

**CITY OF JEANNETTE**  
**FINANCIAL STATEMENTS – CASH BASIS**

**Year ended December 31, 2014**

**DELUZIO & COMPANY, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS**

**CITY OF JEANNETTE**

**TABLE OF CONTENTS**

	<u>Page(s)</u>
Independent auditors' report.....	1-3
Management's discussion and analysis .....	4-9
Governmental funds balance sheet/statement of net position – cash basis .....	10
Statement of activities – cash basis.....	11
Statement of revenues, expenditures and changes in fund balance – cash basis .....	12
Statement of fiduciary net position .....	13
Notes to the financial statements .....	14-33
 <b>Required Supplementary Information</b>	
Schedules of funding progress .....	34
Schedules of contributions from employers.....	35
Note to supplementary pension schedules .....	36
Statement of revenues, expenditures and changes in fund balance – cash basis – budget and actual general fund .....	37



351 Harvey Avenue, Suite A  
Greensburg, PA 15601-1911  
724 838 8322  
www.DeluzioCPA.com

Charles A. Deluzio, CPA  
Jeffrey P. Anzovino, CPA, MSA  
Joseph E. Petrillo, CPA  
Stacey A. Sanders, CPA, CSEP  
Lisa M. Altschaffl, CPA

## **INDEPENDENT AUDITORS' REPORT**

City Council and Mayor  
City of Jeannette

### **Report on the Financial Statements**

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the remaining fund information of the City of Jeannette (City), as of and for the year ended December 31, 2014, and the related notes to the financial statements which collectively comprise the City of Jeannette's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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.

*(continued)*

**INDEPENDENT AUDITORS' REPORT**

*(continued)*

***Auditors' Responsibility (continued)***

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the remaining fund information for the primary government of the City of Jeannette as of December 31, 2014, and the respective changes in financial position-cash basis, thereof for the year then ended on the basis of accounting described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is 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 4-9, the budgetary comparison information on page 37 and the pension information on pages 34-36 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.

*(continued)*

INDEPENDENT AUDITORS' REPORT

(continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2015, on our consideration of the City of Jeannette'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Jeannette's internal control over financial reporting and compliance.

*Deluzio Company LLP*

Greensburg, Pennsylvania  
November 11, 2015



**CITY OF JEANNETTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2014**

As management of the City of Jeannette (City), we offer our residents, elected officials, employees and other interested parties this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2014. For purposes of this discussion and analysis, "City" refers to the primary government only. The goal of this Management's Discussion and Analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in financial position, (4) identify any material deviations from the approved budget, and (5) identify individual fund issues or concerns.

City management encourages all readers to consider the information presented here in conjunction with the financial statements that we have furnished and the accompanying notes that follow in order to obtain a thorough understanding of the City's financial condition at December 31, 2014.

**FINANCIAL HIGHLIGHTS**

- As described in the notes to the primary government financial statements (financial statements), the City prepares its financial statements on the cash basis of accounting.
- The City's net position increased \$82,621 during fiscal year 2014 or 5%.
- Unrestricted net position was \$259,834 at December 31, 2014. These assets may be used to meet the City's ongoing obligations to residents and creditors.
- The City's real estate property tax rate for fiscal year 2014 is 32.62 mills.
- At December 31, 2014, the City had \$2,837,386 general obligation debt outstanding. This represents a decrease of \$295,796 from the previous fiscal year.
- The total fund balance of the General Fund on December 31, 2014 was \$302,019, of which, \$259,834 is unreserved and available for spending at the City's discretion.

**OVERVIEW OF FINANCIAL STATEMENTS**

This Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. The City's financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

The basic financial statements present two different views of the City through the use of government-wide financial statements and fund financial statements.

- (1) Government-Wide Financial Statements – The government-wide financial statements are designed to provide all interested parties with a broad overview of the City in a manner similar to a private-sector business.
  - Statement of Net Position – This report presents information on all of the City's cash, cash equivalents and its cash-basis net position. As described in the notes to the basic financial statements, the City's financial statements are on the cash basis of accounting. 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.

**CITY OF JEANNETTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2014**

**OVERVIEW OF FINANCIAL STATEMENTS (continued)**

- Statement of Activities – This report presents information showing how the government's net position changed during the most recent year. This shows cash-basis expenses by functions/programs related to operating grants and how the deficit from each function/program is funded with general cash-basis revenues.

The Statement of Activities 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. The governmental activities of the City include general government, public safety, public works, culture and recreation, community development and debt service.

The government-wide financial statements can be found on pages 10 and 11 of this report.

- (2) 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 governmental agencies, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into governmental funds and fiduciary funds.

The fund financial statements can be found on pages 10, 12 and 13 of this report.

- Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

The City maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance for the General Fund and the Community Development Fund, which are considered major funds, and the Liquid Fuels Fund, nonmajor fund.

The City adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided as supplementary information for the General Fund to determine compliance with actual revenues/expenditures to budgeted amounts.

- Fiduciary Funds – Fiduciary funds are used to account for assets held in a trustee capacity. The City's fiduciary funds consist of one agency fund: the Fire Insurance Escrow Account.

The fiduciary fund statement of net position can be found on page 13 of this report.

- (3) Notes to the Primary Government Financial Statements – The notes to the financial statements provide additional information that is essential to 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 14 through 33 of this report.

**CITY OF JEANNETTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2014**

**OVERVIEW OF FINANCIAL STATEMENTS (continued)**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's pension and budget information. This required supplementary information can be found on pages 34 through 37 of this report.

**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, net position on the cash basis of accounting was \$1,668,345 as of December 31, 2014, an increase of \$82,621 from 2013.

**STATEMENT OF NET POSITION**  
**CASH BASIS**  
**December 31, 2014**

<u>Assets:</u>	
Cash and cash equivalents	\$ <u><u>1,668,345</u></u>
<u>Net position:</u>	
Restricted	1,408,511
Unrestricted	<u>259,834</u>
	\$ <u><u>1,668,345</u></u>

The balance of unrestricted net position as of December 31, 2014 was \$259,834 and may be used to meet the government's ongoing obligations to its citizens and creditors. This was an increase of \$94,621 from 2013. At the end of the current year, the City is able to report a positive balance in net position. The same situation held true for the prior year. A schedule showing the City's budget compared with amounts actually paid and received is on page 37.



