

**CITY OF JEANNETTE**

**FINANCIAL STATEMENTS – CASH BASIS**

**Year ended December 31, 2015**

**DELUZIO & COMPANY, LLP**

**CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS**

CITY OF JEANNETTE

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## 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 fiduciary fund of the City of Jeannette (City), as of and for the year ended December 31, 2015, 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.

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

*(continued)*

**INDEPENDENT AUDITORS' REPORT**

*(continued)*

***Basis for Qualified Opinion on Fiduciary Funds***

As described in Note 1, management has not included the Police and Firemen Pension Funds in the City's financial statements. Accounting principles applicable to the City's cash basis of accounting require the Police and Firemen Pension Funds to be presented as fiduciary funds and financial information about the Police and Firemen Pension Funds to be part of the fiduciary fund-type activities. The amount of this departure's affect on the cash and cash equivalents, net position, and cash receipts and disbursements of the fiduciary fund activities have not been determined.

***Qualified Opinion***

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Fiduciary Funds" paragraph, 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 fiduciary fund for the primary government of the City of Jeannette as of December 31, 2015, 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**

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City's basic financial statements. The management's discussion and analysis on pages 4-9 and the budgetary comparison information on page 29 to supplement the basic financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The management's discussion and analysis on pages 4-9, the budgetary comparison on page 29 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the management's discussion and analysis on pages 4-9, the budgetary comparison on page 29 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*(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 July 25, 2016, 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  
July 25, 2016

**CITY OF JEANNETTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2015**

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, 2015. 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, 2015.

### **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 \$3,611,746 during fiscal year 2015 or 178%.
- Unrestricted net position was \$4,259,599 at December 31, 2015. 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 2015 is 32.62 mills.
- At December 31, 2015, the City had \$2,313,538 general obligation debt outstanding. This represents a decrease of \$523,848 from the previous fiscal year.
- The total fund balance of the General Fund on December 31, 2015 was \$4,301,785, of which, \$4,259,599 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, 2015**

**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 distinguishes 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. Pension funds are not included.

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 28 of this report.

**CITY OF JEANNETTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2015**

**OVERVIEW OF FINANCIAL STATEMENTS (continued)**

(4) Supplemental Information

In addition to the financial statements and accompanying notes, this report also presents certain supplementary information concerning the City's budget. This supplementary information can be found on page 29.

**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 \$5,630,091 as of December 31, 2015, an increase of \$3,611,746 from 2014.

**STATEMENT OF NET POSITION**  
**CASH BASIS**  
**December 31, 2015**

<u>Assets:</u>	
Cash and cash equivalents	\$ <u>5,630,091</u>
 <u>Net position:</u>	
Restricted	1,370,492
Unrestricted	<u>4,217,413</u>
	\$ <u>5,587,905</u>

The balance of unrestricted net position as of December 31, 2015 was \$4,259,599 and may be used to meet the government's ongoing obligations to its citizens and creditors. This was an increase of \$3,649,765 from 2014. This increase is attributed to the sale of the Jeannette Municipal Authority to the Municipal Authority of Westmoreland County which provided the City with \$4,000,000 in proceeds during 2015. 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 29.



**CITY OF JEANNETTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2015**

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

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

<b>CHANGES IN NET POSITION</b>			
<b>CASH BASIS</b>			
<b>NET (EXPENSES) REVENUES</b>			
	Expenses	Program Revenues	Net (Expenses) Revenues
<b>Primary Government:</b>			
Government activities:			
General government	\$ 1,100,345	\$ 170,653	\$ (929,692)
Public safety	3,538,678	284,868	(3,253,810)
Public works:			
Highways and streets	860,808	374,493	(486,315)
Sanitation	849,819	897,310	47,491
Culture and recreation	32,666	-	(32,666)
Community development	771,223	701,310	(69,913)
Debt principal and interest	1,040,501	-	(1,040,501)
Total government activities	\$ 8,194,040	\$ 2,428,634	(5,765,406)
<b>General Revenues:</b>			
Taxes:			
Real estate			2,038,762
Earned income			2,765,934
Other			271,224
Licenses, permits and fees			219,290
Interest			7,206
Payments received on Community Development Loans			33,818
Payments in lieu of taxes			5,493
Royalty income			31,401
Proceeds from sale of Municipal Authority			4,000,000
Miscellaneous			4,024
Total general revenues			9,377,152
Change in net position			3,611,746
Net position - beginning of year			1,668,345
Prior period adjustment			350,000
Adjusted beginning balance			2,018,345
Net position - end of year			\$ 5,630,091

