

**City of Williamsport,
Pennsylvania**

Financial Statements and
Supplementary Information

December 31, 2016



BAKER TILLY

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City of Williamsport, Pennsylvania

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Independent Auditors' Report

Honorable Members of City Council
City of Williamsport, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williamsport, Pennsylvania (the "City"), as of and for the year ended December 31, 2016, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williamsport, Pennsylvania, as of December 31, 2016, and the respective changes in net 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 Management's Discussion and Analysis on pages 4 through 13, Schedule of Changes in Net Pension Liability and Related Ratios on page 69, Schedule of Employer Contributions - Officers' and Employees' Pension Fund on page 70, Schedule of Employer Contributions - Firemen's Pension Fund on page 71, Schedule of Employer Contributions - Police Pension Fund on page 72, Schedule of Investment Returns - Pension Trust Funds on page 73, and Schedule of Funding Progress - Other Postemployment Benefits on page 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The schedule of expenditures of federal awards on pages 80 and 81, required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The combining nonmajor governmental and fiduciary fund financial statements on pages 75 through 79 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the City's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Williamsport, Pennsylvania
November 8, 2017

City of Williamsport, Pennsylvania

Management's Discussion and Analysis
December 31, 2016
(Unaudited)

This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the City of Williamsport, Pennsylvania (the "City") for the year ended December 31, 2016. The City's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the City's primary government. Component units, unless otherwise noted, are not included in this discussion.

Financial Highlights

- The City's total net position decreased by approximately \$2,494,000. Net position related to governmental activities decreased by approximately \$4,732,000, and net position of the City's business-type activity increased by approximately \$2,238,000.
- As of December 31, 2016, net position of the City's governmental activities was approximately \$(18,207,000).
- The unassigned fund balance of the General Fund was approximately \$2,363,000, or 10.9 percent of total General Fund expenditures and transfers out.
- The excess of revenues and other financing sources over expenditures and other financing uses was approximately \$1,138,000 within the City's General Fund for the year ended December 31, 2016. This is in contrast to the approximately \$611,000 deficit spending that was anticipated in the City's 2016 General Fund original budget.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

City of Williamsport, Pennsylvania

Management's Discussion and Analysis

December 31, 2016

(Unaudited)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The government activities of the City include general government, public works - highways and streets, other public works enterprises, public safety, culture and recreation, and blight elimination. The sole business-type activity of the City is a mass-transit bus system, the Williamsport Bureau of Transportation (d/b/a River Valley Transit).

The government-wide financial statements include not only the City itself (known as the *primary government*) but also a redevelopment authority (the Redevelopment Authority of the City of Williamsport) (the "Redevelopment Authority") and a parking authority (the Williamsport Parking Authority) (the "Parking Authority") for which the City is financially accountable. Financial information for the Parking Authority is reported separately from the financial information presented for the primary government itself, as the Parking Authority transacts business to acquire, hold, construct, improve, maintain, and operate on and off street parking facilities for the general public. The financial information for the Redevelopment Authority is blended with the primary government (i.e., not presented separately), as the Redevelopment Authority primarily transacts business with the primary government only.

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

City of Williamsport, Pennsylvania

Management's Discussion and Analysis
December 31, 2016
(Unaudited)

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Community Development HOME ("HOME"), and Capital Projects Funds, each of which is considered to be a "major" fund. Data from the other eight governmental funds are combined into a single, aggregated presentation captioned "other Governmental Funds". Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* located on pages 75 and 76 of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget, and is presented on page 20.

The basic governmental fund financial statements can be found on pages 16 and 18 of this report.

Proprietary funds. The City maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for the operations of its mass-transit system, the Williamsport Bureau of Transportation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for City Hall's operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 21 through 23 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 24 and 25 of this report. Individual fund data for each of the individual funds that comprise the City's various fiduciary fund types is provided in the form of *combining statements* located on pages 53 through 54 in this report.

Notes to the financial statements. The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 68 of this report.

Other information. The combining statements referred to earlier in connection with governmental and fiduciary fund types are presented on pages 75 through 79.

City of Williamsport, Pennsylvania

Management's Discussion and Analysis

December 31, 2016

(Unaudited)

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities at December 31, 2016 and 2015 by approximately \$26,274,000 and \$28,768,000, respectively.

The City's net position reflected an investment in capital assets (e.g. land, buildings and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The City's investment in its capital assets reported net of related debt as related to its governmental activities was approximately \$22,388,000 and \$22,681,000 at December 31, 2016 and 2015, respectively. The City's investment in its capital assets reported net of related debt as related to its business-type activities was approximately \$45,839,000 and \$39,761,000 at December 31, 2016 and 2015, respectively.

Condensed Statement of Net Assets December 31, 2016 and 2015 (In Thousands)

	Total Governmental Activities		Business-Type Activity Enterprise Funds		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets and deferred outflows	\$ 18,793	\$ 20,035	\$ 6,849	\$ 9,949	\$ 25,642	\$ 29,984
Capital assets, net	32,675	32,807	56,530	49,296	89,205	82,103
Total assets and deferred outflows	51,468	52,842	63,379	59,245	114,847	112,087
Other liabilities and deferred inflows	6,884	7,220	8,432	3,916	15,316	11,136
Long-term liabilities outstanding	62,791	59,097	10,466	13,086	73,257	72,183
Total liabilities	69,675	66,317	18,898	17,002	88,573	83,319
Net investment in capital assets	22,388	22,681	45,839	39,761	68,227	62,442
Restricted	3,148	3,152	-	-	3,148	3,152
Unrestricted	(43,743)	(39,308)	(1,358)	2,482	(45,101)	(36,826)
Total	\$ (18,207)	\$ (13,475)	\$ 44,481	\$ 42,243	\$ 26,274	\$ 28,768

The restricted portion of the City's net position, \$3,148,000 and \$3,152,000 at December 31, 2016 and 2015, respectively, represent resources that are subject to external restrictions on how they may be used.

At the end of 2016 and 2015 the City is able to report positive balances in net position, for the government as a whole, as well as for its business-type activity. The City's overall financial position weakened in 2016 as reflected in the \$2,494,000 decrease in total net position for the year ended December 31, 2016.

City of Williamsport, Pennsylvania

Management's Discussion and Analysis

December 31, 2016

(Unaudited)

Condensed Statement of Activities December 31, 2016 and 2015 (In Thousands)

	Governmental Activities		Business-Type Activity		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program:						
Charges for services	\$ 1,490	\$ 1,536	\$ 1,991	\$ 1,332	\$ 3,481	\$ 2,868
Operating grants and contributions	2,015	2,205	10,293	9,540	12,308	11,745
Capital grants and contributions	103	1,654	963	1,959	1,066	3,613
General:						
Taxes	19,278	17,899	-	-	19,278	17,899
Grants and Charges - unrestricted	1,860	3,157	-	-	1,860	3,157
Unrestricted investment income/(expense)	44	46	-	1	44	47
Miscellaneous	958	531	-	-	958	531
Total revenues	<u>25,748</u>	<u>27,028</u>	<u>13,247</u>	<u>12,832</u>	<u>38,995</u>	<u>39,860</u>
Expenses:						
General government	3,813	3,231	-	-	3,813	3,231
Public works - highways and streets	2,086	2,507	-	-	2,086	2,507
Other public works enterprises	1,892	1,914	-	-	1,892	1,914
Public safety	21,016	19,353	-	-	21,016	19,353
Culture and recreation	986	906	-	-	986	906
Revolving loans and grants	184	229	-	-	184	229
Capital outlay	33	13	-	-	33	13
Interest on long-term debt	356	336	-	-	356	336
Williamsport Bureau of Transportation	-	-	11,194	11,555	11,194	11,555
Total expenses	<u>30,366</u>	<u>28,489</u>	<u>11,194</u>	<u>11,555</u>	<u>41,560</u>	<u>40,044</u>
Increase (decrease) in net position before transfers	(4,618)	(1,461)	2,053	1,277	(2,565)	(184)
Transfers	(114)	1,262	185	(1,191)	71	71
Change in net position	<u>(4,732)</u>	<u>(199)</u>	<u>2,238</u>	<u>86</u>	<u>(2,494)</u>	<u>(113)</u>
Net position, January 1	(13,475)	(3,324)	42,243	42,793	28,768	39,469
Effect of adoption of GASB 68	-	(9,952)	-	(636)	-	(10,588)
As restated	<u>(13,475)</u>	<u>(13,276)</u>	<u>42,243</u>	<u>42,157</u>	<u>28,768</u>	<u>28,881</u>
Net position, December 31	<u>\$ (18,207)</u>	<u>\$ (13,475)</u>	<u>\$ 44,481</u>	<u>\$ 42,243</u>	<u>\$ 26,274</u>	<u>\$ 28,768</u>

City of Williamsport, Pennsylvania

Management's Discussion and Analysis
December 31, 2016
(Unaudited)

Governmental activities. Governmental activities decreased the City's net position by approximately \$4,732,000 and \$199,000 for the years ended December 31, 2016 and 2015, respectively. The decrease in net position in 2016 was due primarily to the outlay for post-employment benefits.

Business-type activities. The Williamsport Bureau of Transportation (d/b/a "River Valley Transit"), functioning as a business-type activity of the City of Williamsport, experienced an increase in net position of approximately \$2,238,000 and \$86,000 for the years ended December 31, 2016 and 2015, respectively. The increase in 2016 is due to the fact that user charges (i.e. bus fares) and operating grants sufficiently covered the cost of operations and Federal grants for ongoing capital projects.

Financial Analysis of the Government's Funds

As noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

On December 31, 2016 and 2015, the City's governmental funds reported combined ending fund balances of approximately \$6,473,000 and \$5,035,000, respectively. The City's unassigned fund balance, which is available for spending at the government's discretion, was approximately \$2,340,000 and \$1,232,000 at December 31, 2016 and 2015, respectively. The remainder of the fund balance at December 31, 2016 is nonspendable, restricted for Liquid Fuels tax purposes, Community Development activities, debt service payments, and assigned for flood levee improvements, and street reconstruction projects.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the City's Enterprise funds at December 31, 2016 and 2015 amounted to approximately \$(1,358,000) and \$2,482,000, respectively, and those for the Internal Service funds amounted to approximately \$509,000 and \$561,000, respectively. The total change in net position for the Enterprise Fund and Internal Service Fund amounted to an increase of approximately \$2,205,000 and \$79,000 for the years ending December 31, 2016 and 2015, respectively. Other factors concerning the finances of the Enterprise Funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The General Fund expenditure budget for fiscal year 2016, including transfers out, was approximately \$23.8 million; this represents an increase of \$1,769,000 (8.0%) from 2015. The General Fund expenditure budget for fiscal year 2015 was approximately \$22.0 million.

City of Williamsport, Pennsylvania

Management's Discussion and Analysis
December 31, 2016
(Unaudited)

The General Fund Budget complied with financial policies required by the Third Class City Code of the Commonwealth of Pennsylvania.

Financial Analysis of the Major Funds

General Fund

The General Fund is the primary operating fund of the City. On December 31, 2016, the *unassigned fund balance* of the General Fund was approximately \$2,363,000. During 2016, the City's General Fund balance increased by approximately \$1,138,000. As a measure of the General Fund's liquidity, the *unassigned fund balance* represents 10.9 percent of the total General Fund expenditures (including transfers out).

Revenues of the General Fund totaled \$22.1 million and \$21.1 million for the years ended December 31, 2016 and 2015, respectively, representing a year-to-year increase of approximately \$1,041,000 (4.9%). The following represents a summary of General Fund revenue by source.

	<u>2016</u>	<u>2015</u>
Revenues (In Thousands)		
Taxes	\$ 19,227	\$ 17,752
Licenses and permits	675	843
Fines and forfeits	158	165
Interest, rents and royalties	4	5
Intergovernmental	1,512	1,724
Charges for services	245	215
Miscellaneous	315	391
Total	<u>\$ 22,136</u>	<u>\$ 21,095</u>

The General Fund's operations were also supported by operating transfers in which totaled \$635,000 and \$195,000 during the years ended December 31, 2016 and 2015, respectively. Additional details relating to interfund transfers can be found in Note 8 on pages 46 and 47.

City of Williamsport, Pennsylvania

Management's Discussion and Analysis

December 31, 2016

(Unaudited)

General Fund expenditures totaled approximately \$20,014,000 and \$20,812,000 for the years ended December 31, 2016 and 2015, respectively, which represents a decrease of \$798,000 (3.8%). The following represents a summary of General Fund expenditures for the years ended December 31, 2016 and 2015, by source:

	<u>2016</u>	<u>2015</u>
Expenses (In Thousands)		
General government	\$ 2,379	\$ 2,821
Public works - highways and streets	1,706	1,869
Other public works enterprises	275	405
Public safety	14,916	14,980
Culture and recreation	726	722
Debt service	12	15
	<u> </u>	<u> </u>
Total	<u>\$ 20,014</u>	<u>\$ 20,812</u>

In addition, the General Fund made operating transfers out to other governmental, proprietary and fiduciary funds in the amount of \$1,619,000 and \$880,000 during the years ended December 31, 2016 and 2015, respectively.

Community Development Home Fund ("Home")

The Community Development HOME ("HOME") Fund's revenues are derived from specific sources and are designated for specific uses. Such funds, primarily federal grants, are restricted by law or other formal action to expenditures for specific purposes.

Capital Projects Fund

The City's Capital Projects fund accounts for financial resources expended to acquire or construct property and capital assets. During the year ended December 31, 2016, the City expended \$2,231,000 for such projects. The major capital projects in 2016 consisted of work on Renovations to BB&T Ballpark at Historic Bowman Field, Municipal Pool Renovations, and Street Reconstruction Projects. The fund balance of the Capital Projects Fund at December 31, 2016 totaled \$222,000.

City of Williamsport, Pennsylvania

Management's Discussion and Analysis
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(Unaudited)

Other Governmental - Special Revenue Funds

The City maintains eight Special Revenue funds. Seven of these funds have been designated as *nonmajor funds*, which contain the following activities:

<u>Fund</u>	<u>Activities</u>
Act 13	Infrastructure/Housing
Community Development Block Grant	Develop viable communities
Community Development Home Rehab	Housing
Liquid Fuels	Maintenance of streets
Non-Revenue Escrow	Various grant programs
Pool Repairs	Municipal pool capital improvements
Redevelopment Authority	Housing

Operating revenues over expenditures totaled \$224,000 and \$(232,000) for 2016 and 2015, respectively, after operating transfers. The nonmajor governmental financial statements can be found on pages 75 and 76.

Pension Trust Funds

The City maintains three single employer defined benefit pension trust funds (Police, Fire Officers & Employees). These funds are used to account for the Employee Retirement Plan contributions of the City and its employees, related benefit payments and other plan costs. The net position held for pension benefits was \$84,731,000 and \$80,267,000 at December 31, 2016 and 2015, respectively, representing a year-to-year increase of \$4,465,000 or 5.6 percent. The City transferred from the General Fund the Annual Required Contribution of \$3,815,630 to the Pension Trust Fund. Additional information on the employee pension funds can be found in Note 11 starting on page 53 of this report.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016 and 2015 were approximately \$90,638,000 and \$83,580,000, respectively (net of accumulated depreciation) (Business-Type Activity capital assets, as presented below, include certain property held under capital lease, see Note 7 for additional details).

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land and improvements	\$ 4,614,883	\$ 3,493,558	\$ 1,223,893	\$ 1,254,906	\$ 5,838,776	\$ 4,748,464
Infrastructure	20,775,983	21,334,444	-	-	20,775,983	21,334,444
Buildings	2,795,272	2,942,613	47,843,990	30,738,717	50,639,262	33,681,330
Construction in process	1,488,131	2,278,993	10,906	10,651,713	1,499,037	12,930,706
Furniture	1,569,567	1,631,096	-	-	1,569,567	1,631,096
Property held under capital lease	-	-	1,432,993	1,477,891	1,432,993	1,477,891
Vehicles and equipment	1,430,754	1,125,799	7,451,243	6,650,250	8,881,997	7,776,049
Total	<u>\$ 32,674,590</u>	<u>\$ 32,806,503</u>	<u>\$ 57,963,025</u>	<u>\$ 50,773,477</u>	<u>\$ 90,637,615</u>	<u>\$ 83,579,980</u>

City of Williamsport, Pennsylvania

Management's Discussion and Analysis

December 31, 2016

(Unaudited)

Long-Term Debt

Changes in the City's notes payable for the years ended December 31, 2016 and 2015 were as follows (in thousands):

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Notes/Bonds payable at January 1, 2015	\$ 10,437,682	\$ 12,067,724	\$ 22,505,406
Additions	-	-	-
Payments	(527,387)	(807,139)	(1,334,526)
Notes/Bonds payable December 31, 2015	9,910,295	11,260,585	21,170,880
Additions	793,860	1,900,000	2,693,860
Payments	(522,004)	(807,139)	(1,329,143)
Notes/Bonds payable December 31, 2016	\$ 10,182,151	\$ 12,353,446	\$ 22,535,597

Additional information on the City's long-term debt can be found at Note 9 starting on page 47 of this report.

Economic Condition

Unemployment (as per the U.S. Department of Labor, Bureau of Labor Statistics) in the Williamsport area was 6.0 percent at the end of 2016, which remains consistent when compared with 6.1 percent at the end of 2015. The 2016 rate is higher than Pennsylvania's overall unemployment rate (not seasonally adjusted) of 5.4 percent. The City remains stable; however, the general economic outlook is positive with major construction occurring in the Central Business District along with other development projects occurring throughout the City.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information as related to the primary government and its component units should be addressed to the Budget and Fiscal Officer, City of Williamsport, City Hall, 245 West Fourth Street, Williamsport, PA 17701.

