

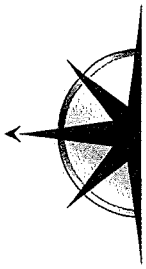
**CITY OF CARBONDALE,
PENNSYLVANIA**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018
AND
INDEPENDENT AUDITOR'S REPORT
AND
ADDITIONAL INFORMATION**

CITY OF CARBONDALE

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JOSEPH M. ALU
& ASSOCIATES, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of City Council
City of Carbondale, Pennsylvania

We have audited the accompanying modified accrual basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and aggregate remaining fund information of the City of Carbondale, Pennsylvania (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified accrual basis of accounting described in Note 1; this includes determining that the modified accrual 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified accrual basis financial position of the of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Carbondale as of December 31, 2018, and the respective changes in modified accrual basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified accrual basis of accounting.

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 the modified accrual basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are 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 Management's Discussion and Analysis on pages 5 through 10, the budgetary comparison information on pages 45 and the Pension Trust Fund schedules on pages 46 and 47 be presented to supplement the basis 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 financial statements taken as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information


Scranton, Pennsylvania
January 23, 2020

**CITY OF CARBONDALE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2018**

OVERVIEW

As management of the City of Carbondale, Pennsylvania (herein referred to as the “City”), we offer readers of the City’s financial statements this narrative overview of the financial activities of the City for the year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the City’s basic financial statements.

Question 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 – GOVERNMENTAL ACTIVITIES AND BUSINESS TYPE ACTIVITIES

The total cost to operate the City’s governmental and business type activities for the year ended December 31, 2018 was \$10,313,794 of which \$1,977,724 of these expenses were offset by program-specific charges for services, grants or contributions. The remaining costs were covered by taxes, interest and other income. Total assets and deferred outflows of resources were \$7,222,118 as of December 31, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to service as an introduction to the City’s basic financial statements. The basic financial statements comprise three components:

1. Government-wide financial statements.
2. Fund financial statements
3. Notes to financial statements

This report also contains supplementary information in addition to the basic financial statements.

GOVERNMENT WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government’s assets and liabilities on the modified accrual basis of accounting, which is a basis of accounting other than generally accepted accounting principles (see note 1). All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when the cash is received or paid.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**CITY OF CARBONDALE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2018**

The statements of activities present information showing how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Component units are legally separate entities for which the City of Carbondale is financially accountable or has oversight responsibility. The City of Carbondale Redevelopment Authority is included in the City's statement of net position. Financial information for this component unit is reported separately from the financial information presented in the primary government.

Governmental Funds

Most of the basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information for governmental funds with similar information presented for the governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the government statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds

Proprietary funds are used for activities, which are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. These funds include the Sewer Fund, and Refuse and Recycling Fund.

Fiduciary Funds

The City accounts for the assets held under trust or in agent capacity in fiduciary funds. Assets held in trust in the City's retirement plans are accounted for in the Pension Trust Fund. Assets held in a custodial or agent function are accounted for in the Agency Fund. Fiduciary Funds are not reported in the government-wide financial statements since they are not available to support the City's operation.

**CITY OF CARBONDALE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

CITY OF CARBONDALE, PENNSYLVANIA
CONSENSUED STATEMENT OF NET POSITION – MODIFIED ACCRUAL BASIS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Current and other assets	\$ 2,377,249	\$ 1,451,458
Restricted asset	2,466,816	3,153,239
Capital assets	<u>2,223,895</u>	<u>2,188,764</u>
Total Assets	7,067,960	6,793,461
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred charges, net	<u>154,158</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 7,222,118</u>	<u>\$ 6,793,461</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities	\$ 1,162,133	\$ 2,259,370
Long term and other liabilities	<u>19,052,400</u>	<u>9,724,591</u>
Total Liabilities	<u>\$ 20,214,533</u>	<u>\$ 11,983,961</u>
<u>NET POSITION</u>		
Invested in fixed assets	\$ 744,126	\$ 726,222
Restricted	680,300	269,111
Unrestricted	<u>(14,416,841)</u>	<u>(6,185,833)</u>
Total Net Assets (Deficit)	<u>\$(12,992,415)</u>	<u>\$(5,190,500)</u>
Total Liabilities and Net Position (Deficit)	<u>\$ 7,222,118</u>	<u>\$ 6,793,461</u>

**CITY OF CARBONDALE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2018**

Net Position: The City's combined net position increased between fiscal years 2018 and 2017 by \$428,657.

The most significant portions of the City's net position of December 31, 2018 were capital assets, net of accumulated depreciation of \$2,223,895, loans receivable (and related accrued interest receivable) of \$2,738,700 and taxes receivable of \$281,042. Loans receivable and related accrued interest receivable are related to the City's loan to a local developer using debt proceeds to support the Pioneer Plaza Project on main street in Carbondale, Pennsylvania. See Note 4 for details.

**CITY OF CARBONDALE, PENNSYLVANIA
CONDENSED STMT OF GOVERNMENTAL ACTIVITIES – MODIFIED ACCRUAL BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

GOVERNMENTAL ACTIVITIES

	<u>2018</u>	<u>2017</u>
PROGRAM REVENUES:		
Charges for services	\$ 671,046	\$ 604,040
Operating grants and contributions	847,483	812,020
Capital grants and contributions	-0-	41,096
GENERAL REVENUES:		
Taxes	3,884,733	3,696,988
Investment earnings and other	<u>451,414</u>	<u>933,140</u>
Total Revenues	<u>\$ 5,854,676</u>	<u>\$ 6,087,284</u>
EXPENSES:		
Depreciation	\$ 224,691	\$ 237,915
General government	441,255	420,066
Public safety	1,348,664	1,695,315
Public works	942,848	866,371
Community development	64,714	101,955
Culture and recreation	20,739	99,970
Interest on long term debt	417,072	462,227
Insurance and miscellaneous	962,153	1,037,175
Pension	<u>4,986,924</u>	<u>490,578</u>
Total Expenses	<u>\$ 9,409,060</u>	<u>\$ 5,411,572</u>
(DECREASE) INCREASE IN NET ASSETS	\$ (3,554,384)	\$ 675,712
NET ASSETS (DEFICIT), BEGINNING	<u>(9,438,031)</u>	<u>(5,866,212)</u>
NET ASSETS (DEFICIT), ENDING	<u>\$(12,992,415)</u>	<u>\$(5,190,500)</u>

**CITY OF CARBONDALE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The City's capital assets as of December 31, 2018, amounted to \$2,223,895, (net of accumulated depreciation). Capital assets include buildings, infrastructure, equipment, vehicles, building improvements, and land. The City's bond and notes payable used in finance capital asset purchases was \$1,479,769 as of December 31, 2018.

BUSINESS-TYPE ACTIVITIES

**CITY OF CARBONDALE, PENNSYLVANIA
CONDENSED STATEMENT OF NET POSITION – MODIFIED ACCRUAL BASIS
BUSINESS TYPE ACTIVITIES
DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current and other assets	<u>\$ 194,620</u>	<u>\$ 182,973</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities	<u>\$ 351,564</u>	<u>\$ 628,335</u>
<u>NET POSITION (DEFICIT)</u>		
Unrestricted	<u>\$(156,944)</u>	<u>\$(445,362)</u>
Total Liabilities and Net Position (Deficit)	<u>\$ 194,620</u>	<u>\$ 182,973</u>

**CITY OF CARBONDALE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2018**

BUSINESS-TYPE ACTIVITIES

**CITY OF CARBONDALE, PENNSYLVANIA
CONDENSED STATEMENT OF ACTIVITIES – MODIFIED ACCRUAL BASIS
BUSINESS TYPE ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:		
Charges for services	\$1,316,677	\$1,332,386
EXPENSES:		
Administration	\$ -	\$ -
Public works – sanitation	904,734	896,887
Insurance and miscellaneous	-	-
Pension	-	-
TOTAL EXPENSES	<u>\$ 904,734</u>	<u>\$ 896,887</u>
OPERATING INCOME	<u>\$ 411,943</u>	<u>\$ 435,499</u>
Transfers out	\$ (113,525)	\$ (621,865)
INCREASE (DECREASE) IN NET POSITION	\$ 298,418	\$ (186,366)
NET POSITION (DEFICIT), BEGINNING	<u>(455,362)</u>	<u>(258,996)</u>
NET POSITION (DEFICIT), ENDING	<u>\$ (156,944)</u>	<u>\$ (445,362)</u>

SPECIAL CONDITIONS AND ECONOMIC FACTORS

The City recognizes that its expenses have exceeded revenues for several consecutive years and it has incurred an operating deficit for several consecutive years. The City will be looking to increase revenues through the implementation of user fees; looking to reduce expenses by reducing personnel in public safety and public works departments through retirement and by restructuring long-term debt to give relief in the coming years.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City of Carbondale, Pennsylvania's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Carbondale, Pennsylvania, 1 North Main Street, Carbondale, PA 18407.

