

**City of Williamsport,  
Pennsylvania**

Financial Statements and  
Supplementary Information

December 31, 2014



**BAKER TILLY**

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# City of Williamsport, Pennsylvania

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December 31, 2014

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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 units, 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, 2014, 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 did not audit the financial statements of the Municipal Authority of the City of Williamsport (the "Municipal Authority"), which represents 100% of the assets, liabilities, net position, revenues and expenses of that discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Municipal Authority, is based solely on the report of the other auditor. 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, based on our audit and the report of other auditors, 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 units, each major fund, and the aggregate remaining fund information of the City of Williamsport, Pennsylvania, as of December 31, 2014, 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.

## **Emphasis of Matter**

As disclosed in Notes 1 and 11 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25* in 2014 to conform to accounting principles generally accepted in the United States of America. The City expanded its note disclosures and required supplementary information related to its pension plans. Our opinion was not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13, Schedule of Changes in Net Pension Liability and Related Ratios on page 67, Schedule of Employer Contributions - Officers' and Employees' Pension Fund on page 68, Schedule of Employer Contributions - Firemen's Pension Fund on page 69, Schedule of Employer Contributions - Police Pension Fund on page 70, Schedule of Investment Returns - Pension Trust Funds on page 71, Schedule of Funding Progress - Pension Trust Funds on page 72 and Schedule of Funding Progress - Other Postemployment Benefits on page 73 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 79 through 81, required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 74 through 78 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 September 29, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Viechow Krause, LLP*

Williamsport, Pennsylvania  
September 29, 2015

# City of Williamsport, Pennsylvania

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Management's Discussion and Analysis  
December 31, 2014  
(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, 2014. 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 \$7,051,000. Net position related to governmental activities decreased by \$7,019,000, and net position of the City's business-type activity decreased by \$32,000.
- As of December 31, 2014, net position of the City's governmental activities were \$(3,324,000).
- The unassigned fund balance of the General Fund was \$1,675,000, or 8.0 percent of total General Fund expenditures and transfers out.
- The excess of expenditures and other financing uses over revenues and other financing sources was \$1,519,000 within the City's General Fund for the year ended December 31, 2014. This is in contrast to the \$2,198,000 deficit spending that was anticipated in the City's 2014 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

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Management's Discussion and Analysis

December 31, 2014

(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 legally separate public finance authority (the Municipal Authority of the City of Williamsport) (the "Municipal Authority"), 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 Municipal Authority is reported separately from the financial information presented for the primary government itself, as the Municipal Authority transacts business with other local governments and non-profit organizations. 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

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Management's Discussion and Analysis  
December 31, 2014  
(Unaudited)

The City maintains ten 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"), Capital Projects, and Debt Service Funds, each of which is considered to be a "major" fund. Data from the other six 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 74 and 75 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 76 through 78 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 66 of this report.

**Other information.** The combining statements referred to earlier in connection with governmental and fiduciary fund types are presented on pages 74 through 78.

# City of Williamsport, Pennsylvania

## Management's Discussion and Analysis

December 31, 2014

(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, 2014 and 2013 by approximately \$39,469,000 and \$46,520,000, 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 \$18,122,000 and \$21,458,000 at December 31, 2014 and 2013, respectively. The City's investment in its capital assets reported net of related debt as related to its business-type activities was approximately \$34,839,000 and \$36,546,000 at December 31, 2014 and 2013, respectively.

### Condensed Statement of Net Assets December 31, 2014 and 2013 (In Thousands)

	Total Governmental Activities		Business-Type Activity Enterprise Funds		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 15,100	\$ 14,279	\$ 11,854	\$ 14,127	\$ 26,954	\$ 28,406
Capital assets, net	28,792	29,180	44,359	44,552	73,151	73,732
Total assets	43,892	43,459	56,213	58,679	100,105	102,138
Other liabilities	6,570	6,324	1,154	5,198	7,724	11,522
Long-term liabilities outstanding	40,646	33,440	12,266	10,656	52,912	44,096
Total liabilities	47,216	39,764	13,420	15,854	60,636	55,618
Net investment in capital assets	18,122	21,458	34,839	36,546	52,961	58,004
Restricted	4,265	2,444	-	-	4,265	2,444
Unrestricted	(25,711)	(20,207)	7,954	6,279	(17,757)	(13,928)
Total	\$ (3,324)	\$ 3,695	\$ 42,793	\$ 42,825	\$ 39,469	\$ 46,520

The restricted portion of the City's net position, \$4,265,000 and \$2,444,000 at December 31, 2014 and 2013, respectively, represent resources that are subject to external restrictions on how they may be used.

At the end of 2014 and 2013 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 2014 as reflected in the \$7,051,000 decrease in total net position for the year ended December 31, 2014.

# City of Williamsport, Pennsylvania

## Management's Discussion and Analysis

December 31, 2014

(Unaudited)

### Condensed Statement of Activities December 31, 2014 and 2013 (In Thousands)

	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program:						
Charges for services	\$ 1,472	\$ 1,308	\$ 1,379	\$ 1,476	\$ 2,851	\$ 2,784
Operating grants and contributions	1,705	2,139	7,766	11,146	9,471	13,285
Capital grants and contributions	559	1,243	-	-	559	1,243
General:						
Taxes	16,589	17,264	-	-	16,589	17,264
Grants and Charges – unrestricted	2,337	2,330	-	-	2,337	2,330
Unrestricted investment income	47	358	2	-	49	358
Gain/(Loss) on disposal of assets	-	(17)	-	-	-	(17)
Miscellaneous	469	493	-	-	469	493
Total revenues	<u>23,178</u>	<u>25,118</u>	<u>9,147</u>	<u>12,622</u>	<u>32,325</u>	<u>37,740</u>
Expenses:						
General government	2,859	3,172	-	-	2,859	3,172
Public works - highways and streets	3,270	2,501	-	-	3,270	2,501
Other public works enterprises	2,117	2,812	-	-	2,117	2,812
Public safety	19,169	19,062	-	-	19,169	19,062
Culture and recreation	929	795	-	-	929	795
Revolving loans and grants	593	248	-	-	593	248
Capital outlay	25	-	-	-	25	-
Interest on long-term debt	495	351	-	-	495	351
Williamsport Bureau of Transportation	-	-	9,916	9,113	9,916	9,113
Total expenses	<u>29,457</u>	<u>28,941</u>	<u>9,916</u>	<u>9,113</u>	<u>39,373</u>	<u>38,054</u>
Increase (decrease) in net position before transfers	(6,279)	(3,823)	769	3,509	(7,048)	(314)
Transfers	(740)	(363)	737	359	(3)	(4)
Change in net position	<u>(7,019)</u>	<u>(4,186)</u>	<u>(32)</u>	<u>3,868</u>	<u>(7,051)</u>	<u>(318)</u>
Net position, January 1	<u>3,695</u>	<u>7,881</u>	<u>42,825</u>	<u>38,957</u>	<u>46,520</u>	<u>46,838</u>
Net position, December 31	<u>\$ (3,324)</u>	<u>\$ 3,695</u>	<u>\$ 42,793</u>	<u>\$ 42,825</u>	<u>\$ 39,469</u>	<u>\$ 46,520</u>

## City of Williamsport, Pennsylvania

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Management's Discussion and Analysis  
December 31, 2014  
(Unaudited)

**Governmental activities.** Governmental activities decreased the City's net position by \$7,019,000 and \$4,186,000 for the years ended December 31, 2014 and 2013, respectively. The decrease in net position is due primarily to the outlay for post-employment benefits other than pensions as well as rising debt service requirements.

**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 a decrease in net position of \$32,000 and an increase in net position of \$3,868,000 for the years ended December 31, 2014 and 2013, respectively. The slight decrease in 2014 is due to the fact that user charges (i.e. bus fares) and operating grants were slightly less than 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, 2014 and 2013, the City's governmental funds reported combined ending fund balances of approximately \$6,476,000 and \$6,502,000, respectively. The City's unassigned fund balance, which is available for spending at the government's discretion, was approximately \$1,478,000 and \$2,793,000 at December 31, 2014 and 2013, respectively. The remainder of the fund balance at December 31, 2014 is nonspendable, restricted for Liquid Fuels tax purposes, Community Development activities, debt service payments, and assigned for flood levee accreditation, an emergency site replacement program 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, 2014 and 2013 amounted to approximately \$7,955,000 and \$6,278,000, respectively, and those for the Internal Service funds amounted to approximately \$566,000 and \$511,000, respectively. The total change in net position for the Enterprise Fund and Internal Service Fund amounted to increases of approximately \$7,000 and \$3,868,000 for the years ending December 31, 2014 and 2013, 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 2014, including transfers out, was approximately \$21.8 million; this represents an increase of \$965,000 (4.6%) from 2013. The General Fund expenditure budget for fiscal year 2013 was approximately \$20.9 million.

## City of Williamsport, Pennsylvania

Management's Discussion and Analysis  
December 31, 2014  
(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, 2014, the *unassigned fund balance* of the General Fund was approximately \$1,675,000. During 2014, the City's General Fund balance decreased by approximately \$1,519,000. As a measure of the General Fund's liquidity, the *unassigned fund balance* represents 8.0 percent of the total General Fund expenditures (including transfers out).

Revenues of the General Fund totaled \$19.4 million and \$20.0 million for the years ended December 31, 2014 and 2013, respectively, representing a year-to-year decrease of \$571,000 (2.9%). The following represents a summary of General Fund revenue by source.

	<u>2014</u>	<u>2013</u>
Revenues (In Thousands)		
Taxes	\$ 16,608	\$ 16,903
Licenses and permits	771	977
Fines and forfeits	175	191
Interest, rents and royalties	8	10
Intergovernmental	1,317	1,374
Charges for services	160	191
Miscellaneous	409	372
	<u>          </u>	<u>          </u>
Total	<u>\$ 19,448</u>	<u>\$ 20,018</u>

The General Fund's operations were also supported by operating transfers in which totaled \$105,000 and \$105,500 during the years ended December 31, 2014 and 2013, respectively. Additional details relating to interfund transfers can be found in Note 8 on pages 44 and 45.

## City of Williamsport, Pennsylvania

### Management's Discussion and Analysis

December 31, 2014

(Unaudited)

General Fund expenditures totaled approximately \$20,154,000 and \$19,024,000 for the years ended December 31, 2014 and 2013, respectively, which represents an increase of \$1,130,000 (5.9%). The following represents a summary of General Fund expenditures for the years ended December 31, 2014 and 2013, by source:

	<u>2014</u>	<u>2013</u>
Expenses (In Thousands)		
General government	\$ 2,423	\$ 2,003
Public works - highways and streets	1,749	1,652
Other public works enterprises	494	402
Public safety	14,726	14,279
Culture and recreation	757	685
Debt service	5	3
	<u>5</u>	<u>3</u>
Total	<u>\$ 20,154</u>	<u>\$ 19,024</u>

In addition, the General Fund made operating transfers out to other governmental, proprietary and fiduciary funds in the amount of \$918,000 and \$988,000 during the years ended December 31, 2014 and 2013, 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, 2014, the City expended \$1,177,000 for such projects. The major capital projects in 2014 consisted of work on the Reach Road Reconstruction Project, City Hall Improvements, Renovations to Susquehanna Bank Park at Historic Bowman Field and the installation of a Records Management System. The fund balance of the Capital Projects Fund at December 31, 2014 totaled \$(196,000).