**CITY OF JEANNETTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2015**

**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.

**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 \$4,259,599. Fund balances in the Community Development Fund and Liquid Fuels Fund were \$1,280,377 and \$47,929, respectively. These amounts represent a decrease in fund balance in Community Development Fund of \$60,380 and an increase in the Liquid Fuels Fund of \$22,360. 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**

The General Fund actual expenditures were \$946,371 in excess of budgeted amount which related to prior year pension payments made in 2015, which were not originally budgeted. Other financing sources had an excess of \$3,588,801 which relates to a \$4,000,000 cash payment for the sale of the Jeannette Municipal Authority to the Municipal Authority of Westmoreland County that was not in the original budget. The net of these differences resulted in an excess of revenues over expenditures in the amount of 3,649,766 from the original budget.

**DEBT**

In 2015 the City entered into a new agreement with First Niagara Bank for a tax anticipation note in the amount of \$350,000; however, the note was not used in 2015.

At the end of the current year, the City had outstanding total long-term debt of \$2,313,538. Of this amount, is comprised of General Obligation Bonds of \$1,515,000, \$72,538 relates to equipment and vehicle loans and \$726,000 loan for 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, 2015**

**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	\$ 1,645,000	\$ -	\$ (130,000)	\$ 1,515,000
General Obligation Note, 2010	324,796	-	(324,796)	-
Equipment Loans	93,590	-	(49,434)	44,156
Police car	-	36,432	(8,050)	28,382
U.S. Department of Housing and Urban Development Loan	774,000	-	(48,000)	726,000
	<u>\$ 2,837,386</u>	<u>\$ 36,432</u>	<u>\$ (560,280)</u>	<u>\$ 2,313,538</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, 2015**

<b>Assets</b>	<b>General Fund</b>	<b>Community Development Fund</b>	<b>Non-Major Liquid Fuels Fund</b>	<b>Total Governmental Funds</b>	<b>Statement of Net Position</b>
Cash and cash equivalents	\$ 4,301,785	\$ 1,280,377	\$ 47,929	\$ 5,630,091	\$ 5,630,091
<b>Fund Balance</b>					
Fund balance					
Spendable - Unassigned	\$ 4,259,599	\$ -	\$ -	\$ 4,259,599	
Restricted	42,186	1,280,377	47,929	1,370,492	
<b>Total fund balance</b>	<b>\$ 4,301,785</b>	<b>\$ 1,280,377</b>	<b>\$ 47,929</b>	<b>\$ 5,630,091</b>	
<b>Net Position</b>					
Restricted for					
Community development					\$ 1,280,377
Monsour project					42,186
Liquid fuels tax					47,929
Unrestricted					4,217,413
<b>Total net position</b>					<b>\$ 5,587,905</b>