CITY OF CARBONDALE, PENNSYLVANIA

STATEMENT OF NET POSITION – MODIFIED ACCRUAL BASIS
DECEMBER 31, 2018

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
CURRENT ASSETS:			
Cash	\$ 618,956	\$ -	\$ 618,956
Accounts receivable, net	15,870	194,620	210,490
Due from other governments	5,284	-	5,284
Accrued interest receivable	40,501	-	40,501
Taxes receivable, net	1,281,042	-	1,281,042
Current portion of loan receivable	271,884	-	271,884
Prepaid expenses	<u>143,712</u>	<u>-</u>	<u>143,712</u>
Total Current Assets	<u>\$ 2,377,249</u>	<u>\$ 194,620</u>	<u>\$ 2,571,869</u>
LOANS RECEIVABLE	\$ 2,466,816	-	\$ 2,466,816
CAPITAL ASSETS, net	2,223,895	-	2,223,895
DEFERRED OUTFLOWS OF RESOURCES	<u>154,158</u>	<u>-</u>	<u>154,158</u>
Total Assets	<u>\$ 7,222,118</u>	<u>\$ 194,620</u>	<u>\$ 7,416,738</u>
<u>LIABILITIES AND NET POSITION (DEFICIT)</u>			
CURRENT LIABILITIES:			
Accounts payable	\$ 102,017	\$ 204,744	\$ 306,761
Accrued expenses	135,877	-	135,877
Current portion:			
Bonds and notes payable	847,768	-	847,768
Compensation absences	41,543	-	41,543
Due to other funds	34,928	-	34,928
Deferred revenue	<u>-</u>	<u>146,820</u>	<u>146,820</u>
Total Current Liabilities	<u>\$ 1,162,133</u>	<u>\$ 351,564</u>	<u>\$ 1,513,697</u>
NONCURRENT LIABILITIES:			
Bonds and notes payable	\$ 12,116,531	\$ -	\$ 12,116,531
Compensation absences	394,361	-	394,361
Unfunded pension liability	1,131,843	-	1,131,843
Other postemployment benefits	<u>5,409,665</u>	<u>-</u>	<u>5,409,665</u>
Total Long-Term Debt	<u>\$ 19,052,400</u>	<u>\$ -</u>	<u>\$ 19,052,400</u>
Total Liabilities	<u>\$ 20,214,533</u>	<u>\$ 351,564</u>	<u>\$ 20,566,097</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 744,126	\$ -	\$ 744,126
Restricted	680,300	-	680,300
Unrestricted	<u>(14,416,841)</u>	<u>(156,944)</u>	<u>(14,573,785)</u>
Total Net Assets (Deficit)	<u>\$(12,992,415)</u>	<u>\$ (156,944)</u>	<u>\$(13,149,359)</u>
Total Liabilities and Net Assets	<u>\$ 7,222,118</u>	<u>\$ 194,620</u>	<u>\$ 7,416,738</u>

See notes to financial statements.

CITY OF CARBONDALE

STATEMENT OF ACTIVITIES – MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

FUNCTIONS/PROGRAMS:	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION – MODIFIED ACCRUAL BASIS		
	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	OPERATING CAPITAL GRANTS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
	\$	\$	\$	\$	\$	\$
PRIMARY GOVERNMENT:						
Government Activities:						
Depreciation	\$ (224,691)			\$ (224,691)		\$ (224,691)
General government-admin	(441,255)	4,043		(420,212)		(420,212)
Public safety	(1,348,664)	89,658		(921,572)		(921,572)
Public works	(942,848)	295,917		(634,228)		(634,228)
Community development	(64,713)	40,048		25,168		(25,168)
Cultural and recreation	(20,739)	221,073		252,718		(252,718)
Interest on long-term debt	(417,072)			(215,380)		(215,380)
Insurance and miscellaneous	(962,153)			(962,153)		(962,153)
Pension	(4,986,924)	196,744		(4,970,180)		(4,970,180)
Total governmental activities	\$ (9,409,060)	\$ 847,483	\$ -	\$ (7,890,531)	\$ -	\$ (7,890,531)
Business-type activities:						
Sewer	\$ (68,341)			\$ 203,412		\$ 203,412
Refuse and recycling	(836,393)			198,532		198,532
Total Primary Government	\$ (10,313,794)	\$ 847,483	\$ -	\$ (7,890,531)	\$ 401,944	\$ (7,488,587)
GENERAL REVENUES:						
Taxes	\$ 3,884,733			\$ 3,884,733		\$ 3,884,733
License and permits	143,477			143,477		143,477
Fines and forfeits	58,741			58,741		58,741
Gain on sale of assets	75,312			75,312		75,312
Rental income	14,795			14,795		14,795
Interest income	1,929			1,929		1,929
Transfers in(out)	113,525			113,525		-0-
Miscellaneous	43,635			43,635		43,635
Total general revenues	\$ 4,336,147			\$ (113,525)		\$ 4,222,622
CHANGE IN NET ASSETS				\$ 288,419		\$ (3,265,965)
NET ASSETS, BEGINNING (DEFICIT)				(445,363)		(9,883,394)
NET ASSETS, ENDING (DEFICIT)				\$ (12,992,415)		\$ (13,149,359)

See notes to financial statements.

CITY OF CARBONDALE, PENNSYLVANIA

BALANCE SHEET -- GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	<u>MAJOR FUNDS</u>			
	GENERAL FUND	COMMUNITY DEVELOPMENT FUND	OTHER GOVERNMENTAL FUND	TOTAL (MEMORANDUM ONLY)
<u>ASSETS</u>				
Cash	\$ 133,248	\$ 135,236	\$350,472	\$ 618,956
Accounts Receivable	15,870	-0-	-0-	15,870
Due from other governments	2,934	2,350	-0-	5,284
Taxes receivable	1,281,042	-0-	-0-	1,281,042
Due from other funds	54,046	209,520	69,365	332,931
Prepaid expenses	<u>141,712</u>	<u>-0-</u>	<u>2,000</u>	<u>143,712</u>
TOTAL	<u>\$1,628,852</u>	<u>\$ 347,106</u>	<u>\$421,837</u>	<u>\$ 2,397,795</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)</u>				
LIABILITIES:				
Accounts payable	\$ 67,420	\$ 26,244	\$ 8,353	\$ 102,017
Due to other funds	313,813	-0-	54,046	367,859
Accrued salaries and benefits	89,499	-0-	-0-	89,499
Deferred revenue	662,108	-0-	-0-	662,108
Other current liabilities	<u>5,877</u>	<u>-0-</u>	<u>-0-</u>	<u>5,877</u>
Total Liabilities	<u>\$1,138,717</u>	<u>\$ 26,244</u>	<u>\$ 62,399</u>	<u>\$ 1,227,360</u>
FUND BALANCES (DEFICIT):				
Non-spendable	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Committed				
Federal and state grant program		320,862	93,875	414,737
Capital projects			281,515	281,515
Debt service			(15,952)	(15,952)
Unassigned	<u>490,135</u>	<u>-0-</u>	<u>-0-</u>	<u>490,135</u>
Total Fund Balances (Deficit)	<u>\$ 490,135</u>	<u>\$ 320,862</u>	<u>\$359,438</u>	<u>\$ 1,170,435</u>
TOTAL	<u>\$1,628,852</u>	<u>\$ 347,106</u>	<u>\$421,837</u>	<u>\$ 2,397,795</u>

See notes to financial statements.