# City of Williamsport, Pennsylvania

Management's Discussion and Analysis  
 December 31, 2014  
 (Unaudited)

## Other Governmental - Special Revenue Funds

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

<u>Fund</u>	<u>Activities</u>
Community Development Block Grant	Develop viable communities
Non-Revenue Escrow	Various governmental grants
Community Development Home Rehab	Housing
Liquid Fuels	Maintenance of streets
Redevelopment Authority	Housing
Act 13	Infrastructure/Housing

Operating expenditures over revenues totaled \$300 and \$323,000 for 2014 and 2013, respectively, after operating transfers. The nonmajor financial statements can be found on pages 74 and 75.

## 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 \$81,673,000 and \$77,391,000 at December 31, 2014 and 2013, respectively, representing a year-to-year increase of \$4,282,000 or 5.5 percent. The City transferred from the General Fund the Annual Required Contribution of \$3,696,860 to the Pension Trust Fund. Additional information on the employee pension funds can be found in Note 11 starting on page 51 of this report.

## Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2014 and 2013 were \$74,674,000 and \$75,300,000, 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land & improvements	\$ 3,628,008	\$ 3,763,595	\$ 1,285,973	\$ 1,309,294	\$ 4,913,981	\$ 5,072,889
Infrastructure	20,306,163	20,036,816	-	-	20,306,163	20,036,816
Buildings	1,786,511	1,731,799	31,359,860	27,118,201	33,146,371	28,850,000
Construction in process	189,131	938,032	4,284,456	7,760,115	4,473,587	8,698,147
Furniture	1,617,707	1,298,723	-	-	1,617,707	1,298,723
Museum exhibits	-	-	536,099	536,099	536,099	536,099
Property held under capital lease	-	-	1,522,789	1,567,687	1,522,789	1,567,687
Vehicles	1,264,342	1,411,027	6,893,078	7,828,592	8,157,420	9,239,619
Total	<u>\$ 28,791,862</u>	<u>\$ 29,179,992</u>	<u>\$ 45,882,255</u>	<u>\$ 46,119,988</u>	<u>\$ 74,674,117</u>	<u>\$ 75,299,980</u>

## City of Williamsport, Pennsylvania

Management's Discussion and Analysis  
December 31, 2014  
(Unaudited)

### Long-Term Debt

Changes in the City's notes payable for the years ended December 31, 2014 and 2013 were as follows (in thousands):

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Notes/lease rentals payable at January 1, 2013	\$ 8,167,372	\$ 2,677,870	\$ 10,845,242
Additions	3,318,659	11,939,969	15,258,628
Payments	<u>(3,947,328)</u>	<u>(3,962,084)</u>	<u>(7,909,412)</u>
Notes/lease rentals payable December 31, 2013	<u>7,538,703</u>	<u>10,655,755</u>	<u>18,194,458</u>
Additions	8,573,562	4,782,904	13,356,466
Payments	<u>(5,674,583)</u>	<u>(3,370,935)</u>	<u>(9,045,518)</u>
Notes/lease payable December 31, 2014	<u>\$ 10,437,682</u>	<u>\$ 12,067,724</u>	<u>\$ 22,505,406</u>

Additional information on the City's long-term debt can be found at Note 9 starting on page 45 of this report.

### Economic Condition

Unemployment (as per the U.S. Department of Labor, Bureau of Labor Statistics) in the Williamsport area was 5.4 percent at the end of 2014, which is a decrease compared with 7.4 percent at the end of 2013. The 2014 rate is higher than Pennsylvania's overall unemployment rate (not seasonally adjusted) of 4.6 percent. The City is in a period of economic uncertainty; however, the general economic outlook is positive with major construction occurring in the Central Business District.

### 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, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activity	Total	Municipal Authority	Parking Authority
<b>Assets</b>					
Cash and cash equivalents	\$ 4,226,225	\$ 3,681,205	\$ 7,907,430	\$ 7,316	\$ 159,964
Restricted cash	6,296,841	-	6,296,841	-	-
Receivables (net of allowance for uncollectibles):					
Taxes	1,779,955	-	1,779,955	-	-
Loans	3,816,260	-	3,816,260	-	-
Other	933,255	63,894	997,149	400	271,345
Internal balances	(3,662,429)	3,662,429	-	-	-
Due from fiduciary funds	236,941	-	236,941	-	-
Due from other governments	697,064	1,182,346	1,879,410	-	-
Due from component units	530,160	-	530,160	-	-
Due from primary government	-	-	-	-	500,000
Inventories, at cost	101,028	464,473	565,501	-	-
Prepaid expenses	-	135,225	135,225	-	10,456
Capital assets, net of accumulated depreciation:					
Land, land improvements and monuments	3,628,008	1,285,973	4,913,981	-	1,580,431
Infrastructure	20,306,163	-	20,306,163	-	-
Buildings and improvements	1,786,511	31,359,860	33,146,371	-	3,152,139
Vehicles and equipment	2,882,049	7,429,177	10,311,226	-	39,625
Construction in process	189,131	4,284,456	4,473,587	-	73,605
Property held under capital lease, net	-	1,522,789	1,522,789	-	-
Net investment in direct financing leases	-	1,024,083	1,024,083	-	-
Prepaid bond insurance and discount	144,406	116,982	261,388	-	-
<b>Total assets</b>	<b>43,891,568</b>	<b>56,212,892</b>	<b>100,104,460</b>	<b>7,716</b>	<b>5,787,565</b>
<b>Liabilities</b>					
Accounts payable and accrued expenses	1,184,502	448,785	1,633,287	-	222,009
Accrued liabilities	464,463	114,186	578,649	-	2,875
Compensated absences	89,529	-	89,529	-	-
Matured bonds payable	5,000	-	5,000	-	-
Due to other governments	39,952	-	39,952	-	-
Due to component units	500,000	-	500,000	-	-
Due to primary government	-	-	-	-	18,673
Unearned revenues	3,816,260	284,013	4,100,273	1,600	12,050
Noncurrent liabilities:					
Portion due or payable within one year:					
Due to primary government	-	-	-	-	14,898
Capital leases payable	90,329	-	90,329	-	-
Notes and bonds payable	379,576	307,139	686,715	-	133,609
Portion due or payable after one year:					
Due to primary government	-	-	-	-	496,589
Compensated absences payable	1,777,892	504,943	2,282,835	-	-
Capital leases payable	141,461	-	141,461	-	-
Notes and bonds payable	10,058,106	11,760,585	21,818,691	-	1,857,425
Unearned lease income, net	-	-	-	-	62,027
Other postemployment benefits	27,922,290	-	27,922,290	-	-
Net pension obligation	746,486	-	746,486	-	-
<b>Total liabilities</b>	<b>47,215,846</b>	<b>13,419,651</b>	<b>60,635,497</b>	<b>1,600</b>	<b>2,820,155</b>
<b>Net Position</b>					
Net investment in capital assets	18,122,390	34,838,614	52,961,004	-	2,854,766
Restricted for:					
Liquid fuels tax purposes	238,318	-	238,318	-	-
HOME activities	19,143	-	19,143	-	-
Home rehabilitation purposes	40,939	-	40,939	-	-
Debt service	2,059,766	-	2,059,766	-	-
Redevelopment activities	6,704	-	6,704	-	-
Reserved for grant purposes	1,418,215	-	1,418,215	-	-
Reserved for encumbrances	133,006	-	133,006	-	-
Unrestricted, undesignated	(25,362,759)	7,954,627	(17,408,132)	6,116	112,644
<b>Total net position</b>	<b>\$ (3,324,278)</b>	<b>\$ 42,793,241</b>	<b>\$ 39,468,963</b>	<b>\$ 6,116</b>	<b>\$ 2,967,410</b>

See notes to financial statements



**City of Williamsport, Pennsylvania**

Balance Sheet  
 Governmental Funds  
 December 31, 2014

	General Fund	HOME	Capital Projects	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 118,933	\$ 19,567	\$ 254,926	\$ 99,623	\$ 3,132,253	\$ 3,625,302
Restricted cash	-	-	-	6,296,841	-	6,296,841
Receivables:						
Taxes	1,779,955	-	-	-	-	1,779,955
Loans	-	2,036,307	-	-	1,779,953	3,816,260
Other	729,870	-	181,486	-	21,799	933,155
Due from other funds	1,911,420	-	253,625	1,105,281	43,508	3,313,834
Due from other governments	8,122	60,706	500,000	-	128,236	697,064
Due from component units	-	-	-	18,673	-	18,673
Inventories, at cost	101,028	-	-	-	-	101,028
<b>Total assets</b>	<b>\$ 4,649,328</b>	<b>\$ 2,116,580</b>	<b>\$ 1,190,037</b>	<b>\$ 7,520,418</b>	<b>\$ 5,105,749</b>	<b>\$ 20,582,112</b>
<b>Liabilities</b>						
Vouchers payable	\$ 436,579	\$ 60,706	\$ 314,541	\$ -	\$ 364,753	\$ 1,176,579
Accrued liabilities	454,089	-	-	-	9,596	463,685
Compensated absences	86,460	-	-	-	3,069	89,529
Matured bonds payable	5,000	-	-	-	-	5,000
Due to other funds	292,787	424	1,071,973	4,960,652	386,939	6,712,775
Due to other governments	-	-	-	-	39,952	39,952
Due to component units	-	-	-	500,000	-	500,000
Unearned revenue	-	2,036,307	-	-	1,779,953	3,816,260
<b>Total liabilities</b>	<b>1,274,915</b>	<b>2,097,437</b>	<b>1,386,514</b>	<b>5,460,652</b>	<b>2,584,262</b>	<b>12,803,780</b>
<b>Deferred Inflows of Resources</b>						
Unearned revenue - taxes	1,302,101	-	-	-	-	1,302,101
<b>Fund Balances</b>						
Nonspendable	101,028	-	-	-	-	101,028
Restricted	-	19,143	-	2,059,766	2,521,487	4,600,396
Committed	163,446	-	-	-	-	163,446
Assigned	133,006	-	-	-	-	133,006
Unassigned	1,674,832	-	(196,477)	-	-	1,478,355
<b>Total fund balances</b>	<b>2,072,312</b>	<b>19,143</b>	<b>(196,477)</b>	<b>2,059,766</b>	<b>2,521,487</b>	<b>6,476,231</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,649,328</b>	<b>\$ 2,116,580</b>	<b>\$ 1,190,037</b>	<b>\$ 7,520,418</b>	<b>\$ 5,105,749</b>	<b>\$ 20,582,112</b>

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, 2014

**Total Fund Balance, Governmental Funds** \$ 6,476,231

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  
\$54,017,929 and the accumulated depreciation is (\$25,226,067). 28,791,862

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	\$ (10,437,682)	
Capital lease payable	(231,790)	
Compensated absences (long-term)	(1,777,892)	
Other postemployment benefits	(27,922,290)	
Net pension obligation	<u>(746,486)</u>	
		(41,116,140)