City of Williamsport, Pennsylvania

Statement of Net Position

December 31, 2016

	Primary Government			Component Unit Parking Authority
	Governmental Activities	Business-Type Activity	Total	
Assets				
Cash and cash equivalents	\$ 4,773,136	\$ 650,873	\$ 5,424,009	\$ 148,139
Restricted cash	44,298	-	44,298	-
Receivables (net of allowance for uncollectibles):				
Taxes	2,003,191	-	2,003,191	-
Loans	3,894,237	-	3,894,237	-
Other	2,210,581	46,744	2,257,325	38,148
Internal balances	218,588	(218,588)	-	-
Due from fiduciary funds	275,012	-	275,012	-
Due from other governments	545,177	3,328,394	3,873,571	-
Due from component units	505,320	-	505,320	-
Inventories, at cost	84,704	487,846	572,550	-
Prepaid expenses	1,636	107,347	108,983	1,594
Due from primary government	-	-	-	1,539,895
Capital assets, net of accumulated depreciation:				
Land, land improvements and monuments	4,614,883	1,223,893	5,838,776	2,415,672
Infrastructure	20,775,983	-	20,775,983	-
Buildings and improvements	2,795,272	47,843,990	50,639,262	3,061,512
Vehicles and equipment	3,000,321	7,451,243	10,451,564	44,866
Construction in process	1,488,131	10,906	1,499,037	-
Property held under capital lease, net	-	1,432,993	1,432,993	-
Net investment in direct financing leases	-	230,006	230,006	-
Prepaid bond insurance and discount	130,800	107,244	238,044	-
Total assets	47,361,270	62,702,891	110,064,161	7,249,826
Deferred Outflows of Resources - Pension	4,106,505	675,700	4,782,205	-
Total assets and deferred outflows of resources	51,467,775	63,378,591	114,846,366	7,249,826
Liabilities				
Accounts payable and accrued expenses	994,752	1,773,226	2,767,978	96,381
Accrued liabilities	484,436	141,324	625,760	4,894
Compensated absences	102,225	-	102,225	-
Due to fiduciary funds	-	1,615	1,615	-
Due to other governments	2,476	-	2,476	-
Due to component units	-	1,500,000	1,500,000	-
Due to primary government	-	-	-	23,629
Unearned revenues	4,047,058	733,610	4,780,668	1,573
Noncurrent liabilities:				
Portion due or payable within one year:				
Due to primary government	-	-	-	14,898
Capital leases payable	66,453	-	66,453	-
Notes and bonds payable	514,842	4,217,047	4,731,889	133,898
Portion due or payable after one year:				
Due to primary government	-	-	-	466,793
Compensated absences payable	1,632,999	484,405	2,117,404	-
Capital leases payable	38,196	-	38,196	-
Notes and bonds payable	9,667,309	8,136,399	17,803,708	4,007,345
Unearned lease income, net	-	-	-	47,372
Other postemployment benefits	37,687,493	268,083	37,955,576	-
Net pension liability	13,764,520	1,576,842	15,341,362	-
Total liabilities	69,002,759	18,832,551	87,835,310	4,796,783
Deferred Inflows of Resources - Pension	672,275	64,544	736,819	-
Net Position (Deficit)				
Net investment in capital assets	22,387,790	45,839,585	68,227,375	2,920,701
Restricted for:				
Liquid fuels tax purposes	329,031	-	329,031	-
HOME activities	106,116	-	106,116	-
Home rehabilitation purposes	41,638	-	41,638	-
Debt service	721,661	-	721,661	-
Redevelopment activities	5,769	-	5,769	-
Reserved for grant purposes	1,585,325	-	1,585,325	-
Reserved for encumbrances	358,602	-	358,602	-
Unrestricted, undesignated	(43,743,191)	(1,358,089)	(45,101,280)	(467,658)
Total net position (deficit)	\$ (18,207,259)	\$ 44,481,496	\$ 26,274,237	\$ 2,453,043

See notes to financial statements

City of Williamsport, Pennsylvania

Statement of Activities

Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue And Changes In Net Position			Component Unit
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-Type Activity	Total	Parking Authority
Primary Government								
Governmental activities:								
General government	\$ 3,812,702	\$ 953,077	\$ 27,068	\$ -	\$ (2,832,557)		\$ (2,832,557)	
Public works - highways and streets	2,086,571	35,468	883,355	41,369	(1,126,379)		(1,126,379)	
Other public works enterprises	1,892,579	500	500	61,472	(1,830,107)		(1,830,107)	
Public safety	21,016,053	211,947	1,047,955	-	(19,756,151)		(19,756,151)	
Culture and recreation	986,070	60,690	31,120	-	(894,260)		(894,260)	
Revolving loans and grants	183,933	228,784	-	-	44,851		44,851	
Capital outlay (elimination of blight)	32,746	-	-	-	(32,746)		(32,746)	
Interest on long-term debt	355,796	-	25,000	-	(330,796)		(330,796)	
Total governmental activities	30,366,450	1,490,466	2,014,998	102,841	(26,758,145)		(26,758,145)	
Business-Type Activity								
River Valley Transit	11,194,401	1,990,864	10,293,602	963,853		\$ 2,053,918	2,053,918	
Total primary government	\$ 41,560,851	\$ 3,481,330	\$ 12,308,600	\$ 1,066,694	(26,758,145)	2,053,918	(24,704,227)	
Component Unit								
Parking Authority	\$ 877,635	\$ 994,901	\$ -	\$ -				\$ 117,266
General Revenues:								
Taxes:								
Real estate					13,471,901	-	13,471,901	-
Earned income					2,038,399	-	2,038,399	-
Business privilege					2,425,176	-	2,425,176	-
Local services					984,697	-	984,697	-
Real estate transfer					322,108	-	322,108	-
Other					35,428	-	35,428	-
Grants and charges not restricted to specific programs					1,860,436	-	1,860,436	-
Unrestricted investment earnings					44,421	-	44,421	144
Miscellaneous					956,948	-	956,948	14,451
Transfers among governmental/business type activities					(186,334)	186,334	-	-
Transfers among primary government/component units					75,000	-	75,000	(75,000)
Payments to fiduciary funds					(2,435)	(1,615)	(4,050)	
Total general revenues and transfers					22,025,745	184,719	22,210,464	(60,405)
Changes in net position					(4,732,400)	2,238,637	(2,493,763)	56,861
Net Position, Beginning					(13,474,859)	42,242,859	28,768,000	2,396,182
Net Position, Ending					\$ (18,207,259)	\$ 44,481,496	\$ 26,274,237	\$ 2,453,043

See notes to financial statements

City of Williamsport, Pennsylvania

Balance Sheet
 Governmental Funds
 December 31, 2016

	<u>General Fund</u>	<u>HOME</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 823,222	\$ 102,271	\$ 231,631	\$ 3,094,960	\$ 4,252,084
Restricted cash	-	-	-	44,298	44,298
Receivables:					
Taxes	2,003,191	-	-	-	2,003,191
Loans	-	2,217,023	-	1,677,214	3,894,237
Other	1,878,989	-	329,754	1,738	2,210,481
Due from other funds	651,345	4,345	-	644,389	1,300,079
Due from other governments	4,712	24,748	500,000	15,717	545,177
Due from component units	-	-	-	23,629	23,629
Inventories, at cost	84,704	-	-	-	84,704
Prepaid expenses	1,636	-	-	-	1,636
	<u>5,447,799</u>	<u>2,348,387</u>	<u>1,061,385</u>	<u>5,501,945</u>	<u>14,359,516</u>
Total assets	<u>\$ 5,447,799</u>	<u>\$ 2,348,387</u>	<u>\$ 1,061,385</u>	<u>\$ 5,501,945</u>	<u>\$ 14,359,516</u>
Liabilities					
Vouchers payable	\$ 414,674	\$ 24,748	\$ 487,201	\$ 58,407	\$ 985,030
Accrued liabilities	471,152	-	-	11,967	483,119
Compensated absences	99,429	-	-	2,796	102,225
Due to other funds	193,616	-	352,431	259,653	805,700
Due to other governments	-	500	-	1,976	2,476
Unearned revenue	-	2,217,023	-	1,830,035	4,047,058
	<u>1,178,871</u>	<u>2,242,271</u>	<u>839,632</u>	<u>2,164,834</u>	<u>6,425,608</u>
Total liabilities	<u>1,178,871</u>	<u>2,242,271</u>	<u>839,632</u>	<u>2,164,834</u>	<u>6,425,608</u>
Deferred Inflows of Resources					
Unearned revenue - taxes	1,460,767	-	-	-	1,460,767
	<u>1,460,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,460,767</u>
Fund Balances					
Nonspendable	86,340	-	-	-	86,340
Restricted	-	106,116	221,753	3,360,219	3,688,088
Assigned	358,602	-	-	-	358,602
Unassigned	2,363,219	-	-	(23,108)	2,340,111
	<u>2,808,161</u>	<u>106,116</u>	<u>221,753</u>	<u>3,337,111</u>	<u>6,473,141</u>
Total fund balances	<u>2,808,161</u>	<u>106,116</u>	<u>221,753</u>	<u>3,337,111</u>	<u>6,473,141</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,447,799</u>	<u>\$ 2,348,387</u>	<u>\$ 1,061,385</u>	<u>\$ 5,501,945</u>	<u>\$ 14,359,516</u>

See notes to financial statements

City of Williamsport, Pennsylvania

Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
December 31, 2016

Total Fund Balance, Governmental Funds		\$ 6,473,141
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not reported as assets in governmental funds. The cost of assets is \$62,450,656 and the accumulated depreciation is (\$29,776,066).		32,674,590
Long-term liabilities, including bonds payable, are not paid with current financial resources, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Notes and bonds payable	\$ (10,182,151)	
Capital lease payable	(104,649)	
Compensated absences (long-term)	(1,632,999)	
Other postemployment benefits	(37,687,493)	
Net pension liability	<u>(13,764,520)</u>	
		(63,371,812)
Deferred outflows related to the net pension liability are not reported in the governmental funds, however are reported in the statement of net position.		4,106,505
Deferred inflows related to the net pension liability are not reported in the governmental funds, however are reported in the statement of net position.		(672,275)
Long-term receivables do not represent current financial resources and therefore are not reported as assets in the funds. This amount represents a long-term receivable from the Williamsport Parking Authority related to debt issued through the City of Williamsport.		481,691
Prepaid bond insurance and discount related to long-term debt are capitalized and amortized over life of the debt in the statement of activities. This amount represents the unamortized cost of prepaid bond insurance and discount.		130,800
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenue in the funds.		1,460,767
Internal service funds are used by management to charge the operating costs of City Hall to individual funds. The assets and liabilities of the internal service fund ("City Hall Operating Fund") are included in the statement of net position.		<u>509,334</u>
Net Position of Governmental Activities in the Statement of Net Position		<u><u>\$ (18,207,259)</u></u>

See notes to financial statements

City of Williamsport, Pennsylvania

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2016

	General Fund	HOME	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 19,227,408	\$ -	\$ -	\$ -	\$ 19,227,408
Licenses and permits	674,560	-	-	-	674,560
Fines and forfeits	158,072	-	-	-	158,072
Interest, rents and royalties	3,830	51	-	40,540	44,421
Intergovernmental:					
Federal	19,787	185,419	-	527,279	732,485
State	1,056,924	-	-	1,453,861	2,510,785
Local	435,640	-	-	67,075	502,715
Charges for services	245,155	-	-	62,558	307,713
Collection on loans	-	169,385	-	93,866	263,251
Miscellaneous	314,391	-	670,553	41,634	1,026,578
	<u>22,135,767</u>	<u>354,855</u>	<u>670,553</u>	<u>2,286,813</u>	<u>25,447,988</u>
Total revenues					
Expenditures					
Current:					
General government	2,378,709	114,613	6,483	437,344	2,937,149
Public works	1,706,015	-	979,132	969,894	3,655,041
Other public works enterprises	274,662	-	-	-	274,662
Public safety	14,915,967	-	66,612	46,031	15,028,610
Culture and recreation	725,870	-	1,178,700	21,255	1,925,825
Revolving loans and grants	-	163,934	-	19,999	183,933
Capital outlay	-	-	-	160,671	160,671
Debt service	12,613	-	-	820,146	832,759
	<u>20,013,836</u>	<u>278,547</u>	<u>2,230,927</u>	<u>2,475,340</u>	<u>24,998,650</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>2,121,931</u>	<u>76,308</u>	<u>(1,560,374)</u>	<u>(188,527)</u>	<u>449,338</u>
Other Financing Sources (Uses)					
Proceeds from issuance of long-term debt	-	-	-	793,860	793,860
Debt issuance costs	-	-	-	(23,340)	(23,340)
Proceeds from issuance of tax revenue anticipation note (TRAN)	1,500,000	-	-	-	1,500,000
Repayment of debt - TRAN	(1,500,000)	-	-	-	(1,500,000)
Transfer from component unit	75,000	-	-	-	75,000
Transfers in	560,000	-	1,756,159	790,530	3,106,689
Transfers out	(1,619,107)	-	-	(1,344,681)	(2,963,788)
	<u>(984,107)</u>	<u>-</u>	<u>1,756,159</u>	<u>216,369</u>	<u>988,421</u>
Total other financing sources (uses)					
Net changes in fund balances	1,137,824	76,308	195,785	27,842	1,437,759
Fund Balances, Beginning	<u>1,670,337</u>	<u>29,808</u>	<u>25,968</u>	<u>3,309,269</u>	<u>5,035,382</u>
Fund Balances, Ending	<u>\$ 2,808,161</u>	<u>\$ 106,116</u>	<u>\$ 221,753</u>	<u>\$ 3,337,111</u>	<u>\$ 6,473,141</u>

See notes to financial statements

City of Williamsport, Pennsylvania

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2016

Net Changes in Fund Balances - Total Governmental Funds	\$ 1,437,759
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is for the amount by which capital outlays exceed depreciation in the current period.	110,324
Capital outlays and depreciation expense related to the City's Internal Service Fund (included within the City's governmental activities) (also included in net loss of the Internal Service Fund below; amount is segregated here for ease of tie-in to changes in capital assets).	17,217
Capital assets used in governmental activities are not reported as assets in the governmental funds. This amount represents a transfer of assets to the City's Business-Type Activity for the year ended December 31, 2016.	(276,671)
The repayment of principal on capital leases is expensed in the funds; however, such payments reduce the capital lease liability within the statement of net position. This amount represents the dollar value of principal payments made on capital leases payable during 2016.	110,335
Certain compensated absences payable are considered long-term in nature, are not reported as liabilities within the funds. Such liabilities are, however, reported within the statement of net position, and changes in these liabilities are reflected within the statement of activities. This amount represents the change in long-term compensated absences payable for the year ended December 31, 2016.	51,331
Other postemployment benefits payable are considered long-term in nature, are not reported as liabilities within the funds. Such liabilities are, however, reported within the statement of net position, and changes in these liabilities are reflected within the statement of activities.	(5,695,384)
Internal service funds are used by management to charge the operating costs of City Hall to individual funds. The operating income of the internal service fund (City Hall Operating Fund) is reported within the governmental activities.	(34,115)
The repayment of principal on notes and bonds payable is expensed in the funds; however, such payments reduce the notes and bonds payable liability within the statement of net position. This amount represents the dollar value of principal payments made on notes payable during 2016.	507,106
Reconciling items relating to long-term debt activities are as follows:	
Issuance of debt	(793,860)
Amortization of prepaid bond insurance and discount	(6,803)
Net pension liability is considered long-term in nature, and is not reported as a liability within the funds. Such liability is, however, reported within the statement of net position, and changes in the liability are reflected within the statement of net position. This represents the change in pension liability and related deferred outflows and deferred inflows related to the City's pension plans.	(190,310)
Revenues related to real estate taxes in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	30,671
Change in Net Position of Governmental Activities	\$ (4,732,400)

See notes to financial statements

City of Williamsport, Pennsylvania

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - General Fund
 Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 19,052,142	\$ 19,052,142	\$ 19,227,408	\$ 175,266
Licenses and permits	856,000	856,000	674,560	(181,440)
Fines and forfeits	179,000	179,000	158,072	(20,928)
Interest, rents, royalties and investment gains	5,250	5,250	3,830	(1,420)
Intergovernmental:				
Federal	-	-	19,787	19,787
State	953,000	953,000	1,056,924	103,924
Local	390,543	390,543	435,640	45,097
Charges for services	209,000	223,000	245,155	22,155
Miscellaneous	642,700	642,700	314,391	(328,309)
Total revenues	22,287,635	22,301,635	22,135,767	(165,868)
Expenditures				
Current:				
General government	3,076,176	3,099,226	2,378,709	720,517
Public works - highways and streets	1,986,075	1,978,875	1,706,015	272,860
Other public works enterprises	346,399	346,399	274,662	71,737
Public safety	16,559,219	16,533,369	14,915,967	1,617,402
Culture and recreation	753,652	777,052	725,870	51,182
Debt service	10,000	10,600	12,613	(2,013)
Total expenditures	22,731,521	22,745,521	20,013,836	2,731,685
(Deficit) Excess of Revenues Over Expenditures	(443,886)	(443,886)	2,121,931	2,565,817
Other Financing Sources (Uses)				
Proceeds from issuance of tax revenue anticipation note (TRAN)	1,500,000	1,500,000	1,500,000	-
Repayment of debt - TRAN	(1,500,000)	(1,500,000)	(1,500,000)	-
Transfer from component unit	75,000	75,000	75,000	-
Transfers in	790,000	790,000	560,000	(230,000)
Transfers out	(1,032,138)	(1,032,138)	(1,619,107)	(586,969)
Total other financing uses	(167,138)	(167,138)	(984,107)	(816,969)
Net changes in fund balances	(611,024)	(611,024)	1,137,824	1,748,848
Fund Balances, Beginning	1,021,500	1,021,500	1,670,337	648,837
Fund Balances, Ending	\$ 410,476	\$ 410,476	\$ 2,808,161	\$ 2,397,685

