

**CITY OF LATROBE
PRIMARY GOVERNMENT FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2017**

**City of Latrobe
December 31, 2017
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DEBLASIO & DEBLASIO ASSOCIATES

A PROFESSIONAL CORPORATION

The American Institute of
Certified Public Accountants

CERTIFIED PUBLIC ACCOUNTANTS

The Pennsylvania Institute of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Latrobe
Latrobe, Pennsylvania

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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 from 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 opinion.

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 of Latrobe, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

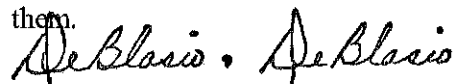
Management has not presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements,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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Latrobe's basic financial statements. The combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic 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 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



DeBlasio & DeBlasio Associates
Certified Public Accountants
Greensburg, Pennsylvania
August 20, 2018

Primary Government Financial Statements

City of Latrobe
Statement of Net Position
December 31, 2017

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 3,537,488
Taxes Receivable	579,756
Prepaid Expenses	34,817
Accounts Receivable	147,323
Capital Assets Not Depreciated	671,443
Capital Assets Net of Depreciation	5,503,725
Net Pension Asset	<u>371,195</u>
Total Assets	<u>10,845,747</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pension	273,177
Deferred Outflows from Bond Refunding	<u>45,332</u>
Total Deferred Outflows of Resources	<u>318,509</u>
Liabilities	
Accounts Payable	107,916
Other Current Liabilities	49,380
Other Post Employment Benefits Obligation	751,579
Salaries and Wages Payable	93,625
Net Pension Liability	212,773
Long-Term Debt, due in one year	156,451
Long-Term Debt, due in more than one year	<u>3,344,083</u>
Total Liabilities	<u>4,715,807</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pension	<u>582,895</u>
Net Position	
Net Investment in Capital Assets	2,674,634
Restricted	234,113
Unrestricted	<u>2,956,807</u>
Total Net Position	<u>\$ 5,865,554</u>

The accompanying notes are an integral part of these financial statements.

City of Latrobe
Statement of Activities and Changes in Net Position
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
General Government	\$ 1,613,191	\$ 80,216	\$ 301,286	\$ (1,231,689)
Public Safety	1,737,208	114,208	-	(1,623,000)
Public Works and Sanitation	1,963,752	1,818,059	285,600	139,907
Culture and Recreation	92,900	-	-	(92,900)
Parking	37,402	241,646	-	204,244
Depreciation	<u>378,912</u>	<u>-</u>	<u>-</u>	<u>(378,912)</u>
Total Governmental Activities and Primary Government	\$ <u>5,823,365</u>	\$ <u>2,254,129</u>	\$ <u>586,886</u>	<u>(2,982,350)</u>
General Revenues				
Taxes:				
Property taxes, levied for general purposes, net				1,429,159
Taxes levied for specific purposes				1,692,829
Licenses permits, fines and forfeits				243,860
Investment Earnings				17,902
Miscellaneous				<u>55,994</u>
Total General Revenues				<u>3,439,744</u>
Change in Net Position				457,394
Net Position at December 31, 2016				<u>5,408,160</u>
Net Position at December 31, 2017				<u>\$ 5,865,554</u>

The accompanying notes are an integral part of these financial statements.

City of Latrobe
Balance Sheet
Governmental Funds
December 31, 2017

	General Fund	Capital Projects Funds	Parking Revenue Funds	Other Gov. Funds	Total Gov. Funds
Assets					
Cash	\$ 1,437,805	\$ 1,639,365	\$ 225,160	\$ 235,158	\$ 3,537,488
Taxes Receivable	374,381	-	-	-	374,381
Accounts Receivable	147,323	-	-	-	147,323
Prepaid Expenses	<u>34,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,817</u>
Total Assets	\$ <u>1,994,326</u>	\$ <u>1,639,365</u>	\$ <u>225,160</u>	\$ <u>235,158</u>	\$ <u>4,094,009</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 107,916	\$ -	\$ -	\$ -	\$ 107,916
Salaries and Wages Payable	93,625	-	-	-	93,625
Other Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>201,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,541</u>
Fund Balances					
Nonspendable	34,817	-	-	-	34,817
Restricted	-	-	-	234,113	234,113
Committed	-	1,639,365	225,160	1,045	1,865,570
Unassigned	<u>1,757,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,757,968</u>
Total Fund Balances	<u>1,792,785</u>	<u>1,639,365</u>	<u>225,160</u>	<u>235,158</u>	<u>3,892,468</u>
Total Liabilities and Fund Balances	\$ <u>1,994,326</u>	\$ <u>1,639,365</u>	\$ <u>225,160</u>	\$ <u>235,158</u>	\$ <u>4,094,009</u>

The accompanying notes are an integral part of these financial statements.

City of Latrobe
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2017

Total Fund Balances - Governmental Funds \$ 3,892,468

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

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

Land	\$ 671,443	
Depreciable Assets	<u>5,503,725</u>	
		6,175,168

Noncurrent liabilities, including long-term debt, 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:

Compensated Absences	(49,378)	
Other Post Employment Benefits	(751,579)	
Pension Obligation	158,422	
Notes Payable	(3,500,534)	

Deferred Outflows are not current assets or financial resources; and Deferred Inflows are not due and payable in the current period and are therefore not reported in the governmental funds.