CITY OF CARBONDALE, PENNSYLVANIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION – MODIFIED ACCRUAL BASIS
DECEMBER 31, 2018

TOTAL FUND BALANCE \$ 1,170,435

Amounts reported in the statement of net assets are different because:

Long term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Notes and bonds payable	(12,948,153)
Compensated absences	(435,904)
Unfunded pension liability	(993,831)
Other postemployment benefits	(5,409,665)

Long term loans receivables are not due and payable in the current period and therefore are not reported as assets in the funds. Loans receivable at year-end total:

2,738,700

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds:

2,223,895

Accrued interest receivable is included in the statement of net position 40,501

Accrued interest payable is included in the statement of net position (40,501)

Deferred revenue in the governmental fund balance sheet includes receivable balances that are not considered a current resource. 662,108

TOTAL NET ASSETS (DEFICIT) \$(12,992,415)

See notes to financial statements.

CITY OF CARBONDALE, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	MAJOR FUNDS			
	GENERAL FUND	COMMUNITY DEVELOPMENT FUND	NON-MAJOR FUNDS	TOTAL (MEMORANDUM ONLY)
REVENUES:				
Taxes	\$ 3,655,162	\$ -0-	\$ 249,534	\$ 3,904,696
Intergovernmental revenue	251,026	316,178	280,279	847,483
Charges for services	469,354	472,338	-0-	941,692
License and permits	143,477	-0-	-0-	143,477
Fines and forfeits	58,741	-0-	-0-	58,741
Interest and rents	15,451	301	972	16,724
Miscellaneous	<u>43,634</u>	<u>-0-</u>	<u>-0-</u>	<u>43,634</u>
TOTAL REVENUES	\$ 4,636,845	\$ 788,817	\$ 530,785	\$ 5,956,447
EXPENDITURES:				
General government	\$ 424,975	\$ 65	\$ 5,976	\$ 431,016
Public safety	1,713,770	45,676	14,836	1,774,282
Public works	520,351	-0-	439,764	960,114
Community development	24,139	40,574	-0-	64,713
Culture – recreation	16,124	234,942	4,615	255,681
Employee benefits	3,993,093	-0-	-0-	3,993,093
Insurance	911,531	-0-	-0-	911,531
Miscellaneous	<u>22,784</u>	<u>-0-</u>	<u>27,838</u>	<u>50,622</u>
TOTAL EXPENDITURES	\$ 7,626,767	\$ 321,257	\$ 493,029	\$ 8,441,053
OTHER FINANCING SOURCES (USES):				
Proceeds from long-term debt	\$ 7,068,640	\$ -0-	\$ 411,360	\$ 7,480,000
Proceeds from the sale of fixed assets	75,112	-0-	200	75,312
Debt service – principal	(2,846,765)	(270,646)	(213,016)	(3,330,427)
Debt service – interest	(295,562)	(119,072)	(60,358)	(474,992)
Transfers in	384,303	-0-	541,708	926,011
Transfers out	<u>(428,183)</u>	<u>-0-</u>	<u>(384,303)</u>	<u>(812,486)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ 3,957,545	\$ (389,718)	\$ 295,591	\$ 3,863,418
CHANGES IN FUND BALANCE	\$ 967,623	\$ 77,842	\$ 333,347	\$ 1,378,812
FUND BALANCES (DEFICIT) BEGINNING	(477,488)	243,020	26,091	(208,377)
FUND BALANCES (DEFICIT) ENDING	\$ 490,135	\$ 320,862	\$ 359,438	\$ 1,170,435

See notes to financial statements.

CITY OF CARBONDALE, PENNSYLVANIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES – MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

NET CHANGE IN FUND BALANCE	\$ 1,378,812
Amounts reported in the statement of activities are different because:	
Repayment of loan receivable are reported as revenues in the government funds.	(270,646)
Capital asset additions are reported as expenditures in the governmental funds.	259,822*
Depreciation expense on capital assets is reported in the statement of activities.	(224,691)*
Revenues in the statement of activities that do not provide current financial resources and are not available are not reported as revenues in the governmental funds. This amount is the change in revenue accrued between the current and prior years.	(19,962)
Proceeds from the issuance of notes and bonds payable are considered current financial resources and reported in the funds but not the statement of activities.	(7,480,000)
Repayment of notes and bonds payable uses current financial resources and is reported in the funds but not the statement of activities.	3,330,427
Amortization of bond issue costs.	(2,849)
Change in accrued interest on notes receivable.	(289)
Change in accrued interest on notes and bonds payable.	61,058
Change in other postemployment benefits.	428,243
Change in other pension liability	(993,831)
Change in compensated absences.	<u>(20,478)*</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$(3,554,384)</u>

See notes to financial statements.

CITY OF CARBONDALE, PENNSYLVANIA

STATEMENT OF NET POSITION – PROPRIETARY FUND – MODIFIED ACCRUAL BASIS
DECEMBER 31, 2018

	SEWER FUND	REFUSE AND RECYCLING FUND	TOTAL
<u>ASSETS</u>			
OTHER RECEIVABLES, NET	<u>\$ 38,847</u>	<u>\$ 155,773</u>	<u>\$ 194,620</u>
<u>LIABILITIES AND NET POSITION (DEFICIT)</u>			
CURRENT LIABILITIES:			
Accounts payable	\$ -0-	\$ 204,744	\$ 204,744
Unearned revenue	<u>35,514</u>	<u>111,246</u>	<u>146,820</u>
Total current liabilities	<u>\$ 35,514</u>	<u>\$ 315,990</u>	<u>\$ 351,564</u>
NET POSITION (DEFICIT):			
Unrestricted net position (deficit)	<u>\$ 3,273</u>	<u>\$ (160,217)</u>	<u>\$ (156,944)</u>
TOTAL	<u>\$ 38,847</u>	<u>\$ 155,773</u>	<u>\$ 194,620</u>

See notes to financial statements.

CITY OF CARBONDALE, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
NET POSITION – PROPRIETARY FUND – MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	SEWER FUND	REFUSE AND RECYCLING FUND	TOTAL
OPERATING REVENUES:			
Charges for service	\$ 271,753	\$1,034,925	\$ 1,306,678
OPERATING EXPENSES:			
Public works – sanitation	\$ 68,341	\$ 836,393	\$ 904,734
TOTAL EXPENSES	\$ 68,341	\$ 836,393	\$ 904,734
OPERATING INCOME	\$ 203,412	\$ 198,532	\$ 401,944
NON-OPERATING EXPENSE			
Operating transfers in/(out)	\$ (214,202)	\$ 100,677	\$ (113,525)
NET LOSS	\$ (10,790)	\$ 299,209	\$ 288,419
NET POSITION (DEFICIT) – BEGINNING	\$ 14,063	\$ (459,426)	\$ (445,363)
NET POSITION (DEFICIT) – ENDING	\$ 3,273	\$ (160,217)	\$ (156,944)

See notes to financial statements.

CITY OF CARBONDALE, PENNSYLVANIA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS – MODIFIED ACCRUAL BASIS
 DECEMBER 31, 2018

	SEWER FUND	REFUSE AND RECYCLING FUND
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	\$ 282,543	\$ 937,070
Cash paid to suppliers for goods and services	<u>(68,341)</u>	<u>(836,393)</u>
Net cash (used) in provided by operating activities	<u>\$ 214,202</u>	<u>\$ 100,677</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Transfers to general fund	\$(214,202)	\$ -0-
Transfers from the general fund	<u>-0-</u>	<u>100,677</u>
Net cash provided by (used in) provided by noncapital and related financing activities	<u>\$ 214,202</u>	<u>\$ 100,677</u>
NET CHANGE IN CASH	\$ -	\$ -
CASH, BEGINNING	<u>-</u>	<u>-</u>
CASH, ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income	\$ 203,412	\$ 198,532
Changes in Assets and Liabilities:		
Increase in other receivables	(6,221)	(5,496)
(Decrease) in accounts payable	-	(314,086)
Increase in unearned revenue	<u>17,011</u>	<u>20,373</u>
Net cash provided by (used in) operating activities	<u>\$ 214,202</u>	<u>\$ 100,677</u>

See notes to financial statements.

CITY OF CARBONDALE, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET POSITION – MODIFIED ACCRUAL BASIS
DECEMBER 31, 2018

	PENSION TRUST FUND
<u>ASSETS</u>	
Cash and cash equivalents	\$ 83,063
Investments	11,340,006
Due from other funds	<u>34,928</u>
TOTAL	<u>\$11,457,997</u>
<u>LIABILITIES AND NET POSITION</u>	
Liabilities	\$ -0-
Net assets held in trust for pension benefits	<u>11,457,997</u>
TOTAL	<u>\$11,457,997</u>

See notes to financial statements.