**CITY OF JEANNETTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

Governmental Activities – Governmental activities increased the net position by \$82,621.

Details of these increases for the governmental activities are as follows:

**CHANGES IN NET POSITION**  
**CASH BASIS**  
**NET (EXPENSES) REVENUES**

	Expenses	Program Revenues	Net (Expenses) Revenues
Primary Government:			
Government activities:			
General government	\$ 856,917	\$ 182,006	\$ (674,911)
Public safety	2,807,427	292,806	(2,514,621)
Public works:			
Highways and streets	706,723	335,334	(371,389)
Sanitation	810,416	948,157	137,741
Culture and recreation	30,000	-	(30,000)
Community development	396,094	415,486	19,392
Debt principal and interest	792,926	-	(792,926)
Total government activities	\$ 6,400,503	\$ 2,173,789	(4,226,714)
General Revenues:			
Taxes:			
Real estate			2,088,151
Earned income			1,310,760
Other			254,681
Franchise fees			212,214
Interest			2,630
Payments received on Community Development Loans			32,285
Payments in lieu of taxes			5,444
Loan proceeds			350,000
Gas income			34,761
Miscellaneous			18,409
Total general revenues			4,309,335
Change in net position			82,621
Net position - beginning of year			1,585,724
Net position - end of year			\$ 1,668,345

**CITY OF JEANNETTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

The City continues to have significant challenges in ensuring it has sufficient revenues to meet its financial demands. City Council continues to assess ways to increase revenues and decrease expenditures.

Subsequent to 2013 year end, the City was approved to increase the earned income tax rate by .50%. The funds received from this increase are to be used specifically to fund the police pension plan.

Subsequent to 2014 year end, the City received \$4 million of cash in April 2015 related to the sale of the Jeannette Municipal Authority.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, 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 available resources. Such information is useful in assessing the City's financial requirements. In particular, the spendable-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.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$259,834 and the restricted fund balance, to be used for the Monsour Hospital project, was \$42,185. Fund balances in the Community Development Fund and Liquid Fuels Fund were \$1,340,757 and \$25,569, respectively. These amounts represent a decrease in fund balance in Community Development Fund of \$12,278 and an increase in the Liquid Fuels Fund of \$23,093, respectively. These amounts represent funds available that may be used for activities within the scope of each fund. On the statement of net position, these amounts are shown as restricted net position, because, in terms of the government as a whole, they are restricted by grantors (Community Development Fund and Liquid Fuels Fund).

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the General Fund budget and the actual revenues/expenditures included a shortfall of \$87,820 in cash-basis revenues and \$57,332 in other financing sources and an excess of \$216,958 in cash-basis expenditures. The net of these differences resulted in an excess of revenues over expenditures in the amount of \$71,806.

**DEBT**

In 2014 the City entered into a new agreement with First Niagra Bank for a tax anticipation note in the amount of \$350,000.

At the end of the current year, the City had outstanding total long-term debt of \$2,837,386. Of this amount, \$1,969,796 is comprised of General Obligation Bonds and Notes, \$93,590 relates to equipment loans obtained during prior years and \$774,000 relates to a loan the Community Development Fund has with the Commonwealth of Pennsylvania and the U.S. Department of Housing and Urban Development.

**CITY OF JEANNETTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2014**

**DEBT (continued)**

A breakdown of the City's debt follows:

**LONG-TERM DEBT**  
**GENERAL OBLIGATION AND OTHER DEBT**

	Beginning Balance	Additions	Payments	Ending Balance
General Obligation Bonds, 1998	\$ 1,765,000	\$ -	\$ (120,000)	\$ 1,645,000
General Obligation Note, 2010	371,381	-	(46,585)	324,796
Equipment Loans	174,801	-	(81,211)	93,590
U.S. Department of Housing and Urban Development Loan	822,000	-	(48,000)	774,000
	<u>\$ 3,133,182</u>	<u>\$ -</u>	<u>\$ (295,796)</u>	<u>\$ 2,837,386</u>

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the financial affairs of the City. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Office of the City Manager, City of Jeannette, 110 South Second Street, Jeannette, PA 15644.

**CITY OF JEANNETTE**  
**GOVERNMENTAL FUNDS BALANCE SHEET/ STATEMENT OF NET POSITION - CASH BASIS**  
**AS OF DECEMBER 31, 2014**

	General Fund	Community Development Fund	Non-Major Liquid Fuels Fund	Total Governmental Funds	Statement of Net Position
<b>Assets</b>					
Cash and cash equivalents	\$ 302,019	\$ 1,340,757	\$ 25,569	\$ 1,668,345	\$ 1,668,345
<b>Fund Balance</b>					
Fund balance					
Spendable - Unassigned	\$ 259,834	\$ -	\$ -	\$ 259,834	
Restricted	42,185	1,340,757	25,569	1,408,511	
<b>Total fund balance</b>	\$ 302,019	\$ 1,340,757	\$ 25,569	\$ 1,668,345	
<b>Net Position</b>					
Restricted for					
Monsour Hospital project					42,185
Community development					1,340,757
Liquid fuels tax					25,569
Unrestricted					259,834
<b>Total net position</b>					\$ 1,668,345

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

**CITY OF JEANNETTE**  
**STATEMENT OF ACTIVITIES – CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities					
General government	\$ 856,917	\$ 47,002	\$ 135,004	\$ -	\$ (674,911)
Public safety	2,807,427	59,567	233,239	-	(2,514,621)
Public works - highway and streets	706,723	109,356	225,978	-	(371,389)
Public works - sanitation	810,416	948,157	-	-	137,741
Culture and recreation	30,000	-	-	-	(30,000)
Community development	396,094	-	415,486	-	19,392
Principal paid on long-term debt	645,796	-	-	-	(645,796)
Interest paid on long-term debt	147,130	-	-	-	(147,130)
Total governmental activities	<u>\$ 6,400,503</u>	<u>\$ 1,164,082</u>	<u>\$ 1,009,707</u>	<u>\$ -</u>	<u>(4,226,714)</u>
General revenues					
Taxes					
Real estate					2,088,151
Earned income					1,310,760
Local Services Tax					129,584
Business privilege tax					54,917
Other					70,180
Licenses, permits and fees					212,214
Interest					2,630
Payments received on Community Development Loans					32,285
Payments in lieu of taxes					5,444
Loan proceeds					350,000
Gas income					34,761
Miscellaneous					18,409
Total general revenues					<u>4,309,335</u>
Change in net position					82,621
Net position					
Beginning of year					<u>1,585,724</u>
End of year					<u>\$ 1,668,345</u>