Deferred Outflow - Pension	318,509	
Deferred Inflow - Pension	(582,895)	

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	<u>205,373</u>	
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Total Net Position - Governmental Activities	\$ <u>5,865,554</u>	
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City of Latrobe
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

Revenues	General Fund	Capital Projects Fund	Parking Revenue Fund	Other Gov. Fund	Total Gov. Fund
Real Property Taxes	\$ 1,398,139	\$ -	\$ -	\$ 13,204	\$ 1,411,343
Local Enabling Act Taxes	1,692,829	-	-	-	1,692,829
Licenses and Permits	205,930	-	-	-	205,930
Fines and Forfeits	37,930	-	-	-	37,930
Interest, Rents and Royalties	7,348	10,380	39	135	17,902
Intergovernmental Revenues	247,854	53,431	-	285,600	586,885
Charges for Services	1,988,059	-	241,646	24,423	2,254,128
Miscellaneous	<u>6,280</u>	<u>26,000</u>	<u>1,660</u>	<u>22,054</u>	<u>55,994</u>
Total Revenues	<u>5,584,369</u>	<u>89,811</u>	<u>243,345</u>	<u>345,416</u>	<u>6,262,941</u>
Expenditures					
General Government	1,638,261	4,950	-	-	1,643,211
Public Safety	1,602,741	111,076	-	25,931	1,739,748
Public Works and Sanitation	1,814,482	199,017	34,977	-	2,048,476
Culture and Recreation	79,700	-	-	13,200	92,900
Other Expenditures	25,923	-	-	11,477	37,400
Debt Service					
Principal	-	134,983	-	-	134,983
Interest	<u>117,817</u>	<u>12,891</u>	<u>-</u>	<u>-</u>	<u>130,708</u>
Total Expenditures	<u>5,278,924</u>	<u>462,917</u>	<u>34,977</u>	<u>50,608</u>	<u>5,827,426</u>
Excess/(Deficiency) of Revenues Over Expenditures	305,445	(373,106)	208,368	294,808	435,515
Other Financing Sources/(Uses)					
Issuance of long-term debt	-	111,529	-	-	111,529
Operating Transfers In	1,005	339,705	6,843	-	347,553
Operating Transfers Out	<u>(221,168)</u>	<u>-</u>	<u>-</u>	<u>(126,385)</u>	<u>(347,553)</u>
Total Other Financing Sources(Uses)	<u>(220,163)</u>	<u>451,234</u>	<u>6,843</u>	<u>(126,385)</u>	<u>111,529</u>
Net Change in Fund Balance	85,282	78,128	215,211	168,423	547,044
Beginning Fund Balance	<u>1,707,503</u>	<u>1,561,237</u>	<u>9,949</u>	<u>66,735</u>	<u>3,345,424</u>
Ending Fund Balance	\$ <u>1,792,785</u>	\$ <u>1,639,365</u>	\$ <u>225,160</u>	\$ <u>235,158</u>	\$ <u>3,892,468</u>

The accompanying notes are an integral part of these financial statements.

City of Latrobe
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Year Ended December 31, 2017

Net Change in Fund Balances - Governmental Funds	\$ 547,044
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the period.

Capital Outlays	\$ 188,379
Depreciation Expense	(378,912)

Some revenues not collected as of the year ended are not considered available revenues in the governmental funds. This is the change in the amounts that were not considered available in the current year.

17,816

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Activities. While repayment of principal is an expenditure in the government funds, it reduces long-term liabilities in the Statement of Activities

Loan Proceeds	(111,529)
Amortization of Bond Premium	3,988
Deferred Charge on Refunding Bonds	(2,667)

Principal payments on note payable are reported in governmental funds as expenditures. However, in the Statement of Activities, the borrowings are an increase of a Liability

137,750

In the statement of activities, certain expenses are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount incurred versus the amount used.

OPEB Liability	(88,884)
Pension Liability	142,713
Accrued Compensated Absences	<u>1,696</u>

(89,650)

Change in net position of governmental activities	\$ <u>457,394</u>
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City of Latrobe
Statement of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - General Fund
For the Year Ended December 31, 2017

Revenues	Budget	Actual	Variance Favorable (Unfavorable)
Real Property Taxes	\$ 1,392,250	\$ 1,398,139	\$ 5,889
Local Enabling Act Taxes	1,579,000	1,692,829	113,829
Licenses and Permits	177,200	205,930	28,730
Fines and Forfeits	44,500	37,930	(6,570)
Interest, Rents and Royalties	9,100	7,348	(1,752)
Intergovernmental Revenues	197,000	247,854	50,854
Charges for Services	1,882,100	1,988,059	105,959
Miscellaneous	<u>12,000</u>	<u>6,280</u>	<u>(5,720)</u>
Total Revenues	<u>5,293,150</u>	<u>5,584,369</u>	<u>291,219</u>
Expenditures			
General Government	1,701,916	1,638,261	63,655
Public Safety	1,615,075	1,602,741	12,334
Public Works and Sanitation	1,872,241	1,814,482	57,759
Culture and Recreation	79,700	79,700	-
Other Expenditures	-	25,923	(25,923)
Debt Service			
Interest	<u>-</u>	<u>117,817</u>	<u>(117,817)</u>
Total Expenditures	<u>5,268,932</u>	<u>5,278,924</u>	<u>(9,992)</u>
Excess/(Deficiency) of Revenues Over Expenditures	24,218	305,445	281,227
Other Financing Sources/(Uses)			
Operating Transfers In	231,750	1,005	(230,745)
Operating Transfers Out	<u>(255,968)</u>	<u>(221,168)</u>	<u>(34,800)</u>
Total Other Financing Sources(Uses)	<u>(24,218)</u>	<u>(220,163)</u>	<u>(195,945)</u>
Net Change in Fund Balance	<u>-</u>	<u>85,282</u>	<u>85,282</u>
Fund Balance, January 1		<u>1,707,503</u>	
Fund Balance, December 31		<u>\$ 1,792,785</u>	

The accompanying notes are an integral part of these financial statements.