CITY OF CARBONDALE, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
 MODIFIED ACCRUAL BASIS
 DECEMBER 31, 2018

	PENSION TRUST FUND
ADDITIONS:	
Contributions:	
Employer	\$ 3,827,103
Employee	107,775
Net investment (loss)	<u>(585,138)</u>
Total	<u>\$ 3,349,740</u>
DEDUCTIONS:	
Distributions	\$ 699,273
Investment expense	83,404
Professional fees	<u>19,995</u>
Total	<u>\$ 802,672</u>
CHANGE IN NET POSITION	\$ 2,547,068
TOTAL NET POSITION – BEGINNING	<u>8,910,929</u>
TOTAL NET POSITION – ENDING	<u>\$11,457,997</u>

See notes to financial statements.

**CITY OF CARBONDALE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The major accounting principles and practices followed by the City of Carbondale, Pennsylvania (the "City") are summarized below.

The City is located in Northeastern Pennsylvania and was incorporated under the laws of the Commonwealth of Pennsylvania on March 15, 1851. The City operates under the home rule charter form of government and its powers are exercised through an elected major and seven member council. The City provides general government administration, public safety, highways, sewer maintenance, sanitation, culture and recreation, community development and planning and zoning. The City has a population of approximately 8,800 residents.

REPORTING ENTITY

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The manifestation of the ability to exercise oversight responsibilities includes (but is not limited to): financial interdependency; selection of governing members; designation of management; and the ability to significantly influence operations and accountability. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless if the City is able to exercise oversight responsibilities.

Based upon the application of these criteria, the City has determined the City of Carbondale Redevelopment Authority (the "Authority") is a component unit of the City. However, the Authority is not presented as a discretely presented component unit due to the fact the Statement of Net Position is presented using the modified accrual basis of accounting and not GAAP. The difference between the modified accrual basis of accounting and GAAP is presumed to be material.

FUND ACCOUNTING

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Government resources are allocated for in individual funds based upon the purposes for which they are to be spent. The operation of each funds is considered to be an independent fiscal and separate accounting entity with a self-balancing set of accounts recording cash and/or other financial resources together with all related fund balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives. The following is a description of the major governmental funds of the City:

GOVERNMENTAL FUNDS

General Funds – The General Fund is the general operating fund of the City. It is used to account for financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of special revenue sources that are legally restricted for specified purposes. The City has the following special revenue funds:

Community Development Fund – The Community Development Fund accounts for the grant proceeds received from the Pennsylvania Department of Community and Economic Development to fund local development activities such as affordable housing, anti-poverty programs, and infrastructure development.

Non Major Funds – The City reports the following non-major governmental funds: Capital Projects Fund, Liquid Fuels Fund and Debt Service Fund.

Liquid Fuels Fund – The Liquid Fuels fund is used to account for the maintenance of City streets. Financing is provided through the City's share of state gasoline taxes.

Capital Projects Fund – The Capital Projects Fund accounts for financial resources to be used for acquisition, renovation and construction of major capital facilities and equipment.

Debt Service Fund – The Debt Service Fund is used to account for and report the accumulation of funds restricted or committed for the periodic payment of principal and interest on general long term debt.

CITY OF CARBONDALE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

PROPRIETARY FUNDS

Proprietary 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 government body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis, are financed or recovered primarily through user charges. The following are the City's proprietary fund types:

Sewer Fund – The Sewer fund accounts for sewer fees collected to maintain the City's sewage collection system.

Refuse and Recycling Fund – The Refuse and Recycling Fund accounts for user fees collected to fund the operation of the City's sanitation and recycling programs.

FIDUCIARY FUND

Fiduciary funds account for the assets held by the City as a trustee or agent for individuals currently or previously employed by the City. The funds included in this category are:

Pension Trust Fund – The pension trust fund accounts for the assets held-in-trust in the City's police, fireman's non-union and non-uniformed retirement plans.

Agency Fund – The agency fund accounts for assets held by the City in a custodial or agency function.

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

GOVERNMENT – WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) are prepared using the economic resources measurement focus. With this measurement focus, all measurable assets and liabilities associated with the operation of the City are included in the Statement of Net Position.

Additionally, the government-wide statements are prepared using the modified accrual basis of accounting. Under this method of accounting, revenues are recognized when measurable and earned and expenses are recognized when measurable and incurred. This is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of presentation differs from accounting principles generally accepted in the United States of America (GAAP) in that certain expenses are recognized when paid rather than when the obligation is incurred. Such differences are presumed to be material. This financial statement does not include the effect of Government Statements Standards Board Statements number 67 and 68.

**CITY OF CARBONDALE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

The approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental funds statements.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for the City. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which the City is self-financing.

FUND FINANCIAL STATEMENTS

All governmental funds are accounted for using the current financial resources method and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the current fiscal period. Expenditures generally are recorded when liability is incurred, as under accrual accounting.

Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

BUDGETS AND BUDGETARY ACCOUNTING

Formal budgetary accounting is employed as a management control device for the general fund, liquid fuels fund, debt service and the capital projects fund. The Community Development fund is not legally required to be budgeted and appropriated. All budgets are adopted on the same basis of accounting used to reflect actual revenues and expenditures recognized on the modified accrual basis of accounting. The Mayor must submit a draft budget to City Council for approval. Annual operating budgets are adopted each fiscal year through the passage of an annual budget ordinance and amended as required on or before December 31 of the following fiscal year.

In general, the City maintains budgetary control by major expenditure classification within departments. Expenditures cannot legally exceed the appropriations at the budgetary control levels. Appropriations that are not expended lapse at the end of the fiscal year.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and certificates of deposit with an original maturity of three months or less, which are carried at cost.

**CITY OF CARBONDALE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

INVESTMENTS

Investments in the Pension Trust Fund are stated at fair value based on quoted market prices. Investments held by the Pension Trust Fund are restricted to paying retirement benefits.

TAXES RECEIVABLE

All property tax receivables are shown net of an allowance for uncollectible accounts. The property tax receivable allowance is calculated based on collection history and was \$1,281,042 at December 31, 2018.

CAPITAL ASSETS

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting general capital assets at \$4,000. Donations or contributions of capital assets are recorded at fair market value when received.

All capital assets, except land and construction in progress, are depreciated. Land is never depreciated. Construction in progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the capital assets as follows:

	GOVERNMENTAL <u>ACTIVITIES</u>
Buildings and improvements	40 years
Infrastructure	10-40 years
Equipment and fixtures	5-20 years
Vehicles	5 years

DEFERRED CHARGES

Costs incurred in connection with insuring certain general obligation bonds have been deferred in the statement of net position and are being amortized over the life of the related obligation.

**CITY OF CARBONDALE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

COMPENSATED ABSENCES

Compensated absences are absences for which employees will be paid, including sick and vacation time. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the City and its employees is accrued as the employee earns the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or events take place. The total amount of compensated absences recorded in the government-wide Statement of Net Position was \$435,904 at December 31, 2018.

UNAVAILABLE/UNEARNED REVENUES

Unavailable/unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition have not been met. In governmental funds, unavailable revenues represent amounts that are measurable, but are not available. Unearned revenues may result from revenues being collected in advance of the fiscal year to which they apply or in advance of their legal due date.

RESTRICTED NET POSITION

When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first and then use unrestricted resources, as needed.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires measurement 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ADOPTION OF FASB PRONOUNCEMENTS

The City applies all relevant GASB pronouncements and applicable Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City does not apply FASB pronouncements issued after November 30, 1989.

2. CASH AND INVESTMENTS

The City's investment policy is to invest in the following:

- United States Treasury Bills;
- Short-term obligations of the United States Government or its agencies or instrumentalities;
- Savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions having their principal of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurer;
- Obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States, the Commonwealth of Pennsylvania, or any agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania;
- Certificates of Deposit purchased from institutions having their principal place of business in or outside the Commonwealth of Pennsylvania which are insured by the FDIC or other like insurer. For any amounts in excess of the insured maximum, such deposits must be collateralized by a pledge or assignment of assets pursuant to Act No. 72 of the General Assembly of the Commonwealth of Pennsylvania.
- Commercial paper and prime commercial paper meeting certain requirements.

