

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Borough Council
Duryea Borough
Duryea, PA 18642

We have audited the accompanying financial statements as listed in the table of contents of Duryea Borough, Pennsylvania, as of and for the year ended December 31, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Pennsylvania Department of Community and Economic Development. 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 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 modified and adverse opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by Duryea Borough, on the basis of the financial reporting provisions of the Pennsylvania Department of Community and Economic Development, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Pennsylvania Department of Community and Economic Development.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Duryea Borough, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows for the year then ended.

Basis for Modified Opinion on Regulatory Basis

The Borough has excluded the fixed asset account group from the accompanying statements of assets, liabilities and fund balances. The prescribed format described above requires that all such items be included in the statements of assets, liabilities and fund balances. Had there been any changes resulting from the inclusion of the fixed asset account group, such changes would have had no effect on the statements of revenues, expenditures and changes in fund balances.

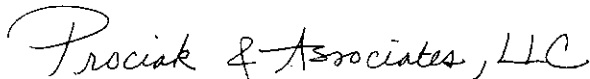
Modified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matters discussed in the "Basis for Modified Opinion on the Regulatory Basis" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Duryea Borough as of December 31, 2017 and the changes in fund balances, on the basis of the financial reporting provisions of the Pennsylvania Department of Community and Economic Development as described in Note 1.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Duryea Borough's financial statements. The DCED required accompanying financial information listed as "Statement of Capital Expenditures" and "Employee Compensation Schedule" and the other supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 is fairly stated in all material respects in relation to the financial statements as a whole.

February 23, 2018



PROCIAK & ASSOCIATES, L.L.C.
Wilkes-Barre, Pennsylvania

DURYEATBOROUGH
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND
 BALANCES - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2017

	Fiduciary Fund			Account Group	Total (Memorandum Only)
	General Fund	Special Revenue Fund	Pension Trust Fund	General Long-Term Debt	
Assets and other debits					
Cash	\$ 384,511	\$ -	\$ -	\$ -	\$ 384,511
Cash - restricted	83,700	183,629	-	-	267,329
Investments	-	-	1,057,635	-	1,057,635
Accounts receivable (excluding taxes)	-	-	-	-	-
Grant receivable	41,149	-	-	-	41,149
Due from other funds	-	-	-	-	-
Other current assets	-	-	-	-	-
Fixed assets	-	-	-	-	-
Other debits	-	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	321,150	321,150
Total assets and other debits	<u>\$ 509,360</u>	<u>\$ 183,629</u>	<u>\$ 1,057,635</u>	<u>\$ 321,150</u>	<u>\$ 2,071,774</u>
Liabilities and other credits					
Payroll taxes and other payroll withholdings	\$ -	\$ -	\$ -	\$ -	\$ -
All other current liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Long term liabilities	-	-	-	321,150	321,150
Other credits & current portion long-term debt	-	-	-	-	-
Total liabilities and other credits	-	-	-	<u>321,150</u>	<u>321,150</u>
Fund and account group equity					
Contributed capital	\$ -	\$ -	\$ -	\$ -	\$ -
Investment in general fixed assets	-	-	-	-	-
Fund balance - reserved	124,849	183,629	1,057,635	-	1,366,113
Fund balance - unreserved	384,511	-	-	-	384,511
Other equity	-	-	-	-	-
Total fund and account group activity	<u>509,360</u>	<u>183,629</u>	<u>1,057,635</u>	-	<u>1,750,624</u>
Total liabilities and fund account group equity	<u>\$ 509,360</u>	<u>\$ 183,629</u>	<u>\$ 1,057,635</u>	<u>\$ 321,150</u>	<u>\$ 2,071,774</u>

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

DURYEA BOROUGH
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL TYPES
DECEMBER 31, 2017