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. 511,487

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. 144,406

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. 1,302,101

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. 565,775

**Net Position of Governmental Activities  
in the Statement of Net Position** \$ (3,324,278)

**City of Williamsport, Pennsylvania**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended December 31, 2014

	General Fund	HOME	Capital Projects	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 16,607,629	\$ -	\$ -	\$ -	\$ -	\$ 16,607,629
Licenses and permits	770,539	-	-	-	-	770,539
Fines and forfeits	175,051	-	-	-	-	175,051
Interest, rents and royalties	7,694	20	-	1,158	37,978	46,850
Intergovernmental:						
Federal	-	647,333	-	-	1,002,579	1,649,912
State	942,189	-	-	-	1,557,949	2,500,138
Local	375,113	-	2,613	-	57,246	434,972
Charges for services	160,038	-	-	-	27,167	187,205
Collection on loans	-	86,130	-	-	75,528	161,658
Miscellaneous	409,491	-	336,569	-	126,916	872,976
<b>Total revenues</b>	<b>19,447,744</b>	<b>733,483</b>	<b>339,182</b>	<b>1,158</b>	<b>2,885,363</b>	<b>23,406,930</b>
<b>Expenditures</b>						
Current:						
General government	2,422,729	145,684	52,920	-	487,491	3,108,824
Public works	1,749,405	-	772,672	-	1,299,259	3,821,336
Other public works enterprises	494,382	-	-	-	1,608	495,990
Public safety	14,725,686	-	181,242	-	9,072	14,916,000
Culture and recreation	757,075	-	170,348	-	41,906	969,329
Revolving loans and grants	-	593,087	-	-	-	593,087
Capital outlay	-	-	-	-	673,816	673,816
<b>Total expenditures</b>	<b>20,149,277</b>	<b>738,771</b>	<b>1,177,182</b>	<b>-</b>	<b>2,513,152</b>	<b>24,578,382</b>
Excess (deficiency) of revenues over expenditures	(701,533)	(5,288)	(838,000)	1,158	372,211	(1,171,452)
<b>Other Financing Sources (Uses)</b>						
Proceeds from issuance of long-term debt	-	-	-	7,851,715	-	7,851,715
Debt service	(4,494)	-	-	(5,814,107)	-	(5,818,601)
Debt issuance costs	-	-	-	(257,245)	-	(257,245)
Proceeds from issuance of tax revenue anticipation note (TRAN)	750,000	-	-	-	-	750,000
Repayment of debt - TRAN	(750,000)	-	-	-	-	(750,000)
Transfer from component unit	75,000	-	-	-	-	75,000
Transfers in	30,000	-	824,240	782,020	-	1,636,260
Transfers out	(917,865)	-	-	(1,051,514)	(372,522)	(2,341,901)
<b>Total other financing sources (uses)</b>	<b>(817,359)</b>	<b>-</b>	<b>824,240</b>	<b>1,510,869</b>	<b>(372,522)</b>	<b>1,145,228</b>
<b>Net Change in Fund Balances</b>	<b>(1,518,892)</b>	<b>(5,288)</b>	<b>(13,760)</b>	<b>1,512,027</b>	<b>(311)</b>	<b>(26,224)</b>
<b>Fund Balances, Beginning</b>	<b>3,591,204</b>	<b>24,431</b>	<b>(182,717)</b>	<b>547,739</b>	<b>2,521,798</b>	<b>6,502,455</b>
<b>Fund Balances, Ending</b>	<b>\$ 2,072,312</b>	<b>\$ 19,143</b>	<b>\$ (196,477)</b>	<b>\$ 2,059,766</b>	<b>\$ 2,521,487</b>	<b>\$ 6,476,231</b>

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, 2014

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (26,224)</b>
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 depreciation exceeds capital outlays in the current period.	(388,128)
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).	15,487
The repayment of principal on capital leases is expended 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 2014.	43,444
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, 2014.	17,260
The net pension obligation related to the City's pension plans is considered long-term in nature, and is not reported as a liability within the funds. This liability is, however, reported within the statement of net position, and changes in this liability are reflected within the statement of activities.	(53,409)
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.	(4,264,446)
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.	39,078
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 2014.	5,669,617
Reconciling items relating to long-term debt activities are as follows:	
Issuance of debt	(8,057,109)
Issuance of capital leases	(91,576)
Current year prepaid bond insurance and discount	122,903
Amortization of prepaid bond insurance and discount	(6,803)
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.	<u>(39,754)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>(7,019,660)</u></b>

See notes to financial statements

**City of Williamsport, Pennsylvania**

## Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

Year Ended December 31, 2014

	<b>Budgeted Amounts</b>		<b>Actual Amount</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 16,385,396	\$ 16,385,396	\$ 16,607,629	\$ 222,233
Licenses and permits	715,000	715,000	770,539	55,539
Fines and forfeits	200,000	200,000	175,051	(24,949)
Interest, rents, royalties and investment gains	10,550	10,550	7,694	(2,856)
Intergovernmental:				
Federal	123,674	123,674	-	(123,674)
State	934,000	934,000	942,189	8,189
Local	378,543	378,543	375,113	(3,430)
Charges for services	161,000	161,000	160,038	(962)
Miscellaneous	548,700	563,700	409,491	(154,209)
<b>Total revenues</b>	<b>19,456,863</b>	<b>19,471,863</b>	<b>19,447,744</b>	<b>(24,119)</b>
<b>Expenditures</b>				
Current:				
General government	2,276,889	2,374,589	2,422,729	(48,140)
Public works - highways and streets	1,990,881	1,947,354	1,749,405	197,949
Other public works enterprises	296,988	329,238	494,382	(165,144)
Public safety	15,568,882	15,433,651	14,725,686	707,965
Culture and recreation	743,960	850,768	757,075	93,693
Debt service	9,500	9,500	4,494	5,006
<b>Total expenditures</b>	<b>20,887,100</b>	<b>20,945,100</b>	<b>20,153,771</b>	<b>791,329</b>
<b>(Deficit) Excess of Revenues Over Expenditures</b>	<b>(1,430,237)</b>	<b>(1,473,237)</b>	<b>(706,027)</b>	<b>767,210</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of tax revenue anticipation note (TRAN)	-	-	750,000	750,000
Repayment of debt - TRAN	-	-	(750,000)	(750,000)
Transfer from component unit	75,000	75,000	75,000	-
Transfers in	30,000	30,000	30,000	-
Transfers out	(873,250)	(873,250)	(917,865)	(44,615)
<b>Total other financing uses</b>	<b>(768,250)</b>	<b>(768,250)</b>	<b>(812,865)</b>	<b>(44,615)</b>
<b>Net Change in Fund Balances</b>	<b>(2,198,487)</b>	<b>(2,241,487)</b>	<b>(1,518,892)</b>	<b>722,595</b>
<b>Fund Balances, Beginning</b>	<b>2,436,942</b>	<b>2,436,942</b>	<b>3,591,204</b>	<b>1,154,262</b>
<b>Fund Balances, Ending</b>	<b>\$ 238,455</b>	<b>\$ 195,455</b>	<b>\$ 2,072,312</b>	<b>\$ 1,876,857</b>

See notes to financial statements

**City of Williamsport, Pennsylvania**

## Statement of Net Position

Proprietary Funds

December 31, 2014

	<u>Business-Type Activity (RVT)</u>	<u>Internal Service Fund (CHO)</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,681,205	\$ 600,923
Other accounts receivable	63,894	100
Due from other funds	4,281,630	13,057
Due from other governments	1,182,346	-
Inventories, at cost	464,473	-
Prepaid expenses	135,225	-
Prepaid bond insurance and discount	116,982	-
	<u>9,925,755</u>	<u>614,080</u>
Total current assets		
Capital assets:		
Land and improvements	1,534,284	1
Buildings and improvements	40,203,700	1,393,857
Equipment	21,257,294	138,362
Construction in progress	4,284,456	-
Less accumulated depreciation	(22,920,268)	(1,165,880)
	<u>44,359,466</u>	<u>366,340</u>
Net capital assets		
Net investment in direct financing leases	<u>1,024,083</u>	<u>-</u>
Property held under capital lease, net	<u>1,522,789</u>	<u>-</u>
	<u>\$ 56,832,093</u>	<u>\$ 980,420</u>
Total assets		
<b>Liabilities and Net Position</b>		
Current liabilities:		
Current portion of notes and bonds payable	\$ 307,139	\$ -
Vouchers payable	448,785	7,922
Accrued liabilities	114,186	779
Due to other funds	619,201	39,604
Unearned revenue	284,013	-
	<u>1,773,324</u>	<u>48,305</u>
Total current liabilities		
Non-current liabilities:		
Compensated absences	504,943	-
Long-term portion of notes and bonds payable	11,760,585	-
	<u>12,265,528</u>	<u>-</u>
Total non-current liabilities		
Net position		
Net investment in capital assets	34,838,614	366,340
Unrestricted	7,954,627	565,775
	<u>42,793,241</u>	<u>932,115</u>
Total net position		
Total liabilities and net position	<u>\$ 56,832,093</u>	<u>\$ 980,420</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, 2014

	<b><u>Business-Type Activity (RVT)</u></b>	<b><u>Internal Service Fund (CHO)</u></b>
<b>Operating Revenues</b>		
Charges for services	\$ 1,379,214	\$ 311,000
<b>Operating Expenses</b>		
Wages and salaries	3,660,991	24,821
Depreciation	2,484,969	28,309
Employee benefits	1,106,212	30,763
Administrative expense	580,562	-
Materials and supplies	1,172,124	131,073
Maintenance	302,248	21,956
Insurance	281,490	-
Total operating expenses	<u>9,588,596</u>	<u>236,922</u>
<b>Operating (Loss) Income</b>	<u>(8,209,382)</u>	<u>74,078</u>
<b>Nonoperating Revenues (Expenses)</b>		
Subsidies from other governments:		
State	4,143,282	-
Federal	3,249,646	-
Local	373,229	-
Interest income	2,273	-
Interest expense	<u>(327,570)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>7,440,860</u>	<u>-</u>
<b>Income Before Other Financing Sources (Uses)</b>	<u>(768,522)</u>	<u>74,078</u>
<b>Other Financing Sources (Uses)</b>		
Operating transfers in	736,935	-
Operating transfers out	<u>-</u>	<u>(35,000)</u>
Total other financing sources (uses), net	<u>736,935</u>	<u>(35,000)</u>
<b>Net (Loss) Income</b>	(31,587)	39,078
<b>Net Position, Beginning</b>	<u>42,824,828</u>	<u>893,037</u>
<b>Net Position, Ending</b>	<u>\$ 42,793,241</u>	<u>\$ 932,115</u>

*See notes to financial statements*

## City of Williamsport, Pennsylvania

### Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2014

	<b>Business-Type Activity (RVT)</b>	<b>Internal Service Fund (CHO)</b>
<b>Cash Flows from Operating Activities</b>		
Cash received from users	\$ 1,475,384	\$ 310,950
Cash payments to employees for services	(4,716,677)	(55,918)
Cash paid to suppliers for goods and services	(2,169,718)	(158,841)
Internal activity - receipts from other funds	734,845	24,032
	<u>(4,676,166)</u>	<u>120,223</u>
<b>Cash Flows from Non-Capital Financing Activities</b>		
Operating subsidies and transfers from (to) other funds	<u>5,312,921</u>	<u>(35,000)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Subsidies received from other governments	6,213,551	-
Payments for capital acquisitions	(6,373,938)	(12,821)
Principal payments on long-term debt	(3,370,935)	-
Interest payments on long-term debt	(327,570)	-
Proceeds from long-term debt	4,782,904	-
Payments received under direct financing leases	58,105	-
	<u>982,117</u>	<u>(12,821)</u>
<b>Cash Flows from Investing Activities</b>		
Interest earnings	<u>2,273</u>	<u>-</u>
<b>Increase in Cash and Cash Equivalents</b>	1,621,145	72,402
<b>Cash and Cash Equivalents, Beginning</b>	<u>2,060,060</u>	<u>528,521</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 3,681,205</u>	<u>\$ 600,923</u>
<b>Reconciliation of Operating (Loss) Income to Net Cash (Used in) Provided by Operating Activities</b>		
Operating (loss) income	\$ (8,209,382)	\$ 74,078
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Depreciation	2,484,969	28,309
Changes in assets and liabilities:		
Other accounts receivable	96,170	(50)
Due to/from other funds, net	734,845	24,032
Prepays	(22,170)	-
Inventories	(40,723)	-
Vouchers payable, trade	229,599	(5,812)
Other operating liabilities	50,526	(334)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<u>\$ (4,676,166)</u>	<u>\$ 120,223</u>