In addition, the City may make any investment in its pension fund authorized by 20 PA C.S. 73.

DEPOSITS WITH FINANCIAL INSTITUTIONS

CUSTODIAL CREDIT RISK

Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At December 31, 2018, the bank balance of the City's deposits with financial institutions, including cash equivalents, was \$843,509 compared to the carrying amount of \$699,555. The difference is caused by items in-transit and outstanding checks. \$1,985 of the City's deposits were exposed to custodial credit risk.

The amount exposed to credit risk was uninsured but collateralized by securities pledged by the financial institutions for such funds but not in the City's name in accordance with the collateralization provisions of Commonwealth of Pennsylvania Act 72 of 1971 as amended.

CITY OF CARBONDALE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

3. REAL ESTATE TAXES

The city levies real estate taxes on all real property on a calendar year basis, at a rate enacted by the City Council, on the assessed value of property as determined by Chief Assessor's Office of the County of Lackawanna. The assessed value of real property on January 1, 2017, upon which the levy for the 2017 year was based, was \$41,260,079. Taxes are due during the 2018 calendar year and become delinquent by December 31, 2018. The tax rate during 2018 was 30.00 mills per \$1,000 of assessed valuation. Of this amount, 23.15 mills were levied for general purposes 4.85 mills were levied for debt service and 2.00 mills were levied for capital improvements.

Real estate taxes are collected by the City. Delinquent real estate taxes are collected by the County of Lackawanna Tax Claim Bureau and remitted to the City.

The schedule for real estate taxed and levied each year is as follows:

February 15	Levy Date
February 16 – April 15	2.0% discount period
April 16 – June 15	Face payment period
June 16 – December 31	10% penalty period
January 1	Delinquent period

4. LOANS RECEIVABLE

During 2010, the City entered into an agreement with a local developer to loan \$4,000,000 of funding provided to the City by the U.S. Department of Housing and Urban Development's ("HUD") Section 108 Loan Guarantee program (see Note 6) to assist in the financing and construction of a parking garage and retail space in connection with the Pioneer Plaza community development project. The Loan is due in annual installments of \$223,000 in August of each year plus interest due semi-annually in February and August of each year at a rate determined by HUD ranging from 3.54% to 4.48%, with final maturity in August 2030. The loan is guaranteed through a lien on the real property of Pioneer Plaza, a guarantee of the local developer's company and the personal guarantee of the local developer. The amount due from the developer was \$2,662,000 at December 31, 2018 related to this project.

During 2012, the developer's company of Pioneer Plaza agreed to assume full responsibility for the City's 2007 General Obligation Note – A (See Note 6), which was used to purchase real property located on North Main Avenue in Carbondale, PA. The real property was used to develop Pioneer Plaza. The developer's company agreed to reimburse the City of annual debt service related to this note which is due in quarterly installments of \$13,276 including a fixed interest rate of 5.04%, with final maturity in May 31, 2020. The amount due from the developer's company was \$76,699 at December 31, 2018.

CITY OF CARBONDALE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2018 was as follows:

	December 31, <u>2017</u>	<u>Acquisitions</u>	<u>Disposals</u>	December 31, <u>2018</u>
Capital assets not be depreciated:				
Land	\$ 121,568	\$ -0-	\$ -0-	\$ 121,568
Capital assets being depreciated:				
Buildings and improvements	\$ 1,701,868	\$ -0-	\$ -0-	\$ 1,701,868
Infrastructure	1,624,997	-0-	-0-	1,624,997
Construction in progress	107,735	-0-	-0-	107,735
Land improvements	307,029	234,942	-0-	541,971
Equipment and fixtures	165,328	7,614	-0-	172,942
Vehicles	<u>2,145,610</u>	<u>17,266</u>	<u>-0-</u>	<u>2,162,876</u>
Total capital assets being depreciated	<u>\$ 6,052,567</u>	<u>\$ 259,822</u>	<u>\$ -0-</u>	<u>\$ 6,312,389</u>
Less: Accumulated depreciation:				
Buildings and improvements	\$ (954,549)	\$ (43,909)	\$ -0-	\$ (998,458)
Infrastructure	(185,091)	(76,379)	-0-	(261,470)
Land improvements	(157,431)	(30,029)	-0-	(187,460)
Equipment and fixtures	(80,313)	(31,447)	-0-	(111,760)
Vehicles	<u>2,607,988</u>	<u>(42,927)</u>	<u>-0-</u>	<u>(2,650,915)</u>
Total accumulated depreciation	<u>\$(3,985,372)</u>	<u>\$ 224,691</u>	<u>\$ -0-</u>	<u>\$(4,210,063)</u>
Total capital assets being depreciated, net	<u>\$ 2,067,195</u>	<u>\$ 35,131</u>	<u>\$ -0-</u>	<u>\$ 2,102,326</u>
Governmental activities capital assets, net	<u>\$ 2,188,763</u>	<u>\$ 35,131</u>	<u>\$ -0-</u>	<u>\$ 2,223,894</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 56,230
Public works	55,609
Public safety	82,823
Culture and recreation	<u>30,029</u>
Total depreciation expense – governmental activities	<u>\$224,691</u>

6. BONDS AND NOTES PAYABLE

Governmental Activities

Notes Payable

During 2002, the City issued a \$542,670 general obligation notes (2002 General Obligation Note) to fund street light improvements. This note is due in monthly payments of \$3,562 including a fixed interest rate of 3.3% with final maturity schedules for May of 2024. Principal due in 2019 is \$34,130.

During 2007, the City issued a \$500,000 general obligation note (2007 General Obligation Note – A) to fund the acquisition of real property on North Main Avenue in Carbondale, PA. A local developer's company has agreed to reimburse the City for the annual debt service on this loan until it is fully retired (see Note 4). This note is due in quarterly payments of \$13,276 including a fixed interest rate of 5.04% with final maturity scheduled for May of 2020. Principal due in 2019 is \$53,102.

During 2010, the City issued a \$1,000,000 general obligation note (2010 General Obligation Note) to fund unfunded debt and to pay the costs of issuing the note. This note is due in monthly installments of \$10,837 including a fixed interest rate of 5.25% with final maturity scheduled for February 2020. Principal due in 2019 is \$114,723.

During 2010, the City issued a \$4,000,000 fixed rate note to fund a community development project, Pioneer Plaza through the U.S. Department of Housing and Urban Development's ("HUD") Section 108 Loan Guarantee Program. The proceeds were loaned to a local developer to complete the project (see Note 4). This note is due in annual installments of \$223,000 in August of each year plus interest due semi-annually in February and August of each year at a rate determined by HUD ranging from 3.54% to 4.48%, with final maturity in August of 2030.

The loan is secured by a lien on the real property of Pioneer Plaza, a guarantee of the local developer's company and the personal guarantee of the local developer and the City's future community development block grant funds. Principal due on this loan in 2019 is \$223,000.

During 2011, the City secured financing in the amount of \$1,899,000 from the U.S. Department of Agriculture ("USDA") to refinance the 2008 General Obligation Note and to finance a paving project within the City. The note requires monthly payments of \$11,888 including a fixed interest rate of 4.375%, with final maturity schedules for December 2030. Principal due in 2019 is \$86,468.

During 2012, the City issued a \$950,000 general obligation note (2012 General Obligation Note) to fund unfunded debt and to pay the cost of issuing the note. This note is due in monthly installments of \$12,855 including a fixed interest rate of 3.65% with final maturity scheduled for February of 2019. Principal due in 2019 is \$26,525.

CITY OF CARBONDALE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
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During 2015, the City issued a \$66,325 note with a financing company for the purchase of two 2014 police cruisers. The note is due in annual installments of \$15,498 including a fixed interest rate of 4.24% with final maturity scheduled January of 2019. The loan is secured by the two police cruisers. Principal due in 2019 is \$12,263.

During 2015, the City issued a \$65,027 note with a financing company for the purchase of a 2015 dump truck. The note is due in annual installments of \$11,587 including a fixed interest rate of 5.84% with final maturity scheduled in May 2021. The loan is secured by the 2015 dump truck. Principal due in 2019 is \$10,038.

During 2016, the City issued a \$75,000 note for the purchase of two police vehicles. The note is due in annual installments of \$16,245 including a fixed interest rate of 2.68% with final maturity scheduled in November of 2021. The loan is secured by two police vehicles. Principal due in 2019 is \$15,006.