	General Fund	Special Revenue Fund	Total (Memorandum Only)
REVENUES			
Taxes			
Real estate taxes	\$ 413,573	\$ -	\$ 413,573
Occupational taxes	-	-	-
Residence taxes	-	-	-
Regional asset district sales tax	-	-	-
Per capita taxes	-	-	-
Real estate transfer taxes	51,822	-	51,822
Earned income taxes/wage taxes	588,979	-	588,979
Business gross receipts taxes	-	-	-
Occupational taxes/Act 511	-	-	-
Local service tax	53,336	-	53,336
Amusement taxes	-	-	-
Mechanical device taxes	-	-	-
Other local enabling tax/Act 511	-	-	-
Total taxes	1,107,710	-	1,107,710
Licenses and permits			
All other licenses and permits	66,804	-	66,804
Cable television franchise fees	57,914	-	57,914
Total licenses and permits	124,718	-	124,718
Fines and forfeits			
Fines and forfeits	34,889	-	34,889
Interest, rents and royalties			
Interest earnings	1,250	426	1,676
Rents and royalties	-	-	-
Total interest, rents and royalties	1,250	426	1,676
INTERGOVERNMENTAL REVENUES			
Federal			
Highways and streets	-	-	-
Community development	-	-	-
All other federal capital and operating grants	-	-	-
National forest	-	-	-
All other federal share revenue and entitlements	-	-	-
Federal payments in Lieu of taxes	-	-	-
Total federal	-	-	-

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

DURYEA BOROUGH
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL TYPES (CONT'D)
DECEMBER 31, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total (Memorandum Only)</u>
INTERGOVERNMENTAL REVENUES (CONT'D)			
State			
Highways and streets	\$ -	\$ -	\$ -
Community development	-	-	-
Recycling/Act 101	15,222	-	15,222
All other state capital & operating grants	152,800	-	152,800
Public utility realty tax (PURTA)	1,093	-	1,093
Motor Vehicle fuel tax and state road turnback	-	140,909	140,909
Alcoholic beverages licenses	-	-	-
General municipal Pension system state aid	6,610	-	6,610
Foreign fire insurance tax distribution	24,342	-	24,342
Local share assessment/gaming proceeds	-	-	-
Marcellus Shale impact fee distribution	-	-	-
All other shared revenue and entitlements	-	-	-
State payments in lieu of taxes	-	-	-
Total state	<u>200,067</u>	<u>140,909</u>	<u>340,976</u>
Local governmental units			
Highways and streets	-	-	-
All other local governments units capital and operating grants	-	-	-
Local government shared payments for contracted intergovernmental services	-	-	-
Local governmental unit authorities payments in lieu of taxes	<u>1,858</u>	<u>-</u>	<u>1,858</u>
Total local governmental units	<u>1,858</u>	<u>-</u>	<u>1,858</u>
Total intergovernmental revenues	<u>201,925</u>	<u>140,909</u>	<u>342,834</u>
Charges for services			
General government	-	-	-
Public safety	-	-	-
Parking	-	-	-
All other charges for highway and street services	-	-	-
Waste water/ sewage charges	-	-	-
Solid waste collection/trash	291,491	-	291,491
Host municipality fee for solid waste facility	-	-	-
Other charges for sanitation service	-	-	-
Health	-	-	-
Human services	-	-	-
Culture and recreation	1,050	-	1,050
Airports	-	-	-
Bars	-	-	-
Cemeteries	-	-	-
Electric system	-	-	-
Gas system	-	-	-
Housing system	-	-	-
Markets	-	-	-
Transit systems	-	-	-
Water systems	-	-	-
Other charges for service	-	-	-
Total charges for service	<u>\$ 292,541</u>	<u>\$ -</u>	<u>\$ 292,541</u>