See notes to financial statements

# City of Williamsport, Pennsylvania

## Statement of Fiduciary Net Position

December 31, 2014

	<b>Pension Trust Funds</b>	<b>Private Purpose Trusts</b>	<b>Agency Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 584,582	\$ -	\$ 774,544
Receivables, Other	158,585	-	-
Due from other funds	29,729	-	-
Investments, at fair value:			
U.S. Government securities	6,270,140	-	-
Corporate bonds	11,412,090	-	-
Domestic equity securities	49,830,779	-	-
Certificates of deposit	6,448,302	-	-
Mutual funds	6,938,921	-	-
Total investments	80,900,232	-	-
Total assets	<u>\$ 81,673,128</u>	<u>\$ -</u>	<u>\$ 774,544</u>
<b>Liabilities</b>			
Vouchers payable	\$ -	\$ -	\$ 188,110
Due to other funds	-	-	266,670
Due to other taxing units	-	-	319,764
Total liabilities	-	-	<u>\$ 774,544</u>
<b>Net Position</b>			
Restricted for pensions	<u>\$ 81,673,128</u>	<u>\$ -</u>	

See notes to financial statements

## City of Williamsport, Pennsylvania

### Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended December 31, 2014

	<b>Pension Trust Funds</b>	<b>Private Purpose Trusts</b>
<b>Additions</b>		
Contributions:		
Employer	\$ 2,779,035	\$ -
Transfers in	-	3,706
Commonwealth of Pennsylvania	917,825	-
Employees	555,274	-
Miscellaneous	14,995	-
Total contributions	<u>4,267,129</u>	<u>3,706</u>
Investment earnings:		
Interest and dividends	1,732,723	-
Net appreciation in fair value of investments	3,503,906	-
Total investment gains	5,236,629	-
<b>Less Investment Expense</b>	<u>(356,900)</u>	<u>-</u>
<b>Net Investment Income</b>	<u>4,879,729</u>	<u>-</u>
Total additions	<u>9,146,858</u>	<u>3,706</u>
<b>Deductions</b>		
Benefits	4,818,412	3,706
Administrative	45,890	-
Total deductions	<u>4,864,302</u>	<u>3,706</u>
<b>Change in Net Position</b>	4,282,556	-
<b>Net Position, Beginning</b>	<u>77,390,572</u>	<u>-</u>
<b>Net Position, Ending</b>	<u>\$ 81,673,128</u>	<u>\$ -</u>

See notes to financial statements

# City of Williamsport, Pennsylvania

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Notes to Financial Statements

December 31, 2014

## 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 three 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 all component units. The Municipal Authority of the City of Williamsport (the "Municipal Authority") issues separately audited financial statements, which can be obtained from the Municipal Authority Offices at 245 West Fourth Street, Williamsport, Pennsylvania 17701. 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.

<b>Discretely Presented Component Unit</b>	<b>Brief Description of Activities and Relationship to the City</b>
The Municipal Authority functions as a financing medium for various public entities.	The City Council appoints a voting majority to the Municipal Authority's board of directors, and the City has guaranteed Municipal Authority debt.

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2014

<u>Discretely Presented Component Unit</u>	<u>Brief Description of Activities and Relationship to the City</u>
<p>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.</p>	<p>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.</p>
<u>Blended Component Unit</u>	<u>Brief Description of Activities and Relationship to the City</u>
<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.

### 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.
- The Non-Revenue Escrow Fund accounts for capital escrow funds and grant proceeds for various City projects.
- 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.

# **City of Williamsport, Pennsylvania**

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Notes to Financial Statements

December 31, 2014

## **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 (a major 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.

### **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

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## Notes to Financial Statements

December 31, 2014

### 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 Governmental Accounting Standards Board (“GASB”) Statement No 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* for the year ended December 31, 2014. This statement establishes accounting and financial reporting standards for the activities of pension plans that are administered through trusts and meet certain criteria. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain requirements. The effect of this adoption expanded pension fund note disclosures and the related required supplementary information tables.

The City adopted GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* for the year ended December 31, 2014. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This implementation did not materially change the City’s accounting and reporting policies, as the City entered into no government combinations during 2014.

The City adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* for the year ended December 31, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This implementation did not materially change the City’s accounting and reporting policies, as the City has not extended or received any nonexchange financial guarantees.

### 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.

# City of Williamsport, Pennsylvania

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## Notes to Financial Statements

December 31, 2014

### 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, 2014 were 92.0% 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.

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.

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2014

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
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 31<sup>st</sup> 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 \$18 for every eight hours accumulated up to a maximum of \$6,500 upon retirement or termination. All other accumulated sick time is forfeited at that time;
- Employees covered under the AFSCME labor contract are compensated \$20 for each three day unit of unused sick time, up to a maximum of 120 three day units (360 days) for a maximum of \$2,400 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.

# City of Williamsport, Pennsylvania

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## Notes to Financial Statements

December 31, 2014

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, 2014, the General, HOME, Non-major and Enterprise funds had unearned revenues of \$1,302,101, \$2,036,307, \$1,779,953 and \$284,013, respectively.

### 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 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

# City of Williamsport, Pennsylvania

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## Notes to Financial Statements

December 31, 2014

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.

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, 2014, the City's total deposits were \$16,590,559. Of this amount, \$771,228 was insured by the FDIC and \$250,000 was insured by the SIPC. The remaining deposits of \$15,569,331 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, 2014

### Investments

As of December 31, 2014, 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	\$ 6,448,302
Corporate bonds	Average of 5 years	9,361,891
Foreign bonds	Average of 5 years	1,215,376
Government bonds	Average of 5 years	6,264,807
Corp. mortgage/asset backed securities	Average of 7 years	834,823
Government asset backed securities	Average of 14 years	5,333
Investments subject to maturity		24,130,532
Equity securities		56,769,700
Total investments		<u>\$ 80,900,232</u>

### Credit Ratings

The City's investments had the following credit ratings:

Equity securities	NR	70.18 %
Corporate bonds	AA1 to BAA2	11.57
Certificates of deposit	NR	7.97
Government bonds	AAA	7.74
Foreign bonds	AA1 to A3	1.50
Corp. mortgage/asset backed securities	AA2 to A3	1.03
Government asset backed securities	NR	0.01

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, 2014

## 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, 2014, 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.

## Component Unit - Municipal Authority

### Cash

At December 31, 2014 the carrying amount and bank balance of the Municipal Authority's deposits was \$7,316, all of which was covered by federal depository insurance.

## Component Unit - Parking Authority

### Cash

At December 31, 2014 the carrying amount of the Parking Authority's deposits was \$159,964 and bank balance was \$184,543, 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, 2014 as due from other governments is summarized below:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund	\$ 2,705	\$ -	\$ 5,417	\$ 8,122
HOME Fund	60,706	-	-	60,706
Capital Projects	-	500,000	-	500,000
Non-Major Funds	29,020	-	99,216	128,236
Enterprise Fund	900,000	188,359	93,987	1,182,346
Total	<u>\$ 992,431</u>	<u>\$ 688,359</u>	<u>\$ 198,620</u>	<u>\$ 1,879,410</u>

## City of Williamsport, Pennsylvania

Notes to Financial Statements  
December 31, 2014

### 5. Direct Financing Leases - Business-Type Activity

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

Following is a summary of the components of the RVT's net investment in direct financing leases at December 31, 2014:

Total minimum lease payments to be received	\$ 1,015,349
Estimated residual value of leased property	65,327
Unearned income	<u>(56,593)</u>
Net investment	<u>\$ 1,024,083</u>

Unearned income is amortized using the straight-line method over the lease term, 29 years.

Minimum lease payments to be received as of December 31, 2014 for each of the next five years and thereafter are as follows:

2015	\$ 67,869
2016	67,869
2017	67,869
2018	67,869
2019	68,309
2020-2024	366,262
2025-2029	<u>309,302</u>
Total	<u>\$ 1,015,349</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, 2014, upon which the 2014 levy was based, was \$962,128,740. The estimated market value was \$962,128,740 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, 2014, was \$11.58 per \$1,000, which means that the City has a tax margin of \$13.42 per \$1,000.

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2014

### 7. Capital Assets

#### Primary Government

	Balance January 1, 2014	Acquisitions	Disposals/ Transfers	Balance December 31, 2014
Governmental activities:				
Cost:				
Land, improvements and monuments	\$ 4,474,151	\$ -	\$ -	\$ 4,474,151
Infrastructure	35,060,498	1,098,538	867,329	37,026,365
Buildings and improvements	4,778,272	186,335	-	4,964,607
Furniture and equipment	2,636,638	191,095	241,894	3,069,627
Transportation	4,216,323	148,668	(70,943)	4,294,048
Construction in progress	938,032	444,894	(1,193,795)	189,131
Total cost	<u>52,103,914</u>	<u>2,069,530</u>	<u>(155,515)</u>	<u>54,017,929</u>
Less accumulated depreciation:				
Land, improvements and monuments	(710,556)	(135,587)	-	(846,143)
Infrastructure	(15,023,682)	(1,696,520)	-	(16,720,202)
Buildings and improvements	(3,046,473)	(131,623)	-	(3,178,096)
Furniture and equipment	(1,337,915)	(198,577)	84,572	(1,451,920)
Transportation	(2,805,296)	(295,353)	70,943	(3,029,706)
Total accumulated depreciation	<u>(22,923,922)</u>	<u>(2,457,660)</u>	<u>155,515</u>	<u>(25,226,067)</u>
Governmental activities, net	<u>\$ 29,179,992</u>	<u>\$ (388,130)</u>	<u>\$ -</u>	<u>\$ 28,791,862</u>

# City of Williamsport, Pennsylvania

Notes to Financial Statements  
December 31, 2014

	Balance January 1, 2014	Acquisitions	Disposals/ Transfers	Balance December 31, 2014
Business-type activity:				
Cost:				
Land and land improvements	\$ 1,526,768	\$ 7,516	\$ -	\$ 1,534,284
Buildings and improvements	34,718,957	152,560	5,332,183	40,203,700
Machinery and equipment	20,506,459	230,636	(15,900)	20,721,195
Museum exhibits	536,099	-	-	536,099
Property held under capital lease	2,277,644	-	-	2,277,644
Construction in progress	7,760,115	1,856,524	(5,332,183)	4,284,456
<b>Total cost</b>	<b>67,326,042</b>	<b>2,247,236</b>	<b>(15,900)</b>	<b>69,557,378</b>
Less accumulated depreciation:				
Land improvements	(217,474)	(30,837)	-	(248,311)
Buildings and improvements	(7,600,756)	(1,243,084)	-	(8,843,840)
Machinery and equipment	(12,677,867)	(1,166,150)	15,900	(13,828,117)
Property held under capital lease	(709,957)	(44,898)	-	(754,855)
<b>Total accumulated depreciation</b>	<b>(21,206,054)</b>	<b>(2,484,969)</b>	<b>15,900</b>	<b>(23,675,123)</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 46,119,988</b>	<b>\$ (237,733)</b>	<b>\$ -</b>	<b>\$ 45,882,255</b>

## 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 and streets 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 \$58,000 for the year ended December 31, 2014.

Capital Leases	Balance January 1, 2014	Additions	Payments	Balance December 31, 2014	Due Within One Year
Various vehicles and equipment	\$ 183,658	\$ 91,576	\$ (43,444)	\$ 231,790	\$ 90,329

## City of Williamsport, Pennsylvania

### Notes to Financial Statements

December 31, 2014

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, 2014, as related to the City's governmental activities:

Years ending December 31:	
2015	\$ 97,577
2016	97,577
2017	<u>50,237</u>
 Total minimum lease payments	 245,391
 Less amounts representing interest	 <u>(13,601)</u>
 Present value of net minimum lease payments	 231,790
 Less current portion	 <u>(90,329)</u>
 Present value of net minimum lease payments, long term	 <u>\$ 141,461</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, 2014.

