

**City of Williamsport,  
Pennsylvania**

Basic Financial Statements and  
Supplementary Information

December 31, 2011

# City of Williamsport, Pennsylvania

---

Table of Contents  
December 31, 2011

|  | <u>Page</u> |
|--|-------------|
| <b>Independent Auditors' Report</b>  | 1           |
| <b>Management's Discussion and Analysis</b>  | 3           |
| <b>Basic Financial Statements</b>  |             |
| Government-Wide Financial Statements:  |             |
| Statement of Net Assets  | 13          |
| Statement of Activities  | 14          |
| Fund Financial Statements:   |             |
| Balance Sheet – Governmental Funds   | 15          |
| Reconciliation of the Balance Sheet of the Governmental Funds to the<br>Statement of Net Assets  | 16          |
| Statement of Revenues, Expenditures, and Changes in Fund Balances –<br>Governmental Funds  | 17          |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in<br>Fund Balances of Governmental Funds to the Statement of Activities | 18          |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget<br>and Actual – General Fund   | 19          |
| Statement of net Assets – Proprietary Funds  | 20          |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets –<br>Proprietary Fund  | 21          |
| Statement of Cash Flows – Proprietary Funds  | 22          |
| Statement of Fiduciary Net Assets  | 23          |
| Statement of Changes in Fiduciary Net Assets   | 24          |
| Notes to Financial Statements  | 25          |

# City of Williamsport, Pennsylvania

---

Table of Contents  
December 31, 2011

## **Required Supplementary Information (Unaudited):**

|   |    |
|---|----|
| Schedule of Funding Progress – Pension Trust Funds                | 63 |
| Schedule of Employer Contributions – Pension Trust Funds          | 64 |
| Notes to Required Supplementary Information – Pension Trust Funds | 65 |
| Schedule of Funding Progress – Other Postemployment Benefits      | 66 |

## **Supplementary Information (Unaudited):**

|   |    |
|---|----|
| Combining Balance Sheet – Nonmajor Governmental Funds   | 67 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds | 68 |
| Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds                                 | 69 |
| Combining Statement of changes in Fiduciary Net Assets – Private Purpose Trust Funds                      | 70 |
| Combining Statement of Fiduciary Net Assets – Agency Funds  | 71 |

## **Schedule of Expenditures of Federal Awards** 72

## **Single Audit Reports:**

|   |    |
|---|----|
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 75 |
| Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133                | 77 |
| Schedule of Findings and Questioned Costs   | 79 |
| Summary Schedule of Prior Audit Findings  | 84 |

## Independent Auditors' Report

Honorable Members of City Council  
City of Williamsport, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Williamsport, Pennsylvania (the "City"), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Municipal Authority of the City of Williamsport (the "Municipal Authority"), which represent 100% of the assets, liabilities, net assets, revenues and expenses of that discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Municipal Authority, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Williamsport, Pennsylvania as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12, Schedule of Funding Progress – Pension Trust Funds on page 63, Schedule of Employer Contributions – Pension Trust Funds on page 64, and the Schedule of Funding Progress – Other Postemployment Benefits on page 66 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards on pages 72-74 is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor and fiduciary fund financial statements on pages 67-71 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*ParenteBeard LLC*

Williamsport, Pennsylvania  
April 26, 2013

# City of Williamsport, Pennsylvania

---

Management's Discussion and Analysis  
December 31, 2011  
(Unaudited)

This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the City of Williamsport, Pennsylvania (the "City") for the year ended December 31, 2011. The City's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the City's primary government. Component units, unless otherwise noted, are not included in this discussion.

## Financial Highlights

- The City's total net assets increased by \$2,881,000. Net assets related to governmental activities decreased by \$3,312,000, whereas net assets of the City's business-type activity increased by \$6,193,000 due to Federal grants for capital.
- As of December 31, 2011, net assets of the City's governmental activities were \$12,851,000.
- The unassigned fund balance of the General Fund was \$2,833,000, or 16.2 percent of total General Fund expenditures and transfers out.
- The excess of revenues and other financing sources over expenditures and other financing uses was \$659,000 within the City's General Fund for the year ended December 31, 2011. This is in contrast to the \$1,693,000 deficit spending that was anticipated in the City's 2011 General Fund original budget.