City of Latrobe
Statement of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - Capital Projects Fund
For the Year Ended December 31, 2017

Revenues	Budget	Actual	Variance Favorable (Unfavorable)
Interest	\$ 150	\$ 10,380	\$ 10,230
Intergovernmental Revenues	-	53,431	53,431
Miscellaneous	<u>-</u>	<u>26,000</u>	<u>26,000</u>
Total Revenues	<u>150</u>	<u>89,811</u>	<u>89,661</u>
Expenditures			
General Government	-	4,950	(4,950)
Public Safety	105,163	111,076	(5,913)
Public Works	341,155	199,017	142,138
Other Expenditures	5,000	-	5,000
Debt Service			
Principal	-	134,983	(134,983)
Interest	<u>-</u>	<u>12,891</u>	<u>(12,891)</u>
Total Expenditures	<u>451,318</u>	<u>462,917</u>	<u>(11,599)</u>
Excess/(Deficiency) of Revenues Over Expenditures	(451,168)	(373,106)	78,062
Other Financing Sources/(Uses)			
Issuance long-term debt	-	111,529	111,529
Operating Transfers In	<u>451,168</u>	<u>339,705</u>	<u>(111,463)</u>
Total Other Financing Sources(Uses)	<u>451,168</u>	<u>451,234</u>	<u>111,529</u>
Net Change in Fund Balance	<u>-</u>	<u>78,128</u>	<u>189,591</u>
Fund Balance, January 1		<u>1,561,237</u>	
Fund Balance, December 31		<u>\$ 1,639,365</u>	

The accompanying notes are an integral part of these financial statements.

City of Latrobe
Statement of Fiduciary Net Position - Pension Trust Fund
December 31, 2017

	<u>Pension Trust Fund</u>
Assets	
Cash and Cash Equivalents	\$ 99,814
Investments	<u>5,821,710</u>
Total Assets	\$ <u>5,921,524</u>
Net Position	
Restricted for Pension Benefits	\$ <u>5,921,524</u>

The accompanying notes are an integral part of these financial statements.

City of Latrobe
Statement of Changes in Fiduciary Net Position - Pension Trust Fund
For the Year Ended December 31, 2017

	<u>Pension Trust Fund</u>
Additions	
Contributions	
Employer	\$ 240,030
Members	<u>27,899</u>
Total Contributions	<u>267,929</u>
Investment Income	
Interest and Dividends	226,207
Net Appreciation in Fair Value	496,050
Less: Investment Expenses	<u>(34,424)</u>
Net Investment Income	<u>687,833</u>
Total Additions	<u>955,762</u>
Deductions	
Benefits	<u>233,863</u>
Total Deductions	<u>233,863</u>
Net Increase	721,899
Beginning Net Position	<u>5,199,625</u>
Ending Net Position	<u>\$ 5,921,524</u>

The accompanying notes are an integral part of these financial statements.

City of Latrobe
Combining Balance Sheet
Non-Major Governmental Funds
December 31, 2017

	Liquid Fuels	Library	Parking Authority	Police Canine	DUI	Total Other Gov. Funds
Assets						
Cash	\$ <u>173,222</u>	\$ <u>1,045</u>	\$ <u>-</u>	\$ <u>48,937</u>	\$ <u>11,954</u>	\$ <u>235,158</u>
Total Assets	<u>173,222</u>	<u>1,045</u>	<u>-</u>	<u>48,937</u>	<u>11,954</u>	<u>235,158</u>
Fund Balances						
Restricted	173,222	-	-	48,937	11,954	234,113
Committed	<u>-</u>	<u>1,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,045</u>
Total Fund Balances	<u>173,222</u>	<u>1,045</u>	<u>-</u>	<u>48,937</u>	<u>11,954</u>	<u>235,158</u>
Total Liabilities and Fund Balances	\$ <u>173,222</u>	\$ <u>1,045</u>	\$ <u>-</u>	\$ <u>48,937</u>	\$ <u>11,954</u>	\$ <u>235,158</u>

The accompanying notes are an integral part of these financial statements.

City of Latrobe
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended December 31, 2017

Revenues	Liquid Fuels	Library	Parking Authority	Police Canine	DUI	Total Other Gov. Fund
Real Property Taxes	\$ -	\$ 13,204	\$ -	\$ -	\$ -	\$ 13,204
Interest, Rents and Royalties	120	2	-	-	14	136
Intergovernmental Revenues	285,600	-	-	-	-	285,600
Charges for Services	-	-	-	-	24,423	24,423
Miscellaneous	-	-	-	22,054	-	22,054
Total Revenues	<u>285,720</u>	<u>13,206</u>	<u>-</u>	<u>22,054</u>	<u>24,437</u>	<u>345,417</u>
Expenditures						
Public Safety	-	-	-	25,931	-	25,931
Culture and Recreation	-	13,200	-	-	-	13,200
Other Expenses	-	-	-	-	11,478	11,478
Total Expenditures	<u>-</u>	<u>13,200</u>	<u>-</u>	<u>25,931</u>	<u>11,478</u>	<u>50,609</u>
Excess/(Deficiency) of Revenues Over Expenditures	285,720	6	-	(3,877)	12,959	294,808
Other Financing Sources/(Uses)						
Operating Transfers Out	(118,537)	-	(6,843)	-	(1,005)	(126,385)
Net Change in Fund Balance	167,183	6	(6,843)	(3,877)	11,954	168,423
Beginning Fund Balance	<u>6,039</u>	<u>1,039</u>	<u>6,843</u>	<u>52,814</u>	<u>-</u>	<u>66,735</u>
Ending Fund Balance	<u>\$ 173,222</u>	<u>\$ 1,045</u>	<u>\$ -</u>	<u>\$ 48,937</u>	<u>\$ 11,954</u>	<u>\$ 235,158</u>

The accompanying notes are an integral part of these financial statements.

Notes to Primary Government Financial Statements

City of Latrobe
Notes to the Financial Statements
December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Latrobe (City) was incorporated as a Borough on May 24, 1854. The City operates under a Council-Manager form of government and provided the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning and general administrative services.

As of January 1, 1998, the Borough of Latrobe became the City of Latrobe, and operates as a Home Rule Municipality.

The accounting policies of the City of Latrobe conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Basis of Presentation

The government-wide financial statements report information on all of the activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program, and operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled. The various funds are grouped in the financial statement in this report into three generic fund types.

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all 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 specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

City of Latrobe
Notes to the Financial Statements
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Capital Projects Funds - Capital Project Funds are used to account for the revenues and expenditures designated for a particular capital project.