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

DURYEA BOROUGH
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL TYPES (CONT'D)
DECEMBER 31, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total (Memorandum Only)</u>
Miscellaneous revenues			
Assessments	\$ -	\$ -	\$ -
Escheats	-	-	-
Contributions and donations from private sources	-	-	-
Reimbursements	-	-	-
All other unclassified operating revenues	<u>9,268</u>	<u>-</u>	<u>9,268</u>
Total unclassified operating revenues	<u>9,268</u>	<u>-</u>	<u>9,268</u>
Other financing sources			
Proceeds of general fixed asset disposition	1,800	-	1,800
Interfund operating transfers	-	-	-
Proceeds of general long term debt	-	-	-
Proceeds of short term debt	-	-	-
Refund of prior year expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>1,800</u>	<u>-</u>	<u>1,800</u>
Total revenues	<u>1,774,101</u>	<u>141,335</u>	<u>1,915,436</u>
 EXPENDITURES			
General government			
Legislative/governing body	39,735	-	39,735
Executive/manager or mayor	13,975	-	13,975
Auditing service/financial administration	5,600	-	5,600
Tax collection	6,785	-	6,785
Solicitor/legal service	23,529	-	23,529
Secretary/clerk	-	-	-
Other general government administration	49,492	-	49,492
IT- networking services data processing	-	-	-
Engineering services	20,255	-	20,255
General governmental buildings/plant	<u>86,248</u>	<u>-</u>	<u>86,248</u>
Total general government	<u>245,619</u>	<u>-</u>	<u>245,619</u>
Public safety			
Police	293,956	-	293,956
Fire	82,176	-	82,176
Ambulance/Rescue	-	-	-
UCC and code enforcement	18,869	-	18,869
Planning and zoning	8,638	-	8,638
Emergency management and communications	-	-	-
Militia & armories	-	-	-
Examination of licensed occupations	-	-	-
Public scales	-	-	-
Other public safety	<u>-</u>	<u>-</u>	<u>-</u>
Total public safety	<u>\$ 403,639</u>	<u>\$ -</u>	<u>\$ 403,639</u>

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

DURYEA BOROUGH
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL TYPES (CONT'D)
DECEMBER 31, 2017

	General Fund	Special Revenue Fund	Total (Memorandum Only)
Health and human services			
Health and human services	\$ -	\$ -	\$ -
Public works- sanitation			
Recycling collection and disposal	3,500	-	3,500
Solid waste collection and disposal (trash)	326,001	-	326,001
Weed control	-	-	-
Waste water/sewage collection and treatment	-	-	-
Total public works - sanitation	<u>329,501</u>	<u>-</u>	<u>329,501</u>
Public works- highways and streets			
General services - administration	-	-	-
Street Department operating	220,462	-	220,462
Winter maintenance - snow removal	-	4,904	4,904
Traffic control devices	-	-	-
Street lighting	87,922	-	87,922
Sidewalks and crosswalks	-	-	-
Storm sewers and drains	9,292	-	9,292
Repairs of tools and machinery	45,037	-	45,037
Road and bridge maintenance and repairs	20,634	3,980	24,614
Highway construction and rebuilding projects	-	-	-
Total public works - highways and streets	<u>383,347</u>	<u>8,884</u>	<u>392,231</u>
Other public works - other services			
Airports	-	-	-
Cemeteries	-	-	-
Electric system	-	-	-
Gas system	-	-	-
Markets	-	-	-
Parking	-	-	-
Storm water and flood control	-	-	-
Transit system	-	-	-
Water system	-	-	-
Water transport and terminals	-	-	-
Total other public works - other services	<u>-</u>	<u>-</u>	<u>-</u>
Culture and recreation			
Culture-recreation administration	-	-	-
Participation recreation	-	-	-
Spectator recreation	-	-	-
Parks	28,690	-	28,690
Shade trees	-	-	-
Libraries	-	-	-
Civil & military celebrations	250	-	250
Senior citizens centers	-	-	-
Other culture and recreation	-	-	-
Total culture and recreation	<u>28,940</u>	<u>-</u>	<u>28,940</u>
Community development			
Conservation of natural resources	-	-	-
Community development and housing	-	-	-
Economic development	-	-	-
Economic opportunity	-	-	-
Other community development	-	-	-
Total community development	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

DURYEA BOROUGH
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL TYPES (CONT'D)
DECEMBER 31, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total (Memorandum Only)</u>
Debt service			
Debt principal	\$ 35,984	\$ 44,621	\$ 80,605
Debt interest	1,711	8,951	10,662
Fiscal agent fees	<u>-</u>	<u>-</u>	<u>-</u>
Total debt service	<u>37,695</u>	<u>53,572</u>	<u>91,267</u>
Employer paid benefits and withholding taxes			
Employer paid withholding taxes & unemployment compensation	38,938	-	38,938
Judgements and losses	-	-	-
Pension /retirement fund contributions	7,610	-	7,610
Workers compensation	87,811	-	87,811
Group insurance and other benefits	<u>70,253</u>	<u>-</u>	<u>70,253</u>
Total employer paid benefits and withholding items	<u>204,612</u>	<u>-</u>	<u>204,612</u>
Insurance			
Insurance, casualty & surety	<u>85,997</u>	<u>-</u>	<u>85,997</u>
Unclassified operating expenditures			
Fiduciary fund benefits and refunds paid	-	-	-
All other unclassified expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Total unclassified operating expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing uses			
Refund of prior year revenue	-	-	-
Interfund operating transfers	-	-	-
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,719,350</u>	<u>62,456</u>	<u>1,781,806</u>
Excess (deficit) of revenues over expenditures	54,751	78,879	133,630
Beginning fund balance	<u>454,609</u>	<u>104,750</u>	<u>559,359</u>
Ending fund balance	<u>\$ 509,360</u>	<u>\$ 183,629</u>	<u>\$ 692,989</u>