## Overview of the Financial Statements

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

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

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

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

## City of Williamsport, Pennsylvania

---

Management's Discussion and Analysis

December 31, 2011

(Unaudited)

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

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

The government-wide financial statements can be found on pages 13-14 of this report.

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

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

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

## City of Williamsport, Pennsylvania

---

Management's Discussion and Analysis  
December 31, 2011  
(Unaudited)

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Community Development Block Grant ("CDBG"), Community Development HOME ("HOME"), Capital Projects, Non-Revenue Escrow and Debt Service Funds, each of which is considered to be a "major" fund. Data from the other three governmental funds are combined into a single, aggregated presentation captioned "other Governmental Funds". Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* located on pages 67-68 of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget, and is presented on page 19.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 23-24 of this report. Individual fund data for each of the individual funds that comprise the City's various fiduciary fund types is provided in the form of *combining statements* located on pages 69-71 in this report.

**Notes to the financial statements.** The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-61 of this report.

**Other information.** The combining statements referred to earlier in connection with governmental and fiduciary fund types are presented on pages 67-71.

# City of Williamsport, Pennsylvania

## Management's Discussion and Analysis

December 31, 2011

(Unaudited)

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities at December 31, 2011 and 2010 by approximately \$52,838,000 and \$49,958,000, respectively.

The City's net assets reflected an investment in capital assets (e.g. land, buildings and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The City's investment in its capital assets reported net of related debt as related to its governmental activities was \$21,102,000 and \$22,236,000 at December 31, 2011 and 2010, respectively. The City's investment in its capital assets reported net of related debt as related to its business-type activities was \$35,923,000 and \$29,199,000 December 31, 2011 and 2010, respectively.

### Condensed Statement of Net Assets December 31, 2011 and 2010 (In Thousands)

|  | Total Governmental<br>Activities |           | Business-Type Activity<br>Enterprise Funds |           | Total     |           |
|--|----------------------------------|-----------|--|-----------|-----------|-----------|
|  | 2011                             | 2010      | 2011                                       | 2010      | 2011      | 2010      |
| Current and other assets                           | \$ 12,517                        | \$ 12,362 | \$ 8,177                                   | \$ 11,447 | \$ 20,694 | \$ 23,809 |
| Capital assets, net                                | 29,312                           | 29,086    | 36,252                                     | 30,143    | 65,564    | 59,229    |
| Total assets                                       | 41,829                           | 41,448    | 44,429                                     | 41,590    | 86,258    | 83,038    |
| Other liabilities                                  | 6,038                            | 6,503     | 1,264                                      | 3,900     | 7,302     | 10,403    |
| Long-term liabilities outstanding                  | 22,940                           | 18,782    | 3,178                                      | 3,895     | 26,118    | 22,677    |
| Total liabilities                                  | 28,978                           | 25,285    | 4,442                                      | 7,795     | 33,420    | 33,080    |
| Invested in capital assets, net<br>of related debt | 21,102                           | 22,236    | 35,923                                     | 29,199    | 57,025    | 51,435    |
| Restricted   | 2,198                            | 2,026     | -  | -         | 2,198     | 2,026     |
| Unrestricted                                       | (10,449)                         | (8,099)   | 4,064                                      | 4,596     | (6,385)   | (3,503)   |
| Total  | \$ 12,851                        | \$ 16,163 | \$ 39,987                                  | \$ 33,795 | \$ 52,838 | \$ 49,958 |

The restricted portion of the City's net assets, \$2,198,000 and \$2,026,000 at December 31, 2011 and 2010, respectively, represent resources that are subject to external restrictions on how they may be used.

At the end of 2011 and 2010 the City is able to report positive balances in net assets, for the government as a whole, as well as for its business-type activity. The City's overall financial position improved in 2011 reflected in the \$2,881,000 change in total net assets for the year ended December 31, 2011.