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>(754,855)</u>
 Property held under capital leases, net	 <u>\$ 1,522,789</u>

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2014

### Component Unit - Parking Authority

	<u>Balance January 1, 2014</u>	<u>Acquisitions</u>	<u>Disposals/ Transfers</u>	<u>Balance December 31, 2014</u>
Cost:				
Land and improvements	\$ 1,294,442	\$ 535,506	\$ (15,485)	\$ 1,814,463
Parking deck/buildings	4,695,945	-	-	4,695,945
Machinery and equipment	325,011	16,524	-	341,535
Construction in progress	-	73,605	-	73,605
Total cost	<u>6,315,398</u>	<u>625,635</u>	<u>(15,485)</u>	<u>6,925,548</u>
Less accumulated depreciation for:				
Land improvements	(223,527)	(10,505)	-	(234,032)
Parking deck/buildings	(1,429,930)	(113,876)	-	(1,543,806)
Machinery and equipment	(288,870)	(13,040)	-	(301,910)
Total accumulated depreciation	<u>(1,942,327)</u>	<u>(137,421)</u>	<u>-</u>	<u>(2,079,748)</u>
Business-type activities capital assets, net	<u>\$ 4,373,071</u>	<u>\$ 488,214</u>	<u>\$ (15,485)</u>	<u>\$ 4,845,800</u>

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2014

### 8. Interfund Balances and Activity

#### Balances Due To/From Other Funds

Individual fund receivable and payable amounts at December 31, 2014 were as follows:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General Fund	\$ 1,911,420	\$ 292,787
Special Revenue Funds:		
Community Development Block Grant	9,043	17,831
Home Rehab	300	-
HOME	-	424
Non-Revenue Escrow	15,915	219,108
Act 13	18,250	150,000
Debt Service Fund	1,105,281	4,960,652
Capital Projects Fund	253,625	1,071,973
Enterprise Fund	4,281,630	619,201
Internal Service Fund (City Hall Operating)	13,057	39,604
Fiduciary Funds	29,729	-
Agency Funds	-	266,670
	<hr/>	<hr/>
Total	<u>\$ 7,638,250</u>	<u>\$ 7,638,250</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, 2014 were as follows:

	<b>In</b>	<b>Out</b>
General Fund	\$ 30,000	\$ 917,865
Special Revenue Funds:		
Community Development Block Grant	-	30,000
Liquid Fuels	-	92,522
Act 13	-	250,000
Capital Projects	824,240	-
Debt Service	782,020	1,051,514
Proprietary Funds:		
Enterprise Fund (RVT)	736,935	-
City Hall Operating	-	35,000
Fiduciary Funds,		
Unemployment Compensation	3,706	-
	<hr/>	<hr/>
Total	<u>\$ 2,376,901</u>	<u>\$ 2,376,901</u>

# City of Williamsport, Pennsylvania

Notes to Financial Statements  
December 31, 2014

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 2014 is as follows:

<b>Notes and Bonds Payable</b>	<b>Balance 1/1/14</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance 12/31/14</b>	<b>Due Within One Year</b>
Note Series of 2005-Capital projects (C&N Bank)	\$ 5,454,552	\$ -	\$ 5,454,552	\$ -	\$ -
Note Series B of 2010-Capital projects (M&T bank)	2,944,906	-	2,944,906	-	-
General Obligation Bonds, Series of 2013	9,795,000	-	200,585	9,594,415	426,161
General Obligation Bonds, Series of 2014	-	9,280,000	195,475	9,084,525	260,554
General Obligation Bond, Series of 2014 (Revolving)	-	4,076,466	250,000	3,826,466	-
<b>Total</b>	<b>\$ 18,194,458</b>	<b>\$ 13,356,466</b>	<b>\$ 9,045,518</b>	<b>\$ 22,505,406</b>	<b>\$ 686,715</b>

The following table summarizes the City's long term debt by activity for the year ended December 31, 2014:

	<b>Governmental Activities</b>	<b>Business-Type Activity</b>	<b>Total</b>
Notes and bonds payable, January 1, 2014	\$ 7,538,703	\$ 10,655,755	\$ 18,194,458
Additions	8,573,562	4,782,904	13,356,466
Payments	(5,674,583)	(3,370,935)	(9,045,518)
Notes and bonds payable, December 31, 2014	10,437,682	12,067,724	22,505,406
Less: current portion	(379,576)	(307,139)	(686,715)
Notes and bonds payable, long term	<u>\$ 10,058,106</u>	<u>\$ 11,760,585</u>	<u>\$ 21,818,691</u>

## **City of Williamsport, Pennsylvania**

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Notes to Financial Statements

December 31, 2014

### **Tax Revenue Anticipation Note (TRAN)**

In addition, during the year ended December 31, 2014, the City issued a tax revenue anticipation note in the amount of \$750,000, at an interest rate of 1.94%. The note was paid in full during 2014.

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

### **Governmental Activities**

#### **\$6,000,000 Guaranteed Note, Series of 2005 (C&N Bank)**

In February 2005, the City entered into a lease rental agreement with the Municipal Authority in the amount of \$6,000,000 to finance a variety of capital projects, including: a street resurfacing and rehabilitation project; improvements to City storm sewer and fire hydrant systems; improvements to and furnishing of City Hall; purchasing street lights and other capital equipment; paying capitalized interest on the note, and; paying the costs of financing the note. Proceeds of the 2005 note were available to the City as a non-revolving line of credit from the bank. The note bore interest at the rate of 4.875% per annum; interest payments were due semi-annually on May 15 and November 15 of each year. This note was refunded in full during 2014 by the City's General Obligation Bonds, Series of 2014. This refunding reduced the City's total debt-service payments over the next years by approximately \$562,000 resulting in a net economic gain of approximately \$323,000.

#### **\$3,000,000 General Obligation Note, Series B of 2010 (M&T Bank)**

In September 2010, the City issued its General Obligation Note, Series B of 2010 in the maximum principal amount of \$3,000,000 to provide interim financing for reimbursable costs associated with approved Central Business District projects. 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 65% of the sum of the one-month LIBOR rate plus 3% per annum. Interest payments are due quarterly on February 1, May 1, August 1, and November 1 of each year. This note was refunded in full during 2014 by the City's General Obligation Bond, Series of 2014 (Revolving Line of Credit).

#### **\$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 \$2,059,595 at December 31, 2014.

## **City of Williamsport, Pennsylvania**

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Notes to Financial Statements

December 31, 2014

### **\$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 \$8,051,621 at December 31, 2014, which includes that portion of the debt allocable to the Williamsport Parking Authority. At December 31, 2014, the Parking Authority's principal balance on these bonds was \$511,487. 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 \$326,466 at December 31, 2014.

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2014

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, 2014:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 379,576	\$ 331,284	\$ 710,860
2016	389,764	323,684	713,448
2017	721,243	309,101	1,030,344
2018	404,965	301,201	706,166
2019	409,978	292,995	702,973
2020-2024	2,147,864	1,317,566	3,465,430
2025-2029	2,056,122	984,210	3,040,332
2030-2034	2,004,167	619,744	2,623,911
2035-2039	1,924,003	167,450	2,091,453
Total	<u>\$ 10,437,682</u>	<u>\$ 4,647,235</u>	<u>\$ 15,084,917</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 \$7,534,820 at December 31, 2014.

#### **\$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, 2014.

#### **\$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 \$3,500,000 at December 31, 2014.

# City of Williamsport, Pennsylvania

Notes to Financial Statements  
December 31, 2014

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, 2014:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 307,139	\$ 369,673	\$ 676,812
2016	307,139	363,473	670,612
2017	3,817,047	288,097	4,105,144
2018	326,955	278,222	605,177
2019	331,909	271,154	603,063
2020-2024	1,842,836	1,218,213	3,061,049
2025-2029	1,995,770	885,075	2,880,845
2030-2034	1,596,641	535,101	2,131,742
2035-2039	1,542,288	4,355,173	5,897,461
Total	<u>\$ 12,067,724</u>	<u>\$ 8,564,181</u>	<u>\$ 20,631,905</u>

## Component Unit - Parking Authority

The following is a summary of changes in long-term debt for the year ended December 31, 2014.

	<u>Balance December 31, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31, 2014</u>
Notes payable, Series of 1999	\$ 2,159,770	\$ -	\$ 168,736	\$ 1,991,034
Due to primary government	-	516,453	4,966	511,487
Total	<u>\$ 2,159,770</u>	<u>\$ 516,453</u>	<u>\$ 173,702</u>	<u>\$ 2,502,521</u>

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2014

As of December 31, 2014 long-term debt consisted of the following:

Note payable, Series of 1999, due in monthly payments of \$15,839 of principal and interest at 2.47% 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.	\$ 1,991,034
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 thru maturity at June 1, 2038. The Subsidy Agreement is secured by all receipts and revenues of the Authority.	<u>511,487</u>
Subtotal	2,502,521
Less current maturities	<u>(148,507)</u>
Long-term debt	<u>\$ 2,354,014</u>

The annual requirements to amortize long-term debt as of December 31, 2014 are as follows:

Years Ending December 31	Principal	Interest	Total
2015	\$ 148,507	\$ 63,320	\$ 211,827
2016	165,973	56,001	221,974
2017	169,300	52,374	221,674
2018	172,699	48,674	221,373
2019	176,174	44,900	221,074
2020-2024	955,591	163,504	1,119,095
2025-2029	470,957	68,123	539,080
2030-2034	124,147	38,344	162,491
2035-2038	119,173	10,200	129,373
Total	<u>\$ 2,502,521</u>	<u>\$ 545,440</u>	<u>\$ 3,047,961</u>

# City of Williamsport, Pennsylvania

Notes to Financial Statements  
December 31, 2014

## 10. Compensated Absences

The liability for compensated absences recorded in the governmental activities column on the statement of net position, was \$1,867,421 at December 31, 2014. The liability for compensated absences for business-type activities amounted to \$504,943 at December 31, 2014. The changes in the City's compensated absences in 2014 are summarized as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Balance January 1, 2014	\$ 1,871,010	\$ 476,228
Increase	1,836,615	304,915
Decrease	<u>(1,840,204)</u>	<u>(276,200)</u>
Balance December 31, 2014	<u>\$ 1,867,421</u>	<u>\$ 504,943</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.