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

DURYEA BOROUGH
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Police Pension</u>	<u>Non- Uniformed Pension</u>	<u>Total (Memorandum Only)</u>
REVENUE			
Investment income (loss)	\$ 120,732	\$ 4,613	\$ 125,345
State aid	<u>610</u>	<u>6,000</u>	<u>6,610</u>
Total	<u>121,342</u>	<u>10,613</u>	<u>131,955</u>
EXPENDITURES			
Pension benefits	36,667	-	36,667
Refund of terminated employees' contributions	-	-	-
Administrative expense	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>36,667</u>	<u>-</u>	<u>36,667</u>
Excess (deficiency) of revenue over (under) expenditures	<u>84,675</u>	<u>10,613</u>	<u>95,288</u>
OTHER FINANCING SOURCES (USES)			
Excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses	<u>84,675</u>	<u>10,613</u>	<u>95,288</u>
Fund balance, beginning	<u>906,874</u>	<u>55,473</u>	<u>962,347</u>
Fund balance, ending	<u>\$ 991,549</u>	<u>\$ 66,086</u>	<u>\$ 1,057,635</u>

See accompanying notes to the basic financial statements.

DURYEA BOROUGH
STATEMENT OF CAPITAL EXPENDITURES
DECEMBER 31, 2017

	<u>Capital Purchases</u>	<u>Capital Construction</u>	<u>Total (Memorandum Only)</u>
Community development	\$ -	\$ -	\$ -
Electric	-	-	-
Fire	-	-	-
Gas System	-	-	-
General Government	-	-	-
Health	-	-	-
Housing	-	-	-
Libraries	-	-	-
Mass Transit	-	-	-
Parks	-	19,651	19,651
Police	-	-	-
Recreation	-	-	-
Sewer	-	-	-
Solid Waste	-	-	-
Streets/Highways	160,350	-	160,350
Water	-	-	-
Other	-	-	-
Total capital expenditures	<u>\$ 160,350</u>	<u>\$ 19,651</u>	<u>\$ 180,001</u>

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

DURYEA BOROUGH
EMPLOYEE COMPENSATION
DECEMBER 31, 2017

	<u>Employee Compensation</u>
Total salaries, wages, commissions, etc.	<u>\$ 540,203</u>

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

DURYEA BOROUGH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 1: Summary of significant accounting policies

Reporting entity

Duryea Borough, Pennsylvania was incorporated on May 28, 1901. The Borough was named in honor of Hiram Duryea, a Civil War general and owner of extensive tracts of land in sections of the country. The Borough's government had to legislate laws to provide for health, safety and general welfare of its residents. The Borough operates under a council-manager form of government and provides, but is not limited to, the following services: garbage collection, street cleaning, police protection, community improvements and recreation, planning and zoning and general administration services. The accompanying financial statements present the Borough's primary government.

All significant activities and organizations on which the Borough exercises oversight responsibility have been included in the Borough's financial statements, for the year ended December 31, 2017. The following criteria regarding manifestation of oversight were considered by the Borough in its evaluation of Borough organizations and activities:

- Financial interdependency- The Borough is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit from the Borough. The Borough has offered their unlimited guaranty/surety. See Note 6.
- Election of the government authority- The council is responsible for all public decisions and accountable for the decisions it makes. The mayor is responsible for the deciding vote when the council is equally divided.
- Designation of management – The council appoints the Borough secretary and hires other members of Borough management. The activities under the review of management are within the scope of the reporting entity and management is accountable to the council for the activities being managed.
- Ability to significantly influence operations- The council has authority to significantly influence operations. This authority includes, but is not limited to, control over assets, including facilities and properties, short-term borrowings, signing contracts, establishing a budget, levying taxes, issuing bonded debt and developing programs to be provided.
- Accountability of fiscal matters- The responsibility and accountability over all funds is vested with the council.