During 2017, the City took out a refinancing loan of \$1,121,000 to fund unfunded debt from 2013 and 2015 General Obligation Notes. The loan is due in monthly installments of \$12,965 including a fixed interest rate of 4.5% with final maturity scheduled for December 2024. The principal due in 2019 is \$106,613.

During 2018, the City took out \$3,730,000 partially to refinance the 2006 pension loan. The balance in fund for a street light project and certain working capital needs of the City. The loan is due in annual installments of \$197,408 including interest at a rate of 5.06% with full maturity scheduled for August 2031. The principal due in 2019 is \$5,000.

During 2018, the City took out \$3,750,000 to fully fund its pension plan. The loan is due semi-annual installments of \$301,563 including interest at a rate of 9% with final maturity in December 2033. The principal due in 2019 is \$151,000.

CITY OF CARBONDALE, PENNSYLVANIA
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The following summarizes the changes in bonds and notes payable in 2018:

	January 1, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	December 31, <u>2018</u>
Bonds:				
Series of 2006	\$ 2,495,000	\$	\$ 2,495,000	\$ -0-
Notes:				
2002 Gen Obligation Note	212,952		39,264	173,688
2007 Gen Obligation Note-A	124,346		47,646	76,700
2010 Gen Obligation Note	263,659		118,792	144,867
2011 HUD Note	2,885,000		223,000	2,662,000
2011 USDA Note	1,412,684		82,854	1,329,830
2012 Gen Obligation Note	176,644		150,119	26,525
2014 Police Cruisers (2) Note	27,192		14,929	12,263
2015 Dump Truck Note	36,017		9,484	26,533
2017 Vehicle	80,000		15,072	64,928
2017 Police Vehicle Note	60,793		14,577	46,216
2017 Refinance	1,041,000		120,250	920,750
2018 Gen Obligation Note	-0-	3,730,000	-0-	3,730,000
2018 Gen Obligation Note	<u>-0-</u>	<u>3,750,000</u>	<u>-0-</u>	<u>3,750,000</u>
Sub-total	8,815,287		3,330,987	12,964,300
Less: unamortized discount	<u>(8,501)</u>	<u>-</u>	<u>-</u>	<u>(8,501)</u>
Total bonds and notes payable	<u>\$8,806,786</u>	<u>\$7,480,000</u>	<u>\$ 3,330,987</u>	<u>\$12,955,799</u>

Interest paid on these bonds and notes was \$398,038 in 2018.

The following summarizes the City's future debt service requirements on the above bonds and notes payable as of December 31, 2018:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 854,069	\$ 687,822	\$ 1,541,891
2020	849,977	641,870	1,491,847
2021	840,561	602,872	1,443,433
2022	847,737	555,646	1,403,383
2023	<u>835,369</u>	<u>519,565</u>	<u>1,354,934</u>
Total	<u>\$4,227,713</u>	<u>\$3,007,775</u>	<u>\$7,235,488</u>

**CITY OF CARBONDALE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018**

7. COMPENSATED ABSENCES

The changes in the City's compensated absences in 2018 are summarized as follows:

Balance, January 1, 2018	\$ 415,426
Increase	196,160
Decrease	<u>(175,682)</u>
Balance, December 31, 2018	\$ 435,904
Less current portion	<u>41,543</u>
Long-term compensated absences	<u>\$ 394,361</u>

The City pays its compensated absences from the General Fund.

8. RETIREMENT AND PENSION PLANS

NON-UNIFORM PENSION PLANS

The non-uniform pension plans are defined contribution plans formed under IRS Section 457(b) and 401(a) covering ten (10) non-uniform employees. Plan members are required to contribute 5-7% of their salary. The City is required to contribute 5% per employee participating in the plan. Pension expense for 2018 was \$15,588.

POLICE AND FIRE PENSION PLANS

The City manages a Police Pension Plan and a Fire Pension Plan pursuant to the provisions of Act 600 in which the nine (9) full-time borough policeman and six (6) full-time fireman are fully vested. The plan was partially funded by allocations of Commonwealth of Pennsylvania tax on foreign casualty insurance premiums. The City is liable for any unfunded pension liabilities which exceeds the Commonwealth of Pennsylvania and member contributions. Annually, the City is reimbursed for its share of the pension contributions in accordance with the Municipal Pension Plan Funding and Recovery Act (Act 205 of 1984).

Description of Plan

The Police Pension and the Fire Pension Plan are single-employer defined benefit pension plans controlled by the provisions of Ordinance No. 4 of 1991 and Ordinance No. 3 of 1994, adopted pursuant to Act 600.

CITY OF CARBONDALE, PENNSYLVANIA
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The plans are governed by the City Council which is responsible for the management of plan assets. The recommended rate of contributions is determined each year by actuaries using the entry age cost valuation method. The minimum contribution due and pension expense for Police and Fire was \$93,571 and \$44,441 respectively for 2018.

All full-time police officers and fireman are eligible to participate in the plans. The normal retirement date for police officers hired before January 1, 2008 is after the attainment of 20 years of service. The normal retirement age for police officers hired after January 1, 2008 is the later of the date the participant attains age fifty (50) and completes 20 years of service. The normal retirement date for fireman hired before January 1, 1987 is after the attainment of 20 years of service. The normal retirement date for fireman hired after January 1, 1987 is the later of the date in which the participant attains age fifty (50) and completed twenty (20) years of service.

Plan Membership

As of December 31, 2019, the Police Pension and Fire Pension Plan membership consisted of:

	<u>POLICE PENSION PLAN</u>	<u>FIRE PENSION PLAN</u>
Active Employees	11	6
Retirees and beneficiaries currently receiving Benefits	20	4
Terminated employees entitled to benefits but not receiving them	—	—
TOTAL	<u>31</u>	<u>10</u>

Benefits:

Normal Retirement Benefit – If hired before January 1, 1987, one-half (1/2) of pay of the final years pay, plus 1.25% of final pay per year of service in excess of 20 years, up to a maximum of \$100 additional per month for both policeman and fireman. If hired after January 1, 1987, one-half (1/2) of pay the final years pay, plus 1.25% of pay per year of service in excess of 25 years, up to a maximum of \$100 additional per month for both policeman and fireman.

CITY OF CARBONDALE, PENNSYLVANIA
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DECEMBER 31, 2018

Disability Benefit – If hired before January 1, 1987, one-half (1/2) of the member's pay after 10 years of service or 25% of the members pay before the attainment of 10 years of service for policeman. If hired after January 1, 1987, 40% of the member's pay after 10 years or 20% of the members pay before the attainment of 10 years of service for policeman.

If hired before January 1, 1987, one-half (1/2) of the member's pay for fireman. If hired after January 1, 1987, 40% of the member's pay after 10 years or 20% of the members pay before the attainment of 10 years of service for fireman.

Survivor Benefit – If hired before January 1, 1987, if retired or eligible to retire after 10 years of service, 100% of the benefit or if before 10 years of service, 50% of the benefit for policeman. If hired after January 1, 1987, if retired or eligible to retire, 50% of the benefit for policemen.

If hired before January 1, 1987, if retired or eligible to retire, 100% of the benefit for fireman. If hired after January 1, 1987, if retired or eligible to retire, 50% of the benefit for fireman.

Member Contributions – If hired before January 1, 1987, 4% of pay plus \$1 per month or if hired after January 1, 1987 5% of pay plus \$2 per month for both policeman and fireman. There were no member contributions made by policeman or fireman in 2018.

Vesting – A member's benefits vest upon completion of 12 years of service for policemen and fireman.

Summary of Significant Accounting Policies

Basis of accounting

Financial information of the Pension Trust Fund is presented on the modified accrual basis accounting. Plan participant contributions are recognized in the period in which the contributions are earned. Employer contributions to the plan are recognized when earned. Benefits and refunds are recognized when incurred.

Investments

The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.

**CITY OF CARBONDALE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018**

At December 31, 2018, the investments of the plan are categorized as follows:

PENSION TRUST FUND

<u>Securities</u>	<u>MATURITIES</u>	<u>FAIR VALUE</u>
Mutual funds		\$ 4,676,569
Common stock		2,685,594
Money market		3,777,167
U.S. government obligations	1-30 years	99,416
Corporate bonds	2-9 years	<u>101,260</u>
Total		<u>\$11,340,006</u>

Credit Risk and Concentration of Credit Risk

The City has limits on the amount that may be invested in any one issuer. At December 31, 2018, no one issuer totaled more than five percent of the Plan's net assets. The Plan's investment policy requires all bonds to be rated as "investment grade" by Moody's Investors Service.