The accompanying notes are an integral part of these financial statements.  
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**CITY OF JEANNETTE**  
**STATEMENT OF ACTIVITIES – CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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	\$ 1,100,345	\$ 82,482	\$ 88,171	\$ -	\$ (929,692)
Public safety	3,538,678	91,425	193,443	-	(3,253,810)
Public works - highway and streets	860,808	122,700	251,793	-	(486,315)
Public works - sanitation	849,819	897,310	-	-	47,491
Culture and recreation	32,666	-	-	-	(32,666)
Community development	771,223	-	701,310	-	(69,913)
Principal paid on long-term debt	910,280	-	-	-	(910,280)
Interest paid on long-term debt	130,221	-	-	-	(130,221)
<b>Total governmental activities</b>	<b>\$ 8,194,040</b>	<b>\$ 1,193,917</b>	<b>\$ 1,234,717</b>	<b>\$ -</b>	<b>(5,765,406)</b>
General revenues					
Taxes					
Real estate					2,038,762
Earned income					2,765,934
Local Services Tax					114,537
Business privilege tax					63,175
Other					93,512
Proceeds from sale of Muncipal Authority					4,000,000
Licenses, permits and fees					219,290
Interest					7,206
Payments received on Community Development Loans					33,818
Payments in lieu of taxes					5,493
Royalty income					31,401
Miscellaneous					4,024
<b>Total general revenues</b>					<b>9,377,152</b>
<b>Change in net position</b>					<b>3,611,746</b>
Net position					
Beginning of year					1,668,345
Prior period adjustment					350,000
<b>Adjusted beginning balance</b>					<b>2,018,345</b>
<b>End of year</b>					<b>\$ 5,630,091</b>

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, 2015**

	<u>General</u>	<u>Community Development</u>	<u>Nonmajor Liquid Fuels</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 5,075,920	\$ -	\$ -	\$ 5,075,920
Licenses, permits and fees	219,290	-	-	219,290
Fines, forfeitures and penalties	50,387	-	-	50,387
Interest	4,327	2,851	28	7,206
Intergovernmental	277,817	701,310	251,793	1,230,920
Charges for services	1,147,327	-	-	1,147,327
Payments in lieu of taxes	5,493	-	-	5,493
Program income	-	33,818	-	33,818
Royalty income	31,401	-	-	31,401
Miscellaneous	4,024	-	-	4,024
Total revenues	<u>6,815,986</u>	<u>737,979</u>	<u>251,821</u>	<u>7,805,786</u>
<b>Expenditures</b>				
Current				
General government	1,024,400	-	-	1,024,400
Public safety	3,538,678	-	-	3,538,678
Public works - highways and streets	631,347	-	229,461	860,808
Public works - sanitation	849,819	-	-	849,819
Culture and recreation	32,666	-	-	32,666
Community development	78,254	692,969	-	771,223
Insurance	45,320	-	-	45,320
Legal settlement	30,625	-	-	30,625
Debt service				
Principal retirement	862,280	48,000	-	910,280
Interest	101,632	28,589	-	130,221
Total expenditures	<u>7,195,021</u>	<u>769,558</u>	<u>229,461</u>	<u>8,194,040</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(379,035)</u>	<u>(31,579)</u>	<u>22,360</u>	<u>(388,254)</u>
<b>Other financing sources (uses)</b>				
Sale of Municipal Authority	4,000,000	-	-	4,000,000
Interfund transfers, net	28,801	(28,801)	-	-
Total other financing sources (uses)	<u>4,028,801</u>	<u>(28,801)</u>	<u>-</u>	<u>4,000,000</u>
<b>Net change in fund balance</b>	<u>3,649,766</u>	<u>(60,380)</u>	<u>22,360</u>	<u>3,611,746</u>
<b>Fund balance</b>				
Beginning of year	302,019	1,340,757	25,569	1,668,345
Prior period adjustment	350,000	-	-	350,000
Adjusted beginning balance	<u>652,019</u>	<u>1,340,757</u>	<u>25,569</u>	<u>2,018,345</u>
End of year	<u>\$ 4,301,785</u>	<u>\$ 1,280,377</u>	<u>\$ 47,929</u>	<u>\$ 5,630,091</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, 2015**

	<u>Fire Insurance Escrow Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>26,185</u>
Total assets	\$ <u><u>26,185</u></u>
<b>Liabilities</b>	
Due to third parties	\$ <u>26,185</u>
Total liabilities	\$ <u><u>26,185</u></u>

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

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**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, 2015.