Basis of accounting

The Borough's policy is to follow the cash basis method of accounting for all funds. The cash basis method of accounting recognizes revenues when received rather than when earned and expenditures when paid rather than when incurred.

DURYEA BOROUGH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

Basis of Presentation- fund accounting

The accounts of the Borough are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures. The various funds are summarized in the accompanying financial statements.

The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

The following fund types and account groups used by the Borough are described as follows:

1. Governmental Fund Types

These are funds through which most governmental functions typically are financed. The funds included in this category are:

General Fund- The General Fund is the general operating fund of the Borough. It is used to account for and report all financial resources except those required to be accounted for in other funds.

Special Revenue Funds – Special revenue funds are used to account for financial resources that are restricted to expenditure for specified purposes.

2. Fiduciary Fund Type

Fiduciary funds exist because the Borough, in its capacity as agent for accomplishing some particular mission, becomes incidentally a custodian of assets. The Borough's fiduciary funds include the following:

- Police Pension Fund
- Non-uniformed Pension Fund

3. Account Groups

In addition to the two broad types of governmental funds, the Borough also maintains an account group as described below.

General Long-Term Debt Account Group- This is not a fund but rather an account group that is used to account for outstanding principal balances of general obligation notes and loans payable and other long-term debt.

DURYEA BOROUGH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

Fund Balances

Fund Balances are reflected in the accompanying statements of assets, liabilities and fund balances are segregated as follows:

Fund Balance –Reserved

Represents fund balances which may be used for designated purposes only, such designations having been made by the Borough at the time the fund was created or federal/state governments providing funding through grants or donors' directives at the time funds were gifted to the Borough.

Fund Balance – Unreserved

Represents fund balances which are available for general use by the Borough

Total Columns (memorandum only)

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2: Cash and Investments

The Borough maintains cash accounts that are available for use by all funds. Each fund type's portion is displayed on the combined balance sheet as "cash" under their respective caption. The Borough conducts most of its banking transactions with depository institution, Peoples Security Bank.

Deposits (i.e. cash on hand, cash in bank and money market accounts) are carried at cost which approximates market value. Deposits are made on behalf of four or more separate accounts, which have been allocated by law for the exclusive use of a separate borough department or subdivision expressly authorized by state statute.

Cash and Cash Equivalents

At year end, the carrying amount of the Borough's deposit was \$650,840 and the bank balance was \$669,347. The bank balance was completely covered by federal depository insurance or by the collateral held by the Borough's agent in the Borough's name.

Investments – Pension Plan

The Borough's policies and applicable law regarding pension fund investments are disclosed in Note 5. Investment securities are as follows:

DURYEA BOROUGH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

Investments – Non-uniformed Pension Plan

The pension fund's deposits and investments are categorized as follows at December 31, 2017:

Group Variable Annuity Contracts

Assets in the amount of \$66,086 reported by Nationwide as of December 31, 2017 are part of a group annuity investment contract with individually managed sub accounts. The investments that comprise the pool are not required to be categorized.

Deposits

At December 31, 2017, this plan had \$6,000 of deposits. The deposits were neither insured nor collateralized for amounts in excess of the federal deposit insurance coverage of \$250,000.

At December 31, 2017, Duryea Borough's nonuniformed pension plan had a fair market value of \$66,086. See detailed below:

<u>Investment Type</u>	<u>Fair Value</u>
Managed Equity	\$ 22,320
Fixed Income Fund	33,951
Corporate Bonds	4,897
Government Bonds	<u>4,918</u>
Total	<u>\$ 66,086</u>

Credit Risk. Duryea Borough targets the overall rating of its fixed income assets to be at least "BBB" by S&P or "Baa" by Moody's rating systems. See detail below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Government Bonds	\$ 4,918	Avg. of 8 years	Avg. of AA
Corporate Bonds	4,897	Avg. of 8 years	Avg. of AA
Fixed Income Fund	<u>33,951</u>	Avg. of 3.69 years	A-
Total	<u>\$ 43,766</u>		

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, Duryea Borough purchases securities with laddered maturities. In line with investment policy guidelines, ladders have maturities of 12 months or less.