The City's investments in debt securities had the following credit risk at December 31, 2016:

<u>Securities</u>	<u>Moody's Rating</u>	<u>%</u>
U.S. Government Obligations	Aaa	37.04
Corporate Bonds	Aaa	6.06
Corporate Bonds	Aa1	8.97
Corporate Bonds	A1	29.59
Corporate Bonds	A2	6.10
Corporate Bonds	A3	<u>12.24</u>
Total		<u>100%</u>

Administrative expenses - Administrative expenses, including actuarial and consultant services are charged to the appropriate plan and funded through investment earnings and contributions.

**CITY OF CARBONDALE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018**

Fair Value Measurement

The City has the following recurring fair value measurements at December 31, 2018:

<u>PENSION TRUST FUND:</u>	<u>12/31/18</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Mutual funds	\$ 4,676,569	\$ 4,676,569		
Common stock	2,685,594	2,685,594		
Money market	3,777,167	3,777,167		
U.S. government obligations	99,416	99,416		
Corporate bonds	<u>101,260</u>	<u>101,260</u>		
Total Investments at fair value	<u>\$11,340,006</u>	<u>\$11,340,006</u>		

Securities classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

9. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classification are as follows:

Non-spendable – The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of the inter-fund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of the resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Borough Council. Those committed amounts cannot be used for any other purposes unless Borough Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts.

**CITY OF CARBONDALE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

In contrast to fund balance that is restricted by enabling legislation, committed fund balances classification may be redeployed for other purposes with appropriate due process.

Constraints imposed on the use of committed amounts are imposed by City Council, separate from authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first by followed assigned, and then unassigned amounts when expenditures are included for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

10. RESTRICTED AND RESERVED FUNDS

All cash, investments, and other assets contained in the Pension Trust Fund are by law restricted for use solely therein.

**CITY OF CARBONDALE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018**

11. INTERFUND TRANSFERS

Interfund transfers in 2018 are summarized as follows:

	<u>TRANSFERS-IN</u>	<u>TRANSFERS-OUT</u>
GENERAL FUND:		
Sewer Fund	\$ 263,339	\$
Refuse and Recycling fund	358,526	
Liquid Fuels Fund		(783)
Debt Service Fund	15,858	
DEBT SERVICE FUND:		
General Fund		(15,858)
LIQUID FUELS FUND:		
General Fund	783	
SEWER FUND:		
General Fund		(263,339)
REFUSE AND RECYCLING FUND:		
General Fund	<u> -</u>	<u>(358,526)</u>
Totals	<u>\$ 638,506</u>	<u>\$ (638,506)</u>

The Refuse Fund transferred \$358,526 to the General Fund to fund the repayment of unfunded, debt principal and interest. The Sewer Fund transferred \$263,339 to the General Fund. The Debt Service Fund transferred a net amount of \$15,858 to the General Fund to fund debt principal and interest. The General Fund transferred \$783 to the Liquid Fuels Fund to fund maintenance and repairs of City roads and bridges.

**CITY OF CARBONDALE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018**

12. INTERFUND BALANCES

Interfund receivable and payable balances are normally settled in the following year and the balances at December 31, 2018 are as follows:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
GENERAL FUND:		
Community Development Fund	\$	\$ 240,011
Capital Projects Fund		69,365
Pension Trust Fund		556,076
Debt Service Fund	54,046	
Liquid Fuels Fund		
COMMUNITY DEVELOPMENT FUND:		
General Fund	240,011	
CAPITAL PROJECTS FUND:		
General Fund	69,365	
PENSION TRUST FUND:		
General Fund	556,076	
DEBT SERVICE FUND:		
General Fund		54,046
LIQUID FUELS FUND:		
General Fund	<u> -</u>	<u> -</u>
Totals	<u>\$ 919,498</u>	<u>\$ 919,498</u>

The General Fund owed the Community Development Fund and the Capital Projects fund for short-term advances. The Debt Service Fund owed the General Fund for short-term advances. The General Fund owed the Liquid Fuels fund for a short-term advance. These items are expected to be repaid in 2018. The General Fund owed the Pension Trust Fund for the 2017 minimum municipal obligation, which is expected to be paid in 2018.

13. POST EMPLOYMENT BENEFITS

Postemployment benefits other than pension (OPEB):

For purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB fiduciary net position have been determined on the same basis as they are reported by the OPEB plan (Plan). Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description:

The city offers postemployment dental, vision, life and health insurance benefits to employees upon their retirement with the same plan provisions provided to active employees.

Employees covered by benefit terms:

At December 31, 2018, the following employees were covered by benefit terms:

	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	16
Active employees	<u>16</u>
Total	<u><u>32</u></u>

Total OPEB liability and actuarial assumptions:

The City's total OPEB liability of \$5,409,665 was measured as of December 26, 2019 and was determined by rolling forward the January 1, 2018 actuarial valuation to December 31, 2018 using the following actuarial assumptions and other inputs, applies to all periods included in the measurements, unless otherwise specified:

Discount rate:	3.44% based on S&P Municipal Bond 20 Year High Grade Rate Index at January 1, 2018.
Salary increases	2.50% cost of living adjustment, 1% real wage growth and merit increases which varies by age from 2.75% to 0%.
Healthcare cost trend rates:	6.5% in 2017, and 5.5% in 2018 through 2023.
Retirees' share of benefit related costs	Retirees contributions are assumed to increase at the same rate as the Healthcare Cost Trend Rate.
Mortality rates:	RP-2000 Combined Mortality Table Blue Collar for males and females with generational mortality using scale AA.

**CITY OF CARBONDALE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

<i>Changes in the total OPEB liability:</i>	
Balance at December 31, 2017	\$5,837,908
Changes for the year:	
Service Cost	135,553
Interest	202,927
Changes in assumptions	(617,882)
Benefit payments	<u>(148,841)</u>
Net Changes	<u>(428,243)</u>
Balance at December 31, 2018	<u>\$5,409,665</u>

Changes in assumptions reflect a change in the discount rate 4.10% in 2018. The trend assumptions for salary, mortality, withdrawal and retirement were updated based on the new assumptions.

Sensitivity of net OPEB liability to changes in the discount rate:

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate of 1% lower or 1% higher than the current rate:

	1% Decrease 3.10%	Current Discount Rate 4.10%	1% Increase 5.10%
City's net OPEB liability	\$6,320,249	\$5,409,665	\$4,681,678

Sensitivity of net OPEB liability to changes in the healthcare cost trend rates:

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	Current trend rates	1% Increase
City's net OPEB liability	\$4,587,299	\$5,409,665	\$6,451,447

OPEB expenses and deferred outflows of resources and deferred inflows of resources related to OPEB:
For the year ended December 31, 2018, the City recognized OPEB expenses of \$227,350. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Changes in assumption	\$ -	\$ 506,752
City benefit payments subsequent the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 506,752</u>

CITY OF CARBONDALE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

OPEB expenses and deferred outflows of resources and deferred inflows of resources related to OPEB:
For the year ended December 31, 2018, \$506,752 reported as deferred inflows of resources relate to OPEB resulting from City benefit payments made subsequent to the measurement date and will be recognized as an increase of the net OPEB liability for the valuation year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended <u>December 31,</u>	
2019	\$111,130
2020	111,130
2021	111,130
2022	111,130
2023	<u>62,232</u>
Total	<u>\$506,752</u>

14. SUBSEQUENT EVENTS

The City has evaluated subsequent events to the balance sheet date of December 31, 2018 through December 20, 2019, which is the date these financial statements are available and issued.

15. COMMITMENTS AND CONTINGENCIES

From time to time, the City is named as a defendant in lawsuits. No provision has been provided for in these financial statements for any future losses which may result from these lawsuits.