Proprietary Funds

The City has no Enterprise Funds for 2017.

Fiduciary Funds

Pension Trust Funds - Pension Trust Funds are used to account for assets held by the City in a trustee capacity for the police and non-uniform retirement plans of the City.

B. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are 5 to 50 years.

C. Budgets and Budgetary Accounting

An operating budget is adopted each year for the General Fund and Capital Projects Fund on an accrual basis of accounting.

Adoption of the budgets by the Council constitutes appropriations for the expenditures for the fiscal year. The expenditure budget may be amended by the council after a public hearing, provided that such amendment shall not result in expenditures exceeding estimated revenue determined at the time of the amendment. Any excess appropriations at the end of the fiscal year are not carried forward, but instead lapse.

D. Measurement Focus

The government funds of the City are accounted for on a "spending" measurement focus. Accordingly, only current assets and current liabilities are included on the governmental fund balance sheets, and the fund balances reflect spendable or appropriate resources. The operating statements for the governmental funds reflect increases and decreases in spendable resources through revenues and expenditures.

The Pension Trust Fund used the "income determination" measurement focus. Accordingly, the assets and liabilities are included on the balance sheet, and the fund balance reflects the market value of the trust fund. The operating statement reflects the change in the market value for the period through the revenues, expenses, and realized and unrealized gains and losses on the investments.

City of Latrobe
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E. Compensated Absences

The accumulated vested compensated absences, payable from future resources, is recorded in the Government-Wide Statement of Net Assets. No liability is recorded for non-vesting accumulated rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave benefits that is allowed to be paid upon retirement or separation. The accumulated vested compensated absences at December 31, 2017, consisted of sick pay of \$49,378.

F. Fund Equity

The City has implemented GASB Statement No. 54. GASB Statement establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, capital projects fund type and permanent fund type are clarified by the provisions in the Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definition of other governmental fund types also have been modified for clarity and consistency.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the town council the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The council and manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

City of Latrobe
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Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the township's policy to use externally restricted resources first, the unrestricted resources - committed, assigned, and unassigned - in order as needed.

NOTE 2: CASH AND TEMPORARY INVESTMENTS

During 2017, cash was on deposit in institutions who are insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2017, \$3,010,777 of the City's deposits were not covered by the FDIC, but were collateralized under Act 72 of Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

At December 31, 2017, the Pension Trust Fund investments reported at fair market value consisted of:

Investments with PMRS (Non-Uniform)		\$	4,710,814
<u>Police Pension</u>			
Bank CD's & Cash Equivalents	\$	99,814	
Fixed Income Securities		2,170,966	
Equities		372,257	
Mutual Funds		3,253,669	
Accrued Income		<u>24,818</u>	
			<u>5,921,524</u>
Total		\$	<u>10,632,338</u>

The City invested idle cash with various financial institutions in flexible money market funds and certificates of deposit. The interest rates in these funds varied over the year.

City of Latrobe
Notes to the Financial Statements
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NOTE 3: LONG TERM LIABILITIES

During 2017, general long-term debt changed as follows:

	<u>Principal Outstanding</u>			<u>Principal Outstanding</u>	<u>Amounts Due Within One</u>
	<u>January</u>	<u>New Issues</u>	<u>Debt Retired</u>	<u>December 31</u>	<u>Year</u>
PEMA # 10012	\$ 28,223	\$ -	\$ 9,256	\$ 18,967	\$ 11,345
Obligation Loan	78,812	-	37,918	40,894	40,894
Capital Lease	8,873	-	8,873	-	-
Capital Lease	166,790	-	40,015	126,775	44,734
Capital Lease	61,263	-	14,590	46,673	16,578
Capital Lease	-	86,342	18,425	67,917	18,961
Capital Lease	-	25,187	8,674	16,513	8,939
Bond Premium	71,783	-	3,988	67,795	-
Obligation Bond					
Series of 2016	<u>3,115,000</u>	<u>-</u>	<u>-</u>	<u>3,115,000</u>	<u>15,000</u>
Total Debt	<u>\$ 3,530,744</u>	<u>\$ 111,529</u>	<u>\$ 141,739</u>	<u>\$ 3,500,534</u>	<u>\$ 156,451</u>

A. BONDS PAYABLES

In August 2016, the City completed a new bond issue, Series 2016. It issued bonds totaling \$3,115,000, of which the final maturity is December 31, 2034. The City refunded the 2012 bonds. The proceeds of the bond issue are to be utilized for the 2012 bond refunding. In 2018, \$15,000 of the new issue will be paid. The interest rates of the new issue vary from 1.000% to 4.000% per annum.

Principal maturities due for the years ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 15,000	\$ 79,863	\$ 94,863
2019	160,000	79,713	239,713
2020	160,000	74,913	234,913
2021	175,000	68,513	243,513
2022	175,000	61,512	236,512
2023-2027	930,000	253,763	1,183,763
2028-2032	1,040,000	152,831	1,192,831
2033-2034	<u>460,000</u>	<u>20,850</u>	<u>480,850</u>
Total	<u>\$ 3,115,000</u>	<u>\$ 791,958</u>	<u>\$ 3,906,958</u>

B. NOTES PAYABLE

- a. During 2004, the City borrowed \$150,000 to finance the purchase of a fire truck. The terms are 2.0% interest per annum, with payments of \$965 for 180 months. The balance of this loan was \$18,967 at December 31, 2017. The next five year maturities are:

2018	\$ 11,345
2019	<u>7,622</u>
Total	<u>\$ 18,967</u>

City of Latrobe
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- b. During 2014, the City borrowed \$153,335 to finance the purchase of a dump truck for the transfer station. The terms are 2.5% interest per annum, with payments of \$39,843 per annum for the next four years. The balance of this loan was \$40,894 at December 31, 2017. The maturities are:

2018	\$ <u>40,894</u>
Total	\$ <u>40,894</u>

C. CAPITAL LEASE

- a. During 2015, the City entered into a Lease-Purchase agreement to purchase a police car. The terms are 3.3% interest per annum, with payments of \$9,166 per annum for the next three years. The balance of this lease was \$0 at December 31, 2017.
- b. During 2016, the City entered into a Lease-Purchase agreement to purchase a street sweeper. The terms are 2.9% interest per annum, with payments of \$44,733.65 per annum for the next five years. The balance of this lease was \$126,775 at December 31, 2017.
- c. During 2016, the City entered into a Lease-Purchase agreement to purchase a Ford F550. The terms are 2.6% interest per annum, with payments of \$16,579 per annum for the next five years. The balance of this lease was \$46,673 at December 31, 2017.
- d. During 2017, the City entered into a Lease-Purchase agreement to purchase a dump truck. The terms are 3.2% interest per annum, with payments of \$18,961 per annum for the next five years. The balance of this lease was \$67,917 at December 31, 2017.
- e. During 2017, the City entered into a Lease-Purchase agreement to purchase a police car. The terms are 3.2% interest per annum, with payments of \$8,939 per annum for the next five years. The balance of this lease was \$16,513 at December 31, 2017.

The following schedule summarizes maturities of Lease-Purchase agreements of the City of Latrobe at December 31, 2017:

<u>Year Ended December 31,</u>	<u>Governmental Activities</u>
2018	\$ 89,212
2019	89,212
2020	80,274
2021	<u>18,961</u>
Total Payments	277,659
Less Interest	<u>(19,781)</u>
Present Value of Future Minimum	
Lease Payments	\$ <u>257,878</u>

City of Latrobe
Notes to the Financial Statements
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NOTE 4: PROPERTY TAXES

Based on assessed valuations provided by Westmoreland County (approximately \$66,020,300 in 2017), the City bills and collects its own property taxes. The schedule for property taxes levied is:

March 1	- levy date
March 1 - April 30	- 2% discount period
May 1 - June 30	- face payment period
July 1	- 10% penalty

The City's tax rate for 2017 was 21.5 mills (21.3 per \$1,000 of assessed valuation for general purposes, and .2 mills for the Adams Memorial library).

NOTE 5: CONTINGENT LIABILITIES

Grant Programs

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

Litigations

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

NOTE 6: BUDGET COMPARISONS

For 2017, the Capital Projects Fund, for which a budget was prepared, had an increase of \$78,128.

NOTE 7: ALLOWANCE FOR DOUBTFUL ACCOUNTS

Utilizing its experience and collection history, the City has established an allowance for uncollectible accounts of \$3,500, for all receivables. This allowance is predominately allocated to sanitation receivables.

City of Latrobe
Notes to the Financial Statements
December 31, 2017

NOTE 8: CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 671,443	\$ -	\$ -	\$ 671,443
Total Non-Depreciated Assets	671,443	-	-	671,443
Capital Assets, being Depreciated:				
Improvements	148,095	8,245	-	156,340
Machinery and Equipment	1,111,638	8,850	-	1,120,488
Buildings	5,710,677	59,755	-	5,770,432
Furniture	33,482	-	-	33,482
Infrastructure	29,367	-	-	29,367
Vehicles	1,591,306	111,529	-	1,702,835
Total Depreciated Assets	8,624,565	188,379	-	8,812,944
Total Capital Assets	9,296,008	188,379	-	9,484,387
	Beginning Balance	Additions	Retirements	Ending Balance
Accumulated Depreciation:				
Improvements	(95,410)	(8,553)	-	(103,963)
Machinery and Equipment	(524,231)	(79,103)	-	(603,334)
Buildings	(1,321,575)	(149,298)	-	(1,470,873)
Furniture	(23,085)	(1,775)	-	(24,860)
Infrastructure	(19,084)	(1,468)	-	(20,552)
Vehicles	(946,922)	(138,715)	-	(1,085,637)
Total	(2,930,307)	(378,912)	-	(3,309,219)
Net Depreciated Assets	5,694,258	(190,533)	-	5,503,725
Net Capital Assets	\$ 6,365,701	\$ (190,533)	\$ -	\$ 6,175,168

City of Latrobe
Notes to the Financial Statements
December 31, 2017

NOTE 9: DEPOSITS AND INVESTMENTS

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Governmental Funds for investment purposes. In addition to the investments authorized for Governmental Funds, Fiduciary Fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practice. The deposit and investment policy of the City adheres to state statutes and prudent business practice. Governmental Funds' amounts are either maintained in demand deposits or certificates of deposit, captioned as "cash" in the combined balance sheet. These amounts are stated at cost which approximates market. The deposits and investments of the Fiduciary Funds are administered by trustees and are held separately from those of other municipal funds. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the City.

Investments

The City had no investments at December 31, 2017.

NOTE 10: LEASE AGREEMENT

A lease agreement was entered into between the Authority and two individuals in 2000 for the purpose of providing off-street parking. The lease is payable in equal monthly installments of \$480 per month. The lease ended on January 31, 2002 and has not been renewed as of December 31, 2017. However, the original terms of the lease have been followed. Minimum future lease payments as of December 31, 2017 are as follows:

<u>Year Ended</u> <u>December 31,</u>		
2018	\$	5,760
2019		5,760
2020		5,760
2021		5,760
2022		<u>5,760</u>
Total	\$	<u>28,800</u>

City of Latrobe
Notes to the Financial Statements
December 31, 2017

NOTE 11: FUND BALANCES REPORTING

<u>Classification/Fund</u>	<u>Purpose</u>	<u>Amount</u>
Restricted		
Other Government Funds	Liquid Fuels	\$ 173,222
Police Canine Fund	Police Canine	48,937
DUI Fund	DUI	11,954
Nonspendable		
General Fund	Prepaid	34,817
Committed		
Capital Fund	Capital Projects	1,639,365
Parking Fund	Parking Lots	225,160
Library Fund	Library	1,045
Unassigned		
General Fund		<u>1,757,968</u>
Total Fund Balance		<u>\$ 3,892,468</u>

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 15 and 16, the City provides post retirement health care benefits. Generally, eligible retired police officers receive medical coverage for themselves until Medicare eligibility. Retiring non-police employees receive medical coverage for themselves if they retire from the City after age 62, with coverage lasting until age 65. Life insurance is also provided for retirees of all employee groups (\$6,000 for retiring police and \$15,000 for retiring non-police employees). Currently, twenty retirees meet the eligibility requirements. During the year, expenditures of \$52,684 were recognized for post retirement health care. The City funds all contributions on a pay-as-you-go basis. Such benefits are funded through the General Fund.