See notes to financial statements

City of Williamsport, Pennsylvania

Statement of Net Position
 Proprietary Funds
 December 31, 2016

	<u>Business-Type Activity (RVT)</u>	<u>Internal Service Fund (CHO)</u>
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 650,873	\$ 521,053
Other accounts receivable	46,744	100
Due from other funds	162,317	4,473
Due from other governments	3,328,394	-
Inventories, at cost	487,846	-
Prepaid expenses	107,347	-
Prepaid bond insurance and discount	107,244	-
	<hr/>	<hr/>
Total current assets	4,890,765	525,626
Capital assets:		
Land and improvements	1,534,284	1
Buildings and improvements	59,613,914	1,425,633
Equipment	22,231,889	126,983
Construction in progress	10,906	-
Less accumulated depreciation	(26,860,961)	(1,171,068)
	<hr/>	<hr/>
Net capital assets	56,530,032	381,549
Net investment in direct financing leases	230,006	-
Property held under capital lease, net	1,432,993	-
	<hr/>	<hr/>
Total assets	63,083,796	907,175
Deferred Outflows of Resources - Pension		
	675,700	-
	<hr/>	<hr/>
Total assets and deferred outflows of resources	<u>\$ 63,759,496</u>	<u>\$ 907,175</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Current portion of notes and bonds payable	\$ 4,217,047	\$ -
Vouchers payable:		
Trade	540,782	9,723
Capital assets, including retainage	1,232,444	-
Accrued liabilities	141,324	1,317
Due to other funds	382,520	5,252
Due to component units	1,500,000	-
Unearned revenue	733,610	-
	<hr/>	<hr/>
Total current liabilities	8,747,727	16,292
Non-current liabilities:		
Compensated absences	484,405	-
Long-term portion of notes and bonds payable	8,136,399	-
Other postemployment benefits	268,083	-
Net pension liability	1,576,842	-
	<hr/>	<hr/>
Total non-current liabilities	10,465,729	-
	<hr/>	<hr/>
Total liabilities	19,213,456	16,292
Deferred Inflows of Resources - Pension		
	64,544	-
	<hr/>	<hr/>
Net position		
Net investment in capital assets	45,839,585	381,549
Unrestricted	(1,358,089)	509,334
	<hr/>	<hr/>
Total net position	44,481,496	890,883
	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and net position	<u>\$ 63,759,496</u>	<u>\$ 907,175</u>

See notes to financial statements

City of Williamsport, Pennsylvania

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

Year Ended December 31, 2016

	Business-Type Activity (RVT)	Internal Service Fund (CHO)
Operating Revenues		
Charges for services	\$ 1,990,864	\$ 311,100
Operating Expenses		
Wages and salaries	3,955,264	25,283
Depreciation	2,640,616	37,044
Employee benefits	1,666,749	32,112
Administrative expense	1,131,351	-
Materials and supplies	957,744	167,250
Maintenance	553,574	28,526
Insurance	281,980	-
Total operating expenses	11,187,278	290,215
Operating (Loss) Income	(9,196,414)	20,885
Nonoperating Revenues (Expenses)		
Subsidies from other governments:		
State	8,266,033	-
Federal	2,702,255	-
Local	289,166	-
Loss on disposal of assets	(72)	-
Interest expense	(7,050)	-
Total nonoperating revenues	11,250,332	-
Income Before Other Financing Sources (Uses)	2,053,918	20,885
Other Financing Sources (Uses)		
Operating transfers in	786,334	-
Operating transfers out	(601,615)	(55,000)
Total other financing sources (uses), net	184,719	(55,000)
Net income (loss)	2,238,637	(34,115)
Net Position, Beginning	42,242,859	924,998
Net Position, Ending	\$ 44,481,496	\$ 890,883

See notes to financial statements

City of Williamsport, Pennsylvania

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2016

	Business-Type Activity (RVT)	Internal Service Fund (CHO)
Cash Flows from Operating Activities		
Cash received from users	\$ 1,995,252	\$ 311,200
Cash payments to employees for services	(5,132,587)	(57,078)
Cash paid to suppliers for goods and services	(2,142,450)	(196,081)
Internal activity - receipts from other funds	(514,558)	510,519
	<u>(5,794,343)</u>	<u>568,560</u>
Net cash (used in) provided by operating activities		
Cash Flows from Non-Capital Financing Activities		
Operating subsidies and transfers from (to) other funds	<u>6,798,834</u>	<u>(55,000)</u>
Cash Flows from Capital and Related Financing Activities		
Subsidies received from other governments	5,986,886	-
Payments for capital acquisitions	(10,146,342)	(54,262)
Principal payments on long-term debt	1,092,861	-
Interest payments on long-term debt	(7,050)	-
Payments received under direct financing leases	17,937	-
	<u>(3,055,708)</u>	<u>(54,262)</u>
Net cash used in capital and related financing activities		
(Decrease) increase in cash and cash equivalents	(2,051,217)	459,298
Cash and Cash Equivalents, Beginning	<u>2,702,090</u>	<u>61,755</u>
Cash and Cash Equivalents, Ending	<u>\$ 650,873</u>	<u>\$ 521,053</u>
Reconciliation of Operating (Loss) Income to Net Cash (Used in) Provided by Operating Activities		
Operating (loss) income	\$ (9,196,414)	\$ 20,885
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Depreciation	2,640,616	37,044
Changes in assets, deferred outflows of resources and liabilities:		
Other accounts receivable	(45,209)	100
Due to/from other funds, net	(514,558)	510,302
Prepaid expenses	16,484	-
Inventories	(16,561)	-
Deferred outflows of resources	204,444	-
Vouchers payable, trade	282,276	(305)
Due to component units	500,000	-
Other operating liabilities	75,787	534
Other postemployment benefits	268,083	-
Net pension liability	(73,835)	-
Deferred inflows of resources	64,544	-
	<u>64,544</u>	<u>-</u>
Net cash (used in) provided by operating activities	<u>\$ (5,794,343)</u>	<u>\$ 568,560</u>
Supplemental Disclosure of Non-Cash Capital and Related Financing Activities		
Capital assets, including retainage, in vouchers payable	<u>\$ 1,232,444</u>	<u>\$ -</u>

See notes to financial statements

City of Williamsport, Pennsylvania

Statement of Fiduciary Net Position

December 31, 2016

	Pension Trust Funds	Private Purpose Trusts	Agency Funds
Assets			
Cash and cash equivalents	\$ 800,987	\$ -	\$ 822,178
Receivables, Other	168,805	-	-
Due from other funds	232,886	1,615	-
Investments, at fair value:			
U.S. Government securities	7,656,114	-	-
Corporate bonds	10,370,824	-	-
Domestic equity securities	54,273,995	-	-
Certificates of deposit	2,414,767	-	-
Mutual funds	9,016,067	-	-
Total investments	83,731,767	-	-
Total assets	<u>\$ 84,934,445</u>	<u>\$ 1,615</u>	<u>\$ 822,178</u>
Liabilities			
Vouchers payable	\$ -	\$ 1,028	\$ 222,357
Due to other funds	203,157	587	304,154
Due to other taxing units	-	-	295,667
Total liabilities	<u>203,157</u>	<u>1,615</u>	<u>\$ 822,178</u>
Net Position			
Restricted for pensions	<u>\$ 84,731,288</u>	<u>\$ -</u>	

See notes to financial statements

City of Williamsport, Pennsylvania

Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2016

	Pension Trust Funds	Private Purpose Trusts
Additions		
Contributions:		
Employer	\$ 2,774,464	\$ -
Transfers in		4,050
Commonwealth of Pennsylvania	1,041,166	-
Employees	587,706	-
Miscellaneous	992	-
	<hr/>	<hr/>
Total contributions	4,404,328	4,050
	<hr/>	<hr/>
Investment earnings:		
Interest and dividends	1,922,576	-
Net appreciation in fair value of investments	4,947,912	-
	<hr/>	<hr/>
Total investment income	6,870,488	-
	<hr/>	<hr/>
Less Investment Expense	(369,855)	-
	<hr/>	<hr/>
Net investment income	6,500,633	-
	<hr/>	<hr/>
Total additions	10,904,961	4,050
	<hr/>	<hr/>
Deductions		
Benefits	6,388,505	4,050
Administrative	51,886	-
	<hr/>	<hr/>
Total deductions	6,440,391	4,050
	<hr/>	<hr/>
Changes in net position	4,464,570	-
	<hr/>	<hr/>
Net Position, Beginning	80,266,718	-
	<hr/>	<hr/>
Net Position, Ending	<u>\$ 84,731,288</u>	<u>\$ -</u>

See notes to financial statements

City of Williamsport, Pennsylvania

Notes to Financial Statements
December 31, 2016

1. Summary of Significant Accounting Policies

The accounting methods and procedures adopted by the City of Williamsport, Pennsylvania (the "City") conform to accounting principles generally accepted in the United States of America as applied to state and local governmental entities. The following notes to the basic financial statements are an integral part of the City's financial statements.

Reporting Entity

Williamsport is the largest city in north-central Pennsylvania. It is a city of the third class, incorporated on January 15, 1866, and operates under an elected Mayor-Council form of government. The City provides many services to its estimated 30,000 residents, including general government services, public safety (police, fire, emergency management and protective inspection), maintenance of streets and parks, and community enrichment programs.

The financial statements of the City include the accounts of the City's primary government and two component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The City Council and/or the City's Mayor appoints a voting majority to the Board of Directors of both component units. The Williamsport Parking Authority (the "Parking Authority") issues separately audited financial statements, which can be obtained from the Parking Authority Offices at 1500 West Third Street, Williamsport, Pennsylvania 17701. Separately issued financial statements of the Redevelopment Authority of the City of Williamsport (the "Redevelopment Authority") can also be obtained from its office, located at 245 West Fourth Street, Williamsport, Pennsylvania 17701.

Discretely Presented Component Unit	Brief Description of Activities and Relationship to the City
The Parking Authority was formed by the City, with its purpose being to acquire, hold, construct, improve, maintain and operate on and off street parking facilities for the general public.	The Mayor of the City appoints all Authority board members and, through these appointments, the City is able to impose its will on the Authority.

City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2016

Blended Component Unit	Brief Description of Activities and Relationship to the City
<p>The Redevelopment Authority provides for the acquisition and demolition of properties, economic development and shopsteading loans, and historic rehabilitation and preservation. This assistance is funded primarily through federal grants from the City's Community Development Block Grant ("CDBG") program.</p>	<p>A continuing financial relationship exists between the City and the Redevelopment Authority under the terms of a cooperative agreement between the City and the Redevelopment Authority. According to the terms of this agreement, the Redevelopment Authority will, among other things, provide CDBG and other funding as necessary, prepare loan agreements and mortgages and obtain collateral for loans. In addition, the City's Mayor appoints a voting majority to the Board of Directors of the Redevelopment Authority.</p>

Government - Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *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. Likewise, the *primary government* is reported separately from certain legally separate *discretely presented component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenues, charges for services and interest associated with the current fiscal period are all generally considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include charges to customers or applicants for goods, services, or privileges provided and operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services (primarily bus fares and rental income). Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for within this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid by other funds are paid from the General Fund. The General Fund is always a major 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 specified purposes. The major Special Revenue Fund reported by the City under this generic heading is the HOME Fund. The HOME Fund does not adopt an annual operating budget; rather, the City prepares a multi-year budget that coincides with the federally mandated period of availability of funds. Other nonmajor Special Revenue funds reported by the City include:

- The Community Development Block Grant (“CDBG”) Fund accounts for the City’s annual CDBG allocation from the U.S. Department of Housing and Urban Development. This funding is used by the City for loans meeting certain program requirements, various City projects and program administration.
- Non-Revenue Escrow Fund primarily consists of capital escrow funds and grant proceeds, which will be spent over several years.
- The Liquid Fuels Fund accounts for state aid revenues used for building, improving and maintaining City streets.
- The Home Rehabilitation Fund accounts for the operations of the City's Home Rehabilitation program, which was funded in part by federal funds whose use is restricted for the provision of specified home rehabilitation services to eligible City residents.
- The Redevelopment Authority of the City of Williamsport is a blended component unit of the City. Additional details pertaining to the operations of the Redevelopment Authority may be found elsewhere in this section.
- The Act 13 Fund accounts for funds received from the Pennsylvania Public Utility Commission under Act 13 - The Unconventional Gas Well Impact Fee. These funds may be used for a number of eligible purposes including roadways, bridges, public infrastructure, housing, information systems, and planning, among other things.
- The Pool Repair Fund accounts for revenues and expenditures related to the ongoing maintenance and repair of the City’s Memorial pool.

City of Williamsport, Pennsylvania

Notes to Financial Statements
December 31, 2016

Capital Projects Fund

The Capital Projects Fund (a major fund) is used to account for financial resources to be used for the acquisition or construction of major capital facilities or assets (other than those financed by proprietary funds and trust funds).

Debt Service Fund

The Debt Service Fund is used to account for financial resources to be used for the payment of principal and interest on the City's long-term debt obligations.

Proprietary Funds

Enterprise Fund - Williamsport Bureau of Transportation (d/b/a River Valley Transit)

Enterprise funds are used to account for operations (a) that are financed primarily through user charges, or (b) where the governing body has decided that determination of net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City's sole enterprise fund accounts for the operations of River Valley Transit, a regional mass transit system (a major fund).

Internal Service Fund - City Hall Operating Fund

This fund is used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis. The City Hall Operating Fund comprises this fund type. The City Hall Operating Fund is used to allocate the cost of the operations of City Hall among the various departments and programs that occupy the building.

Fiduciary Funds

Pension Trust Funds

Pension trust funds are used to report the resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans. The City maintains three single-employer defined benefit pension trust funds; the Fire Pension Trust Fund, the Police Pension Trust Fund, and the Officers and Employees Pension Trust Fund.

Private Purpose Trust Fund

Private purpose trust funds are used to report trust arrangements under which the principal and income benefit individuals, private organizations or other governments. The City's Unemployment Compensation Trust Fund is reported within the accompanying financial statements as a private purpose trust fund.

City of Williamsport, Pennsylvania

Notes to Financial Statements
December 31, 2016

Agency Funds

Agency funds are used to report resources held by the City in a purely custodial capacity (i.e., assets = liabilities.) Agency funds reported by the City in the accompanying financial statements include the Tax Collecting Fund, Payroll Revolving Fund, and certain sub-funds the City holds as a fiscal agent that are accounted for within the Non-Revenue Escrow Fund (which are presented separately for financial reporting purposes).

New Accounting Principles

The City adopted GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ended December 31, 2016. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements and to provide guidance for applying fair value of certain investments and disclosures related to all fair value measurements. The City implemented the accounting and reporting requirements of GASB No. 72 as of January 1, 2016. This implementation did not materially change the City's accounting and reporting policies, but did expand the level of disclosure required.

The City adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for the year ended December 31, 2016. The primary objective of this statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles ("GAAP"). This statement reduces the GAAP hierarchy to two categories of authoritative literature and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The City implemented the accounting and reporting requirements of GASB No. 76 as of January 1, 2016. This implementation did not materially change the City's accounting and reporting policies.

The City adopted GASB issued Statement No. 77, *Tax Abatement Disclosures*, for the year ended December 31, 2016. The objective of this Statement is to provide financial statement users with additional information regarding limitations on a government's ability to raise resources, including those resulting from government programs that include the use of tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. This Statement requires governments that enter into tax abatement agreements to disclose certain information about those agreements. The effect of this adoption was to expand note disclosures related to the effect on tax revenues from various tax abatement programs.

The City adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, for the year ended December 31, 2016. This standard permits qualifying external investment pools to measure pool investments, which function similarly to private sector money market funds, at amortized cost. The statement also establishes additional disclosure requirements, which includes information about any limitations or restrictions on participant withdrawals, for both the pool and its participants. The City implemented the accounting and reporting requirements of GASB No. 79 as of January 1, 2016. This implementation did not materially change the City's accounting and reporting policies.

City of Williamsport, Pennsylvania

Notes to Financial Statements
December 31, 2016

Cash Equivalents

The City considers highly liquid short-term instruments purchased with a maturity of three months or less (excluding certain short-term instruments which are classified as investments) to be cash equivalents.

Investments

Investments of the Officers' and Employees', Firemen's and Police pension plans are stated at fair value for both reporting and actuarial purposes. Investment purchases are recorded as of the trade date. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are generally reported at cost, which is not expected to be materially different from fair value.

Receivables

All trade and property tax receivables are shown net of allowance for uncollectibles.