# City of Williamsport, Pennsylvania

Management's Discussion and Analysis  
December 31, 2011  
(Unaudited)

## Condensed Statement of Activities December 31, 2011 and 2010 (In Thousands)

|  | Governmental<br>Activities |                  | Business-Type Activity |                  | Total            |                  |
|--|----------------------------|------------------|------------------------|------------------|------------------|------------------|
|  | 2011                       | 2010             | 2011                   | 2010             | 2011             | 2010             |
| Revenues:  |                            |                  |                        |                  |                  |                  |
| Program:   |                            |                  |                        |                  |                  |                  |
| Charges for services                               | \$ 1,039                   | \$ 1,287         | \$ 1,219               | \$ 1,091         | \$ 2,258         | \$ 2,378         |
| Operating grants and contributions                 | 2,796                      | 2,699            | 11,016                 | 15,885           | 13,812           | 18,584           |
| Capital grants and contributions                   | 2,712                      | 3,278            | 1,478                  | 3,374            | 4,190            | 6,652            |
| General:   |                            |                  |                        |                  |                  |                  |
| Taxes  | 14,759                     | 14,168           | -                      | -                | 14,759           | 14,168           |
| Grants and Charges – unrestricted                  | 2,343                      | 2,102            | -                      | -                | 2,343            | 2,102            |
| Unrestricted investment income                     | 323                        | 59               | -                      | 3                | 323              | 62               |
| Gain/(Loss) on disposal of assets                  | (615)                      | 83               | -                      | -                | (615)            | 83               |
| Miscellaneous                                      | 429                        | 449              | -                      | -                | 429              | 449              |
| Total revenues                                     | <u>23,786</u>              | <u>23,786</u>    | <u>13,713</u>          | <u>20,353</u>    | <u>37,499</u>    | <u>44,478</u>    |
| Expenses:  |                            |                  |                        |                  |                  |                  |
| General government                                 | 3,233                      | 3,177            | -                      | -                | 3,233            | 3,177            |
| Public works – highways and streets                | 4,936                      | 1,879            | -                      | -                | 4,936            | 1,879            |
| Other public works enterprises                     | 1,831                      | 1,999            | -                      | -                | 1,831            | 1,999            |
| Public safety                                      | 15,357                     | 15,049           | -                      | -                | 15,357           | 15,049           |
| Culture and recreation                             | 740                        | 771              | -                      | -                | 740              | 771              |
| Revolving loans and grants                         | 296                        | 517              | -                      | -                | 296              | 517              |
| Revolving outlay (elimination of blight)           | 4                          | 167              | -                      | -                | 4                | 167              |
| Interest on long-term debt                         | 314                        | 277              | -                      | -                | 314              | 277              |
| Williamsport Bureau of Transportation              | -                          | -                | 7,879                  | 8,154            | 7,879            | 8,154            |
| Total expenses                                     | <u>26,711</u>              | <u>23,836</u>    | <u>7,879</u>           | <u>8,154</u>     | <u>34,590</u>    | <u>31,990</u>    |
| Increase (decrease in net assets before transfers) | (2,925)                    | 289              | 5,834                  | 12,199           | 2,909            | 12,488           |
| Transfers  | (387)                      | (460)            | 359                    | 454              | (28)             | (6)              |
| Change in net assets                               | <u>(3,312)</u>             | <u>(171)</u>     | <u>6,193</u>           | <u>12,653</u>    | <u>2,881</u>     | <u>12,482</u>    |
| Net assets, January 1                              | <u>16,163</u>              | <u>16,334</u>    | <u>33,795</u>          | <u>21,142</u>    | <u>49,958</u>    | <u>37,476</u>    |
| Net assets, December 31                            | <u>\$ 12,851</u>           | <u>\$ 16,163</u> | <u>\$ 39,988</u>       | <u>\$ 33,795</u> | <u>\$ 52,839</u> | <u>\$ 49,958</u> |

# City of Williamsport, Pennsylvania

---

## Management's Discussion and Analysis

December 31, 2011

(Unaudited)

**Governmental Activities.** Governmental activities decreased the City's net assets by \$3,312,000 and \$171,000 for the years ended December 31, 2011 and 2010, respectively. The decrease in net assets is due to the outlay for economic development initiatives in the City in 2011 while decrease in net assets for 2010 was minimal.