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



**CITY OF JEANNETTE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	Community Development Fund	Nonmajor Liquid Fuels Fund	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 3,653,592	\$ -	\$ -	\$ 3,653,592
Licenses, permits and fees	212,214	-	-	212,214
Fines, forfeitures and penalties	40,936	-	-	40,936
Interest	1,370	1,238	22	2,630
Intergovernmental	368,243	415,486	225,978	1,009,707
Charges for services	1,123,146	-	-	1,123,146
Payments in lieu of taxes	5,444	-	-	5,444
Program income	-	32,285	-	32,285
Gas income	34,761	-	-	34,761
Miscellaneous	16,924	-	1,485	18,409
Total revenues	<u>5,456,630</u>	<u>449,009</u>	<u>227,485</u>	<u>6,133,124</u>
<b>Expenditures</b>				
Current				
General government	646,222	-	-	646,222
Public safety	2,807,427	-	-	2,807,427
Public works - highways and streets	498,131	-	208,592	706,723
Public works - sanitation	810,416	-	-	810,416
Culture and recreation	30,000	-	-	30,000
Community development	49,128	346,966	-	396,094
Insurance	177,047	-	-	177,047
Legal settlement	32,450	-	-	32,450
Miscellaneous	1,198	-	-	1,198
Debt service				
Principal retirement	597,796	48,000	-	645,796
Interest	117,677	29,453	-	147,130
Total expenditures	<u>5,767,492</u>	<u>424,419</u>	<u>208,592</u>	<u>6,400,503</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(310,862)</u>	<u>24,590</u>	<u>18,893</u>	<u>(267,379)</u>
<b>Other financing sources (uses)</b>				
Proceeds from loan	350,000	-	-	350,000
Interfund transfers, net	32,668	(36,868)	4,200	-
Total other financing sources (uses)	<u>382,668</u>	<u>(36,868)</u>	<u>4,200</u>	<u>350,000</u>
<b>Net change in fund balance</b>	71,806	(12,278)	23,093	82,621
<b>Fund balance</b>				
Beginning of year	230,213	1,353,035	2,476	1,585,724
End of year	<u>\$ 302,019</u>	<u>\$ 1,340,757</u>	<u>\$ 25,569</u>	<u>\$ 1,668,345</u>

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

**CITY OF JEANNETTE**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AS OF DECEMBER 31, 2014**

	<u>Fire Insurance Escrow Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>18,216</u>
Total assets	\$ <u><u>18,216</u></u>
<b>Liabilities</b>	
Due to third parties	\$ <u>18,216</u>
Total liabilities	\$ <u><u>18,216</u></u>

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

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Jeannette, Pennsylvania (City), was incorporated and adopted its first Charter as a City in 1938. The City operates under a commission form of government and provides the following services as provided by its charter: police and fire, street, public works and sanitation, culture-recreation, planning and zoning and general administrative services.

The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The City reports on the cash basis of accounting and the most significant accounting policies are as follows:

**Reporting Entity**

The City, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the City. The financial statements presented herein do not include agencies that have been formed under applicable state laws or separate and distinct units of government apart from the City.

The City has elected to adopt GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, with regards to evaluating component units. Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing body and 1) the City is able to significantly influence the programs or services performed or provided by the organization, 2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization, or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City or that the City approves the budget or the issuance of debt.

Based on the foregoing criteria, the City has determined that no organizations are controlled by or dependent on the City during the year ended December 31, 2014.

**Government-Wide and Fund Financial Statements**

The government-wide cash basis financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been eliminated from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 services or privileges provided by a given function or segment, and 2) grants that are restricted to meeting the operational requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting/Measurement Focus**

Basis of accounting refers to the timing of the recognition of revenues and expenditures in the accounts and in the financial statements. The City has elected to present its financial statements on the cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, amounts are recognized when received or paid rather than when earned or when obligations are incurred. Inventories, principally supplies, are accounted for as expenditures when purchased. Encumbrance accounting, whereby fund balance is reserved for commitments related to unperformed contracts for goods and services, is not used by the City. Specific items excluded from this report due to the City reporting on the cash basis of accounting that would need to be included if the City's financial statements were in accordance with generally accepted accounting principles include but are not limited to: taxes receivable, other post-employment benefit liabilities, compensated absences, debt obligations, accrued payroll, pension trust funds. As the pension trust funds have been excluded from the cash basis financial statements, the requirements of GASB 67 have not been implemented.

*Fund Accounting*

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The City only uses governmental funds and fiduciary funds.

*Governmental Funds*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they will be paid.

The City reports the following major governmental funds:

The *General Fund* is the principal operating fund of the City that is used to account for all financial transactions except those required to be accounted for in other funds.

The *Community Development Fund* is used to account for various grants received from the Department of Community and Economic Development.

Additionally, the City reports the following nonmajor governmental fund:

The *Liquid Fuels Fund* accounts for state aid revenues (liquid fuels taxes) received from the Pennsylvania Department of Transportation for building, improving, lighting and maintaining roads and bridges within the City.

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting/Measurement Focus (continued)**

*Fiduciary Funds*

The *pension trust funds* are used to account for assets held by the City in a trustee capacity for future payment of retirement benefits to employees or former employees. The City has two separate pension plans that have pension trust funds: the Police Plan and the Firefighter Plan. The pension trust funds are not included in the financial statements, as discussed above.

The City maintains a fire insurance escrow fund that accounts for assets held by the City as an agent for third parties to be used for repairs from fire damages. A statement of fiduciary net position has been presented to account for the activity in this agency fund.