Concentration of Credit Risk. Duryea Borough places no limit on the amount invested in any one issue. There is a 5% or more concentration of Corporate Bonds, Government Bonds, Corporate/Government Bonds and Fixed Income totaling 66.5% of the plan's overall allocation.

Investments – Police Pension Plan

The pension fund's deposits and investments are categorized as follows at December 31, 2017:

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Group Variable Annuity Contracts

Assets in the amount of \$991,549 reported by Nationwide as of December 31, 2017, are part of a group annuity investment contract with individually managed sub accounts. The investments that comprise the pool are not required to be categorized.

At December 31, 2017, Duryea Borough police pension plan had a fair market value of \$991,549. See detail below:

<u>Investment Type</u>	<u>Fair Value</u>
Managed Equity	\$ 677,286
Corporate Bonds	92,982
Government Bonds	211,694
Fixed Income Fund	<u>9,587</u>
Total	<u>\$ 991,549</u>

Credit Risk. Duryea Borough targets the overall rating of its fixed income assets to be at least "BBB" by S&P or "Baa" by Moody's rating systems. See detail below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Corporate Bonds	\$ 92,982	Avg. of 8 years	Avg. of AA
Government Bonds	211,694	Avg. of 8 years	Avg. of A
Fixed Income Fund	<u>9,587</u>	Avg. of 3.69 years	A-
Total	<u>\$ 314,263</u>		

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, Duryea Borough purchases securities with laddered maturities. In line with investment policy guidelines, ladders have maturities of 12 months or less.

Concentration of Credit Risk. Duryea Borough places no limit on the amount invested in any one issue. There is a 5% or more concentration of Corporate Bonds, Government Bonds, Corporate/Government Bonds, and Fixed Income totaling 32.6% of the plan's overall allocation.

Note 3: Real Estate Taxes

The year for the assessment and collection of the Borough's real estate taxes runs from February 2nd through December 31st. Taxes are levied each February 2nd with the following collection schedule employed:

Discount period: February 2 to April 7
Face period: April 8 to June 7
Penalty period: June 8 to December 31

Taxes remaining unpaid as of December 31 are turned over to Luzerne County for collection each January 1.

DURYEA BOROUGH
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Tax levies are made annually and collected by the Borough. The tax levy for 2017 was 1.600 mills on every dollar of assessed value. The total estimated assessed value of taxable property for 2017 was \$265,605,600.

Note 4: Contingencies

The Borough participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Borough is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

The Borough is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year.

Note 5: Pension Plans

Under the provisions of the Police Pension Plan, normal monthly retirement benefits approximate 50% of the average compensation paid to the participant for the last thirty-six months of employment. For the Non-Uniformed Pension Plan, retirement benefits are determined by the monies accumulated in the individual employee's account at retirement. Normal retirement ages are 55 (Police) and 65 (Non-Uniformed) years of age with 25 (Police) and 5 (Non-Uniformed) years of service.

The police pension plan is a single-employer defined benefit, contributory plan, established by an ordinance in 1978, adopted pursuant to Act 600, covering all regular, full time salaried police officers. The plan provides retirement, disability, death, cost of living, survivor, and vesting benefits. A police committee, under the direction of Council, administers the plan. An administrative trustee for the underlying plan assets has also been appointed. At December 31, 2017 there were 5 participants in the plan (3 active and 2 retirees and beneficiaries receiving benefits).

The Borough's single-employer defined contribution pension plan for non-uniform and/or non-union Borough employees is controlled by the provision of a plan document established on August 10, 1994 adopted pursuant to Act 205 and mandates employee and employer contributions of 0% of compensation. The plan is governed by the Borough; however, employees are responsible for the management of their plan assets.

At December 31, 2017, there were 6 active employee participants in the plan. Employer contributions totaled \$6,000 for the year ending December 31, 2017.

Related party investments - At December 31, 2017, neither plan held notes or debt instruments issued by the Borough.