Property Tax Calendar

The City is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions, including the schools and special districts within the City. Taxes are due in one installment on or before June 30 following the levy date. Taxes not paid or exonerated become delinquent on December 31. The City collects taxes up to December 31 of the same year (payments post-marked by December 31 but received shortly after year-end are considered as having been collected for accounting purposes). Subsequent to year-end, all unpaid property taxes are certified to the Lycoming County Delinquent Tax Office for further collection and possible tax sales over an additional 36-month period. Current tax collections for the year ended December 31, 2016 were 92% of the tax levy.

Inventory

Inventories in the General Fund consist of gasoline and postage. Inventory is valued at the lower of cost (first-in, first-out) or market.

Inventory of the Enterprise Fund, consisting of bus parts and supplies, is stated at the lower of cost (determined on a basis that approximates the weighted average cost) or market. The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed (consumption method).

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation.

City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2016

Beginning on January 1, 2003, the City began to prospectively capitalize its investment in infrastructure assets pursuant to GASB Statement No. 34. Infrastructure assets include long-lived, immovable capital assets such as road systems, bridges, curbs and gutters, sidewalks, drainage systems and lighting systems. During 2007, the City retroactively reported its major general infrastructure acquired, significantly reconstructed, or significantly improved from January 1, 1980 through December 31, 2002, pursuant to GASB Statement No. 34. As a general rule, infrastructure acquired prior to 1980 is not capitalized.

Normal maintenance and repairs are charged to expense as incurred; major renewals or betterments which extend the life or increase the value of assets are capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Governmental Activities	Business-Type Activities
Buildings and improvements	40 years	40 years
Machinery and equipment	10-20 years	10-20 years
Furniture and fixtures	15-20 years	15-20 years
Office equipment	5-15 years	5-15 years
Computer equipment	5 years	4 years
Vehicles	5-10 years	5-12 years
Streets and roadways	20 years	-
Curbing and sidewalks	20 years	-

Liabilities for Compensated Absences

City employees are awarded vacations each year based upon the number of years served through December 31st of the preceding year. The City's policy generally provides that employees will be compensated for earned but unused vacation at retirement or termination.

The City's sick leave policy provides sick time to each employee. Employees are permitted unlimited accumulation of sick time. Detail of the sick leave policies in effect for the individual labor contracts are as follows:

- City Firemen are compensated at the rate of 30% of the employee's regular rate at retirement, for all unused sick time accumulated from January 1, 1999 through the date of retirement, not to exceed 120 days. In addition to this, City Firemen are compensated at the rate of one day per three days of sick leave accumulated through December 31, 1998, at the employee's regular rate at that date;
- City Policemen are compensated at the rate of 15% of the employee's regular rate for accumulated sick leave upon retirement, up to a maximum of 240 days;
- Transit employees have an attendance incentive plan whereby an employee with three or less sick occurrences per calendar year will be paid 5% and employees with perfect attendance per calendar year will be paid 10% of their accumulated sick leave at a rate of \$20 for every eight hours accumulated up to a maximum of \$7,500 upon retirement or termination. All other accumulated sick time is forfeited at that time;

City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2016

- Employees covered under the AFSCME labor contract are compensated \$20 for each three day unit of unused sick time, up to a maximum of 160 three day units (360 days) for a maximum of \$3,200 upon retirement. All other accumulated sick time is forfeited at that time, and;
- Non-contract RVT employees follow the sick leave policy of the Transit Employees, all other non-contract employees utilize the same plan as the employees covered under the AFSCME contract.

Under the Fair Labor Standards Act, employees are permitted to accrue up to 240 hours (480 hours for police and firemen) of compensatory ("Comp") time for hours worked beyond 40 hours in any one week. Comp time is awarded at the premium rate of time and one-half for hours worked over a 40 hour period. Upon termination of employment, any accumulated Comp time will be paid at a rate not less than the average regular rate of pay over the employee's last three years of employment or the final regular rate, whichever is higher.

Unearned Revenue

Unearned revenue consists of receivables not collected within 60 days subsequent to the City's year-end (fund-perspective financial statements), advance billings by the River Valley Transit for each local municipality's share of its budgeted operating deficit, grant revenues received but not yet expended, and loans receivable associated with grant-funded revolving loan pools. It is expected that these items will be included in revenues of future fiscal years.

At December 31, 2016, the General, HOME, Non-major and Enterprise funds had unearned revenues of \$1,460,767, \$2,217,023, \$1,830,035, and \$733,610, respectively.

Deferred Outflows/Inflows of Resources

In addition to assets, the City will sometimes report a separate section for deferred outflows (inflows) of resources. This separate financial statement element represents a consumption (acquisition) of net position that applies to a future period and so will not be recognized as an outflow (inflow) of resources until that time.

Governmental Fund Balance Classification/Policies and Procedures

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies its governmental fund balances as follows:

- *Non-spendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints, such as inventory
- *Restricted* - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation
- *Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the City's "highest level of decision-making authority" which do not lapse at year-end
 - City Council is its highest level of decision-making authority, and

City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2016

- City Council commits funds through a formal board motion
- *Assigned* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City
 - City Council authorized the City Budget & Fiscal Officer to assign funds to specific purposes
 - City Council passed a board motion authorizing assignments for activities as contemplated by Council
- *Unassigned* - includes positive fund balances within the General Fund which have not been classified within the above mentioned categories and negative fund balances in other governmental funds

When a governmental funds expenditure is incurred that can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted resources and then to unrestricted resources.

When an expenditure is incurred that can be paid using either committed, assigned, or unassigned amounts, the City's policy is generally to apply the expenditure to committed resources, then to assigned resources, and then to unassigned resources.

Pension Plans

The City provides separate defined benefit pension plans for general employees, Police and Fire department personnel. It is the City's policy to fund its annual required contribution.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Budgetary Procedures and Budgetary Accounting

The City utilizes the Executive Budget approach to budgetary control. This approach requires the chief executive (i.e., Mayor), together with the Department of Accounts and Finance, to prepare and submit a governing financial plan to the legislative body on an annual basis. The City prepares its budgets for each fund type in accordance with accounting principles generally accepted in the United States of America ("GAAP" basis).

All transfers or supplemental appropriations must be enacted by City Council. During the year, all transfers and appropriations were approved by City Council, in accordance with the Pennsylvania Third Class City Code. Actual expenditures and operating transfers out may not legally exceed "budget" appropriations at the individual fund level. Budgetary control, however, is maintained at the department level.

City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2016

Appropriations lapse at the close of the fiscal year to the extent that they have not been expended or encumbered.

Accounting principles generally accepted in the United States of America require that the City include a combined statement of revenues, expenditures and changes in fund balances - budgeted and actual - for the General Fund and for each major special revenue fund for which *annual* budgets have been legally adopted. A statement of revenues, expenditures and changes in fund balance - budgeted and actual - General Fund is presented on page 20 of the accompanying financial statements. The City does not adopt *annual* budgets for its HOME Fund, the major special revenue fund. Rather, program year budgets are adopted for this fund. These program year budgets, which are in effect through program conclusion (typically a three to five year period), are not required to be presented.

3. Cash, Cash Equivalents, and Investments

Primary Government

Pennsylvania statutes provide for the investment of governmental funds in 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 cash management and investment purposes, which the City does. In addition to the investments authorized for governmental funds, pension trust fund investments may be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practices. Act 72 requires all governmental (public funds) deposits not insured by the Federal Depository Insurance Corporation ("FDIC") to be collateralized by the financial institution.

The deposit and investment policies of the City adhere to state statutes. Deposits of the governmental funds are either maintained in demand deposits, Pennsylvania Local Government Investment Trust ("PLGIT") or pooled for investment purposes in certificates of deposit. The deposits and investments of the three pension trust funds are administered by trustees and are held separately from those of other City funds.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires disclosures related to the following deposit and investment risks: credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The following is a description of the City's deposit and investment risks.

Deposits

Custodial Credit Risk is the risk that, in the event of a bank failure, the City will not recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The City does not have a formal deposit policy for custodial credit risk. As of December 31, 2016, the City's total deposits were \$7,672,932. Of this amount, \$764,801 was insured by the FDIC and \$250,000 was insured by the SIPC. The remaining deposits of \$6,658,131 were exposed to custodial credit risk, since the deposits were collateralized with securities held by the pledging financial institutions, but not in the City's name.

City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2016

Investments

As of December 31, 2016, the City held the following investments in their employee pension funds:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of deposit	Average of 3 years	\$ 2,414,767
Corporate bonds	Average of 5 years	8,675,404
Foreign bonds	Average of 5 years	811,114
Government bonds	Average of 5 years	7,652,710
Corp. mortgage/asset backed securities	Average of 6 years	884,307
Government asset backed securities	Average of 12 years	<u>3,403</u>
Investments subject to maturity		20,441,705
Equity securities		<u>63,290,062</u>
Total investments		<u>\$ 83,731,767</u>

Credit Ratings

The City's investments had the following credit ratings:

Equity securities	NR	75.59 %
Corporate bonds	AA1 to BAA2	10.36
Certificates of deposit	NR	2.88
Government bonds	AAA	9.14
Foreign bonds	AA1 to A3	0.97
Corp. mortgage/asset backed securities	AAA to A3	1.06
Government asset backed securities	NR	0.00

The City's investment policy limits investments as follows:

- Only corporate or tax exempt debt issues that meet or exceed a credit rating of A from Standard & Poor's and/or an A rating from Moody's may be purchased;
- Preferred stock must be rated A or better by Standard & Poor's and or Moody's at the time of purchase;
- No issues may be purchased with more than 30 years to maturity.

Interest Rate Risk

As a means of limiting its exposure to fair-value losses arising from interest rates, the City's investment policy allows the investment manager to invest the fixed income components of the portfolio so as to prevent the returns for the fixed income portfolio from underperforming the fixed income index by more than 3% in any quarter.

City of Williamsport, Pennsylvania

Notes to Financial Statements
December 31, 2016

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2016, all of the City's investments were held by Wells Fargo Advisors, LLC, and were insured by SIPC or to the extent that the City's investments exceed SIPC coverage, are insured up to \$50,000,000 per account.

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of December 31, 2016:

	December 31, 2016			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by fair value level				
Fixed income:				
Certificates of deposit	\$ 2,414,767	\$ -	\$ 2,414,767	\$ -
Corporate bonds	8,675,404	-	8,675,404	-
Foreign bonds	811,114	-	811,114	-
Government bonds	7,652,710	-	7,652,710	-
Corp. mortgage/asset backed securities	884,307	-	884,307	-
Government asset backed securities	3,403	-	3,403	-
Common stocks:				
Consumer discretionary	7,847,953	7,847,953	-	-
Consumer staples	2,591,445	2,591,445	-	-
Energy	4,122,870	4,122,870	-	-
Financials	8,344,037	8,344,037	-	-
Health care	6,949,000	6,949,000	-	-
Industrials	7,044,751	7,044,751	-	-
Information technology	14,504,958	14,504,958	-	-
Materials	641,781	641,781	-	-
Telecommunications	949,440	949,440	-	-
Utilities	87,760	87,760	-	-
Preferred stock - Financials	1,190,000	1,190,000	-	-
Mutual funds - International	9,016,067	9,016,067	-	-
	<u>\$ 83,731,767</u>	<u>\$ 63,290,062</u>	<u>\$ 20,441,705</u>	<u>\$ -</u>

City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2016

The valuation methods for recurring fair value measurements are as follows:

- Equity securities (common and preferred stocks) and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.
- Fixed income securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Component Unit - Parking Authority

Cash

At December 31, 2016, the carrying amount of the Parking Authority's deposits was \$148,139 and bank balance was \$169,535, all of which was covered by federal depository insurance.

4. Due from Other Governments

The amounts reported in the City's various governmental and proprietary funds at December 31, 2016 as due from other governments is summarized below:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund	\$ -	\$ -	\$ 4,712	\$ 4,712
HOME Fund	24,748	-	-	24,748
Capital Projects	-	500,000	-	500,000
Non-Major Funds	11,817	-	3,900	15,717
Enterprise Fund	<u>200,000</u>	<u>3,026,103</u>	<u>102,291</u>	<u>3,328,394</u>
Total	<u>\$ 236,565</u>	<u>\$ 3,526,103</u>	<u>\$ 110,903</u>	<u>\$ 3,873,571</u>

City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2016

5. Direct Financing Leases - Business-Type Activity

The City's direct financing lease activities consist of a long-term office space rental in a building owned by the River Valley Transit (the "RVT"). This lease expires in 2028.

Following is a summary of the components of the RVT's net investment in the direct financing lease at December 31, 2016:

Total minimum lease payments to be received	\$	178,750
Estimated residual value of leased property		23,695
Unrecognized expense		<u>27,561</u>
Net investment	\$	<u><u>230,006</u></u>

Unrecognized expense is amortized using the straight-line method over the lease term, 29 years.

Minimum lease payments to be received as of December 31, 2016 for each of the next five years and thereafter are as follows:

2017	\$	15,000
2018		15,000
2019		15,000
2020		15,000
2021		15,000
2022-2026		75,000
2027-2028		<u>28,750</u>
Total	\$	<u><u>178,750</u></u>

6. Property Taxes

The City's property tax is levied each January 1 on the assessed values as of the date of levy for all taxable real property located in the City. The assessed value at January 1, 2016, upon which the 2016 levy was based, was \$956,746,720. The estimated market value was \$956,746,720 making the assessed value 100% of the estimated market value.

The City is permitted by state law to levy taxes up to \$25 per \$1,000 of assessed valuation for general governmental services. The tax rate to finance general governmental services for the year ended December 31, 2016, was \$14.47 per \$1,000, which means that the City has a tax margin of \$10.53 per \$1,000.

City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2016

Tax Abatement Programs

The City provides property tax abatements under two programs: the Keystone Opportunity Zone Program and the Local Economic Revitalization Tax Assistance Program.

The Keystone Opportunity Zone Program (“KOZ”) provides property tax abatements to encourage businesses and residents to locate in designated zones in the City. The KOZ Program is established by a Pennsylvania state statute and is administered by the Pennsylvania Department of Community and Economic Development. The abatements equal 100 percent of the property tax, are administered as a reduction in the tax bill, and last for varying periods through 2019.

The Local Economic Revitalization Tax Assistance Program (“LERTA”) provides property tax abatements to provide a tax break to new commercial properties in certain sections of the City of Williamsport for seven years as a way to stimulate business and economic growth. The abatements apply to the assessed value of improvements to a property. For the first two years, 100 percent of the improvements are abated, while 75 percent is abated in the third and fourth years. In years five and six, 50 percent is abated, and in the seventh year, the abatement is 25 percent.

Information relevant to the disclosure of these programs for the calendar year ended December 31, 2016, is:

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated during 2016</u>
KOZ Program	\$ 27,318
LERTA Program	<u>115,425</u>
Total	<u>\$ 142,743</u>

City of Williamsport, Pennsylvania

Notes to Financial Statements
December 31, 2016

7. Capital Assets

Primary Government

	Balance January 1, 2016	Acquisitions	Disposals/ Transfers	Balance December 31, 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land and monuments	\$ 2,313,865	\$ -	\$ -	\$ 2,313,865
Construction in progress	2,278,993	1,275,034	(2,065,896)	1,488,131
Total capital assets, not being depreciated	4,592,858	1,275,034	(2,065,896)	3,801,996
Capital assets, being depreciated:				
Land improvements	2,160,286	-	1,297,901	3,458,187
Infrastructure	39,863,659	1,346,476	-	41,210,135
Buildings and improvements	6,289,342	57,778	(246,250)	6,100,870
Furniture and equipment	3,269,377	232,516	(114,463)	3,387,430
Transportation	4,123,442	146,778	221,818	4,492,038
Total capital assets, being depreciated	55,706,106	1,783,548	1,159,006	58,648,660
Less accumulated depreciation:				
Land improvements	(980,593)	(176,576)	-	(1,157,169)
Infrastructure	(18,529,215)	(1,904,937)	-	(20,434,152)
Buildings and improvements	(3,346,729)	(205,119)	246,250	(3,305,598)
Furniture and equipment	(1,638,281)	(294,045)	114,463	(1,817,863)
Transportation	(2,997,643)	(333,148)	269,507	(3,061,284)
Total accumulated depreciation	(27,492,461)	(2,913,825)	630,220	(29,776,066)
Net capital assets, being depreciated	28,213,645	(1,130,277)	1,789,226	28,872,594
Governmental activities, net	\$ 32,806,503	\$ 144,757	\$ (276,670)	\$ 32,674,590

City of Williamsport, Pennsylvania

Notes to Financial Statements
December 31, 2016

	Balance January 1, 2016	Acquisitions	Disposals/ Transfers	Balance December 31, 2016
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 923,236	\$ -	\$ -	\$ 923,236
Construction in progress	10,651,713	8,127,601	(18,768,408)	10,906
Total capital assets, not being depreciated	11,574,949	8,127,601	(18,768,408)	934,142
Capital assets, being depreciated:				
Land improvements	611,048	-	-	611,048
Buildings and improvements	40,941,045	-	18,672,869	59,613,914
Machinery and equipment	20,100,478	1,425,965	169,347	21,695,790
Museum exhibits	536,099	-	-	536,099
Property held under capital lease	2,277,644	-	-	2,277,644
Total capital assets, being depreciated	64,466,314	1,425,965	18,842,216	84,734,495
Less accumulated depreciation:				
Land improvements	(279,378)	(31,013)	-	(310,391)
Buildings and improvements	(10,202,261)	(1,567,663)	-	(11,769,924)
Machinery and equipment	(13,986,394)	(997,043)	202,791	(14,780,646)
Property held under capital lease	(799,753)	(44,898)	-	(844,651)
Total accumulated depreciation	(25,267,786)	(2,640,617)	202,791	(27,705,612)
Net capital assets, being depreciated	39,198,528	(1,214,652)	19,045,007	57,029,883
Business-type activities capital assets, net	\$ 50,773,477	\$ 6,912,949	\$ 276,599	\$ 57,963,025

City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2016

Property Held Under Capital Lease - Governmental Activities

The City has entered into several agreements that have been accounted for as capital leases. These agreements cover vehicles, streets and public safety equipment. These assets are being amortized over their respective lease terms, which approximate their estimated productive lives. Amortization of assets under capital leases related to governmental activities amounted to approximately \$87,000 for the year ended December 31, 2016.