Fund Balance

GASB Statement No. 54 establishes accounting and financial standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions as follow:

Non-spendable

The non-spendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or are legally or contractually required to be maintained intact.

Restricted

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

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party, such as citizens, to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable.



**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Balance (continued)

Assigned

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

Unassigned

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

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

Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control in the General Fund of the City. The budget is adopted on the cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The City must adopt the budget for the General Fund by December 31.

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

Deposits and Investments

The City considers all short-term investments with an original maturity of three months or less to be cash equivalents. Investments are carried at fair value based on quoted market prices.

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Compensated Absences

The City allows teamsters' employees to accumulate unused sick leave to a max of 25 weeks. Upon retirement/termination, unused sick leave of the teamsters' employees, up to the maximum, will be paid at a rate of \$80 per day. The City allows non-uniformed employees to accumulate unused sick leave to a maximum of 25 weeks. Upon retirement/termination, unused sick leave of non-uniformed employees, up to the maximum, will be paid at the rate of 55% of their full rate per day. Non-uniform employees hired after January 1, 2013, have a maximum payout of \$5,000. Police, hired before December 31, 2005, can accumulate one month of sick leave for each year of service. Upon retirement/termination, unused sick leave will be paid at the rate of \$10 per day, up to a maximum of 12 weeks, not to exceed \$600. Police, hired after January 1, 2006, accrue five days of sick time for each year of service. Upon retirement/termination, unused sick leave will be paid at the rate of \$50 per day, up to a maximum of 25 weeks. Firemen can accumulate unused sick leave, up to a maximum of 42-24 hour days. Upon retirement/termination, unused sick leave of firemen will be paid at one-half of the shift rate. Earned vacation time is required to be used currently. As of December 31, 2014, the liability for accrued sick leave was \$107,527.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Pennsylvania statutes provide for investment of governmental funds (which exclude the Pension Trust Funds) into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. The statutes allow pooling of governmental funds for investment purposes.

The deposit and investment policy of the City adheres to state statutes. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the City.

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

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. At December 31, 2014, \$1,371,258 of the City's bank balance of \$1,874,765 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$1,620,696 as of December 31, 2014.

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 2 – CASH AND CASH EQUIVALENTS (continued)**

In addition to the deposits noted above, included in cash and cash equivalents on the statement of net position are investments with the Pennsylvania Local Government Investment Trust (PLGIT) of \$47,649. The fair value of the City's investments with PLGIT, which is an external investment pool, is the same as the value of pooled shares.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the City's investments. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investments in PLGIT are short-term with maturities of less than one year.

Credit Risk - The City has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. PLGIT has a rating of AAA by Standard & Poor's at December 31, 2014.

The City has no foreign currency risks for any of its funds.

**NOTE 3 – PROPERTY TAX LEVIES**

Taxes are levied on March 1 and are due and payable on or before June 30. All unpaid taxes become delinquent July 1 of the same year. Any taxes still unpaid at December 31 of the same year are turned over to the Westmoreland County Tax Collector. City property tax revenues are recognized when received.

City real estate taxes were levied for general purposes at 32.62 mills on 100% of assessed valuation, excluding exempt properties. The assessed valuation was approximately \$66 million for the 2014 levy.

**NOTE 4 – SHORT-TERM DEBT**

In January 2014, the City entered into an agreement with First Niagra Bank for a \$350,000 tax anticipation note. The 2014 tax anticipation note was due on December 31, 2014 and bears interest at a rate of 4.25%.

Changes in the City's short term debt during 2014 were as follows:

	Beginning Balance	Additions	Payments	Ending Balance
Tax Anticipation Note	\$ -	\$ 350,000	\$ (350,000)	\$ -

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 5 – LONG-TERM DEBT**

Changes in Long-Term Debt

Changes in the City's long-term debt during 2014 were as follows:

	Beginning Balance	Additions	Payments	Ending Balance
General Obligation Bonds, 1998	\$ 1,765,000	\$ -	\$ (120,000)	\$ 1,645,000
General Obligation Note, 2010	371,381	-	(46,585)	324,796
Equipment Loans	174,801	-	(81,211)	93,590
U.S. Department of Housing and Urban Development Loan	822,000	-	(48,000)	774,000
	<u>\$ 3,133,182</u>	<u>\$ -</u>	<u>\$ (295,796)</u>	<u>\$ 2,837,386</u>

General Obligation Bond - Series 1998

In March 1998, the City issued a General Obligation Bond – Series 1998 (1998 bonds). The 1998 bond issue was to a) fund various capital projects and b) retire the City's General Obligation Bond – Series 1994 (1994 bonds). The interest rate ranges from 3.9% to 5.0% and is scheduled to mature in 2024. As part of the 1998 bond issue, funds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 bonds. As a result, the 1994 bonds are considered to be defeased; and the liability for those bonds has been removed from the general long-term debt account group. At December 31, 2014, the principal amount outstanding relating to the 1998 Bonds was \$1,645,000.

The debt service requirements are as follows for the City's outstanding bonds:

Year	Principal	Interest	Total
2015	\$ 130,000	\$ 79,000	\$ 209,000
2016	135,000	72,375	207,375
2017	145,000	65,375	210,375
2018	150,000	58,000	208,000
2019	160,000	50,250	210,250
2020-2024	925,000	119,875	1,044,875
	<u>\$ 1,645,000</u>	<u>\$ 444,875</u>	<u>\$ 2,089,875</u>

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 5 – LONG-TERM DEBT (continued)**

General Obligation Note- 2010

In December 2010, the City issued a General Obligation Note, Series 2010. The note was sold to First Niagara Bank N.A. in accordance with its proposal to purchase the note. The 2010 note was issued to fund unfunded debt of the City that has accumulated as a result of performed and contracted services. Principal and interest payments of approximately \$15,409 are due quarterly for a total of forty payments beginning in March 2011 and continuing thereafter until the maturity date of December 2020. Interest on the note is at a fixed rate of 4.25% per annum on a tax-exempt fully bank-qualified basis until the maturity date. The total outstanding principal balance on the note as of December 31, 2014 was \$324,796.