**Business-type activities.** The Williamsport Bureau of Transportation (d/b/a "River Valley Transit"), functioning as a business-type activity of the City of Williamsport, experienced an increase in net assets of \$6,193,000 and \$12,653,000 for the years ended December 31, 2011 and 2010, respectively. These increases are due to the fact that user charges (i.e., bus fares) and operating grants sufficiently covered the cost of operations and Federal and State capital grants for capitalized projects including the Garage and Office Expansion Project and Church Street Transportation Center Project.

### Financial Analysis of the Government's Funds

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

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

On December 31, 2011 and 2010, the City's governmental funds reported combined ending fund balances of \$5,423,000 and \$4,804,000, respectively. The City's unassigned fund balance, which is available for spending at the government's discretion, was \$2,833,000 and \$2,844,000 at December 31, 2011 and 2010, respectively. The remainder of the fund balance at December 31, 2011 is nonspendable, restricted for Liquid Fuels tax purposes, Community Development activities, debt service payments, and assigned for economic development projects and street reconstruction projects.

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

Unrestricted net assets of the City's Enterprise funds at December 31, 2011 and 2010 amounted to \$4,065,000 and \$4,595,000, respectively, and those for the Internal Service funds amounted to \$430,000 and \$403,000, respectively. The total change in net assets for the Enterprise Fund and Internal Service Fund amounted to an increase of \$6,179,816 and \$12,653,000 for the years ending December 31, 2011 and 2010, respectively. Other factors concerning the finances of the Enterprise Funds have already been addressed in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights

The General Fund expenditure budget for fiscal year 2011 was approximately \$18.2 million; this represents an increase of \$65,000 (0.3%) from 2010. The General Fund expenditure budget for fiscal year 2010 was approximately \$18.1 million.

## City of Williamsport, Pennsylvania

### Management's Discussion and Analysis

December 31, 2011

(Unaudited)

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

### Financial Analysis of the Major Funds

#### General Fund

The General Fund is the primary operating fund of the City. On December 31, 2011, the *unassigned fund balance* of the General Fund was \$2,833,000. During 2011, the City's General Fund balance increased by \$659,000. As a measure of the General Fund's liquidity, the *unassigned fund balance* represents 16.2 percent of the total General Fund expenditures (including transfers out). Industry guidelines recommend maintaining an unassigned fund balance of no less than two (2) months (or 16.7%) of the general operating fund's annual budget; as such, the City's General Fund unassigned fund balance at December 31, 2011 was slightly below the recommended limits.

Revenues of the General Fund totaled \$18.1 million and \$16.8 million for the years ended December 31, 2011 and 2010, respectively, representing a year-to-year increase of 1,299,000 (7.7%). The following represents a summary of General Fund revenue by source.

|                               | <u>2011</u>      | <u>2010</u>      |
|-------------------------------|------------------|------------------|
| Revenues (In Thousands)       |                  |                  |
| Taxes                         | \$ 14,781        | \$ 14,142        |
| Licenses and permits          | 741              | 699              |
| Fines and forfeits            | 209              | 245              |
| Interest, rents and royalties | 11               | 12               |
| Intergovernmental             | 1,863            | 1,272            |
| Charges for services          | 97               | 130              |
| Miscellaneous                 | 431              | 334              |
|                               | <u>\$ 18,133</u> | <u>\$ 16,834</u> |

The General Fund's operations were also supported by operating transfers in which totaled \$22,500 and \$42,500 during the years ended December 31, 2011 and 2010, respectively. Additional details relating to interfund transfers can be found in Note 8 on pages 42-43.

General Fund expenditures totaled \$16,668,000 and \$15,946,000 for the years ended December 31, 2011 and 2010, respectively, which represents an increase of \$722,000 (4.5%). The following represents a summary of General Fund expenditures for the years ended December 31, 2011 and 2010, by source:

|                                     | <u>2011</u>      | <u>2010</u>      |
|-------------------------------------|------------------|------------------|
| Expenses (In Thousands)             |                  |                  |
| General government                  | \$ 1,527         | \$ 1,507         |
| Public works – highways and streets | 1,729            | 1,471            |
| Other public works enterprises      | 279              | 240              |
| Public safety                       | 12,470           | 12,081           |
| Culture and recreation              | 655              | 641              |
| Debt service                        | 8                | 6                |
|                                     | <u>\$ 16,668</u> | <u>\$ 15,946</u> |

# City of Williamsport, Pennsylvania

Management's Discussion and Analysis  
December 31, 2011  
(Unaudited)

In addition, the General Fund made operating transfers out to other governmental, proprietary and fiduciary funds in the amount of \$829,000 and \$706,000 during the years ended December 31, 2011 and 2010.