	<b>Combining Statement of Fiduciary Net Position</b>			
	<b>Firemen's Pension</b>	<b>Police Pension</b>	<b>O&amp;E Pension</b>	<b>Total</b>
<b>Assets:</b>				
Cash and cash equivalents:	\$ 133,358	\$ 277,410	\$ 173,814	\$ 584,582
Receivables, Other	51,672	69,053	37,860	158,585
Due from other funds	-	29,729	-	29,729
Investments, at fair value:				
U.S. Government securities	2,040,976	2,832,288	1,396,876	6,270,140
Domestic corporate bonds	3,830,794	4,868,326	2,712,970	11,412,090
Certificates of deposit	2,232,335	2,580,393	1,635,574	6,448,302
Domestic equity securities	16,074,260	21,830,190	11,926,329	49,830,779
Mutual funds	2,233,553	3,089,486	1,615,882	6,938,921
Total investments	<u>26,411,918</u>	<u>35,200,683</u>	<u>19,287,631</u>	<u>80,900,232</u>
Total	<u>\$ 26,596,948</u>	<u>\$ 35,576,875</u>	<u>\$ 19,499,305</u>	<u>\$ 81,673,128</u>
<b>Net Position,</b>				
Restricted for pensions	<u>\$ 26,596,948</u>	<u>\$ 35,576,875</u>	<u>\$ 19,499,305</u>	<u>\$ 81,673,128</u>

# City of Williamsport, Pennsylvania

Notes to Financial Statements  
December 31, 2014

## Combining Statement of Fiduciary Net Position

	Firemen's Pension	Police Pension	O&E Pension	Total
Additions,				
Contributions:				
Employer	\$ 1,176,739	\$ 1,053,253	\$ 549,043	\$ 2,779,035
Commonwealth of Pennsylvania	388,639	347,855	181,331	917,825
Employees	124,413	153,489	277,372	555,274
Miscellaneous	2,889	9,732	2,374	14,995
Total contributions	<u>1,692,680</u>	<u>1,564,329</u>	<u>1,010,120</u>	<u>4,267,129</u>
Investment earnings:				
Interest and dividends	559,510	768,042	405,171	1,732,723
Net appreciation in fair value of investments	<u>1,148,854</u>	<u>1,541,874</u>	<u>813,178</u>	<u>3,503,906</u>
Total investment earnings	1,708,364	2,309,916	1,218,349	5,236,629
Less investment expense (advisory fees)	<u>(116,193)</u>	<u>(156,326)</u>	<u>(84,381)</u>	<u>(356,900)</u>
Net investment earnings	<u>1,592,171</u>	<u>2,153,590</u>	<u>1,133,968</u>	<u>4,879,729</u>
Total additions	<u>3,284,851</u>	<u>3,717,919</u>	<u>2,144,088</u>	<u>9,146,858</u>
Deductions:				
Benefits and refunds of contributions	1,783,183	2,395,427	639,802	4,818,412
Administrative	<u>14,285</u>	<u>15,497</u>	<u>16,108</u>	<u>45,890</u>
Total deductions	<u>1,797,468</u>	<u>2,410,924</u>	<u>655,910</u>	<u>4,864,302</u>
Change in Net Position	1,487,383	1,306,995	1,488,178	4,282,556
Net Position, Beginning	<u>25,109,565</u>	<u>34,269,880</u>	<u>18,011,127</u>	<u>77,390,572</u>
Net Position, Ending	<u>\$ 26,596,948</u>	<u>\$ 35,576,875</u>	<u>\$ 19,499,305</u>	<u>\$ 81,673,128</u>

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2014

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

	<b>Officers' and Employees' Pension Fund</b>	<b>Firemen's Pension Fund</b>	<b>Police Pension Fund</b>
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

Notes to Financial Statements  
December 31, 2014

	<b>Officers' and Employees' Pension Fund</b>	<b>Firemen's Pension Fund</b>	<b>Police Pension Fund</b>
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 <sup>th</sup> 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, 2013, the measurement date, members of the plan were as follows:

	<b>Officers' and Employees' Pension Fund</b>	<b>Firemen's Pension Fund</b>	<b>Police Pension Fund</b>
Inactive plan members currently receiving benefits	47	78	73
Inactive plan members entitled to benefits but not yet receiving them	1	-	4
Current employees	112	29	40
Total membership	160	29	117
Number of participating employers	1	1	1

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2014

### 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, 2014, the combined City/Commonwealth contributions to the Fire, Police and O&E plans were \$1,565,378, \$1,401,108, and \$730,374, respectively, each of which was equal to the related MMO.

The City's annual pension cost and net pension obligation for the year ended December 31, 2014 were calculated as follows:

	<b>Officers' and Employees' Pension Funds</b>	<b>Firemen's Pension Fund</b>	<b>Police Pension Funds</b>
Annual required contribution	\$ 730,374	\$ 1,565,378	\$ 1,401,108
Interest on net pension asset	7,318	30,532	15,559
Adjustment to annual required contribution	-	-	-
Annual pension cost	737,692	1,595,910	1,416,667
Contributions made	730,374	1,565,378	1,401,108
(Increase) decrease in net pension obligation	(7,318)	(30,532)	(15,559)
Net pension obligation, beginning of year	(91,486)	(407,099)	(194,492)
Net pension obligation, end of year	<u>\$ (98,804)</u>	<u>\$ (437,631)</u>	<u>\$ (210,051)</u>

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2014

The annual required contribution ("ARC") for the current year was determined as part of the January 1, 2013 actuarial valuation. The annual pension costs, annual required contributions and net pension benefit obligations of the plans are as follows for 2014, 2013 and 2012:

### Annual Pension Cost - Three Year Trend Information

Plan and Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Obligation) Asset
Officers' and Employees' Pension Fund			
12/31/14	\$ 737,692	99.0 %	\$ (98,804)
12/31/13	719,903	101.5	(91,486)
12/31/12	332,652	86.0	(102,636)
Firemen's Pension Fund			
12/31/14	1,595,910	98.1	(437,631)
12/31/13	1,637,435	103.4	(407,099)
12/31/12	1,093,123	80.8	(463,297)
Police Pension Fund			
12/31/14	1,416,667	98.9	(210,051)
12/31/13	1,376,403	101.9	(194,492)
12/31/12	752,237	86.7	(220,137)

### Schedule of Contributions from the Employer Three-Year Trend Contributions

Years Ended December 31:	Annual Required Contribution	Percentage of Annual Required Contributed
Officers' and Employees' Pension Fund		
12/31/14	\$ 730,374	100.00 %
12/31/13	731,053	100.00
12/31/12	378,064	86.9
Firemen's Pension Fund		
12/31/14	\$ 1,565,378	100.00 %
12/31/13	1,693,633	100.00
12/31/12	1,318,714	81.7
Police Pension Fund		
12/31/14	\$ 1,401,108	100.00 %
12/31/13	1,402,048	100.00
12/31/12	849,605	87.5

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2014

The funded status of the plan as of January 1, 2013, the most recent actuarial valuation date, was as follows:

	Actuarial Value of Plan Assets (A)	Actuarial Accrued Liability (B)	Total Unfunded Actuarial Liability (Asset)	Funded Ratio (A)/(B)	Annual Covered Payroll (C)	Ratio of UAAL to Annual Covered Payroll ((B-A)/C)
Police Pension Fund	\$ 29,039,091	\$ 37,268,768	\$ 8,229,677	77.9 %	\$ 2,791,460	294.82 %
Fireman's Pension Fund	20,852,852	28,913,441	8,060,589	72.1	1,930,525	417.53
O & E Pension Plan	14,889,104	19,254,976	4,365,872	77.3	4,603,251	94.84

The schedule of funding progress, presented as required supplementary information ("RSI") following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liability for benefits.

### 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 8% 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, 2014, the annual money-weighted rate of return on pension plan investments, net of pension fund investment expense, was 6.83%, 6.95% and 6.90% 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.

### 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	The maximum period of	The maximum period that a

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2014

	<b>Officers' and Employees' Pension Fund</b>	<b>Firemen's Pension Fund</b>	<b>Police Pension Fund</b>
	member can participate in the DROP is 5 years.	time that a member can participate in the DROP is 3 years.	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 \$674,000, \$642,000 and \$1,235,000 for the Officers' and Employees, Firemen's and Police Pensions, respectively.

### Pension Liability of the Plan

#### Net Pension Liability

The components of the net pension liability of the Plan as of December 31, 2014 were as follows:

	<b>O&amp;E</b>	<b>Fire</b>	<b>Police</b>
Total pension liability	\$ 22,074,054	\$ 30,777,725	\$ 40,155,405
Plan fiduciary net position	<u>19,499,305</u>	<u>26,596,948</u>	<u>35,576,875</u>
Plan net pension liability	<u>\$ 2,574,749</u>	<u>\$ 4,180,777</u>	<u>\$ 4,578,530</u>
Plan fiduciary net position as a percentage of total pension liability	<u>88.3 %</u>	<u>86.4 %</u>	<u>88.6 %</u>

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.

# City of Williamsport, Pennsylvania

Notes to Financial Statements  
December 31, 2014

## Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of January 1, 2013 using the following actuarial methods and assumptions:

<b>Actuarial Assumption</b>	<b>Officers' and Employees' Pension Fund</b>	<b>Firemen's Pension Fund</b>	<b>Police Pension Fund</b>
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	8%	7.5%	8%
Projected salary increase	5%	5%	5%
Consumer price index	3%	3%	3%
Asset valuation method	4-Year Smoothing	4-Year Smoothing	4-Year Smoothing
Remaining amortization period	10 years	6 years	10 years

Mortality rates were based on the RP-2000 Mortality Table. The actuarial assumptions used in the January 1, 2013 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 8% for the Officers' and Employees' and Police Plans and 7.5% for the Firemen's Plan, the same as the prior valuation. 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.

## 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 8% 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 (7% or 6.50%) or 1 percentage point higher (9% or 8.5%) than the current rate:

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2014

	<b>1% Decrease (7% O&amp;E/Police 6.5% Fire)</b>	<b>Current Discount Rate</b>	<b>1% Increase (9% O&amp;E/Police 8.5% Fire)</b>
Net pension liability - O&E	\$ 4,685,391	\$ 2,574,749	\$ 778,574
Net pension liability - Fire	7,542,110	4,180,777	1,374,124
Net pension liability - Police	9,086,038	4,578,530	835,470

### 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 healthcare benefits 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 and have attained the age of 50 for fire and police employees and age 60 for all other employees. 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. 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 approximately \$2,489,801 for the year ended December 31, 2014. Contributions are actuarially determined in accordance with GASB Statement 45.

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2014

### 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	\$ 7,142,036
Interest on net OPEB obligation	1,064,603
Adjustment to annual required contribution	<u>(1,452,392)</u>
Annual OPEB cost (expense)	6,754,247
Contributions made	<u>(2,489,801)</u>
Increase in net OPEB obligation	4,264,446
Net OPEB obligation at January 1, 2014	<u>23,657,844</u>
Net OPEB obligation at December 31, 2014	<u>\$ 27,922,290</u>

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, 2014, 2013 and 2012 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, 2014	\$ 6,754,247	36.9%	\$ 27,922,290
December 31, 2013	7,229,541	32.2%	23,657,844
December 31, 2012	7,314,642	29.0%	18,759,663

# City of Williamsport, Pennsylvania

Notes to Financial Statements  
December 31, 2014

## Funded Status and Funding Progress

The funded status of the plan as of January 1, 2014, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability	\$ 86,084,575
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	86,084,575
Funded ratio (actuarial value of plan assets/UAAL)	0.0%
Covered payroll	\$ 12,174,101
UAAL as a percentage of covered payroll	707%

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, 2014, 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 4.5% 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 6.5% initially, reduced to an ultimate rate of 5.0% in 2022 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

December 31, 2014

### 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:

	<u>General Fund</u>	<u>HOME</u>	<u>Capital Projects</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Non-spendable for, Inventory	\$ 101,028	\$ -	\$ -	\$ -	\$ -	\$ 101,028
Restricted for:						
HOME activities	\$ -	\$ 19,143	\$ -	\$ -	\$ -	\$ 19,143
Grant purposes	-	-	-	-	1,418,215	1,418,215
Community development	-	-	-	-	58,874	58,874
Debt service	-	-	-	2,059,766	-	2,059,766
Liquid fuels tax purposes	-	-	-	-	238,318	238,318
Home rehabilitation	-	-	-	-	40,939	40,939
Public works	-	-	-	-	758,437	758,437
Redevelopment activities	-	-	-	-	6,704	6,704
Total restricted	\$ -	\$ 19,143	\$ -	\$ 2,059,766	\$ 2,521,487	\$ 4,600,396
Committed for, Debt service	\$ 163,446	\$ -	\$ -	\$ -	\$ -	\$ 163,446
Assigned for, Encumbrances	\$ 133,006	\$ -	\$ -	\$ -	\$ -	\$ 133,006

### 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 2014 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

# **City of Williamsport, Pennsylvania**

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Notes to Financial Statements

December 31, 2014

## **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.

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 the street reconstruction and the Memorial pool renovation. At December 31, 2014, there was approximately \$2,105,000 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 \$227,638 at December 31, 2014. The City has a surplus deposit related to the plan in the amount of \$419,666 at December 31, 2014. The cost of medical coverage for employees was approximately \$5,085,000 in 2014.