The debt service requirements are as follows for the City's outstanding note:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 48,598	\$ 13,038	\$ 61,636
2016	50,696	10,940	61,636
2017	52,886	8,750	61,636
2018	55,169	6,467	61,636
2019	57,551	4,085	61,636
2020	59,896	1,600	61,496
	<u>\$ 324,796</u>	<u>\$ 44,880</u>	<u>\$ 369,676</u>

Equipment Loans

In prior years, the City entered into several loan agreements with local financial institutions to purchase various equipment to be used in the general operations of the City. Annual payments of varying amounts are due monthly/annually through 2015-2018. Interest will be due at rates of 2.88% - 5.13% per annum. The total outstanding principal balance on these loans as of December 31, 2014 was \$93,590.

Future debt service requirements for these loans are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 49,434	\$ 4,603	\$ 54,037
2016	14,341	2,613	16,954
2017	15,199	1,757	16,956
2018	14,616	866	15,482
	<u>\$ 93,590</u>	<u>\$ 9,839</u>	<u>\$ 103,429</u>



**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 5 – LONG-TERM DEBT (continued)**

U.S. Department of Housing and Urban Development Loan

In June 2010, the City entered into a loan agreement in the amount of \$966,000 with the Commonwealth of Pennsylvania and the Secretary of Housing and Urban Development. Principal payments of \$48,000 are due annually and interest payments of varying amounts are due semi-annually until the maturity date in 2030. Interest on the note is at a fixed rate agreed upon and detailed in the amortization schedule provided by the Commonwealth of Pennsylvania. The total outstanding principal balance on the loan as of December 31, 2014 was \$774,000.

The debt service requirements are as follows for the City's outstanding note:

Year	Principal	Interest	Total
2015	\$ 48,000	\$ 28,589	\$ 76,589
2016	48,000	27,533	75,533
2017	48,000	26,256	74,256
2018	48,000	24,859	72,859
2019	48,000	23,362	71,362
2020-2024	240,000	91,368	331,368
2025-2029	240,000	45,213	285,213
2030	54,000	2,419	56,419
	\$ 774,000	\$ 269,599	\$ 1,043,599

**NOTE 6 – RISK MANAGEMENT**

The risk of losses is covered by commercial insurance for the following areas: property and liability, workers' compensation and dishonesty. For insured areas, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year.

**NOTE 7 – PENSION PLANS**

The City administers three defined benefit pension plans covering substantially all full-time employees: the Police Pension Plan, the Non-Uniformed Pension Plan, and the Firemen Pension Plan (Plans). The Plans operate under the authority of various City ordinances and provide retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living allowances are provided at the discretion of the Plans. The Non-Uniformed Pension Plan is an agent multiple-employer plan. The Police Pension Plan and the Firemen Pension Plan are single-employer plans.

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 7 – PENSION PLANS (continued)**

Police Pension Plan Description

The Police Pension Plan (Police Plan) is a single-employer defined pension plan. The plan was established on December 17, 1959 and is available to all full-time City police officers under Act 208 of the Commonwealth of Pennsylvania (Act). The Police Plan is governed by the City Council which may amend the plan provisions, and which are responsible for the management of the Police Plan assets. The City Council has delegated the authority to manage the plan assets to a third party investment manager, separate from the Police Plan’s trustee.

Participants are eligible for retirement upon the completion of 20 years of continuous service. Participants are fully vested in the Police Plan upon the completion of 12 years of continuous service. The monthly pension benefit is equal to 50 percent of the greater of the participant’s monthly salary at retirement or the average monthly compensation over the participant’s five highest years, plus a service increment of 1/40 of regular pension for each year of completed service in excess of 20 years, prior to the age of 65, up to a maximum increment of \$100 per month.

As of January 1, 2013, the date of the most recent actuarial valuation, participants in the Police Plan were as follows:

Participants	Police
Active members	13
Retirees and beneficiaries receiving benefits	21
Terminated plan members with vested or deferred benefits	-

Police Plan Summary of Significant Accounting Policies

Financial information is presented on the cash basis of accounting. Employer contributions to the Police Plan are recognized when contributions are made. Benefits and refunds are recognized when received in accordance with the terms of the Police Plan.

Police Plan assets are reported at fair value. Police Plan assets are invested primarily in equities, fixed income securities and cash or cash equivalents. The Police Plan did not have any investment transactions with related parties during the year.

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 7 – PENSION PLANS (continued)**

Police Plan Contributions and Funding Policy

Act 205 requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO), which is based upon the biennial actuarial valuation. Employees are not required to contribute under the Act. The Commonwealth of Pennsylvania (Commonwealth) allocates certain funds to assist in pension funding, which is funded by state foreign casualty insurance tax. Any financial requirement established by the MMO that exceeds the Commonwealth allocations must be funded by the City (and could include employee contributions). In 2014, the City paid \$101,427 of the total annual required contribution of \$200,224. The remaining outstanding balance for the 2014 MMO was paid in 2015.

In accordance with the Police Plan's governing resolution, members are required to contribute five percent of their compensation plus \$1 per month to the plan.

Administrative costs, including investment, custodial trustee, and actuarial services are charged to the Police Plan and funded by investment earnings.

	<u>Police</u>
Actuarial valuation date	1/1/2013
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	16 years (aggregate)
Asset valuation method	4-Year Smoothing
Actuarial assumptions	
Investment rate of return	7.00%
Projected salary increases	5.00%
Underlying inflation rate	3.00%

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 7 – PENSION PLANS (continued)**

Police Plan Contributions and Funding Policy (continued)

The City had a net pension obligation (NPO) for the Police Plan as of December 31, 2014 calculated as follows:

	<b>Police</b>
Annual required contribution	\$ 520,834
Interest on NPO	69,493
Adjustment to the ARC	(42,197)
Annual pension cost	548,130
Contributions made	696,421
Change in NPO	(148,291)
NPO, December 31, 2013	992,750
NPO, December 31, 2014	\$ 844,460

Police Plan Three-Year Trend Information

	Year Ending	Annual Required Contribution (ARC)	Percentage of APC Contributed
*	12/31/2012	\$ 414,406	0%
**	12/31/2013	536,956	0%
	12/31/2014	520,834	19%

\* Partly paid in 2013 and 2014.