DURYEA BOROUGH
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Contributions required and contributions made - Periodic employer contributions to the Police Pension Plan are determined on an actuarial cost basis using the entry age normal actuarial cost method. Normal cost is funded on a current basis, if required. The Borough funds the plan in accordance with the state requirements under Act 205. The state contribution for 2017 was \$610, and member contributions required 5% (currently waived) of compensation totaling \$-0-.

Greater than 5% investments – The individual investments that constituted more than five percent or more of net assets were as follows:

Non-uniform and/or 7, the following are individual investments in any one organization which represent 5% or more of net assets available for benefits:

Nationwide - \$66,086

Police defined benefit contributory plan – At December 31, 2017, the following are individual investments in any one organization which represent 5% or more of net assets available for benefits:

Nationwide - \$991,549

Police Pension Plan Schedule of Funding Progress

Actuarial Valuation Date	Market Value of Assets*	Actuarial Accrued Liability Entry Age (AAL)	Unfunded AAL (UAAL)	Net Portion as a % of Total Liability	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
01/01/97	\$ 909,247	\$453,997	(\$455,250)	-100.3%	200.3%	\$123,688	-368.1%
01/01/99	\$1,079,721	\$360,511	(\$719,210)	-199.5%	299.5%	\$83,309	-863.3%
01/01/01	\$1,054,535	\$537,666	(\$516,869)	-96.1%	196.1%	\$56,980	-907.1%
01/01/03	\$989,241	\$613,939	(\$375,302)	-61.1%	161.1%	\$111,071	-337.9%
01/01/05	\$1,110,838	\$630,479	(\$480,359)	-76.2%	176.2%	\$76,066	-631.5%
01/01/07	\$1,167,122	\$582,386	(\$584,736)	-100.4%	200.4%	\$80,018	-730.8%
01/01/09	\$821,284	\$676,803	(\$144,481)	-21.3%	121.3%	\$41,862	-345.1%
01/01/11	\$866,164	\$731,500	(\$134,664)	-18.4%	118.4%	\$106,275	-126.7%
01/01/13	\$807,643	\$737,845	(\$69,798)	-9.5%	109.5%	\$84,401	-82.7%
01/01/15	\$928,139	\$565,593	(\$362,546)	-64.1%	164.1%	\$87,769	-413.1%
01/01/17	\$909,930	\$628,027	(\$281,903)	-44.9%	144.9%	\$171,222	-164.6%

*Effective June 2012, GASB #67 and #68 were established requiring a change in actuarial accounting/financial reporting. This change requires a change in the utilization of "Market Value" for the reporting of asset value as of the 1/1/11 actuarial reporting year.

Schedule of Interest Rate Sensitivity Testing

Interest Rate	Market Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Net Portion as a % of Total Liability	Funded Ratio
5.00%	\$909,930	\$715,659	(\$194,271)	-27.1%	127.1%
6.00%	\$909,930	\$628,027	(\$281,903)	-44.9%	144.9%
7.00%	\$909,930	\$556,021	(\$353,909)	-63.7%	163.7%

DURYEA BOROUGH
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Schedule of Contributions from the Employer and Other Contributing Entities

Year	Actuarially ¹ Determined Contribution	Contributions ² From Employer	Contributions Deficiency (Surplus)
2003	\$ -	\$ -	\$ -
2004	\$ -	\$ -	\$ -
2005	\$ -	\$ -	\$ -
2006	\$ -	\$ -	\$ -
2007	\$ -	\$ -	\$ -
2008	\$ -	\$ -	\$ -
2009	\$ -	\$ -	\$ -
2010	\$ -	\$ -	\$ -
2011	\$ -	\$ -	\$ -
2012	\$ -	\$11,865	\$ (11,865)
2013	\$ -	\$13,435	\$ (13,435)
2014	\$ -	\$12,245	\$ (12,245)
2015	\$ 7,394	\$11,547	\$ (4,153)
2016	\$ -	\$ 445	\$ (445)

¹Determined on a market value basis

²Minimum Municipal Obligation under Act 205 of 1984

³ Includes general municipal pension system State Aid

Note 6: General Long-term Debt

General obligation notes of the Borough consist of the following at December 31, 2017:

In July 2014, the Borough entered into a note with Peoples Security Bank to purchase a new 2014 Dodge Charger police cruiser. The note was in the amount of \$35,820 at an interest rate of 2.95% maturing in July 2019. The outstanding balance as of December 31, 2017 was \$11,319.