The City's annual OPEB cost for the plan is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net obligation, as well as the assumptions used to calculate the net OPEB obligation:

Annual Required Contribution	\$ 152,428
Interest on net OPEB obligation	29,821
Adjustment to annual required contribution	<u>(40,684)</u>
Annual OPEB cost (expense)	141,565
Contributions made	<u>(52,681)</u>
Increase in net OPEB obligation	88,884
Net OPEB obligation beginning of the year	<u>662,695</u>
Net OPEB obligation end of year	<u>\$ 751,579</u>

City of Latrobe
Notes to the Financial Statements
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Actuarial valuation date	1/1/15
Actuarial cost method	Entry Age
Amortization method	Level Dollar
Asset valuation method	N/A- plans are unfunded
Remaining amortization period	30 years
Actuarial Assumptions:	
Investment rate of return	4.5%
Health care inflation rates	8%
Retirement Age Assumption	Police: Age 51 with 26 years of service Non-Police: Age 62

For the Actuarial Valuation report dated January 1, 2015, the actuarial value of assets is zero, the actuarial accrued liability is \$1,608,971 for a funded ratio of zero.

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2017	141,565	95%	751,579
December 31, 2016	143,132	95%	662,695
December 31, 2015	144,816	95%	567,148

2008 was the implementation year for GASB Statement No. 45.

NOTE 13: POLICE PENSION PLAN

A. Description of Plan

1. General

The City of Latrobe Police Pension Plan is a single-employer defined benefit pension plan. The Plan was established by Ordinance No. 67-10, effective March 27, 1967. The plan was amended and restated effective January 1, 2013. The Plan is governed by the City Council of the City of Latrobe which may amend plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to Commercial National Bank.

2. Plan Membership

Actuarial Valuation report dated January 1, 2017 and discloses that pension plan membership consists of:

Active Employees	13
Retirees and Beneficiaries Currently Receiving Benefits	15
Deferred	<u>2</u>
Total	<u>30</u>

City of Latrobe
Notes to the Financial Statements
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3. Benefit Provisions

Actuarial Valuation report dated January 1, 2015 discloses that the pension plan benefit provisions are as follows:

Eligibility Requirements:

Normal Retirement:

Later of age 50 and completion of 25 years of aggregate service.

Retirement Benefit:

A monthly benefit equal to 50 percent of final monthly average salary averaged over the final 36 months of employment, which will be reduced by 75 percent of the Social Security Benefit. Reduction will commence with the month following eligibility for full Social Security Benefits.

Death Benefit

Before Retirement Eligibility:

Refund of contributions

After Normal Retirement Eligibility:

The spouse will receive 50 percent of the amount the participant was receiving or entitled to receive payable for life. In the event of death, the participant's children will share the benefit until age 18, or age 23, if attending college.

Killed in Service:

A monthly benefit equal to 100 percent of the participant's fixed, periodic pay in month prior to death, payable to the participant's spouse for life. In event of the spouse's death, each of the participant's dependent children will receive an equal share of the benefit until age 18, or until age 23, if attending college.

Disability Benefit

Service Related:

For total and permanent disablement that occurs in the line of duty, a monthly benefit equal to 50 percent of the participants fixed, periodic pay in the month before disablement reduced by social security disability received for the same injury.

Non-Service Related:

None

City of Latrobe
Notes to the Financial Statements
December 31, 2017

Member Contributions

Amount of Rate: 2.75 percent of wages subject to social security taxation and 5.0 percent of wages not subject to this tax.

Interest Rate Credited
to Member Contributions: 5.0 percent

B. Summary of Significant Accounting Policies

1. Basis of Accounting

These statements have been prepared on the accrual basis of accounting. Contributions and pension payments are recognized in the period that they are due.

2. Valuation of Investments

Plan investments are listed at fair value as reported by Commercial National Bank.

C. Contributions

Act 205 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation (annual valuation for distressed plans). The MMO included the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10 percent of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirements established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute 2.75 percent of covered payroll subject to social security taxation and 5.0 percent of covered payroll not subject to this tax. The contribution is governed by the Plan's governing ordinance and collective bargaining.

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

Net Pension Liability - The Employees' Retirement net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net police pension liability of the City of Latrobe at December 31, 2017, were as follows:

Total Pension Liability	\$ 6,218,752
Employee's Retirement Plan Fiduciary Net Position	<u>6,005,979</u>
City's Net Pension Liability	<u>\$ 212,773</u>

Employees' Retirement Plan Net Position as a Percentage of Total Pension Liability	96.58%
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City of Latrobe
Notes to the Financial Statements
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Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality Rates - Were based on the RP2000 Mortality Table.

Investment Rate of Return - 6.5 % compounded annually, net of expenses.