\*\* Partly paid in 2014.

Police Plan Funded Status

The City's funded status and related information as of the latest actuarial valuation date, January 1, 2013, is as follows:

Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
\$ 5,968,048	\$ 10,373,181	\$ 4,405,133	57.50%	\$ 1,070,622	411.46%

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 7 – PENSION PLANS (continued)**

Police Plan Funded Status (continued)

The required schedule of funding progress included as required supplementary information immediately following the notes to financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The schedule of funding progress also lists key changes in assumptions that occurred for the January 1, 2013 actuarial valuation.

Non-Uniformed Plan Description

The Non-Uniformed Plan is a single-employer defined benefit pension plan controlled by an agent multi-employer plan held by the Pennsylvania Municipal Retirement System (PMRS) for employees other than police. Plan provisions are established by municipal ordinance with the authority for municipal contributions required by Act 205. PMRS is separately audited and a separate audit report for PMRS is available through the City administrative offices.

Participants are eligible for retirement upon the completion of 8 years of continuous service. Participants are fully vested in the Non-Uniformed Plan upon the completion of 20 years of continuous service. The monthly pension benefit is equal to 1.5 percent times credit services times Final Average Salary (FAS). FAS based upon 3 years annualized salary.

As of December 31, 2014, participants in the Non-Uniformed plan were as follows:

Participants	Non-Uniformed
Active members	17
Retirees and beneficiaries receiving benefits	28
Terminated plan members with vested or deferred benefits	3

Non-Uniformed Plan Summary of Significant Accounting Policies

Financial information is presented on the accrual basis of accounting. Employer contributions to the Non-Uniformed Plan are recognized when earned. Benefits and refunds are recognized when incurred in accordance with the terms of the Non-Uniformed Plan.

Non-Uniformed Plan assets are reported at fair value. Non-Uniformed Plan assets are invested primarily in equities, fixed income securities and cash or cash equivalents. The Non-Uniformed Plan did not have any investment transactions with related parties during the year.

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 7 – PENSION PLANS (continued)**

Non-Uniformed Plan Contributions and Funding Policy

Act 205 requires that annual contributions be based upon the calculation of the MMO. The MMO calculation is based upon the biennial actuarial valuation. Employees are not required to contribute under the Act; such contributions are subject to collective bargaining and City policies. The Commonwealth allocates certain funds to assist in pension funding. Any financial requirement established by the MMO, which exceeds the Commonwealth allocation must be funded by the City (and could include employee contributions). In 2014, the City paid \$73,765 of the total annual required contribution of \$200,224. The remaining outstanding balance for the 2014 MMO was paid in 2015.

In accordance with the Non-Uniformed Plan's governing resolution, members are required to contribute five percent of their compensation to the plan.

Administrative costs, including investment, custodial trustee, and actuarial services are charged to the appropriate plan and funded from investment earnings. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

	<u>Non-Uniformed</u>
Actuarial valuation date	1/1/2013
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Asset valuation method	Fair Value
Remaining amortization period	5.30 Years
Actuarial assumptions	
Investment rate of return	5.50%
Projected salary increases	*
Underlying inflation rate	3.00%

\* = Age-related scale for merit/seniority (e.g. age 30 - 6.4%; age 40 - 5.0%; age 50 - 4.1%; age 60 - 3.7%... 2.0% is added for each of the first 3 years of service)

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 7 – PENSION PLANS (continued)**

Non-Uniformed Plan Contributions and Funding Policy (continued)

The City has a net pension obligation (NPO) for the Non-Uniformed Plan as of December 31, 2014 calculated as follows:

	<b>Non-Uniformed</b>
Annual required contribution	\$ 200,224
Interest on NPO	-
Adjustment to the ARC	-
Annual pension cost	200,224
Contributions made	73,765
Change in NPO	126,459
NPO, December 31, 2013	-
NPO, December 31, 2014	\$ 126,459

Non-Uniformed Plan Three-Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/2012	\$ 162,059	100%	\$ -
12/31/2013	208,071	100%	-
12/31/2014	200,224	37%	126,459

Non-Uniformed Plan Funded Status

The City's funded status and related information as of the latest actuarial valuation date, January 1, 2013, is as follows:

Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
\$ 3,136,174	\$ 3,880,893	\$ 744,809	80.81%	\$ 822,873	90.51%



**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 7 – PENSION PLANS (continued)**

Non-Uniformed Plan Funded Status (continued)

The required schedule of funding progress included as required supplementary information immediately following the notes to financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The schedule of funding progress also lists key changes in assumptions that occurred for the January 1, 2013 actuarial valuation.

Firemen’s Pension Plan Description

The Firemen’s Pension Plan (Firemen Plan) is a single-employer defined pension plan. The plan was established on February 3, 1966 and is available to all full-time City firemen under Act 208 of the Commonwealth of Pennsylvania (Act). The Firemen Plan is governed by the City Council which may amend the plan provisions, and which are responsible for the management of the Firemen Plan assets. The City Council has delegated the authority to manage the plan assets to a third party investment manager, separate from the Firemen Plan’s trustee.

Participants are eligible for retirement upon the completion of 20 years of continuous service. Participants are fully vested in the Firemen Plan upon the completion of 12 years of continuous service. The monthly pension benefit is equal to 50 percent of the greater of the participant’s monthly salary at retirement or the average monthly compensation over the participant’s five highest years, plus a service increment of 1/40 of regular pension for each year of competed service in excess of 20 years, prior to the age of 65, up to a maximum increment of \$100 per month.

As of January 1, 2013, the date of the most recent actuarial valuation, participants in the Firemen Plan were as follows:

Participants	Firemen
Active members	3
Retirees and beneficiaries receiving benefits	4
Terminated plan members with vested or deferred benefits	1

Firemen Plan Summary of Significant Accounting Policies

Financial information is presented on the accrual basis of accounting. Employer contributions to the Firemen Plan are recognized when earned. Benefits and refunds are recognized when incurred in accordance with the terms of the Firemen Plan.