## Community Development Block Grant Fund ("CDBG")

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

The CDBG Fund had a combined excess of revenues and other financing sources over expenditures and other financing uses of (\$12,000) and \$8,000 for the years ended December 31, 2011 and 2010. The CDBG Fund's fund balance of \$33,000 and \$45,000 at December 31, 2011 and 2010, respectively, represents expenditures incurred in connection with the CDBG program that the City will liquidate through future grant draw-downs. This fund's financial statements are included with the statements on pages 15-18 of this report.

## Community Development Home Fund ("Home")

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

## Capital Projects Fund

The City's Capital Projects fund accounts for financial resources expended to acquire or construct property and capital assets. During the year ended December 31, 2011, the City expended \$6,277,000 for such projects. The major capital projects in 2011 consisted of work on the William Street Redevelopment Project, Pathways to Health, and other Williamsport Central Business District projects. The fund balance of the Capital Projects Fund at December 31, 2011 totaled \$267,000.

## Other Governmental – Special Revenue Funds

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

| <u>Fund</u>                                   | <u>Activities</u>      |
|---|------------------------|
| Community Development Home Rehab              | Housing                |
| Liquid Fuels                                  | Maintenance of streets |
| Redevelopment Authority                       | Housing                |
| Homeless Prevention & Rapid Rehousing Program | Housing                |

Operating revenues over expenditures totaled (\$16,000) and (\$62,000) for 2011 and 2010, respectively, after operating transfers. The nonmajor financial statements can be found on pages 67-68.

# City of Williamsport, Pennsylvania

## Management's Discussion and Analysis

December 31, 2011

(Unaudited)

### Pension Trust Funds

The City maintains three single employer defined benefit pension trust funds (Police, Fire Officers & Employees). These funds are used to account for the Employee Retirement Plan contributions of the City and its employees, related benefit payments and other plan costs. The net assets held for pension benefits were \$60,667,000 and \$59,551,000 at December 31, 2011 and 2010, respectively, representing a year-to-year increase of \$1,116,000 or 1.9 percent. The City transferred from the General Fund the Annual Required Contribution of \$2,181,493 to the Pension Trust Fund. Additional information on the employee pension funds can be found in Note 11 on page 48 of this report.

### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2011 and 2010 were \$65,564,000 and \$59,229,000, respectively (net of accumulated depreciation) (Business-Type Activity capital assets, as presented below, include certain property held under capital lease, see Note 7 for additional details).

|                         | Governmental Activities |                      | Business-Type Activity |                      | Total                |                      |
|-------------------------|-------------------------|----------------------|------------------------|----------------------|----------------------|----------------------|
|                         | 2011                    | 2010                 | 2011                   | 2010                 | 2011                 | 2010                 |
| Land & improvements     | \$ 3,956,715            | \$ 5,883,163         | \$ 1,369,769           | \$ 1,400,408         | \$ 5,326,484         | \$ 7,283,571         |
| Infrastructure          | 19,509,113              | 16,627,356           | -                      | -                    | 19,509,113           | 16,627,356           |
| Buildings               | 2,006,562               | 2,148,720            | 16,901,550             | 6,549,719            | 18,908,112           | 8,698,439            |
| Construction in process | 1,377,288               | 1,827,364            | 11,760,129             | 17,300,124           | 13,137,417           | 19,127,488           |
| Furniture               | 938,882                 | 977,145              | -                      | -                    | 938,882              | 977,145              |
| Museum exhibits         | -                       | -                    | 536,099                | 536,099              | 536,099              | 536,099              |
| Vehicles                | 1,522,965               | 1,622,075            | 5,684,848              | 4,357,049            | 7,207,813            | 5,979,124            |
| Total                   | <u>\$ 29,311,525</u>    | <u>\$ 29,085,823</u> | <u>\$ 36,252,395</u>   | <u>\$ 30,143,399</u> | <u>\$ 65,563,920</u> | <u>\$ 59,229,222</u> |