Cost of Living - 4.5% per year, subject to plan limitation

Changes in Net Pension Liability - Changes in the Employees' Retirement net pension liability for the year ended December 31, 2017 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2016	\$ 5,962,397	\$ 5,241,879	\$ 720,518
Changes for the year:			
Service Cost	139,826	-	139,826
Interest	385,572	-	385,572
Changes in Benefit Terms	-	-	-
Difference between expected and actual experience	15,541	-	15,541
Change in Assumptions	(90,247)	-	(90,247)
Contributions - Employer	-	240,030	(240,030)
Contributions - Member	-	27,899	(27,899)
Net Investment Income	-	726,344	(726,344)
Benefits Payments	(194,337)	(194,337)	-
Admin Expense	-	(35,836)	35,836
Net Changes	<u>256,355</u>	<u>764,100</u>	<u>(507,745)</u>
Balance at 12/31/2017	<u>\$ 6,218,752</u>	<u>\$ 6,005,979</u>	<u>\$ 212,773</u>

Sensitivity of the Net Pension Liability to Changes in Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 5.5%, as well as what the City's net pension would be if it were calculated using a discount rate that is 1 percentage point lower (4.5%) or 1 percentage point higher (6.5%) than the current rate:

	Discount Rate	Net Pension Liability
1% decrease	5.5%	\$ 916,408
Current discount rate	6.5%	\$ 212,773
1% increase	7.5%	\$ (376,611)

City of Latrobe
Notes to the Financial Statements
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At December 31, 2017, the Plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 12,369	\$ 122,284
Changes in assumptions	-	71,829
Net difference between projected and actual earnings on pension plan investments	<u>141,947</u>	<u>310,626</u>
Total	<u>\$ 154,316</u>	<u>\$ 504,739</u>

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

Year ended December 31:	
2018	(120,985)
2019	(55,142)
2020	(82,919)
2021	(91,377)

NOTE 14: NON-UNIFORMED PENSION

A. Description of Plan

1. General

The Latrobe City Non-uniformed Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Resolution No. 80-14 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multi-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available on the PMRS Website. A copy can be obtained by contacting the PMRS accounting office.

2. Plan Membership

As of December 31, 2017, the pension plan membership consisted of:

Active Employees	22
Retirees and Beneficiaries Currently Receiving Benefits	15
Terminated Plan Member Entitled to but not yet Receiving Benefits	<u>-</u>
Total	<u>37</u>

City of Latrobe
Notes to the Financial Statements
December 31, 2017

3. Benefit Provisions

As of December 31, 2017, the pension plan benefits provisions were as follows:

***Eligibility Requirements**

Normal Retirement - Attainment of age 60 with 12 years of credited service.

Early Retirement -

Voluntary Service - Early retirement after 20 years of service.

Involuntary Service - Early retirement after 8 years of service.

Vesting - a member is 100% vested after 12 years of service.

Retirement Benefit

Benefit equals 1.25% times the number of years credited service, times final average salary based upon the member's highest 5 year average salary. There is no social security offset.

***Survivor Benefit**

At retirement a member may select a reduced survivor benefit. If eligible for retirement at the time of death, a member's surviving spouse may receive a lump sum benefit of the accrued benefits provided.

***Disability Benefit**

Service-Related - Disability benefit equal to 50% of the member's final salary for the inability to perform gainful employment. This benefit is offset by workmen's compensation benefits.

Non-Service Related - Disability benefit equal to 30% of the member's final salary for the inability to perform gainful employment. Members must attain 10 years of credited service for eligibility.

***Post-Retirement Adjustments**

PMRS Law provides for municipality to optionally award post-retirement adjustments based on system's investment performance.

***Members' Contributions**

Amount or rate - 3.5% of pay; and

Interest rate credited to members' contributions - 5.5%.

City of Latrobe
Notes to the Financial Statements
December 31, 2017

B. Summary of Significant Accounting Policies

Basis of Accounting - The plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due, in accordance with Act 205, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures requirements required by Statement No. 3 of the Governmental Accounting Standards Board for aggregate PMRS investments are included in PMRS's separately issued CAFR.

C. Contributions

Act 205 requires that annual contributions be based upon the plan's Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation.

In accordance with the plan's governing Ordinance or Resolution as applicable, members are required to contribute 3.50% of compensation to the plan.

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

Administrative costs, including the investment manager, custodial trustee, and actuarial services are charged to the plan and funded through investment earnings.

Net Pension Liability - The Employees' Retirement net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the City of Latrobe at December 31, 2017, were as follows:

Total Pension Liability	\$ 4,339,619
Employee's Retirement Plan Fiduciary Net Position	<u>4,710,814</u>
City's Net Pension Liability	<u>\$ (371,195)</u>

Employees' Retirement Plan Net Position as a Percentage of Total Pension Liability	108.6%
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City of Latrobe
Notes to the Financial Statements
December 31, 2017

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality Rates - Were based on the RP2000 Mortality Table.

Investment Rate of Return - 5.5 % compounded annually, net of expenses.

Cost of Living - 3.0% per year, subject to plan limitation

Discount Rate - The discount rate used to measure the total pension liability was 5.5%.

Changes in Net Pension Liability - Changes in the Employees' Retirement net pension liability for the year ended December 31, 2017 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2016	\$ 4,564,728	\$ 4,854,909	\$ (290,181)
Changes for the year:			
Service Cost	72,147	-	72,147
Interest	239,593	-	239,593
Changes in Assumptions	85,869	-	85,869
Difference between expected and actual experience	(53,816)	-	(53,816)
Contributions - Employer	-	-	-
Contributions - PMRS Assessment	-	60	(60)
Contributions - Member	-	33,132	(33,132)
PMRS Investment Income	-	265,945	(265,945)
Market Value Investment Income	-	139,499	(139,499)
Transfers	-	-	-
Benefits Payments	(568,902)	(568,902)	-
PMRS Admin Expense	-	(800)	800
Additional Admin Expense	-	(13,029)	13,029
Net Changes	<u>(225,109)</u>	<u>(144,095)</u>	<u>(81,014)</u>
Balance at 12/31/2017	<u>\$ 4,339,619</u>	<u>\$ 4,710,814</u>	<u>\$ (371,195)</u>

Sensitivity of the Net Pension Liability to Changes in Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 5.25%, as well as what the City's net pension would be if it were calculated using a discount rate that is 1 percentage point lower (4.25%) or 1 percentage point higher (6.25%) than the current rate:

	Discount Rate	Net Pension Liability
1% decrease	4.25%	\$ 3,304
Current discount rate	5.25%	\$ (371,195)
1% increase	6.25%	\$ (697,944)

City of Latrobe
Notes to the Financial Statements
December 31, 2017

At December 31, 2017, the Plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 78,156
Changes in assumptions	88,594	-
Net difference between projected and actual earnings on pension plan investments	<u>30,267</u>	<u>-</u>
Total	<u>\$ 118,861</u>	<u>\$ 78,156</u>

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

Year ended December 31:	
2018	\$ (3,402)
2019	34,391
2020	37,615
2021	(27,899)

NOTE 15: SUBSEQUENT EVENTS

Subsequent events have been evaluated through the Independent Auditors' Report date which is the date the financial statements were available to be issued.