**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 segments 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, 2015**

**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, net pension liability and 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, 2015**

**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 mandates 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, 2015**

**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 in active markets.

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**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, 2015, the liability for accrued sick leave was \$132,167.

**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, 2015, City's bank balance in excess of the FDIC limits 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 \$5,630,091 as of December 31, 2015.



**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

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, 2015.

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 \$65.7 million for the 2015 levy.

**NOTE 4 – SHORT-TERM DEBT**

In January 2015, the City entered into an agreement with First Niagara Bank for a \$350,000 tax anticipation note. The 2015 tax anticipation note was due on December 31, 2015 and bears interest at a rate of 4.00%. There was no balance at December 31, 2015.

Changes in the City's short term debt during 2015 were as follows:

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

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 5 – LONG-TERM DEBT**

Changes in Long-Term Debt

Changes in the City's long-term debt during 2015 were as follows:

	Beginning Balance	Additions	Payments	Ending Balance
General Obligation Bonds, 1998	\$ 1,645,000	\$ -	\$ (130,000)	\$ 1,515,000
General Obligation Note, 2010	324,796	-	(324,796)	-
Equipment Loans	93,590	-	(49,434)	44,156
Police car	-	36,432	(8,050)	28,382
U.S. Department of Housing and Urban Development Loan	774,000	-	(48,000)	726,000
	<u>\$ 2,837,386</u>	<u>\$ 36,432</u>	<u>\$ (560,280)</u>	<u>\$ 2,313,538</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, 2015, the principal amount outstanding relating to the 1998 Bonds was \$1,515,000.

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

Year	Principal	Interest	Total
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	170,000	42,000	212,000
2021-2024	755,000	77,875	832,875
	<u>\$ 1,515,000</u>	<u>\$ 365,875</u>	<u>\$ 1,880,875</u>

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**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 were 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 was paid in full in November 2105.

Equipment & Vehicle Loans

The City entered into several loan agreements with local financial institutions to purchase various equipment and vehicles 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, 2015 was \$72,538.

Future debt service requirements for these loans are as follows:

Year	Principal	Interest	Total
2016	\$ 26,275	\$ 4,611	\$ 30,886
2017	28,208	2,680	30,888
2018	18,055	910	18,965
2019	-	-	-
2020	-	-	-
	\$ 72,538	\$ 8,201	\$ 80,739

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**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 3.5% interest 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, 2015 was \$726,000.

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>
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	48,000	21,778	69,778
2021-2025	240,000	76,028	316,028
2026-2030	246,000	32,954	278,954
	<u>\$ 726,000</u>	<u>\$ 232,770</u>	<u>\$ 958,770</u>

**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 in 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, 2015**

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

Police Pension Plan Description

The Police Pension Plan (Police Plan) is a single-employer defined benefit 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 December 31, 2014, the date of the most recent pension plan actuarial report, participants in the Police Plan were as follows:

Participants	Police
Active members	10
Retirees and beneficiaries receiving benefits	22
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, 2015**

**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 2015, the City paid the total annual required contribution of \$547,946.

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.

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 and firemen. 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 is 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	16
Retirees and beneficiaries receiving benefits	27
Terminated plan members with vested or deferred benefits	3



**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

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.

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 2015, the City paid the annual required contribution of \$196,729.

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.

Firemen's Pension Plan Description

The Firemen's Pension Plan (Firemen Plan) is a single-employer defined benefit 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 completed service in excess of 20 years, prior to the age of 65, up to a maximum increment of \$100 per month.

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

As of December 31, 2014, the date of the most recent pension plan actuarial report, participants in the Firemen Plan were as follows:

Participants	Firemen
Active members	2
Retirees and beneficiaries receiving benefits	5
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.

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 2015, the City paid the total annual required contribution of \$87,407.

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.