## 17. Pending Changes in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The City is required to adopt Statement No. 68 for its calendar 2015 financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The City is required to adopt Statement No. 71 for its calendar 2015 financial statements.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. 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 is required to adopt Statement No. 72 for its calendar 2016 financial statements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard completes the suite of pension standards. Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The City is required to adopt Statement No. 73 for its calendar 2016 financial statements.

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 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

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### Notes to Financial Statements

December 31, 2014

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 required supplementary information (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 June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. 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 nonauthoritative 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 is required to adopt Statement No. 76 for its calendar 2016 financial statements.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires state and local governments for the first time to disclosure information about tax abatement agreements. The disclosure requirements in this statement are designed to provide financial statement users with essential information about these agreements and the impact they have on a government's finances. The City is required to adopt Statement No. 77 for its calendar 2016 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.

## City of Williamsport, Pennsylvania

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

(Unaudited)

Year Ended December 31, 2014

	<b>Officers' and Employees' Pension Fund</b>	<b>Firemen's Pension Fund</b>	<b>Police Pension Fund</b>
<b>Total Pension Liability</b>			
Service cost	\$ 448,775	\$ 400,499	\$ 593,427
Interest changes of benefit terms	1,660,111	2,210,612	3,064,995
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of member contributions	<u>(662,149)</u>	<u>(1,783,183)</u>	<u>(2,397,934)</u>
Net change in total pension liability	1,446,737	827,928	1,260,488
<b>Total Pension Liability, Beginning</b>	<u>20,627,317</u>	<u>29,949,797</u>	<u>38,894,917</u>
<b>Total Pension Liability, Ending (a)</b>	<u>22,074,054</u>	<u>30,777,725</u>	<u>40,155,405</u>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	549,043	1,176,739	1,053,253
Employee contributions	277,372	124,413	153,489
Other contributions	181,331	388,639	347,855
Net investment income	1,218,349	1,708,364	2,309,916
Benefits payments, including refunds of member contributions	(639,802)	(1,783,183)	(2,395,427)
Administration	(100,489)	(130,478)	(171,823)
Other	<u>2,374</u>	<u>2,889</u>	<u>9,732</u>
Net change in plan fiduciary net position	1,488,178	1,487,383	1,306,995
<b>Plan Fiduciary Net Position, Beginning</b>	<u>18,011,127</u>	<u>25,109,565</u>	<u>34,269,880</u>
<b>Plan Fiduciary Net Position, Ending (b)</b>	<u>19,499,305</u>	<u>26,596,948</u>	<u>35,576,875</u>
<b>Net Pension Liability, Ending (a) - (b)</b>	<u>\$ 2,574,749</u>	<u>\$ 4,180,777</u>	<u>\$ 4,578,530</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<u>88%</u>	<u>86%</u>	<u>89%</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, 2014

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Actuarially determined contribution <sup>(1)</sup>	\$ 243,320	\$ 179,496	\$ 186,125	\$ 211,965	\$ 217,432	\$ 229,831	\$ 368,772	\$ 378,064	\$ 731,053	\$ 730,374
Contributions in relation to the actuarially determined contribution	<u>243,320</u>	<u>179,496</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 49,344</u>	<u>\$ 49,344</u>	<u>\$ -</u>	<u>\$ -</u>					
Covered-employee payroll <sup>(2)</sup>	\$ 3,427,584	\$ 3,473,487	\$ 3,637,457	\$ 3,893,237	\$ 3,978,469	\$ 4,098,784	\$ 4,187,558	\$ 4,414,553	\$ 4,437,248	\$ 4,423,821
Contributions as a percentage of covered-employee payroll	7.10%	5.17%	5.12%	5.44%	5.47%	5.61%	7.63%	7.45%	16.48%	16.51%

**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%
Investment rate of return	8%
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

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

<sup>(2)</sup> - 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, 2014

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Actuarially determined contribution <sup>(1)</sup>	\$ 1,208,437	\$ 1,236,659	\$ 1,164,880	\$ 1,006,779	\$ 1,021,811	\$ 1,142,426	\$ 1,313,631	\$ 1,318,714	\$ 1,693,633	\$ 1,565,378
Contributions in relation to the actuarially determined contribution	<u>1,208,437</u>	<u>1,236,659</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 241,094</u>	<u>\$ 241,094</u>	<u>\$ -</u>	<u>\$ -</u>					
Covered-employee payroll <sup>(2)</sup>	\$ 1,676,487	\$ 1,725,030	\$ 1,603,074	\$ 1,672,188	\$ 1,715,781	\$ 1,782,458	\$ 1,794,314	\$ 1,820,399	\$ 1,780,801	\$ 1,751,038
Contributions as a percentage of covered-employee payroll	72.08%	71.69%	72.67%	60.21%	59.55%	64.09%	59.77%	59.20%	95.11%	89.40%

**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

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

<sup>(2)</sup> - 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, 2014

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Actuarially determined contribution <sup>(1)</sup>	\$ 828,782	\$ 805,191	\$ 774,111	\$ 616,341	\$ 603,863	\$ 621,438	\$ 895,363	\$ 849,605	\$ 1,402,048	\$ 1,401,108
Contributions in relation to the actuarially determined contribution	<u>828,782</u>	<u>805,191</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 105,835</u>	<u>\$ 105,835</u>	<u>\$ -</u>	<u>\$ -</u>					
Covered-employee payroll <sup>(2)</sup>	\$ 2,976,134	\$ 3,143,988	\$ 2,964,987	\$ 2,918,077	\$ 2,876,124	\$ 2,798,423	\$ 2,706,116	\$ 2,443,715	\$ 2,667,338	\$ 2,662,267
Contributions as a percentage of covered-employee payroll	27.85%	25.61%	26.11%	21.12%	21.00%	22.21%	29.18%	30.44%	52.56%	52.63%

**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	10 years
	4-year smoothed
Asset valuation method	market
Inflation	3%
Salary increases	5%
Investment rate of return	8%
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

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

<sup>(2)</sup> - 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, 2014

	<u>Officers' and Employees' Pension Fund</u>	<u>Firemen's Pension Fund</u>	<u>Police Pension Fund</u>
<b>Annual money-weighted rate of return, net of investment expense</b>	<u>6.83 %</u>	<u>6.95 %</u>	<u>6.90 %</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 - Pension Trust Funds

(Unaudited)

Year Ended December 31, 2014

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Total Unfunded Actuarial Liability (Asset)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Annual Covered Payroll</u>	<u>Ratio of Unfunded Liability to Annual Covered Payroll</u>
<b>Police Pension Fund</b>							
	January 1, 2013	\$ 29,039,091	\$ 37,268,768	\$ 8,229,677	77.92%	\$ 2,791,460	294.82%
	January 1, 2011	27,344,895	34,388,866	7,043,971	79.52%	2,826,463	249.22%
	January 1, 2009	27,588,362	30,809,261	3,220,899	89.55%	3,201,724	100.60%
<b>Firemen's Pension Fund</b>							
	January 1, 2013	\$ 20,852,852	\$ 28,913,441	\$ 8,060,589	72.12%	\$ 1,930,525	417.53%
	January 1, 2011	19,061,137	26,980,301	7,919,164	70.65%	1,908,780	414.88%
	January 1, 2009	18,825,290	24,621,595	5,796,305	76.46%	1,731,343	334.79%
<b>Officers' and Employees' Pension Plan</b>							
	January 1, 2013	\$ 14,889,104	\$ 19,254,976	\$ 4,365,872	77.33%	\$ 4,603,251	94.84%
	January 1, 2011	13,194,793	17,046,371	3,851,578	77.41%	4,509,524	85.41%
	January 1, 2009	12,910,034	14,557,541	1,647,507	88.68%	4,240,982	38.85%

Note: The January 1, 2009 actuarial valuation recognized one assumption change. (1) The actuarial value of assets was changed from a market value method to a smoothing method whereby one-fourth of market value gains and losses are recognized at each valuation date and the remaining three-fourths are deferred to future biennial valuations.

Note: As permitted by GASB No. 25, the City has elected to value these plans on a biennial basis.

**City of Williamsport, Pennsylvania**

Required Supplementary Information  
Schedule of Funding Progress - Other Postemployment Benefits  
(Unaudited)  
Year Ended December 31, 2014

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Total Unfunded Actuarial Liability (Asset)</b>	<b>Funded Ratio (a)/(b)</b>	<b>Annual Covered Payroll</b>	<b>Ratio of Unfunded Liability to Annual Covered Payroll</b>
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%
January 1, 2010	-	55,492,042	55,492,042	0.00%	10,649,893	521%

**City of Williamsport, Pennsylvania**

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2014

(Unaudited)

	<u>CDBG</u>	<u>Non-Revenue Escrow</u>	<u>Liquid Fuels</u>	<u>Home Rehab</u>	<u>Redevelopment Authority</u>	<u>Act 13</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>							
Cash and cash equivalents	\$ 73,132	\$ 1,632,533	\$ 262,350	\$ 40,639	\$ 198,975	\$ 924,624	\$ 3,132,253
Receivables:							
Loans	623,385	1,093,817	-	62,751	-	-	1,779,953
Other	-	21,799	-	-	-	-	21,799
Due from other funds	9,043	15,915	-	300	-	18,250	43,508
Due from other governments	99,117	-	-	-	29,119	-	128,236
<b>Total assets</b>	<u>\$ 804,677</u>	<u>\$ 2,764,064</u>	<u>\$ 262,350</u>	<u>\$ 103,690</u>	<u>\$ 228,094</u>	<u>\$ 942,874</u>	<u>\$ 5,105,749</u>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Vouchers payable	\$ 89,955	\$ 32,491	\$ 24,032	\$ -	\$ 210,557	\$ 7,718	\$ 364,753
Accrued liabilities	9,163	433	-	-	-	-	9,596
Compensated absences	3,069	-	-	-	-	-	3,069
Due to other funds	17,831	219,108	-	-	-	150,000	386,939
Due to other governments	2,400	-	-	-	10,833	26,719	39,952
Unearned revenue	623,385	1,093,817	-	62,751	-	-	1,779,953
<b>Total liabilities</b>	<u>745,803</u>	<u>1,345,849</u>	<u>24,032</u>	<u>62,751</u>	<u>221,390</u>	<u>184,437</u>	<u>2,584,262</u>
Fund balances:							
Restricted	58,874	1,418,215	238,318	40,939	6,704	758,437	2,521,487
<b>Total liabilities and fund balances</b>	<u>\$ 804,677</u>	<u>\$ 2,764,064</u>	<u>\$ 262,350</u>	<u>\$ 103,690</u>	<u>\$ 228,094</u>	<u>\$ 942,874</u>	<u>\$ 5,105,749</u>

**City of Williamsport, Pennsylvania**

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

Nonmajor Governmental Funds

Year Ended December 31, 2014

(Unaudited)