<u>Capital Leases</u>	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31, 2016</u>	<u>Due Within One Year</u>
Various vehicles and equipment	<u>\$ 214,984</u>	<u>\$ -</u>	<u>\$ (110,335)</u>	<u>\$ 104,649</u>	<u>\$ 66,453</u>

The following is a schedule, by year, of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2016, as related to the City's governmental activities:

Years ending December 31:

2017	\$ 70,483
2018	20,246
2019	<u>20,246</u>
Total minimum lease payments	110,975
Less amounts representing interest	<u>(6,326)</u>
Present value of net minimum lease payments	104,649
Less current portion	<u>(66,453)</u>
Present value of net minimum lease payments, long term	<u>\$ 38,196</u>

Property Held Under Capital Lease - Business-Type Activities

During December 1999, River Valley Transit ("RVT") became the lessee of a portion of a new parking deck (consisting of 150 parking spaces and an enclosed area for the exclusive use of its "Park and Ride" passenger program) under a capital lease agreement with the Williamsport Parking Authority. This lease term expires in 2029, with two bargain renewal options, which extend the term to 2049. Under the terms of this capital lease agreement, RVT was required to make the full lease payment upon commencement of the lease.

These assets are being amortized over their respective lease terms, which approximate their estimated productive lives. Amortization of assets under capital leases amounted to \$44,898 for the year ended December 31, 2016.

City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2016

Following is a summary of property held under capital lease as related to the City's business-type activities:

150 parking spaces	\$ 2,100,000
Enclosed waiting area for "Park & Ride" Program	100,000
Radio system	<u>77,644</u>
 Total	 2,277,644
 Less accumulated amortization	 <u>(844,651)</u>
 Property held under capital leases, net	 <u><u>\$ 1,432,993</u></u>

Component Unit - Parking Authority

	<u>Balance January 1, 2016</u>	<u>Acquisitions</u>	<u>Disposals/ Transfers</u>	<u>Balance December 31, 2016</u>
Capital assets, not being depreciated:				
Land	\$ 1,450,215	\$ -	\$ -	\$ 1,450,215
Capital assets, being depreciated:				
Parking deck/buildings	4,795,926	-	-	4,795,926
Machinery and equipment	349,110	12,738	-	361,848
Land improvements	<u>1,262,803</u>	<u>13,055</u>	-	<u>1,275,858</u>
 Total capital assets, being depreciated	 <u>6,407,839</u>	 <u>25,793</u>	 <u>-</u>	 <u>6,433,632</u>
Less accumulated depreciation for:				
Land improvements	(269,188)	(41,213)	-	(310,401)
Parking deck/buildings	(1,621,414)	(113,000)	-	(1,734,414)
Machinery and equipment	<u>(297,980)</u>	<u>(19,002)</u>	-	<u>(316,982)</u>
 Total accumulated depreciation	 <u>(2,188,582)</u>	 <u>(173,215)</u>	 <u>-</u>	 <u>(2,361,797)</u>
 Business-type activities capital assets, net	 <u><u>\$ 5,669,472</u></u>	 <u><u>\$ (147,422)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 5,522,050</u></u>

City of Williamsport, Pennsylvania

Notes to Financial Statements
December 31, 2016

8. Interfund Balances and Activity

Balances Due To/From Other Funds

Individual fund receivable and payable amounts at December 31, 2016 were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 651,345	\$ 193,616
Special Revenue Funds:		
Community Development Block Grant	-	59,605
HOME	4,345	-
Non-Revenue Escrow	13,484	-
Debt Service Fund	630,905	200,048
Capital Projects Fund	-	352,431
Enterprise Fund (RVT)	162,317	382,520
Internal Service Fund (City Hall Operating)	4,473	5,252
Fiduciary Funds	234,501	203,744
Agency Funds	-	304,154
	<hr/>	<hr/>
Total	<u>\$ 1,701,370</u>	<u>\$ 1,701,370</u>

Balances due to/from other funds primarily represent interfund borrowings for ongoing capital projects and amounts due between funds representing debt proceeds and debt service requirements, salary reimbursements and other cost allocations.

Transfers To/From Other Funds

Interfund transfers for the year ended December 31, 2016 were as follows:

	In	Out
General Fund	\$ 560,000	\$ 1,619,107
Governmental Activities	-	276,670
Special Revenue Funds:		
Community Development Block Grant	6,000	40,000
Non-Revenue Escrow	-	50,000
Home Rehab	-	6,000
Liquid Fuels	-	92,522
Act 13	-	200,000
Capital Projects	1,756,159	-
Debt Service	784,530	956,159
Proprietary Funds:		
Enterprise Fund (RVT)	786,334	601,615
Internal Service Fund (City Hall Operating)	-	55,000
Fiduciary Funds,		
Unemployment Compensation	4,050	-
	<hr/>	<hr/>
Total	<u>\$ 3,897,073</u>	<u>\$ 3,897,073</u>

City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2016

The General Fund made interfund transfers in support of Debt Service, Capital Projects and Enterprise Fund operations, as well as its share of the activity within the Unemployment Compensation Fund. Community Development Block Grant activity is intra-program in nature. The Debt Service Fund made interfund transfers in support of Capital Projects and other City infrastructure improvements, as permitted. The Act 13 Fund made interfund transfers in support of various ongoing City projects and general government operations.

9. Long-Term Debt

Primary Government

A summary of changes in long-term debt for 2016 is as follows:

Notes and Bonds Payable	Balance 1/1/16	Additions	Payments	Balance 12/31/16	Due Within One Year
General Obligation Bonds, Series of 2013	\$ 9,169,415	\$ -	\$ 431,336	\$ 8,738,079	\$ 441,244
General Obligation Bonds, Series of 2014	8,824,999	-	265,000	8,559,999	270,000
General Obligation Bond, Series of 2014 (Revolving)	3,176,466	1,400,000	600,000	3,976,466	3,976,466
General Obligation Note (Funding Unfunded Debt), Series of 2016	-	500,000	32,807	467,193	44,179
General Obligation Note, Series of 2016	-	793,860	-	793,860	-
Total	\$ 21,170,880	\$ 2,693,860	\$ 1,329,143	\$ 22,535,597	\$ 4,731,889

The following table summarizes the City's long term debt by activity for the year ended December 31, 2016:

	Governmental Activities	Business-Type Activity	Total
Notes and bonds payable, January 1, 2016	\$ 9,910,295	\$ 11,260,585	\$ 21,170,880
Additions	793,860	1,900,000	2,693,860
Payments	(522,004)	(807,139)	(1,329,143)
Notes and bonds payable, December 31, 2016	10,182,151	12,353,446	22,535,597
Less: current portion	(514,842)	(4,217,047)	(4,731,889)
Notes and bonds payable, long term	<u>\$ 9,667,309</u>	<u>\$ 8,136,399</u>	<u>\$ 17,803,708</u>

City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2016

Tax Revenue Anticipation Note (TRAN)

In addition, during the year ended December 31, 2016, the City issued a tax revenue anticipation note in the amount of \$1,500,000, at an interest rate of 2.07%. The note was paid in full during 2016.

Additional information regarding the City's long-term debt obligations is as follows:

Governmental Activities

\$9,795,000 General Obligation Bonds, Series of 2013

In December 2013, the City issued its General Obligation Bonds, Series of 2013, in the face amount of \$9,795,000 for the purpose of currently refunding of the City's \$5,000,000 General Obligation Note, Series of 2010, the acquisition, and construction of various capital improvement and capital asset projects of the City, including for the River Valley Transit, that include, Trade and Transit II, the Public Service Building, other City facilities and paying allocable financing costs and the costs of issuance of the bonds. The bonds bear interest at variable rates ranging from 2.0% to 4.7%; interest payments are due semi-annually on June 1 and December 1 of each year. Principal payments commence on June 1, 2014, and continue through and including June 1, 2038. The outstanding principal balance on these bonds was \$1,817,537 at December 31, 2016.

\$9,280,000 General Obligation Bonds, Series of 2014

In February 2014, the City issued its General Obligation Bonds, Series of 2014, in the face amount of \$9,280,000 for the purpose of currently refunding of the City's \$6,000,000 Guaranteed Note, Series of 2005, the continued funding for the Trade and Transit Center II Project, the acquisition and construction of various capital improvement and capital asset projects of the City including the City swimming pool and recreational facilities, street light improvements, Bowman Field and related facilities, Reach Road reconstruction, improvements to the public parking facilities of the Williamsport Parking Authority, other City facilities and paying allocable financing costs and the costs of issuance of the bonds. The bonds bear interest at variable rates ranging from 2.0% to 3.125%; interest payments are due semi-annually on June 1 and December 1 of each year. Principal payments commence on June 1, 2014, and continue through and including June 1, 2038. The outstanding principal balance on these bonds was \$7,527,095 at December 31, 2016, which includes that portion of the debt allocable to the Williamsport Parking Authority. At December 31, 2016, the Parking Authority's principal balance on these bonds was \$481,691. This amount is recorded by the Parking Authority as Due to Primary Government and by the City as Due from Component Unit on the Statement of Net Position. Refer to further information regarding the Parking Authority's portion of this debt in the "Component Unit - Parking Authority" section of this note below.

\$4,000,000 General Obligation Bond, Series of 2014 (Revolving Line of Credit)

In January 2014, the City issued its General Obligation Bond, Series of 2014 (Revolving Line of Credit), in the face amount of \$4,000,000 for the purpose of providing interim financing for capital projects including reimbursable costs associated with capital projects of River Valley Transit, including the Trade and Transit II Expansion project, a compressed natural gas fueling station, and related improvements, acquiring and constructing a records management system, purchasing buses, acquiring and constructing Destination 2014 and related RCAP reimbursable projects, refunding the City's General Obligation Note, Series B of 2010 in the original maximum principal amount of \$3,000,000 and paying related costs and expenses. Proceeds of the note are available to the City on a revolving, line of credit basis, until maturity. The note bears interest at a variable rate equal to 100% of the sum of the one-month LIBOR rate plus 1.88% per annum. Interest payments are due quarterly on March 1, June 1, September 1, and December 1 of each year. Principal payment on this bond is due in one balloon payment in January 2017. The outstanding principal balance on this bond was \$76,466 at December 31, 2016.

\$500,000 General Obligation Note (Funding Unfunded Debt), Series of 2016

In February 2016, the City issued its General Obligation Note (Funding Unfunded Debt), Series of 2016, in the face amount of \$500,000 for the purpose of payment of settlement costs of a law suit. The note bears interest at a rate of 3.16%; payments of principal and interest are due quarterly on February 1, May 1, August 1, and November 1 of each year and continue through and including February 1, 2026. The outstanding principal balance on this note was \$467,193 at December 31, 2016.

\$2,500,000 General Obligation Note, Series of 2016

In September 2016, the City issued its General Obligation Note, Series of 2016, in the face amount of \$2,500,000 for the purpose of undertaking various capital projects including renovations/improvements to City administrative and public safety buildings, public park improvement matching funds, infrastructure repairs and upgrades to the City's levee system, streetscape improvement matching funds and East Third Street revitalization plan matching funds and paying related costs and expenses. Proceeds of the note are available to the City over a two year draw-down period. During the draw-down period, the note bears interest at a variable rate equal to 100% of the sum of the daily LIBOR rate plus 1.63% per annum. Following the draw-down period, the note bears interest at a variable rate equal to 65% of the sum of the 10 year United State Treasury Rate plus 2.80% per annum. Interest payments are due quarterly on March 8, June 8, September 8, and December 8 of each year. Principal payments commence on December 8, 2018, and continue through and including September 28, 2028. The outstanding principal balance on this bond was \$293,860 at December 31, 2016.

City of Williamsport, Pennsylvania

Notes to Financial Statements
December 31, 2016

The following is a schedule, by year, of the future minimum principal and interest payments required under the bond and note payable agreements of the City's governmental activities as of December 31, 2016:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 514,842	\$ 330,330	\$ 845,172
2018	456,680	321,017	777,697
2019	483,689	310,952	794,641
2020	481,199	300,417	781,616
2021	498,597	289,113	787,710
2022-2026	2,662,073	1,223,537	3,885,610
2027-2031	1,907,453	845,725	2,753,178
2032-2036	2,173,629	447,597	2,621,226
2037-2041	1,003,989	40,374	1,044,363
Total	<u>\$ 10,182,151</u>	<u>\$ 4,109,062</u>	<u>\$ 14,291,213</u>

Business-Type Activity

\$9,795,000 General Obligation Bonds, Series 2013

Refer to the "Governmental Activities" section of this note above for information on the terms of this borrowing. The outstanding business-type activity principal balance on these bonds was \$6,920,542 at December 31, 2016.

\$9,280,000 General Obligation Bonds, Series of 2014

Refer to the "Governmental Activities" section of this note above for information on the terms of this borrowing. The outstanding business-type activity principal balance on these bonds was \$1,032,904 at December 31, 2016.

\$4,000,000 General Obligation Bond, Series of 2014 (Revolving Line of Credit)

Refer to the "Governmental Activities" section of this note above for information on the terms of this borrowing. The outstanding business-type activity principal balance on this bond was \$3,900,000 at December 31, 2016.

\$2,500,000 General Obligation Note, Series of 2016

Refer to the "Governmental Activities" section of this note above for information on the terms of this borrowing. The outstanding business-type activity principal balance on this bond was \$500,000 at December 31, 2016.

City of Williamsport, Pennsylvania

Notes to Financial Statements
December 31, 2016

The following is a schedule by year of the future minimum principal and interest payments required under note payable agreements of the City' business-type activity as of December 31, 2016:

Year Ending December 31	Principal	Interest	Total
2017	\$ 4,217,047	\$ 295,073	\$ 4,512,120
2018	338,238	288,573	626,811
2019	377,628	280,917	658,545
2020	398,397	282,201	680,598
2021	404,324	262,733	667,057
2022-2026	2,210,338	1,125,220	3,335,558
2027-2031	1,866,657	740,568	2,607,225
2032-2036	1,735,067	388,719	2,123,786
2037-2041	805,750	37,544	843,294
Total	<u>\$ 12,353,446</u>	<u>\$ 3,701,548</u>	<u>\$ 16,054,994</u>

Component Unit - Parking Authority

The following is a summary of changes in long-term debt for the year ended December 31, 2016.

	Balance December 31, 2015	Additions	Payments	Balance December 31, 2016
Notes payable, Series of 1999	\$ 1,817,574	\$ -	\$ 176,331	\$ 1,641,243
Revenue note, Series of 2015	2,000,000	500,000	-	2,500,000
Due to primary government	496,589	-	14,898	481,691
Total	<u>\$ 4,314,163</u>	<u>\$ 500,000</u>	<u>\$ 191,229</u>	<u>\$ 4,622,934</u>

City of Williamsport, Pennsylvania

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As of December 31, 2016 long-term debt consisted of the following:

Note payable, Series of 1999, due in monthly payments of \$15,623 of principal and interest at 2.35% per annum adjusted annually through May 12, 2025. Secured by a perfected security interest in all revenues and receipts, accounts, documents, and general intangibles of the Authority.	\$ 1,641,243
Revenue note, Series of 2015, bears interest at a variable rate equal to the 1-month LIBOR plus 300 basis points during an initial draw down period. After this period the Authority will begin repayment installments of principal and interest at a fixed rate equal to the Bank 10-year cost of funds plus 300 basis points through maturity at May 15, 2028. This Note is secured by all revenues of the Authority.	2,500,000
Due to Primary Government - During 2014, the Authority and the City entered into a Subsidy Agreement whereby \$520,000 of the City's General Obligation Bonds, Series of 2014 were advanced to the Authority. The Subsidy Agreement will be repaid in varying annual installments of principal and interest at rates ranging between 2.00% and 4.25% per annum through maturity at June 1, 2038. The Subsidy Agreement is secured by all receipts and revenues of the Authority.	<u>481,691</u>
Subtotal	4,622,934
Less current maturities	<u>(148,796)</u>
Long-term debt	<u><u>\$ 4,474,138</u></u>

The annual requirements to amortize long-term debt as of December 31, 2016 are as follows:

Years Ending December 31	Principal	Interest	Total
2017	\$ 148,796	\$ 143,358	\$ 292,154
2018	306,225	157,526	463,751
2019	386,031	131,144	517,175
2020	397,947	118,748	516,695
2021	415,231	106,230	521,461
2022-2026	2,275,975	323,211	2,599,186
2027-2031	499,059	62,601	561,660
2032-2036	134,077	27,592	161,669
2037-2038	59,593	2,551	62,144
Total	<u>\$ 4,622,934</u>	<u>\$ 1,072,961</u>	<u>\$ 5,695,895</u>

City of Williamsport, Pennsylvania

Notes to Financial Statements
December 31, 2016

10. Compensated Absences

The liability for long-term compensated absences recorded in the governmental activities column on the statement of net position, was \$1,632,999 at December 31, 2016. The liability for compensated absences for business-type activities amounted to \$484,405 at December 31, 2016. The changes in the City's compensated absences in 2016 are summarized as follows:

	Governmental Activities	Business-Type Activities
Balance January 1, 2016	\$ 1,684,330	\$ 481,225
Increase	1,167,310	319,356
Decrease	<u>(1,218,641)</u>	<u>(316,176)</u>
Balance December 31, 2016	<u>\$ 1,632,999</u>	<u>\$ 484,405</u>

11. Employee Pension Funds

Plan Descriptions, Administration and Benefits Provided

The Williamsport Officers' and Employees' Pension Fund ("O&E"), Williamsport Firemen's Pension Fund ("Fire") and Williamsport Police Pension Fund ("Police") (collectively, the "Plans") are single-employer defined benefit pension plans administered by the City. The Plans were established effective May 23, 1945. The City is the only participating employer in the Plans. Stand-alone financial statements are not issued for the Plans, nor are the Plans included in the report of any public employee retirement system or other entity.