In January 2013, the Borough entered into a note with Peoples Security Bank to purchase a new 2013 Chrysler police cruiser. The note was in the amount of \$39,070 at an interest rate of 2.99% maturing in January 2017. The outstanding balance as of December 31, 2017 was \$-0-.

In October 2015, the Borough entered into a general obligation note in the amount of \$375,000 with Peoples Security Bank to provide funds to finance the Fifth Ward Paving Project. The interest rate is a fixed rate of 2.69%. Payments will be made annually in the amount of \$53,371. The note will mature October 14, 2022. The outstanding balance as of December 31, 2017 was \$282,776.

In January 2016, the Borough entered into a capital lease with Bank Capital Services, LLC, for a 2016 Ford F550 Super Duty Dump Truck. The lease is for \$78,717 at a rate of 3.3% for 36 months, with annual payments of \$27,142. The outstanding balance as of December 31, 2017 was \$27,055.

DURYEA BOROUGH
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The following is a summary of the primary government's long-term debt obligation at December 31, 2017:

	Balance at <u>12/31/16</u>	<u>Proceeds</u>	Principle <u>Payments</u>	Balance at <u>12/31/17</u>
Peoples Security Note	\$ 19,179	\$ -	\$ 7,860	\$ 11,319
Peoples Security Note	893	-	893	-
Peoples Security Bank – General Obligation Note	327,397	-	44,621	282,776
FNB Lease	<u>54,285</u>	-	<u>27,230</u>	<u>27,055</u>
Total	<u>\$ 401,754</u>	<u>\$ -</u>	<u>\$ 80,604</u>	<u>\$ 321,150</u>

The following is a five year debt summarization of the primary government's long-term debt obligation:

	<u>Principal</u>	<u>Interest</u>
2018	78,695	9,740
2019	80,461	7,447
2020	48,405	5,166
2021	49,723	3,848
2022	<u>63,866</u>	<u>2,494</u>
Totals	<u>\$321,150</u>	<u>\$ 28,695</u>

Note 7: Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Borough's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Borough's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

Note 8: Subsequent Events

The Borough has evaluated subsequent events through February 23, 2018, the date the financial statements were issued.

Note 9: Litigation

The Borough is currently involved in several actions and potential litigation. The Borough believes it acted appropriately relative to these matters. However, due to the uncertainty that exists relative to the potential litigation, it is impossible at this point to speculate as to the amount of damages, if any that could be assessed against the Borough as a result of these actions. Consequently, the Borough has elected not to accrue any amount or charge relative to the potential litigation.

DURYEA BOROUGH
NOTES TO THE FINANCIAL STATEMENTS
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Note 10: Tax Abatements

The Borough has two tax abatement agreements with Greater Pittston Chamber of Commerce and Redevelopment Authority of Luzerne County under the Keystone Opportunity Zone (KOEZ) Act of October 6, 1998; for the purpose of improving economic, physical, and social conditions within the subject KOEZ by stimulating existing businesses employment, creating new employment and diminishing blight.

The agreement provides for 100% exemption of real property tax, business gross receipts tax, business privilege tax, earned income by a resident of the extended parcel, tax on net profits of a qualified business attributable to business activity conducted within the zone, mercantile license tax, tax occupancy of use within extended parcel and sales and use tax. The original KOEZ designation in 1999 was granted for 10 years and then extended to 2009. In 2015, the Borough received another 10 year extension for KOEZ status to end on December 31, 2025. Industrial development has not yet taken place at this location.

- Agreement with Greater Pittston Chamber of Commerce for total acreage 46.99 zoned industrial and assessed value \$283,600. The tax abatement amounted to \$454.
- Agreement with Redevelopment Authority of Luzerne County for total acreage 39.6 zoned industrial and assessed value \$44,400. The tax abatement amounted to \$71.

Copies of the agreement may be obtained from Greater Pittston Chamber of Commerce, 104 Kennedy Boulevard, Pittston, PA 18640.