	<b>CDBG</b>	<b>Non-Revenue Escrow</b>	<b>Liquid Fuels</b>	<b>Home Rehab</b>	<b>Redevelopment Authority</b>	<b>Act 13</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>							
Interest, rents, royalties	\$ -	\$ 35,799	\$ 661	\$ 57	\$ 45	\$ 1,416	\$ 37,978
Intergovernmental:							
Federal	989,798	12,781	-	-	-	-	1,002,579
State	-	42,247	670,305	-	156,117	689,280	1,557,949
Local	-	2,284	-	-	54,962	-	57,246
Charges for services	-	27,167	-	-	-	-	27,167
Collections on loans	97	74,563	-	868	-	-	75,528
Miscellaneous	80,421	39,791	-	-	6,704	-	126,916
<b>Total revenues</b>	<b>1,070,316</b>	<b>234,632</b>	<b>670,966</b>	<b>925</b>	<b>217,828</b>	<b>690,696</b>	<b>2,885,363</b>
<b>Expenditures</b>							
Current:							
General government	307,658	155,160	-	-	24,673	-	487,491
Public works	603,244	-	506,475	-	189,540	-	1,299,259
Other public works enterprises	-	1,608	-	-	-	-	1,608
Public safety	77	8,995	-	-	-	-	9,072
Culture and recreation	39,295	2,611	-	-	-	-	41,906
Revolving loans and grants	-	-	-	-	-	-	-
Capital outlay	99,807	-	-	-	-	574,009	673,816
<b>Total expenditures</b>	<b>1,050,081</b>	<b>168,374</b>	<b>506,475</b>	<b>-</b>	<b>214,213</b>	<b>574,009</b>	<b>2,513,152</b>
Excess of revenues over expenditures	20,235	66,258	164,491	925	3,615	116,687	372,211
<b>Other Financing Sources (Uses)</b>							
Transfers out	(30,000)	-	(92,522)	-	-	(250,000)	(372,522)
<b>Net Change in Fund Balances</b>	<b>(9,765)</b>	<b>66,258</b>	<b>71,969</b>	<b>925</b>	<b>3,615</b>	<b>(133,313)</b>	<b>(311)</b>
<b>Fund Balances, Beginning</b>	<b>68,639</b>	<b>1,351,957</b>	<b>166,349</b>	<b>40,014</b>	<b>3,089</b>	<b>891,750</b>	<b>2,521,798</b>
<b>Fund Balances, Ending</b>	<b>\$ 58,874</b>	<b>\$ 1,418,215</b>	<b>\$ 238,318</b>	<b>\$ 40,939</b>	<b>\$ 6,704</b>	<b>\$ 758,437</b>	<b>\$ 2,521,487</b>

## City of Williamsport, Pennsylvania

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Statement of Fiduciary Net Position  
Private Purpose Trust Fund  
December 31, 2014  
(Unaudited)

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

## City of Williamsport, Pennsylvania

Statement of Changes in Fiduciary Net Position

Private Purpose Trust Fund

Year Ended December 31, 2014

(Unaudited)

	<u>Unemployment Compensation</u>
<b>Deductions</b>	
Benefits	\$ 3,706
Total deductions	3,706
<b>Other Financing Sources (Uses)</b>	
Operating transfers in	3,706
Total other financing sources (uses)	3,706
<b>Change in Net Position</b>	-
<b>Net Position, Beginning</b>	-
<b>Net Position, Ending</b>	\$ -

**City of Williamsport, Pennsylvania**

Combining Statement of Fiduciary Net Position

Agency Funds

December 31, 2014

(Unaudited)

	<u>Tax Collecting</u>	<u>Payroll Revolving</u>	<u>Nonrevenue Escrow</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 566,434	\$ 2,932	\$ 205,178	\$ 774,544
Total assets	<u>\$ 566,434</u>	<u>\$ 2,932</u>	<u>\$ 205,178</u>	<u>\$ 774,544</u>
<b>Liabilities</b>				
Vouchers payable	\$ -	\$ 2,932	\$ 185,178	\$ 188,110
Due to other funds	246,670	-	20,000	266,670
Due to other taxing units	<u>319,764</u>	<u>-</u>	<u>-</u>	<u>319,764</u>
Total liabilities	<u>\$ 566,434</u>	<u>\$ 2,932</u>	<u>\$ 205,178</u>	<u>\$ 774,544</u>

**City of Williamsport, Pennsylvania**

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2014

Grantor/Program Title	Federal CFDA Number	Program Amount	Total Received for the Year	Accrued (Deferred) Revenue January 1, 2014	Adjustments	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue December 31, 2014
<b><u>U.S. Department of Housing and Urban Development:</u></b>								
Community Development Block Grant Entitlement Grants	14.218	\$ 989,506	\$ 471,399	\$ 48,550	\$ -	\$ 422,849	\$ 422,849	\$ -
Community Development Block Grant Entitlement Grants	14.218	1,033,343	537,929	-	-	566,949	566,949	29,020
Community Development Block Grant Entitlement Grants-Program Income	14.218	N/A	10,323	-	-	10,323	10,323	-
Community Planning and Development - HOME Program	14.239	1,874,874	621,209	34,582	-	647,333	647,333 *	60,706
Community Planning and Development - HOME Program - Program Income	14.239	N/A	86,130	-	-	86,130	86,130 *	-
<b>Total U.S. Department of Housing and Urban Development</b>			<u>1,726,990</u>	<u>83,132</u>	<u>-</u>	<u>1,733,584</u>	<u>1,733,584</u>	<u>89,726</u>
<b><u>U.S. Department of Interior,</u></b>								
Passed through the Pennsylvania Historical & Museum Commission Historic Preservation Fund Grants-In-Aid	15.904	3,000	3,000	1,371	-	1,629	1,629	-
<b><u>U.S. Department of Justice:</u></b>								
Bulletproof Vest Partnership Program	16.607	2,705	-	2,705	-	-	-	2,705
Recovery Act - Edward Bryne Memorial Justice Assistance Grant Program/Grants to Local Government (ARRA)	16.804	70,949	-	(357)	-	357	357	-
Edward Byrne Memorial Justice Assistance Program	16.804	6,144	6,144	6,144	-	-	-	-
Edward Byrne Memorial Justice Assistance Program	16.804	5,030	5,030	5,030	-	-	-	-
<b>Total U.S. Department of Justice</b>			<u>11,174</u>	<u>13,522</u>	<u>-</u>	<u>357</u>	<u>357</u>	<u>2,705</u>

**City of Williamsport, Pennsylvania**

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2014

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Amount</u>	<u>Total Received for the Year</u>	<u>Accrued (Deferred) Revenue January 1, 2014</u>	<u>Adjustments</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue December 31, 2014</u>
<b><u>U.S. Department of Transportation:</u></b>								
Federal Transit Administration Capital Improvement Grant	20.500	\$ 3,951,000	\$ 308,728	\$ 293,526	\$ -	\$ 15,202	\$ 15,202 *	\$ -
Federal Transit Administration Capital Improvement Grant	20.500	1,500,000	1,500,000	-	-	1,500,000	1,500,000 *	-
Federal Transit Administration Capital Improvement Grant	20.500	3,500,000	3,500,000	3,415,555	-	84,445	84,445 *	-
Federal Transit Administration Capital and Operating Assistance Grant	20.507	1,500,000	750,000	-	-	750,000	750,000 *	-
Federal Transit Administration Capital and Operating Assistance Grant	20.507	2,841,029	-	-	-	900,000	900,000 *	900,000
Passed through Pennsylvania Department of Transportation, ARRA - Capital Assistance Program for Reducing Energy Consumption	20.523	160,000	160,000	160,000	-	-	-	-
<b>Total U.S. Department of Transportation</b>			<u>6,218,728</u>	<u>3,869,081</u>	<u>-</u>	<u>3,249,647</u>	<u>3,249,647</u>	<u>900,000</u>

**City of Williamsport, Pennsylvania**

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2014

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Amount</u>	<u>Total Received for the Year</u>	<u>Accrued (Deferred) Revenue January 1, 2014</u>	<u>Adjustments</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue December 31, 2014</u>
<b><u>U.S Department of Education,</u></b>								
Passed through the Pennsylvania Department of Labor and Industry Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	512	\$ 876	\$ 364	\$ -	\$ 512	\$ 512	\$ -
<b>Total Federal Financial Assistance</b>			<u>\$ 7,960,768</u>	<u>\$ 3,967,470</u>	<u>\$ -</u>	<u>\$ 4,985,729</u>	<u>\$ 4,985,729</u>	<u>\$ 992,431</u>

\* Tested as a "major" program.

Notes: This schedule includes the federal award activity of the City of Williamsport, PA, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts may differ from amounts presented in, or used in the preparation of the financial statements.

**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 units, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 29, 2015. Our report includes a reference to other auditors who audited the financial statements of the Municipal Authority of the City of Williamsport (the "Municipal Authority"), as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors.

**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 2014-001 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 2014-002 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 Viechow Krause, LLP*

Williamsport, Pennsylvania  
September 29, 2015

**Independent Auditors' Report  
on Compliance for Each Major Federal Program  
and on Internal Control Over Compliance in  
Accordance with OMB Circular A-133**

Honorable Members of City Council,  
City of Williamsport, Pennsylvania:

**Report on Compliance for Each 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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2014. The City's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

## Opinion on Each 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 each of its major federal programs for the year ended December 31, 2014.

## 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 each 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 OMB Circular A-133, 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Baker Tilly Virchow Krause, LLP*

Williamsport, Pennsylvania  
September 29, 2015

# City of Williamsport, Pennsylvania

Schedule of Findings and Questioned Costs  
December 31, 2014

## 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?   Yes  X  none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?   yes  X  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Investment Partnerships Program
	Federal Transit Cluster:
20.500	Federal Transit - Capital Investment Grants
20.507	Federal Transit - Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   yes  X  No

## Section II - Financial Statement Findings

Finding No.	Finding/Noncompliance	Questioned Costs
2014-001	<p><b>Internal Control Over Financial Reporting - City Pension Funds</b></p> <p><b>Criteria:</b> 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 (formerly Wachovia Securities), which also holds the related pension assets in safekeeping.</p> <p>At December 31, 2014, the three City pension funds collectively held approximately \$81,500,000 in cash and investments, with each fund having significant activity for the year then ended.</p> <p><b>Condition/Context:</b> While sophisticated investment policies are in place, and the respective pension boards meet periodically with CS McKee and Wells Fargo (formerly Wachovia) 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><b>Effect:</b> 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><b>Cause:</b> 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><b>Recommendation:</b> 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><b>Views of responsible officials and planned corrective actions:</b> See corrective action plan.</p>	N/A

Finding No.	Finding/Noncompliance	Questioned Costs
2014-002	<p><b>Internal Control Over Financial Reporting - Segregation of Duties</b></p> <p><b>Criteria:</b> 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.</p> <p><b>Condition/Context:</b> The responsibility for the performance of accounting duties surrounding the cash receipts cycle is vested in a limited number of employees.</p> <p><b>Effect:</b> Without proper segregation of accounting functions, errors or fraud could occur and go undetected.</p> <p><b>Cause:</b> The City employs a limited number of accounting personnel.</p> <p><b>Recommendation:</b> 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.</p> <p><b>Views of responsible officials and planned corrective actions:</b> See corrective action plan.</p>	N/A

**City of Williamsport, Pennsylvania**

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Schedule of Findings and Questioned Costs  
December 31, 2014

**Section III - Federal Award Findings and Questioned Costs**

None.

# City of Williamsport, Pennsylvania

Summary Schedule of Prior Audit Findings

December 31, 2014

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

Finding No.	Finding/Noncompliance	Questioned Costs
2013-1	<b>Internal control Over Financial Reporting - City Pension Funds</b>	
	Prior year finding 2013-1 is repeated as current year finding 2014-001.	
2013-2	<b>Internal Control Over Financial Reporting - Segregation of Duties</b>	
	Prior year finding 2013-2 is repeated as current year finding 2014-002.	