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

In addition to the pension benefits described above, the City provides 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, 2015, \$118,640 in premiums was paid on their behalf. The liability at December 31, 2015 was \$969,917. 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 0% and 5% over various amortization periods.

The following represents the loan activity for the year ended December 31, 2015:

	Balance at January 1, 2015	Additions	Payments	Balance at December 31, 2015
Loan #4	\$ 8,127	\$ -	\$ (2,933)	\$ 5,194
Loan #5	1,254	-	(1,254)	-
Loan #6	7,331	-	(2,167)	5,164
Loan #8	2,375	-	(1,625)	750
Loan #9	1,979	-	(1,146)	833
Loan #10	2,754	-	(781)	1,973
Loan #11	12,119	-	(486)	11,633
Loan #12	1,234	-	(274)	960
Loan #13	3,400	-	(850)	2,550
Loan #14	485	-	(238)	247
Loan #15	139	-	(42)	97
Loan #16	21,250	-	(4,583)	16,667
Loan #17	9,749	-	(2,103)	7,646
Loan #18	8,076	-	(8,076)	-
Loan #19	719	-	(154)	565
Loan #20	-	10,000	(956)	9,044
Loan #21	-	15,000	(1,433)	13,567
Loan #22	-	2,568	(2,568)	-
Loan #23	-	5,000	(398)	4,602
Loan #24	-	893	(85)	808
Loan #25	-	1,001	(16)	985
Loan #26	-	4,531	(72)	4,459
	<u>\$ 80,991</u>	<u>\$ 38,993</u>	<u>\$ (32,240)</u>	<u>\$ 87,744</u>

**CITY OF JEANNETTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**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 any provisions for the ultimate resolution of lawsuits. 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 and the City reports on a cash basis.

**NOTE 11 – PRIOR PERIOD ADJUSTMENT**

In 2014 the financial statements incorrectly recorded payment of the \$350,000 tax anticipation note. The 2014 tax anticipation note was paid in fiscal year 2015. The prior period adjustment was recorded to restate the beginning fund balance and net position as of January 1, 2015.

**SUPPLEMENTAL INFORMATION**

**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, 2015**

	Budget	Actual	Variance
<b>Revenues</b>			
Taxes	\$ 3,956,000	\$ 5,075,920	\$ 1,119,920
Licenses, permits and fees	162,500	219,290	56,790
Fines, forfeitures and penalties	35,500	50,387	14,887
Interest	-	4,327	4,327
Intergovernmental	486,700	277,817	(208,883)
Charges for service	1,166,600	1,147,327	(19,273)
Payments in lieu of taxes	-	5,493	5,493
Royalty income	-	31,401	31,401
Refund of prior year expenditures	100	-	(100)
Miscellaneous	1,250	4,024	2,774
	<hr/>	<hr/>	<hr/>
Total revenues	5,808,650	6,815,986	1,007,336
<b>Expenditures</b>			
General government	760,810	1,024,400	(263,590)
Public safety	2,622,030	3,538,678	(916,648)
Public works - highways and streets	438,518	631,347	(192,829)
Public works - sanitation	664,789	849,819	(185,030)
Culture and recreation	30,000	32,666	(2,666)
Community development	88,252	78,254	9,998
Insurance	1,022,056	45,320	976,736
Legal settlement	-	30,625	(30,625)
Miscellaneous	5,135	-	5,135
Debt service			
Principal retirement	532,000	862,280	(330,280)
Interest	85,060	101,632	(16,572)
	<hr/>	<hr/>	<hr/>
Total expenditures	6,248,650	7,195,021	(946,371)
<b>Other financing sources (uses)</b>			
Sale of Municipal Authority	-	4,000,000	4,000,000
Proceeds from loan	350,000	-	(350,000)
Interfund transfers, net	90,000	28,801	(61,199)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	440,000	4,028,801	3,588,801
	<hr/>	<hr/>	<hr/>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 3,649,766</b>	<b>\$ 3,649,766</b>

See independent auditors' report