Supplementary Information

**City of Latrobe Non-Uniform Pension Plan
Schedule of Changes in Net Pension Liability
and Schedule of Employer Contributions
As of December 31, 2017**

Schedule of Changes in Net Pension Liability

<u>Total Pension Liability</u>	2017	2016	2015
Service Cost (Beginning of Year)	\$ 72,147	\$ 76,929	\$ 78,873
Interest (Includes Interest on Service Cost)	239,593	241,374	243,526
Difference Between Expected and Actual Experience	(53,816)	-	(151,182)
Changes in Assumptions	85,869	48,386	-
Transfers	-	(28,083)	-
Benefit Payments, Including Refunds of Member Contributions	(568,902)	(196,218)	(192,911)
Net Change in Total Pension Liability	(225,109)	142,388	(21,694)
Total Pension Liability - Beginning	4,564,728	4,422,340	4,444,034
Total Pension Liability - Ending	\$ 4,339,619	\$ 4,564,728	\$ 4,422,340

Plan Fiduciary Net Position

Contribution - Employer	\$ -	\$ -	\$ 2,462
Contribution - PMRS Assessment	60	40	-
Contribution - Member	33,132	32,540	31,338
PMRS Investment Income	265,945	276,689	268,108
Market Value Investment Income	139,499	(287,513)	76,604
Transfers	-	(28,083)	-
Benefit Payments, Including Refunds of Member Contributions	(568,902)	(196,218)	(192,911)
PMRS Admin Expense	(800)	(800)	(820)
Additional Admin Expense	(13,029)	(11,535)	(10,282)
Net Change in Plan Fiduciary Net Position	(144,095)	(214,880)	174,499
Plan Fiduciary Net Position - Beginning	4,854,909	5,069,789	4,895,290
Plan Fiduciary Net Position - Ending	4,710,814	4,854,909	5,069,789
Net Pension Liability - Ending	\$ (371,195)	\$ (290,181)	\$ (647,449)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	108.55%	106.36%	114.64%
Covered Employee Payroll	\$ 946,647	\$ 929,714	\$ 992,460
Net Pension Liability as a Percentage of Covered Employee Payroll	-39.21%	-31.21%	-65.24%

Schedule of Employer Contributions

Contributions in Relation to the Actuarially Determined Contribution	-	60	40
Contribution Deficiency/(Excess)	-	(60)	(40)
Covered - Employee Payroll	\$ 939,904	\$ 946,647	\$ 929,714
Contributions as a Percentage of Covered Employee Payroll	.00%	.01%	.25%

City of Latrobe Police Pension Plan
Schedule of Changes in Net Pension Liability and
Schedule of Employer Contributions
As of December 31, 2017

Schedule of Changes in Net Pension Liability

<u>Total Pension Liability</u>	2017	2016	2015
Service Cost (Beginning of Year)	\$ 139,826	\$ 100,794	\$ 102,566
Interest (Includes Interest on Service Cost)	385,572	369,929	342,744
Changes in Benefit Terms	-	169,140	-
Difference Between Expected and Actual Experience	15,541	-	(404,476)
Changes in Assumptions	(90,247)	-	-
Benefit Payments, Including Refunds of Member Contributions	(194,337)	(194,439)	(194,439)
Net Change in Total Pension Liability	256,355	445,424	(153,605)
Total Pension Liability - Beginning	5,962,397	5,516,973	5,670,577
Total Pension Liability - Ending	\$ 6,218,752	\$ 5,962,397	\$ 5,516,972

Plan Fiduciary Net Position

Contribution - Employer	\$ 240,030	\$ 243,099	\$ 315,091
Contribution - Member	27,899	27,217	27,636
PMRS Investment Income	726,344	268,195	30,120
Benefit Payments, Including Refunds of Member Contributions	(194,337)	(194,439)	(194,439)
PMRS Admin Expense	(35,836)	(37,853)	(37,053)
Net Change in Plan Fiduciary Net Position	764,100	306,219	141,355
Plan Fiduciary Net Position - Beginning	5,241,879	4,935,660	4,794,304
Plan Fiduciary Net Position - Ending	6,005,979	5,241,879	4,935,660
Net Pension Liability - Ending	\$ 212,773	\$ 720,518	\$ 581,313
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.57%	87.91%	89.46%
Covered Employee Payroll	\$ 1,145,655	\$ 1,129,369	\$ 1,078,450
Net Pension Liability as a Percentage of Covered Employee Payroll	18.57%	63.79%	54.20%

Schedule of Employer Contributions

Actuarially Determined Contribution	\$ 240,030	\$ 243,099	\$ 315,091
Contributions in Relation to the Actuarially Determined Contribution	240,030	243,099	315,091
Contribution Deficiency/(Excess)	-	-	-
Covered - Employee Payroll	\$ 1,145,655	\$ 1,129,369	\$ 1,078,450
Contributions as a Percentage of Covered Employee Payroll	21%	22%	29%

SCHEDULE OF FUNDING PROGRESS
Other Post Employment Benefits
(Unaudited)
December 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a % of Payroll ((b-a)/(c))
01/01/15	-	1,608,971	1,608,971	0%	1,867,179	86.2%
01/01/12	-	877,535	877,535	0%	1,829,946	47.9%
01/01/09	-	1,417,650	1,417,650	0%	1,929,632	73.6%

December 31, 2009 is the implementation year for GASB Statement No. 45.