	Combining Statement of Fiduciary Net Position			
	Firemen's Pension	Police Pension	O&E Pension	Total
Assets:				
Cash and cash equivalents	\$ 294,431	\$ 326,141	\$ 180,415	\$ 800,987
Receivables, Other	50,093	71,142	47,570	168,805
Due from other funds	-	232,886	-	232,886
Investments, at fair value:				
U.S. Government securities	2,764,882	2,788,051	2,103,181	7,656,114
Domestic corporate bonds	3,716,599	3,789,156	2,865,069	10,370,824
Certificates of deposit	864,103	886,716	663,948	2,414,767
Domestic equity securities	17,319,038	24,251,719	12,703,238	54,273,995
Mutual funds	2,996,191	3,804,400	2,215,476	9,016,067
Total investments	<u>27,660,813</u>	<u>35,520,042</u>	<u>20,550,912</u>	<u>83,731,767</u>
Total	<u>\$ 28,005,337</u>	<u>\$ 36,150,211</u>	<u>\$ 20,778,897</u>	<u>\$ 84,934,445</u>
Liabilities,				
Due to other funds	<u>\$ 203,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,157</u>
Net Position,				
Restricted for pensions	<u>\$ 27,802,180</u>	<u>\$ 36,150,211</u>	<u>\$ 20,778,897</u>	<u>\$ 84,731,288</u>

City of Williamsport, Pennsylvania

Notes to Financial Statements
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Combining Statement of Fiduciary Net Position				
	Firemen's Pension	Police Pension	O&E Pension	Total
Additions,				
Contributions:				
Employer	\$ 993,649	\$ 1,141,371	\$ 639,444	\$ 2,774,464
Commonwealth of Pennsylvania	372,884	428,319	239,963	1,041,166
Employees	118,551	179,925	289,230	587,706
Miscellaneous	254	13	725	992
Total contributions	<u>1,485,338</u>	<u>1,749,628</u>	<u>1,169,362</u>	<u>4,404,328</u>
Investment earnings:				
Interest and dividends	635,866	814,045	472,665	1,922,576
Net appreciation in fair value of investments	<u>1,582,687</u>	<u>2,203,444</u>	<u>1,161,781</u>	<u>4,947,912</u>
Total investment earnings	2,218,553	3,017,489	1,634,446	6,870,488
Less investment expense (advisory fees)	<u>(121,456)</u>	<u>(157,529)</u>	<u>(90,870)</u>	<u>(369,855)</u>
Net investment income	<u>2,097,097</u>	<u>2,859,960</u>	<u>1,543,576</u>	<u>6,500,633</u>
Total additions	<u>3,582,435</u>	<u>4,609,588</u>	<u>2,712,938</u>	<u>10,904,961</u>
Deductions:				
Benefits and refunds of contributions	2,207,201	2,690,705	1,490,599	6,388,505
Administrative	<u>14,701</u>	<u>15,045</u>	<u>22,140</u>	<u>51,886</u>
Total deductions	<u>2,221,902</u>	<u>2,705,750</u>	<u>1,512,739</u>	<u>6,440,391</u>
Change in Net Position	1,360,533	1,903,838	1,200,199	4,464,570
Net Position, Beginning	<u>26,441,647</u>	<u>34,246,373</u>	<u>19,578,698</u>	<u>80,266,718</u>
Net Position, Ending	<u>\$ 27,802,180</u>	<u>\$ 36,150,211</u>	<u>\$ 20,778,897</u>	<u>\$ 84,731,288</u>

As of December 31, 2016, the City reported the following amounts in the accompanying Statement of Net Position related to their pension plans:

	Governmental Activities	Business Type Activity	Total
Deferred Outflows of Resources	\$ 4,106,505	\$ 675,700	\$ 4,782,205
Net Pension Liability	13,764,520	1,576,842	15,341,362
Deferred Inflows of Resources	672,275	64,544	736,819

City of Williamsport, Pennsylvania

Notes to Financial Statements

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Additional information related to each of the plans is as follows:

	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund
Employee groups covered	Any elected or appointed official, or any person employed by the City on a permanent basis	Any person employed on a full-time basis by the City as a firefighter	Any person employed on a full-time basis by the City as a police officer
Legislative body governing plan and responsible for management of plan assets	Officers' and Employees' Retirement Board	Firemen's Pension Board	Police Pension Board
Normal retirement age	60	50	50
Years of service requirement prior to retirement	12	20	20
Monthly retirement benefits	Two and one-half percent of the participant's average monthly compensation multiplied by years of service up to a maximum benefit of 50% of average monthly compensation.	Fifty percent of the higher of: (1) compensation averaged over the twelve month period prior to termination; or (2) compensation averaged over any five year period prior to termination	Fifty percent of the compensation over the last 365 day period prior to termination or the averaged highest five years, whichever is greater
Monthly service increment benefit	None	Equal to one-fortieth of the pension benefit for each completed year of service in excess of twenty years, up to a maximum of \$100; service after age sixty-five shall not be included	Equal to one-fortieth of the pension benefit for each completed year of service in excess of twenty years, up to a maximum of \$100; service after age sixty-five shall not be included
Reduction in monthly retirement benefit	None	None	None
Disability benefits: Eligibility	Upon total and permanent disablement which occurs following the completion of fifteen years of service	Upon total and permanent disablement for service related injuries, regardless of length of service; and upon total and permanent disablement which occurs after five years of service for non-service related injuries	Upon total and permanent disablement which occurs while performing duties of a police officer for the City of Williamsport
Monthly disability benefits	Same as monthly retirement benefit calculated at date of disablement	Equal to the accrued benefit based upon average monthly compensation and years of service at the date of disablement	Same as monthly retirement benefit calculated at date of disablement

City of Williamsport, Pennsylvania

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	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund
Death benefits - Spouse			
Before retirement	Refund of contributions if any, without interest	Monthly benefit equal to fifty percent of the accrued benefit until death or remarriage for non-service related death; monthly benefit equal to one hundred percent of accrued benefit until death or remarriage for service-related death	Refund of contributions without interest if participant had less than twenty years of service; if after twenty years of service, receives same benefit as if death occurred after retirement
After retirement	Excess of participant's accumulated contributions over the total payment received shall be paid to participant's estate	Monthly benefit equal to 100% of pension participant was receiving or entitled to receive on day of participant's death is payable to spouse until death or remarriage. In the event of the death of the spouse, each of the participant's dependent children will receive an equal share of benefit until their 18 th birthday	Monthly benefit equal to 100% of the pension participant was receiving or entitled to receive on the day of participant's death is payable to spouse

The plans are governed by three separate pension boards, with set representatives consisting of City management, active and retired plan participants, and City Council members.

At January 1, 2015, the date of the latest valuation, members of the plans were as follows:

	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund
Inactive plan members currently receiving benefits	54	79	75
Inactive plan members entitled to benefits but not yet receiving them	-	-	4
Current employees	116	24	39
Total membership	<u>170</u>	<u>103</u>	<u>118</u>
Number of participating employers	<u>1</u>	<u>1</u>	<u>1</u>

City of Williamsport, Pennsylvania

Notes to Financial Statements
December 31, 2016

Funding Policy and Contributions

The contribution requirements of plan members are established and may be amended by the respective legislative bodies governing each of the plans (see Plan Descriptions). Officers and Employees plan participants are required to contribute five and one half percent of compensation to the plan. Participants in the Police and Fire plans are required to contribute five percent of compensation and an additional \$1 per month until age sixty-five.

The contribution requirements of the City are determined in accordance with the Commonwealth of Pennsylvania's Municipal Pension Plan Funding and Recovery Act (Act 205 of 1984, [the "Act"]). The Act requires that annual contributions be based on a Minimum Municipal Obligation ("MMO"), as determined in connection with the Plans' biennial actuarial valuation. The MMO includes 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 ten percent of the excess (if any) of the actuarial present value of assets over the actuarial accrued liability.

The Commonwealth of Pennsylvania provides an allocation of funds that must be used for pension funding. The City must fund any financial requirement established by the MMO that exceeds state/member contributions. For the year ended December 31, 2016, the combined City/Commonwealth contributions to the Fire, Police and O&E plans were \$1,366,533, \$1,569,690, and \$879,407, respectively, each of which was equal to the related MMO.

Deposits and Investments

The Plans allow funds to be invested in a wide range of cash and cash equivalents, equities, fixed income securities and pooled investments including open ended mutual funds, exchange traded funds, closed-end funds, and real estate investment trusts. The Plans Investment Policies do not specify target allocations across asset categories, but rather leaves this to the discretion of the Funds' managers. The Plans Investment Policies also do not specify long-term expected real rates of return on specific asset categories, but rather specify that the expected rate of return on the portfolios as a whole will be equal to the actuarially assumed rate of return which is currently 7.75% for the Officers' and Employees' and Police Pension Plans and 7.5% for the Firemen's Pension Plan.

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension fund investment expense, was 8.60%, 8.69% and 9.25% for the Officers' and Employees', Firemen's and Police Pension Funds, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2016

Deferred Retirement Option Program

The City offers Deferred Retirement Option Programs (“DROP”) for its Officers’ and Employees, Firemen’s and Police Pension Plans that allows participants who qualify to continue working and still be entitled to a pension benefit in addition to a lump sum DROP amount. A description of the DROP terms for each plan are presented below:

	Officers’ and Employees’ Pension Fund	Firemen’s Pension Fund	Police Pension Fund
Eligibility	Any member who is eligible for a Normal Retirement Benefit under the Plan.	Any member of the fire pension plan who is eligible for full retirement.	Any member who is eligible for a Normal Retirement Benefit under the Plan.
Term	The maximum period that a member can participate in the DROP is 5 years.	The maximum period of time that a member can participate in the DROP is 3 years.	The maximum period that a member can participate in the DROP is 5 years, up to a maximum age of 60.
Pension benefit calculation	A calculation is made of the monthly Normal Retirement Benefit as of the DROP Participation Date.	Pensions are calculated for DROP participants at the time of beginning participation in the DROP.	A calculation is made of the monthly Normal Retirement Benefit as of the DROP Participation Date.
DROP Account	A member’s DROP account shall consist of the total of the following: an amount equal to the participant’s total monthly Normal Retirement Benefit, plus interest at the actual rate of return on the Fund, but not less than 0% or more than 4.5%. A member shall collect their DROP amount upon participants’ termination of employment.	A member’s DROP account shall consist of the total of the following: an amount equal to the total monthly pension amounts the member would have received, an amount equal to the member’s mandatory pension contributions during the drop, and interest at a rate of 6%. A member shall collect their DROP amount upon completion of the DROP period.	A member’s DROP account shall consist of the total of the following: an amount equal to the participant’s total monthly Normal Retirement Benefit, plus interest at the actual rate of return on the Fund, less two percent, but not less than 1% or more than 4.5%. A member shall collect their DROP amount upon participants’ termination of employment.

The balance of amounts held by the City’s pension plans pursuant to the DROP terms described above are approximately \$942,000, \$923,000 and \$511,000 for the Officers’ and Employees, Firemen’s and Police Pensions, respectively.

City of Williamsport, Pennsylvania

Notes to Financial Statements
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Pension Liability of the Plan

Net Pension Liability

The components of the net pension liability of the Plans as of December 31, 2016 were as follows:

	<u>O&E</u>	<u>Fire</u>	<u>Police</u>
Total pension liability	\$ 24,729,469	\$ 32,718,138	\$ 42,625,043
Plan fiduciary net position	<u>20,778,897</u>	<u>27,802,180</u>	<u>36,150,211</u>
Plan net pension liability	<u>\$ 3,950,572</u>	<u>\$ 4,915,958</u>	<u>\$ 6,474,832</u>
Plan fiduciary net position as a percentage of total pension liability	<u>84 %</u>	<u>85 %</u>	<u>85 %</u>

Changes in the Net Pension Liability

The changes in the City's aggregate net pension liability during the year ended December 31, 2016 are as follows:

	<u>Increases (Decreases)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at January 1, 2016	\$ 97,712,224	\$ 80,266,718	\$ 17,445,506
Changes for the year:			
Service cost	1,429,367	-	1,429,367
Interest cost	7,319,564	-	7,319,564
Contributions - employer	-	2,774,464	2,774,464
Contributions - employee	-	587,706	587,706
Contributions - other	-	1,041,166	1,041,166
Net investment income	-	6,870,488	6,870,488
Benefit payments, including refunds	(6,388,505)	(6,388,505)	-
Administration	-	(421,741)	(421,741)
Other	-	992	992
Net changes	<u>2,360,426</u>	<u>4,464,570</u>	<u>(2,104,144)</u>
Balances at December 31, 2016	<u>\$ 100,072,650</u>	<u>\$ 84,731,288</u>	<u>\$ 15,341,362</u>

City of Williamsport, Pennsylvania

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The schedule of changes in the employer's net pension liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information related to the funded status of the Pension Fund.

The significant changes in assumptions from the prior actuarial valuations include a change in the interest rate (investment rate of return) from 8.0% to 7.75% for the Officers' and Employees' and Police Pension Plans and a salary scale adjustment from 5.0% to 4.7% for the Officers' and Employees' and Police Pension Plans. There were no significant changes in assumptions from the prior actuarial valuations for the Firemen's Pension Plan.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of January 1, 2015, rolled forward to December 31, 2016 through the use of update procedures in accordance with paragraph 37 of GASB Statement No. 67, using the following actuarial methods and assumptions:

Actuarial Assumption	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund
Actuarial cost method	Entry age normal cost method	Entry age normal cost method	Entry age normal cost method
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Investment rate of return	7.75%	7.5%	7.75%
Projected salary increase	4.75%	5%	4.75%
Consumer price index	3%	3%	3%
Asset valuation method	4-Year Smoothing	4-Year Smoothing	4-Year Smoothing

Mortality rates were based on the RP-2000 Mortality Table. The actuarial assumptions used in the January 1, 2015 valuation were based upon a study of plan experience, provisions in the current collective bargaining agreement, and future expectations.

Discount Rate

The discount rate used to measure the total pension liability for the Plans was 7.75% for the Officers' and Employees' and Police Plans and 7.5% for the Firemen's Plan. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Williamsport, Pennsylvania

Notes to Financial Statements
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Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Pension Plans calculated using the discount rate of 7.75% for Officers' and Employees' and Police and 7.5% for Fire, as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.75% or 6.50%) or 1 percentage point higher (8.75% or 8.5%) than the current rate:

	1% Decrease (6.75% O&E/Police 6.5% Fire)	Current Discount Rate	1% Increase (8.75% O&E/Police 8.5% Fire)
Net pension liability - O&E	\$ 6,247,805	\$ 3,950,572	\$ 1,978,172
Net pension liability - Fire	8,414,727	4,915,958	1,987,828
Net pension liability - Police	11,358,885	6,474,832	2,404,653

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2016, the City recognized pension expense of \$2,584,154. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 248,915	\$ -
Changes in assumptions	687,419	-
Difference between projected and actual earnings on investments	3,845,871	736,819
Total	<u>\$ 4,782,205</u>	<u>\$ 736,819</u>

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

Year ended June 30:	
2017	\$ 1,526,552
2018	1,435,424
2019	1,182,686
2020	(99,276)

12. Defined Contribution (Section 457) Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Massachusetts Mutual Life Insurance Company. The Plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency, as defined.

13. Postemployment Benefits

Plan Description

The City provides postretirement medical, prescription drug and vision coverage for fire and police employees who retire with at least 12 years of service with their respective department and have attained the age of 50; and life insurance benefits to all employees who retire with at least 12 years of service. The City provides postretirement healthcare benefits for RVT employees who retire and have attained an age plus years of service amount equal to or greater than 85 years and have attained the age of 55. The cost of such medical, vision and life insurance coverage for retirees and spouses are primarily funded through annual appropriations from the City's General Fund and Enterprise Fund. These benefits are accounted for in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Retired employees who are ineligible under the above requirements and choose to participate in the medical plan must pay 100% of the composite rate cost of such coverage. While no formal plan document currently exists, GASB No. 45 requires the valuation to consider the "substantive plan," meaning the plan terms as understood by the City and plan members, as described in various current and historical employment and union contracts, including any plan changes that have been made and communicated to employees. The plan is an unfunded single employer plan and no financial report is prepared. Stand-alone financial statements are not issued for the plan.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended through negotiations between the City and the respective unions. The plan is funded on a pay-as-you-go basis, eligible retirees premiums are paid annually to fund the health care benefits provided to current retirees. Retirees are currently not required to contribute to the plan. The City made estimated contributions to the plan of \$3,236,657 for the year ended December 31, 2016. Contributions are actuarially determined in accordance with GASB Statement 45.

