23,249	212,434	(82,095)	6,962	(30,202)	239,128
<b>Fund Balances, End of Year</b>	<b>\$ 151,891</b>	<b>\$ 17,946</b>	<b>\$ 257,675</b>	<b>\$ (81,400)</b>	<b>\$ 557,870</b>	<b>\$ (5,109)</b>	<b>\$ 898,873</b>

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

Honorable Mayor  
Members of City Council  
City of Shamokin  
Shamokin, 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, each major fund, and the aggregate remaining fund information of the City of Shamokin (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Shamokin's basic financial statements and have issued our report thereon dated October 30, 2018.

**Internal Control over Financial Reporting**

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

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. [2017-1, 2017-2].

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Shamokin's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of financial statement findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Hering, Roll + Solomon*

October 30, 2018

**City of Shamokin, Pennsylvania**  
**Schedule of Financial Statement Findings and Responses**  
**For the Year Ended December 31, 2017**

**Finding 2017-1**

Description of Condition

During audit procedures, it was brought to our attention that there were bank accounts not recorded in the City's accounting records but should be included since the accounts were opened using the employer identification number of the City.

Cause of Condition

No controls were in place to require the bank account activity to be recorded in the City's accounting records.

Effect of Conditions

The potential misuse of City funds.

Recommendations

All bank accounts of the City should be included in the accounting records of the City. Bank account activity should be maintained and available for inspection or audit. The same internal controls should be implemented over all bank accounts.

Response

The City of Shamokin will prohibit the use of the employer identification number for bank accounts that are not included in the accounting records of the City. All bank accounts of the City will have the same internal controls.

**Finding 2017-2**

Description of Condition

The City of Shamokin does not have an accounting procedures manual.

Cause of Condition

No controls are in place to require the use of an accounting procedures manual.

Effect of Conditions

Without procedures in place, the City does not have a reference when problems arise regarding accounting issues.

Recommendations

The City should develop and implement an accounting procedures manual to be used to provide a guide and delineate the responsibilities of the City's fiscal personnel.

Response

The City of Shamokin will consider developing an accounting procedures manual as recommended.