Firemen Plan assets are reported at fair value. Firemen Plan assets are invested primarily in equities, fixed income securities and cash or cash equivalents. The Firemen Plan did not have any investment transactions with related parties during the year.

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 7 – PENSION PLANS (continued)**

Firemen Plan Contributions and Funding Policy

Act 205 requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO), which is based upon the biennial actuarial valuation. Employees are not required to contribute under the Act. The Commonwealth of Pennsylvania (Commonwealth) allocates certain funds to assist in pension funding, which is funded by state foreign casualty insurance tax. Any financial requirement established by the MMO that exceeds the Commonwealth allocations must be funded by the City (and could include employee contributions). In 2014, the City paid \$58,441 of the total annual required contribution of \$88,760. The remaining outstanding balance for the 2014 MMO was paid in 2015.

In accordance with the Firemen Plan's governing resolution, members are required to contribute five percent of their compensation plus \$1 per month to the plan.

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

	<u>Firemen</u>
Actuarial valuation date	1/1/2013
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Asset valuation method	4-Year Smoothing
Remaining amortization period	14 Years
Actuarial assumptions	
Investment rate of return	7.00%
Projected salary increases	5.00%
Underlying inflation rate	3.00%

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 7 – PENSION PLANS (continued)**

Firemen Plan Contributions and Funding Policy (continued)

The City has a net pension obligation (NPO) for the Firemen Plan as of December 31, 2014 calculated as follows:

	<b>Firemen Plan</b>
Annual required contribution	\$ 88,760
Interest on NPO	1,191
Adjustment to the ARC	(1,964)
Annual pension cost	87,987
Contributions made	58,441
Change in NPO	29,546
NPO, December 31, 2013	17,020
NPO, December 31, 2014	\$ 46,566

Firemen Plan Three-Year Trend Information

Year Ending	Annual Required Contribution (ARC)	Percentage of APC Contributed
12/31/2012	\$ 54,476	100%
12/31/2013	87,146	100%
12/31/2014	88,760	66%

Firemen Plan Funded Status

The City's funded status and related information as of the latest actuarial valuation date, January 1, 2013, is as follows:

Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
\$ 707,588	\$ 1,283,584	\$ 575,996	55.10%	\$ 171,271	336.31%

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 7 – PENSION PLANS (continued)**

Firemen Plan Funded Status (continued)

The required schedule of funding progress included as required supplementary information immediately following the notes to financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The schedule of funding progress also lists key changes in assumptions that occurred for the January 1, 2013 actuarial valuation.

**NOTE 8 – POST-EMPLOYMENT HEALTH CARE**

In addition to the pension benefits described above, the City provided health care benefits to Teamster and Police retirees in full until Medicare benefits begin. The employer's contributions are financed on a pay-as-you-go basis. As of December 31, 2014, \$55,383 in premiums was paid on their behalf. All other retirees must reimburse the City 100% of the premiums paid on their behalf.

**NOTE 9 – LOAN RECEIVABLE**

The City's Community Development fund provides no and low interest loans to proprietors that use Jeannette as their place of business. These funds are repaid to the City at interest rates that range between 2% and 5% over various amortization periods.

The following represents the loan activity for the year ended December 31, 2014:

	Balance at January 1, 2014	Additions	Payments	Balance at December 31, 2014
Loan #4	\$ 11,410	\$ -	\$ (3,283)	\$ 8,127
Loan #5	3,583	-	(2,329)	1,254
Loan #6	10,331	-	(3,000)	7,331
Loan #7	3,565	-	(3,565)	-
Loan #8	3,875	-	(1,500)	2,375
Loan #9	3,000	-	(1,021)	1,979
Loan #10	3,761	-	(1,007)	2,754
Loan #11	15,000	-	(2,881)	12,119
Loan #12	1,527	-	(293)	1,234
Loan #13	4,137	-	(737)	3,400
Loan #14	485	-	-	485
Loan #15	186	-	(47)	139
Loan #16	-	25,000	(3,750)	21,250
Loan #17	-	11,469	(1,720)	9,749
Loan #18	-	10,000	(1,924)	8,076
Loan #19	-	793	(74)	719
	<u>\$ 60,860</u>	<u>\$ 47,262</u>	<u>\$ (27,131)</u>	<u>\$ 80,991</u>

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

The City is currently engaged in a lawsuit with a local citizen. The City reports on the cash basis of accounting, therefore, the financial statements do not reflect if any provisions were made due to the ultimate resolution of a lawsuit not being reasonably estimable. In the opinion of management and legal counsel, such matters are not material to the financial statements, either individually or in the aggregate, since the claim would essentially be covered by insurance; and the only cost to the City would be the payment of the insurance deductible.

Certain revenues provided to the City by the federal government are subject to audit by respective grantor agencies. Potential reimbursements may be required as a result of such audits. No provision would have been made for potential reimbursements in the financial statements as material amounts are considered to be unlikely.

**NOTE 11 – RELATED PARTY TRANSACTIONS**

During fiscal year 2014, the City has two outstanding loans with council member Dr. Mark Levander through the Community Development Program. A commercial property loan in the amount of \$3,875 with an interest rate of 0% entered into in July, 2011, with monthly payments of \$125, and a facade loan in the amount of \$5,000 with an interest rate of 2% entered into September 30, 2012 with monthly payments of \$90. The outstanding principal balances at December 31, 2014 were \$2,375 for the commercial property and \$2,754 for the facade loan. During fiscal year 2014, the city collected \$66 of interest income. The following is a summary of loan principal for each of the following fiscal years ending December 31:

Facade Loans		
2015	\$	1,006
2016		1,026
2017		<u>722</u>
Total	\$	<u><u>2,754</u></u>
Commercial Property		
2015	\$	1,500
2016		<u>875</u>
Total	\$	<u><u>2,375</u></u>

**NOTE 12 – SUBSEQUENT EVENTS**

The Organization evaluated its December 31, 2014 financial statements for subsequent events through, November 11, 2015, the date the financial statements were available to be issued. Subsequent to 2014 year end, the City received \$4 million in cash during April 2015 related to the sale of the Jeannette Municipal Authority, which helped finance some of the previous losses and outstanding pension obligations. The Organization is not aware of any other subsequent events which would require recognition or disclosure in the financial statements.