City of Williamsport, Pennsylvania

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Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following show 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 OPEB obligation:

Annual required contribution	\$ 9,770,547
Interest on net OPEB obligation	1,279,684
Adjustment to annual required contribution	<u>(1,850,107)</u>
Annual OPEB cost (expense)	9,200,124
Contributions made	<u>(3,236,657)</u>
Increase in net OPEB obligation	5,963,467
Net OPEB obligation at January 1, 2016	<u>31,992,109</u>
Net OPEB obligation at December 31, 2016	<u><u>\$ 37,955,576</u></u>

The increase in the net OPEB obligation is recorded as a benefit expense within the accompanying schedule of activities, primarily within the Public Safety function.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2016, 2015 and 2014 were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2016	\$ 9,200,124	35.2%	\$ 37,955,576
December 31, 2015	6,684,347	39.1%	31,992,109
December 31, 2014	6,754,247	36.9%	27,922,290

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Funded Status and Funding Progress

The funded status of the plan as of January 1, 2016, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability	\$ 116,892,200
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	116,892,200
Funded ratio (actuarial value of plan assets/UAAL)	0.0%
Covered payroll	\$ 12,778,709
UAAL as a percentage of covered payroll	915%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarial amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The calculations are based on the types of benefits provided at the time of the valuation based upon the substantive plan (the plan as understood by the employer and the plan members). The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2016, actuarial valuation, the Entry Age Normal Method was used. Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

The actuarial assumptions included a 4.0% investment rate of return, which is the expected rate to be earned on the City's deposits and investments, an annual healthcare cost trend rate of 7.5% initially, reduced to an ultimate rate of 5.0% in 2024 and later. The UAAL is being amortized as a level dollar over a thirty year open period.

City of Williamsport, Pennsylvania

Notes to Financial Statements
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14. Fund Balance Classifications

The City presents its governmental fund balances by level of constraint in the aggregate on its balance sheet - governmental funds. The individual specific purposes of each constraint are presented below:

	General Fund	HOME	Capital Projects	Other Governmental Funds	Total
Non-spendable for, Inventory and prepaid expenses	\$ 86,340	\$ -	\$ -	\$ -	\$ 86,340
Restricted for:					
HOME activities	\$ -	\$ 106,116	\$ -	\$ -	\$ 106,116
Grant purposes	-	-	-	1,585,325	1,585,325
Debt service	-	-	-	721,661	721,661
Liquid fuels tax purposes	-	-	-	329,031	329,031
Home rehabilitation	-	-	-	41,638	41,638
Public works	-	-	221,753	676,795	898,548
Redevelopment activities	-	-	-	5,769	5,769
Total restricted	\$ -	\$ 106,116	\$ 221,753	\$ 3,360,219	\$ 3,688,088
Assigned for, Encumbrances	\$ 358,602	\$ -	\$ -	\$ -	\$ 358,602

15. Related Organizations

The City's officials are responsible for appointing certain members of the governing boards of other organizations; but the City's accountability for these organizations during 2016 did not extend beyond making the appointments. A majority of the boards of the following organizations are either appointed by City Council or recommended and nominated by the Mayor and approved by City Council:

- Williamsport Municipal Water Authority
- Williamsport Sanitary Authority

16. Commitments and Contingent Liabilities

Litigation

The City has been named as a defendant in various lawsuits which relate to the day-to-day operations of City government. In the opinion of management and legal counsel, the resolution of these lawsuits will not have a material adverse effect on the City's financial position or results of operations.

City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2016

In addition, the City participates in a variety of other federal and state 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 that may be disallowed pursuant to the terms of these grant programs.

Environmental

The City maintains a fuel storage facility. The City is potentially liable for any expenditure associated with compliance to mandated regulations and any assessments by regulatory authorities related to this facility or other similarly situated facilities. No estimate is currently available for any potential liability for expenditures associated with this fuel storage facility.

Construction

The City has entered into various agreements with contractors related to street reconstruction, Bowman Field and the Trade & Transit Centre II project. At December 31, 2016, there was approximately \$1,005,000 remaining under these arrangements.

Insurance

The City has elected to self-insure its employee medical insurance plan. The City has limited this self-insurance liability through the purchase of catastrophic reinsurance coverage which will reimburse the City for any medical costs over \$65,000 per covered individual per year. The City believes that it has adequately provided for all asserted claims and has no knowledge of unasserted claims for which it has not provided. The City's liability for all asserted and estimated unasserted claims was \$160,098 at December 31, 2016. The City has a surplus deposit related to the plan in the amount of \$1,551,506 at December 31, 2016. The cost of medical coverage for employees was approximately \$5,132,000 in 2016.

17. Pending Changes in Accounting Principles

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and Required Supplementary Information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. The City is required to adopt Statement No. 74 for its calendar 2017 financial statements.

City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2016

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide: Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability - the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and RSI about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The City is required to adopt Statement No. 75 for its calendar 2018 financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*. Statement No. 80 amends the blending requirements related to not-for-profit corporations for which the primary government is the sole corporate member. The City is required to adopt Statement No. 80 for its calendar 2017 financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses certain implementation issues related to (1) the presentation of payroll-related measures in required supplementary information; (2) selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and, (3) the classification of payments made by employers to satisfy employee contribution requirements. The City is required to adopt Statement No. 82 for its calendar 2017 financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance related to the identification of fiduciary activities for accounting and financial reporting purposes. This Standard establishes criteria for identifying fiduciary activities of all state and local governments, with the focus being on whether a government controls the assets of the fiduciary activity and the beneficiaries of the assets. In addition, for all fiduciary activities, both a statement of net position and statement of changes in net position will now be required. The City is required to adopt Statement No. 84 for its calendar 2019 financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). To the extent applicable, the City is required to adopt Statement No. 85 for its calendar 2018 financial statements.

City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2016

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The City is required to adopt Statement No. 86 for its calendar 2018 financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The primary objective of this Statement is to enhance the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases. This Statement establishes a single model for lease accounting based on the foundational principle that all long-term leases (those with lease terms greater than 12 months) are financings of the right to use an underlying assets. The City is required to adopt Statement No. 87 for its calendar year 2020 financial statements.

City management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the financial reporting process.

18. Subsequent Event

Issuance of Long-term Debt

In May 2017, the City issued its General Obligation Note, Series of 2017, in the maximum principal amount of \$5,000,000 (revolving line of credit), for the purpose of providing interim financing for various capital projects, currently refunding the City's General Obligation Bond, Series of 2014 and to pay the costs of issuing the note. The note is due in quarterly installments beginning in June 2017, plus interest equal to the one-month LIBOR plus 1.88%, with the final maturity scheduled for January 2019.

City of Williamsport, Pennsylvania

Required Supplementary Information
 Schedule of Changes in Net Pension Liability and Related Ratios
 (Unaudited)
 Year Ended December 31, 2016

	2014			2015			2016		
	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund
Total Pension Liability									
Service cost	\$ 448,775	\$ 400,499	\$ 593,427	\$ 492,177	\$ 377,676	\$ 564,588	\$ 496,026	\$ 360,937	\$ 572,404
Interest costs	1,660,111	2,210,612	3,064,995	1,775,032	2,300,947	3,100,356	1,833,262	2,361,048	3,125,254
Changes of benefit terms	-	-	-	-	-	(597,591)	-	-	-
Differences between expected and actual experience	-	-	-	91,899	273,200	255,766	-	-	-
Changes in assumptions	-	-	-	417,689	-	839,444	-	-	-
Benefit payments, including refunds of member contributions	(662,149)	(1,783,183)	(2,397,934)	(960,071)	(1,526,194)	(2,699,878)	(1,490,599)	(2,207,201)	(2,690,705)
Net change in total pension liability	1,446,737	827,928	1,260,488	1,816,726	1,425,629	1,462,685	838,689	514,784	1,006,953
Total Pension Liability, Beginning	<u>20,627,317</u>	<u>29,949,797</u>	<u>38,894,917</u>	<u>22,074,054</u>	<u>30,777,725</u>	<u>40,155,405</u>	<u>23,890,780</u>	<u>32,203,354</u>	<u>41,618,090</u>
Total Pension Liability, Ending (a)	<u>22,074,054</u>	<u>30,777,725</u>	<u>40,155,405</u>	<u>23,890,780</u>	<u>32,203,354</u>	<u>41,618,090</u>	<u>24,729,469</u>	<u>32,718,138</u>	<u>42,625,043</u>
Plan Fiduciary Net Position									
Employer contributions	549,043	1,176,739	1,053,253	656,735	1,056,238	1,188,472	639,444	993,649	1,141,371
Employee contributions	277,372	124,413	153,489	284,598	122,709	176,099	289,230	118,551	179,925
Other contributions	181,331	388,639	347,855	214,768	345,415	388,659	239,963	372,884	428,319
Net investment income	1,218,349	1,708,364	2,309,916	(19,239)	(26,020)	(219,355)	1,634,446	2,218,553	3,017,489
Benefits payments, including refunds of member contributions	(639,802)	(1,783,183)	(2,395,427)	(960,071)	(1,526,194)	(2,699,878)	(1,490,599)	(2,207,201)	(2,690,705)
Administration	(100,489)	(130,478)	(171,823)	(100,052)	(131,343)	(170,407)	(113,010)	(136,157)	(172,574)
Other	2,374	2,889	9,732	2,654	3,894	5,908	725	254	13
Net change in plan fiduciary net position	1,488,178	1,487,383	1,306,995	79,393	(155,301)	(1,330,502)	1,200,199	1,360,533	1,903,838
Plan Fiduciary Net Position, Beginning	<u>18,011,127</u>	<u>25,109,565</u>	<u>34,269,880</u>	<u>19,499,305</u>	<u>26,596,948</u>	<u>35,576,875</u>	<u>19,578,698</u>	<u>26,441,647</u>	<u>34,246,373</u>
Plan Fiduciary Net Position, Ending (b)	<u>19,499,305</u>	<u>26,596,948</u>	<u>35,576,875</u>	<u>19,578,698</u>	<u>26,441,647</u>	<u>34,246,373</u>	<u>20,778,897</u>	<u>27,802,180</u>	<u>36,150,211</u>
Net Pension Liability, Ending (a) - (b)	<u>\$ 2,574,749</u>	<u>\$ 4,180,777</u>	<u>\$ 4,578,530</u>	<u>\$ 4,312,082</u>	<u>\$ 5,761,707</u>	<u>\$ 7,371,717</u>	<u>\$ 3,950,572</u>	<u>\$ 4,915,958</u>	<u>\$ 6,474,832</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u>88%</u>	<u>86%</u>	<u>89%</u>	<u>82%</u>	<u>82%</u>	<u>82%</u>	<u>84%</u>	<u>85%</u>	<u>85%</u>

The City implemented GASB Statement No. 67 during its calendar year ended December 31, 2014. Information prior to fiscal year 2014 is not available.

City of Williamsport, Pennsylvania

Required Supplementary Information
 Schedule of Employer Contributions - Officers' and Employees' Pension Fund
 (Unaudited)
 Year Ended December 31, 2016

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution ⁽¹⁾	\$ 186,125	\$ 211,965	\$ 217,432	\$ 229,831	\$ 368,772	\$ 378,064	\$ 731,053	\$ 730,374	\$ 871,503	\$ 879,407
Contributions in relation to the actuarially determined contribution	<u>186,125</u>	<u>211,965</u>	<u>217,432</u>	<u>229,831</u>	<u>319,428</u>	<u>328,720</u>	<u>731,053</u>	<u>730,374</u>	<u>871,503</u>	<u>879,407</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,344</u>	<u>\$ 49,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll ⁽²⁾	\$ 3,637,457	\$ 3,893,237	\$ 3,978,469	\$ 4,098,784	\$ 4,187,558	\$ 4,414,553	\$ 4,437,248	\$ 4,423,821	\$ 4,712,344	\$ 4,866,962
Contributions as a percentage of covered-employee payroll	5.12%	5.44%	5.47%	5.61%	7.63%	7.45%	16.48%	16.51%	18.49%	18.07%

Notes to Schedule:

Valuation date: Actuarially determined contributions are calculated as of January 1 of the prior fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, closed
	4-year
	smoothed
Asset valuation method	market
Inflation	3%
Salary increases	5% through 1/1/2013 actuarial valuation; 4.75% beginning with 1/1/2015 actuarial valuation
Investment rate of return	8% through 1/1/2013 actuarial valuation; 7.75% beginning with 1/1/2015 actuarial valuation
Mortality	Mortality rates were based on the 1994 Uninsured Pensioner Mortality table through 1/1/2009; the RP-2000 Mortality Table was used beginning in 2010

⁽¹⁾ - Equal to the Minimum Municipal Obligation (MMO) under Act 205 of 1984

⁽²⁾ - Estimate of projected W-2 payroll for the preceding year as shown on the MMO worksheet.

City of Williamsport, Pennsylvania

Required Supplementary Information
 Schedule of Employer Contributions - Firemen's Pension Fund
 (Unaudited)
 Year Ended December 31, 2016

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution ⁽¹⁾	\$ 1,164,880	\$ 1,006,779	\$ 1,021,811	\$ 1,142,426	\$ 1,313,631	\$ 1,318,714	\$ 1,693,633	\$ 1,565,378	\$ 1,401,653	\$ 1,366,533
Contributions in relation to the actuarially determined contribution	<u>1,164,880</u>	<u>1,006,779</u>	<u>1,021,811</u>	<u>1,142,426</u>	<u>1,072,537</u>	<u>1,077,620</u>	<u>1,693,633</u>	<u>1,565,378</u>	<u>1,401,653</u>	<u>1,366,533</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 241,094</u>	<u>\$ 241,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll ⁽²⁾	\$ 1,603,074	\$ 1,672,188	\$ 1,715,781	\$ 1,782,458	\$ 1,794,314	\$ 1,820,399	\$ 1,780,801	\$ 1,751,038	\$ 1,749,416	\$ 1,577,483
Contributions as a percentage of covered-employee payroll	72.67%	60.21%	59.55%	64.09%	59.77%	59.20%	95.11%	89.40%	80.12%	86.63%

Notes to Schedule:

Valuation date: Actuarially determined contributions are calculated as of January 1 of the prior fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	6 years
	4-year
	smoothed
Asset valuation method	market
Inflation	3%
Salary increases	5%
Investment rate of return	7.50%
Mortality	Mortality rates were based on the 1994 Uninsured Pensioner Mortality table through 1/1/2009; the RP-2000 Mortality Table was used beginning in 2010

⁽¹⁾ - Equal to the Minimum Municipal Obligation (MMO) under Act 205 of 1984

⁽²⁾ - Estimate of projected W-2 payroll for the preceding year as shown on the MMO worksheet.

City of Williamsport, Pennsylvania

Required Supplementary Information
 Schedule of Employer Contributions - Police Pension Fund
 (Unaudited)
 Year Ended December 31, 2016

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution ⁽¹⁾	\$ 774,111	\$ 616,341	\$ 603,863	\$ 621,438	\$ 895,363	\$ 849,605	\$ 1,402,048	\$ 1,401,108	\$ 1,577,131	\$ 1,569,690
Contributions in relation to the actuarially determined contribution	<u>774,111</u>	<u>616,341</u>	<u>603,863</u>	<u>621,438</u>	<u>789,528</u>	<u>743,770</u>	<u>1,402,048</u>	<u>1,401,108</u>	<u>1,577,131</u>	<u>1,569,690</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,835</u>	<u>\$ 105,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll ⁽²⁾	\$ 2,964,987	\$ 2,918,077	\$ 2,876,124	\$ 2,798,423	\$ 2,706,116	\$ 2,443,715	\$ 2,667,338	\$ 2,662,267	\$ 2,777,526	\$ 2,740,864
Contributions as a percentage of covered-employee payroll	26.11%	21.12%	21.00%	22.21%	29.18%	30.44%	52.56%	52.63%	56.78%	57.27%

Notes to Schedule:

Valuation date: Actuarially determined contributions are calculated as of January 1 of the prior fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	10 years
	4-year smoothed
Asset valuation method	market
Inflation	3%
Salary increases	5% through 1/1/2013 actuarial valuation; 4.75% beginning with 1/1/2015 actuarial valuation
Investment rate of return	8% through 1/1/2013 actuarial valuation; 7.75% beginning with 1/1/2015 actuarial valuation
Mortality	Mortality rates were based on the 1994 Uninsured Pensioner Mortality table through 1/1/2009; the RP-2000 Mortality Table was used beginning in 2010

⁽¹⁾ - Equal to the Minimum Municipal Obligation (MMO) under Act 205 of 1984

⁽²⁾ - Estimate of projected W-2 payroll for the preceding year as shown on the MMO worksheet.

City of Williamsport, Pennsylvania

Required Supplementary Information
 Schedule of Investment Returns - Pension Trust Funds
 (Unaudited)
 Year Ended December 31, 2016

	2014			2015			2016		
	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund
Annual money-weighted rate of return, net of investment expense	<u>6.83 %</u>	<u>6.95 %</u>	<u>6.90 %</u>	<u>-0.10 %</u>	<u>-0.08 %</u>	<u>-0.60 %</u>	<u>8.60 %</u>	<u>8.69 %</u>	<u>9.25 %</u>

The City implemented GASB Statement No. 67 during its calendar year ended December 31, 2014. Information prior to fiscal year 2014 is not available.