CITY OF CARBONDALE, PENNSYLVANIA

GENERAL AND SPECIAL REVENUE FUNDS,
EXPENDITURES, AND CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund			Capital Projected Fund			Liquid Fuels Fund			Debt Service Fund		
	Original & Final Budget	Total Actual	Variance	Original & Final Budget	Total Actual	Variance	Original & Final Budget	Total Actual	Variance	Original & Final Budget	Total Actual	Variance
REVENUES												
Taxes	\$3,530,000	\$3,655,162	\$ 125,162	\$ 70,242	\$ 73,462	\$ 3,220	\$	\$	\$ 176,072	\$ 176,072	\$ 6,788	
Intergovernmental revenues	203,500	251,028	47,526	14,861	14,861	14,861	261,402	265,418	4,016			
Charges for services	450,250	469,354	19,104									
License & permits	166,300	143,477	(22,823)									
Fines & forfeitures	94,100	58,741	(35,359)									
Interest & rents	52,900	15,451	(37,449)	25	55	30	200	908	708	10	(1)	
Miscellaneous	30,000	43,624	13,624				6,500		(6,500)			
TOTAL REVENUES	\$4,527,050	\$4,636,845	\$ 109,795	\$ 70,267	\$ 88,378	\$ 18,111	\$268,102	\$266,326	\$ (1,776)	\$169,294	\$ 176,081	\$ 6,787
EXPENDITURES												
General government	\$ 321,764	\$ 345,475	\$ (23,711)	\$ 4,500	\$ 32,411	\$ (27,911)	\$	\$	\$	\$ -0-	\$ 1,403	\$ (1,403)
Public safety	1,572,089	1,713,770	(141,168)	29,131	14,836	14,295						
Public works	393,850	520,351	(126,501)	129,031	294,790	(165,759)	234,617	144,973	89,644			
Community development	20,000	24,139	(4,139)									
Insurance	958,849	911,531	47,318									
Culture-recreation	14,200	16,124	(1,924)		4,615	(4,615)						
Miscellaneous	2,845	22,784	(19,939)	-0-	-0-	-0-						
Employee benefits	313,180	322,593	(9,413)									
TOTAL EXPENDITURES	\$3,596,777	\$3,876,768	\$ (279,991)	\$ 162,662	\$346,652	\$ (183,990)	\$234,617	\$144,973	\$ 89,644	\$ -0-	\$ 1,403	\$ (1,403)
OTHER FINANCING SOURCES(USES)												
Debt proceeds	\$ -0-	\$ 3,318,640	\$ 3,318,640	\$	\$ 411,316	\$ 411,360	\$	\$	\$	\$	\$	\$
Proceeds from the sale of capital assets	75,000	75,112	112	200	200	200						
Debt service-principal	(891,718)	(2,846,765)	(1,955,047)	(9,261)	(53,501)	(44,242)	(33,485)	(39,264)	(5,779)	(130,000)	(120,249)	(9,751)
Debt service-interest	(226,776)	(29,556)	197,220		(7,292)	(7,292)		(3,480)	(3,480)	(25,191)	(4,958)	
Transfers out	213,221	118,297	(94,924)	387,500	234,202	(153,298)				(14,103)	13,203	24,395
Transfers in	(100,000)	(428,183)	(328,183)	(20,000)	(100,000)	(80,000)		10,000	10,000			13,203
Total other financing sources (uses)	\$ (930,273)	\$ 207,545	\$ 1,137,818	\$ 358,239	\$ 484,967	\$ 126,728	\$ (33,485)	\$ (32,744)	\$ 741	\$ (169,294)	\$ (156,632)	\$ 27,847
Change in Fund Balance	\$ -0-	\$ 967,623	\$ 967,623	\$ 265,844	\$ 226,693	\$ (39,151)	\$ -0-	\$ 88,609	\$ 88,609	\$ -0-	\$ 18,046	\$ 18,046
Fund Balances (Deficit), Beginning	\$ -	\$ (477,488)	\$ (477,488)	\$ -	\$ 54,823	\$ 54,823	\$ -	\$ 5,266	\$ 5,266	\$ -	\$ (33,998)	\$ (33,998)
Fund Balances (Deficit), Ending	\$ -0-	\$ 490,135	\$ 490,135	\$ 265,844	\$ 281,516	\$ 15,672	\$ -0-	\$ 93,875	\$ 93,875	\$ -0-	\$ (15,952)	\$ (15,952)

See notes to financial statements.

REQUIRED SUPPLEMENTAL INFORMATION – POLICE AND FIRE PENSIONS
UNAUDITED

DECEMBER 31, 2018

SCHEDULE OF FUNDING PROGRESS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (AAL) - ENTRY AGE (b)	UNFUNDED (OVERFUNDED) AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS A PERCENTAGE OF COVERED PAYROLL (b-a)/(c)
<u>POLICE PENSION PLAN</u>						
01/01/2007	\$4,528,414	\$4,514,707	\$ (13,707)	100.3%	\$718,859	1.9%
01/01/2009	\$4,205,322	\$4,757,201	\$ 551,879	88.4%	\$788,442	70.0%
01/01/2011	\$3,908,259	\$4,738,524	\$ 830,265	82.5%	\$795,585	104.4%
01/01/2013	\$4,932,574	\$5,477,190	\$ 544,616	90.1%	\$824,363	66.1%
01/01/2015	\$5,203,029	\$6,420,726	\$1,217,697	81.0%	\$712,490	170.9%
01/01/2017	\$5,132,591	\$7,178,250	\$2,045,659	71.51%	\$678,835	301.4%
<u>FIRE PENSION PLAN</u>						
01/01/2007	\$2,385,909	\$2,378,288	\$ (7,621)	100.3%	\$385,191	-2.0%
01/01/2009	\$2,440,459	\$2,694,105	\$ 253,646	90.6%	\$472,764	53.7%
01/01/2011	\$2,430,782	\$2,598,085	\$ 167,303	93.6%	\$456,191	36.7%
01/01/2013	\$3,084,629	\$3,336,363	\$ 251,734	92.5%	\$509,210	49.4%
01/01/2015	\$3,415,310	\$3,963,562	\$ 548,252	86.2%	\$517,512	105.9%
01/01/2017	\$3,387,847	\$4,372,788	\$ 984,941	77.4%	\$523,355	188.2%

CITY OF CARBONDALE, PENNSYLVANIA
REQUIRED SUPPLEMENTAL INFORMATION – POLICE AND FIRE PENSIONS
UNAUDITED
DECEMBER 31, 2018

	<u>Police Pension Plan</u>	<u>Fire Pension Plan</u>
Actuarial valuation data	January 1, 2017	January 1, 2017
Actuarial cost method	Entry age normal cost	Entry age normal cost
Amortization method	Level Percent of Salary	Level Percent of Salary
Remaining amortization period	9 Years	7 Years
Asset valuation method	Smoothed Market Value	Smoothed Market Value
Actuarial assumptions:		
Investment rate of return	7.75%	7.75%
Projected salary increases	4.75% Per Year	4.75% Per Year
Cost of living adjustment	1% Per Year	2.5% Per Year

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTION ENTITIES:

POLICE PENSION PLAN:

Year	Annual Required Contribution	Contributions From Employer	Percentage Contributed
2007	\$ 99,304	\$ 99,304	100%
2008	\$ 99,542	\$ 99,542	100%
2009	\$ 100,099	\$ 100,099	100%
2010	\$ 106,374	\$ 106,374	100%
2011	\$ 201,598	\$ 201,598	100%
2012	\$ 209,113	\$ 209,113	100%
2013	\$ 209,113	\$ 209,113	100%
2014	\$ 213,562	\$ 213,562	100%
2015	\$ 205,548	\$ 205,548	100%
2016	\$ 202,750	\$ 202,750	100%
2017	\$ 314,478	\$ 500,000	146.5%

FIRE PENSION PLAN:

Year	Annual Required Contribution	Contributions From Employer	Percentage Contributed
2007	\$ 99,304	\$ 99,304	100%
2008	\$ 99,542	\$ 99,542	100%
2009	\$ 61,152	\$ 61,152	100%
2010	\$ 63,466	\$ 63,466	100%
2011	\$ 73,128	\$ 73,128	100%
2012	\$ 75,770	\$ 75,770	100%
2013	\$ 75,770	\$ 75,770	100%
2014	\$ 67,787	\$ 67,787	100%
2015	\$ 81,890	\$ 81,890	100%
2016	\$ 79,276	\$ 79,276	100%
2017	\$ 130,880	\$ -0-	0%

See notes to financial statements.