**CITY OF JEANNETTE**  
**SCHEDULES OF FUNDING PROGRESS**  
**DECEMBER 31, 2014**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Excess as a Percentage of Covered Payroll
<b>Non-Uniformed</b>						
1/1/2003	\$ 1,067,748	\$ 2,093,204	\$ (1,025,456)	51.01%	\$ 883,697	(116.04%)
1/1/2005	1,727,434	2,696,911	(969,477)	64.05%	886,696	(109.34%)
1/1/2007	1,992,115	2,771,420	(779,305)	71.88%	834,758	(93.36%)
1/1/2009	2,423,864	3,131,895	(708,031)	77.39%	1,005,179	(70.44%)
1/1/2011	2,647,624	3,547,169	(899,545)	74.64%	888,731	(101.22%)
1/1/2013	3,136,174	3,880,983	(744,809)	80.81%	822,873	(90.51%)
<b>Police</b>						
1/1/2003	\$ 6,473,445	\$ 6,749,081	\$ (275,636)	95.92%	\$ 1,006,360	(27.39%)
1/1/2005	6,253,354	7,341,592	(1,088,238)	85.18%	861,259	(126.35%)
1/1/2007	6,332,222	7,709,913	(1,377,691)	82.13%	893,985	(154.11%)
1/1/2009	5,794,711	8,739,050	(2,944,339)	66.31%	1,042,985	(282.30%)
1/1/2011	5,796,039	9,847,386	(4,051,347)	58.86%	1,014,282	(399.43%)
1/1/2013	5,968,048	10,373,181	(4,405,133)	57.53%	1,076,622	(409.16%)
<b>Firemen</b>						
1/1/2003	\$ 802,151	\$ 820,610	\$ (18,459)	97.75%	\$ 181,887	(10.15%)
1/1/2005	756,314	773,224	(16,910)	97.81%	178,089	(9.50%)
1/1/2007	774,173	938,845	(164,672)	82.46%	150,393	(109.49%)
1/1/2009	695,460	1,029,109	(333,649)	67.58%	176,661	(188.86%)
1/1/2011	678,227	1,166,618	(488,391)	58.14%	180,563	(270.48%)
1/1/2013	707,588	1,283,584	(575,996)	55.10%	171,271	(336.30%)

See independent auditors' report and accompanying note to required supplementary information.

**CITY OF JEANNETTE**  
**SCHEDULES OF CONTRIBUTIONS FROM EMPLOYERS**  
**DECEMBER 31, 2014**

Calendar Year	Non-Uniformed		Police		Firemen	
	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed
2009	\$ 155,976	100%	\$ 254,809	100%	\$ 42,543	100%
2010	150,994	100%	255,258	100%	41,144	100%
2011	165,947	100%	415,415	84%	62,047	89%
2012	162,059	100%	414,406	0%	54,476	100%
2013	208,071	100%	536,956	0%	87,146	100%
2014	***	37%	520,834	134%	88,760	66%

Note: Contributions include state pension aid

- \* Catch up contribution was made in 2013 and 2014, with the remaining outstanding balance being paid in full in 2015.
- \*\* Catch up contribution was made in 2014, with the remaining outstanding balance being paid in full in 2015.
- \*\*\* Catch up contribution was made in 2015, with the remaining outstanding balance being paid in full in 2015.



**CITY OF JEANNETTE**  
**NOTE TO SUPPLEMENTARY PENSION SCHEDULES**  
**DECEMBER 31, 2014**

The information presented in the required supplementary pension schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>Non-uniform</u>	<u>Police</u>	<u>Firemen</u>
Actuarial valuation date	1/1/2013	1/1/2013	1/1/2013
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Closed	Level Dollar Closed
Asset valuation method	Fair Value	4-Year Smoothing	4-Year Smoothing
Remaining amortization period	5.30 Years	16 Years (aggregate)	14 Years
Actuarial assumptions			
Investment rate of return	5.50%	7.00%	7.00%
Projected salary increases	*	5.00%	5.00%
Underlying inflation rate	3.00%	3.00%	3.00%

\* = Age-related scale for merit/seniority (e.g. age 30 - 6.4%; age 40 - 5.0%; age 50 - 4.1%; age 60 - 3.7%... 2.0% is added for each of the first 3 years of service)

N/A = not applicable

**CITY OF JEANNETTE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**CASH BASIS – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
Taxes	\$ 3,551,750	\$ 3,653,592	\$ 101,842
Licenses, permits and fees	212,500	212,214	(286)
Fines, forfeitures and penalties	45,000	40,936	(4,064)
Interest	-	1,370	1,370
Intergovernmental	266,700	368,243	101,543
Charges for service	1,147,500	1,123,146	(24,354)
Payments in lieu of taxes	6,000	5,444	(556)
Gas income	25,000	34,761	9,761
Refund of prior year expenditures	115,000	-	(115,000)
Miscellaneous	175,000	16,924	(158,076)
	<u>5,544,450</u>	<u>5,456,630</u>	<u>(87,820)</u>
<b>Expenditures</b>			
General government	894,044	646,222	247,822
Public safety	2,908,864	2,807,427	101,437
Public works - highways and streets	359,362	498,131	(138,769)
Public works - sanitation	811,957	810,416	1,541
Culture and recreation	30,000	30,000	-
Community development	117,208	49,128	68,080
Insurance	162,766	177,047	(14,281)
Legal settlement	25,000	32,450	(7,450)
Miscellaneous	48,363	1,198	47,165
Debt service			
Principal retirement	575,761	597,796	(22,035)
Interest	51,125	117,677	(66,552)
	<u>5,984,450</u>	<u>5,767,492</u>	<u>216,958</u>
<b>Other financing sources (uses)</b>			
Proceeds from loan	350,000	350,000	-
Interfund transfers, net	90,000	32,668	(57,332)
	<u>440,000</u>	<u>382,668</u>	<u>(57,332)</u>
	<u>440,000</u>	<u>382,668</u>	<u>(57,332)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 71,806</u>	<u>\$ 71,806</u>

See independent auditors' report