City of Williamsport, Pennsylvania

Required Supplementary Information

Schedule of Funding Progress - Other Postemployment Benefits
(Unaudited)

Year Ended December 31, 2016

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Total Unfunded Actuarial Liability (Asset)	Funded Ratio (a)/(b)	Annual Covered Payroll	Ratio of Unfunded Liability to Annual Covered Payroll
January 1, 2016	\$ -	\$ 116,892,200	\$ 116,892,200	0.00%	\$ 12,778,709	915%
January 1, 2014	-	86,084,575	86,084,575	0.00%	12,174,101	707%
January 1, 2012	-	86,678,610	86,678,610	0.00%	11,329,616	765%

Note to Schedule: Significant changes from the January 1, 2014 actuarial valuation to the January 1, 2016 actuarial valuation include:

- 1) The inclusion of postretirement health benefits for River Valley Transit (Proprietary Fund) employees who previously were not eligible to receive these benefits.
- 2) A change in the discount rate assumption from 4.5% to 4.0%.

City of Williamsport, Pennsylvania

Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2016
 (Unaudited)

	CDBG	Non-Revenue Escrow	Liquid Fuels	Home Rehab	Redevelopment Authority	Act 13	Pool Repair	Debt Service	Total Nonmajor Governmental Funds
Assets									
Cash and cash equivalents	\$ 53,236	\$ 1,573,221	\$ 360,679	\$ 41,638	\$ 166,514	\$ 575,881	\$ 100,914	\$ 222,877	\$ 3,094,960
Restricted cash	-	-	-	-	-	-	-	44,298	44,298
Receivables,									
Loans	637,991	987,626	-	51,597	-	-	-	-	1,677,214
Other	-	1,738	-	-	-	-	-	-	1,738
Due from other funds	-	13,484	-	-	-	-	-	630,905	644,389
Due from other governments	11,021	796	-	-	3,900	-	-	-	15,717
Due from component units	-	-	-	-	-	-	-	23,629	23,629
Total assets	\$ 702,248	\$ 2,576,865	\$ 360,679	\$ 93,235	\$ 170,414	\$ 575,881	\$ 100,914	\$ 921,709	\$ 5,501,945
Liabilities and Fund Balances									
Liabilities:									
Vouchers payable	\$ 11,021	\$ 3,914	\$ 31,648	\$ -	\$ 11,824	\$ -	\$ -	\$ -	\$ 58,407
Accrued liabilities	11,967	-	-	-	-	-	-	-	11,967
Compensated absences	2,796	-	-	-	-	-	-	-	2,796
Due to other funds	59,605	-	-	-	-	-	-	200,048	259,653
Due to other governments	1,976	-	-	-	-	-	-	-	1,976
Unearned revenue	637,991	987,626	-	51,597	152,821	-	-	-	1,830,035
Total liabilities	725,356	991,540	31,648	51,597	164,645	-	-	200,048	2,164,834
Fund balances,									
Restricted	-	1,585,325	329,031	41,638	5,769	575,881	100,914	721,661	3,360,219
Unassigned	(23,108)	-	-	-	-	-	-	-	(23,108)
Total fund balances	(23,108)	1,585,325	329,031	41,638	5,769	575,881	100,914	721,661	3,337,111
Total liabilities and fund balances	\$ 702,248	\$ 2,576,865	\$ 360,679	\$ 93,235	\$ 170,414	\$ 575,881	\$ 100,914	\$ 921,709	\$ 5,501,945

City of Williamsport, Pennsylvania

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended December 31, 2016

(Unaudited)

	CDBG	Non-Revenue Escrow	Liquid Fuels	Home Rehab	Redevelopment Authority	Act 13	Pool Repair	Debt Service	Total Nonmajor Governmental Funds
Revenues									
Interest, rents, royalties	\$ -	\$ 39,541	\$ 491	\$ 29	\$ 3	\$ 425	\$ -	\$ 51	\$ 40,540
Intergovernmental:									
Federal	522,183	5,096	-	-	-	-	-	-	527,279
State	-	60,336	859,812	-	32,505	501,208	-	-	1,453,861
Local	-	45,315	-	-	21,760	-	-	-	67,075
Charges for services	-	62,558	-	-	-	-	-	-	62,558
Collections on loans	28,441	65,200	-	225	-	-	-	-	93,866
Miscellaneous	-	16,634	-	-	-	-	-	25,000	41,634
Total revenues	550,624	294,680	860,303	254	54,268	501,633	-	25,051	2,286,813
Expenditures									
Current:									
General government	322,873	101,811	-	-	12,660	-	-	-	437,344
Public works	237,321	27,781	672,287	-	32,505	-	-	-	969,894
Public safety	-	46,031	-	-	-	-	-	-	46,031
Culture and recreation	17,860	3,395	-	-	-	-	-	-	21,255
Revolving loans and grants	10,000	-	-	-	9,999	-	-	-	19,999
Capital outlay	712	-	-	-	-	159,959	-	-	160,671
Debt service	-	-	-	-	-	-	-	820,146	820,146
Total expenditures	588,766	179,018	672,287	-	55,164	159,959	-	820,146	2,475,340
Excess (deficit) of revenues over expenditures	(38,142)	115,662	188,016	254	(896)	341,674	-	(795,095)	(188,527)
Other Financing Sources (Uses)									
Proceeds from the issuance of long-term debt	-	-	-	-	-	-	-	793,860	793,860
Debt issuance costs	-	-	-	-	-	-	-	(23,340)	(23,340)
Transfers in	6,000	-	-	-	-	-	-	784,530	790,530
Transfers out	(40,000)	(50,000)	(92,522)	(6,000)	-	(200,000)	-	(956,159)	(1,344,681)
Total other financing sources (uses)	(34,000)	(50,000)	(92,522)	(6,000)	-	(200,000)	-	598,891	216,369
Net changes in fund balances	(72,142)	65,662	95,494	(5,746)	(896)	141,674	-	(196,204)	27,842
Fund Balances, Beginning	49,034	1,519,663	233,537	47,384	6,665	434,207	100,914	917,865	3,309,269
Fund Balances, Ending	\$ (23,108)	\$ 1,585,325	\$ 329,031	\$ 41,638	\$ 5,769	\$ 575,881	\$ 100,914	\$ 721,661	\$ 3,337,111

City of Williamsport, Pennsylvania

Statement of Fiduciary Net Position

Private Purpose Trust Fund

December 31, 2016

(Unaudited)

	<u>Unemployment Compensation</u>
Assets	
Due from other funds	\$ 1,615
Total assets	<u>\$ 1,615</u>
Liabilities	
Vouchers payable	\$ 1,028
Due to other funds	<u>587</u>
Total liabilities	<u>1,615</u>
Net Position	
Reserved for workers' compensation	<u>-</u>
Total liabilities and net position	<u>\$ 1,615</u>

City of Williamsport, Pennsylvania

Statement of Change in Fiduciary Net Position

Private Purpose Trust Fund

Year Ended December 31, 2016

(Unaudited)

	<u>Unemployment Compensation</u>
Deductions	
Benefits	\$ 4,050
Total deductions	4,050
Other Financing Sources (Uses)	
Operating transfers in	4,050
Total other financing sources (uses)	4,050
Change in net position	-
Net Position, Beginning	-
Net Position, Ending	\$ -

City of Williamsport, Pennsylvania

Combining Statement of Fiduciary Net Position

Agency Funds

December 31, 2016

(Unaudited)

	<u>Tax Collecting</u>	<u>Payroll Revolving</u>	<u>Nonrevenue Escrow</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 580,449	\$ 2,808	\$ 238,921	\$ 822,178
Total assets	<u>\$ 580,449</u>	<u>\$ 2,808</u>	<u>\$ 238,921</u>	<u>\$ 822,178</u>
Liabilities				
Vouchers payable	\$ 628	\$ 2,808	\$ 218,921	\$ 222,357
Due to other funds	284,154	-	20,000	304,154
Due to other taxing units	<u>295,667</u>	<u>-</u>	<u>-</u>	<u>295,667</u>
Total liabilities	<u>\$ 580,449</u>	<u>\$ 2,808</u>	<u>\$ 238,921</u>	<u>\$ 822,178</u>

City of Williamsport, Pennsylvania

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass - Entity Identification Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Total Received for the Year</u>	<u>Accrued (Deferred) Revenue January 1, 2016</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue December 31, 2016</u>	<u>Amounts Passed-through to Subrecipients</u>
<u>U.S. Department of Housing and Urban Development:</u>										
Community Development Block Grant Entitlement Grants	14.218			\$ 994,623	\$ 236,205	\$ 236,205	\$ -	\$ -	\$ -	\$ -
Community Development Block Grant Entitlement Grants	14.218			951,976	556,977	45,816	522,183	522,183	11,022	10,725
Community Development Block Grant Entitlement Grants-Program Income	14.218			N/A	28,440	-	28,440	28,440	-	-
Total CDBG - Entitlement Grants Cluster					821,622	282,021	550,623	550,623	11,022	10,725
Community Planning and Development - HOME Program	14.239			1,507,741	174,849	14,178	185,419	185,419	24,748	-
Community Planning and Development - HOME Program - Program Income	14.239			N/A	169,385	-	169,385	169,385	-	-
Total U.S. Department of Housing and Urban Development					<u>1,165,856</u>	<u>296,199</u>	<u>905,427</u>	<u>905,427</u>	<u>35,770</u>	<u>10,725</u>
<u>U.S. Department of Interior,</u>										
Passed through the Pennsylvania Historical & Museum Commission Historic Preservation Fund Grants-In-Aid	15.904	ME No. 61503	8/1/15-7/31/16	4,300	4,300	-	4,300	4,300	-	-
Historic Preservation Fund Grants-In-Aid	15.904	ME No. 61605	8/1/16-7/31/17	3,000	-	-	1,026	1,026	1,026	-
Total U.S. Department of Interior					<u>4,300</u>	<u>-</u>	<u>5,326</u>	<u>5,326</u>	<u>1,026</u>	<u>-</u>
<u>U.S. Department of Justice:</u>										
Bulletproof Vest Partnership Program	16.607			2,213	2,213		2,213	2,213	-	-
2011 COPS Hiring Grant	16.710			419,010	55,486	35,699	19,787	19,787	-	-
Total U.S. Department of Justice					<u>57,699</u>	<u>35,699</u>	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>-</u>

City of Williamsport, Pennsylvania

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass - Entity Identification Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Total Received for the Year</u>	<u>Accrued (Deferred) Revenue January 1, 2016</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue December 31, 2016</u>	<u>Amounts Passed-through to Subrecipients</u>
<u>U.S. Department of Transportation:</u>										
Federal Transit Administration Capital and Operating Assistance Grant	20.507			2,841,029	\$ 1,141,029	\$ 704,364	\$ 436,665	\$ 436,665	* \$ -	\$ -
Federal Transit Administration Capital and Operating Assistance Grant	20.507			3,200,000	2,250,000	800,000	1,600,000	1,600,000	* 150,000	-
Federal Transit Administration Capital and Operating Assistance Grant	20.507			765,585	665,585	50,000	665,585	665,585	* 50,000	-
Total U.S. Department of Transportation/Federal Transit Cluster					<u>4,056,614</u>	<u>1,554,364</u>	<u>2,702,250</u>	<u>2,702,250</u>	<u>200,000</u>	<u>-</u>
<u>U.S Department of Education:</u>										
Passed through the Pennsylvania Department of Labor and Industry Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	VR00016230	7/1/15-6/30/16	160	160	-	160	160	-	-
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	VR00017230	7/1/16-6/30/17	320	320	-	320	320	-	-
Total U.S. Department of Education					<u>480</u>	<u>-</u>	<u>480</u>	<u>480</u>	<u>-</u>	<u>-</u>
Total Federal Financial Assistance					<u>\$ 5,284,949</u>	<u>\$ 1,886,262</u>	<u>\$ 3,635,483</u>	<u>\$ 3,635,483</u>	<u>\$ 236,796</u>	<u>\$ 10,725</u>

* Tested as a "major" program.

City of Williamsport, Pennsylvania

Notes to Schedule of Expenditures of Federal Awards
December 31, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Williamsport, Pennsylvania (the "City") under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with *Government Auditing Standards***

Honorable Members of City Council
City of Williamsport, Pennsylvania

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williamsport, Pennsylvania (the "City"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 8, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Williamsport, Pennsylvania
November 8, 2017

**Independent Auditors' Report on Compliance
for the Major Federal Program and on
Internal Control Over Compliance Required
by the Uniform Guidance**

Honorable Members of City Council
City of Williamsport, Pennsylvania

Report on Compliance for the Major Federal Program

We have audited the City of Williamsport, Pennsylvania's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2016. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-003, that we consider to be a significant deficiency.

City's Response to Finding

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Williamsport, Pennsylvania
November 8, 2017

City of Williamsport, Pennsylvania

Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes none reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes none reported

Type of auditors' report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance? yes X No

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X No

City of Williamsport, Pennsylvania

Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Section II - Financial Statement Findings

Finding No.	Finding/Noncompliance	Questioned Costs
2016-001	<p>Internal Control Over Financial Reporting - City Pension Funds – Material Weakness</p> <p>Criteria: The City maintains three single employer defined benefit pension plans for its Police, Fire and Non-uniformed Officers and Employees (the “Pension Funds”). The Pension Funds employ an investment advisor, CS McKee; whereas investment activity is transacted by a separate securities brokerage firm, Wells Fargo, which also holds the related pension assets in safekeeping.</p> <p>At December 31, 2016, the three City pension funds collectively held approximately \$85,000,000 in cash and investments, with each fund having significant activity for the year then ended.</p> <p>Condition/Context: While sophisticated investment policies are in place, and the respective pension boards meet periodically with CS McKee and Wells Fargo to review investment performance, the City does not maintain its Pension Funds on its general ledger system, nor is the activity within these funds reconciled on a monthly basis by an appropriate individual within City Hall. As such, existing internal control is limited with regard to these funds.</p> <p>Effect: City management cannot be assured that its pension funds have been properly valued, credited for investment earnings and that pension fund disbursements are limited to authorize benefit payments and administrative charges.</p> <p>Cause: Management considers its external professionals (broker/safe keeper) to be a part of its internal control over financial reporting as related to its Pension Funds.</p> <p>Recommendation: City management should establish separate pension trust funds on its American Fundware general ledger system, and put in place monthly reconciliation procedures whereby investment activity is tracked, recorded and reconciled by an appropriate individual with adequate training in accounting for investments (e.g., recalculation of interest earned on debt securities, verification of dividends paid on equity securities, recalculation of realized gains and losses on sales, recalculation of investment advisory fees, reconciliation of monthly benefits paid to underlying support, etc.).</p> <p>Views of responsible officials and planned corrective actions: See corrective action plan.</p>	N/A

City of Williamsport, Pennsylvania

Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Finding No.	Finding/Noncompliance	Questioned Costs
2016-002	Internal Control Over Financial Reporting - Segregation of Duties – Significant Deficiency	
	Criteria: Adequate segregation of duties between accounting functions is essential to good internal control. The absence of segregation of duties and responsibilities generally precludes meaningful internal accounting controls.	
	Condition/Context: The responsibility for the performance of accounting duties surrounding the cash receipts cycle is vested in a limited number of employees.	
	Effect: Without proper segregation of accounting functions, errors or fraud could occur and go undetected.	N/A
	Cause: The City employs a limited number of accounting personnel.	
	Recommendation: While it is advisable to have adequate segregation of duties among employees, the cost of such implementation must be weighed against the benefits to be derived. The cost which would result from increasing the number of employees to more fully segregate duties in your organization may exceed any internal control benefits to be derived. We feel that this internal control weakness is somewhat mitigated by the active involvement of the Budget and Fiscal Officer and Controller in the City's operational activities. You must, however, be aware of the possible impact of the internal control weaknesses which exist and continue to involve these individuals in financial accounting matters.	
	Views of responsible officials and planned corrective actions: See corrective action plan.	

City of Williamsport, Pennsylvania

Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Section III - Federal Award Findings and Questioned Costs

Finding No.	Finding/Noncompliance	Questioned Costs
2016-003	Completion and Submission of Annual Single Audit – Significant Deficiency	
	Criteria: The City is required to undergo and complete a Single Audit and file the Single Audit and related Data Collection Form within 9 months of its calendar year-end.	
	Condition/Context: The City’s Single Audit and reporting package was delayed for the year ended December 31, 2016 beyond the 9-month due date.	
	Effect: The City is not in compliance with the Single Audit reporting requirements.	N/A
	Cause: The City was short staffed in the accounting department and had a large volume of capital project activity during 2016 and 2017 which led to being behind with its year-end close in connection with its December 31, 2016 audit.	
	Recommendation: We recommend that the City develop an internal procedure to ensure that the books are closed expediently to enable the preparation and completion of the Single Audit within the appropriate time frame.	
Views of responsible officials and planned corrective actions:	See corrective action plan.	

City of Williamsport, Pennsylvania

Summary Schedule of Prior Audit Findings

December 31, 2016

Section IV - Summary of Prior Year's Findings and Questioned Costs

Finding No.	Finding/Noncompliance	Questioned Costs
2015-001	Internal control Over Financial Reporting - City Pension Funds	
	Prior year finding 2015-001 is repeated as current year finding 2016-001.	
2015-002	Internal Control Over Financial Reporting - Segregation of Duties	
	Prior year finding 2015-002 is repeated as current year finding 2016-002.	