### Long-Term Debt

Changes in the City's notes payable for the years ended December 31, 2011 and 2010 were as follows (in thousands):

|  | Governmental        | Business-type       | Total                |
|--|---------------------|---------------------|----------------------|
| Notes/lease rentals payable at January 1, 2010 | <u>\$ 5,750,000</u> | <u>\$ 250,000</u>   | <u>\$ 6,000,000</u>  |
| Additions                                      | \$ 680,003          | \$ 3,655,553        | \$ 4,335,556         |
| Payments                                       | <u>(121,562)</u>    | <u>(5,286)</u>      | <u>(126,848)</u>     |
| Notes/lease rentals payable December 31, 2010  | <u>\$ 6,308,441</u> | <u>\$ 3,900,267</u> | <u>\$ 10,208,708</u> |
| Additions                                      | 1,769,633           | 569,296             | 2,338,929            |
| Payments                                       | <u>(127,571)</u>    | <u>(1,285,905)</u>  | <u>(1,413,476)</u>   |
| Notes/lease payable December 31, 2011          | <u>\$ 7,950,503</u> | <u>\$ 3,183,658</u> | <u>\$ 11,134,161</u> |

## **City of Williamsport, Pennsylvania**

---

Management's Discussion and Analysis

December 31, 2011

(Unaudited)

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

### **Economic Condition**

Unemployment (as per the U.S. Department of Labor, Bureau of Labor Statistics) in the Williamsport area was 8.0 percent at the end of 2011, which is a decrease compared with 8.7 percent at the end of 2010. The 2011 rate is higher than Pennsylvania's overall unemployment rate (not seasonally adjusted) of 7.3 percent. The City is in a period of economic uncertainty; however, the general economic outlook is positive with major construction occurring in the Central Business District.

### **Requests for Information**

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

**City of Williamsport, Pennsylvania**
**Statement of Net Assets**

December 31, 2011

|  | Primary Government      |                        |                      | Component Units     |                     |
|--|-------------------------|------------------------|----------------------|---------------------|---------------------|
|  | Governmental Activities | Business-Type Activity | Total                | Municipal Authority | Parking Authority   |
| <b>Assets</b>                                      |                         |                        |                      |                     |                     |
| Cash and cash equivalents                          | \$ 4,347,944            | \$ 1,494,455           | \$ 5,842,399         | \$ 19,796           | \$ 156,417          |
| Receivables (net of allowance for uncollectibles): |                         |                        |                      |                     |                     |
| Taxes  | 1,388,019               | -                      | 1,388,019            | -                   | -                   |
| Loans  | 3,698,709               | -                      | 3,698,709            | -                   | -                   |
| Other  | 1,060,838               | 45,110                 | 1,105,948            | 36,032              | 11,885              |
| Internal balances                                  | 40,877                  | (40,877)               | -                    | -                   | -                   |
| Due from Agency Fund                               | 311,762                 | (144)                  | 311,618              | -                   | -                   |
| Due from other governments                         | 1,517,283               | 3,372,055              | 4,889,338            | 5,740,035           | -                   |
| Inventories, at cost                               | 124,314                 | 384,856                | 509,170              | -                   | -                   |
| Prepaid expenses                                   | -                       | 67,042                 | 67,042               | 400                 | 7,824               |
| Capital assets, net of accumulated depreciation:   |                         |                        |                      |                     |                     |
| Land, land improvements and monuments              | 3,956,715               | 1,369,769              | 5,326,484            | -                   | 1,064,691           |
| Infrastructure                                     | 19,509,113              | -                      | 19,509,113           | -                   | -                   |
| Buildings and improvements                         | 2,006,562               | 16,901,550             | 18,908,112           | -                   | 3,493,072           |
| Vehicles and equipment                             | 2,461,847               | 6,220,947              | 8,682,794            | -                   | 49,620              |
| Construction in process                            | 1,377,288               | 11,760,129             | 13,137,417           | -                   | -                   |
| Property held under capital lease, net             | -                       | 1,657,483              | 1,657,483            | -                   | -                   |
| Net Investment in direct financing leases          | -                       | 1,196,945              | 1,196,945            | -                   | -                   |
| Deferred financing costs                           | 27,869                  | -                      | 27,869               | -                   | -                   |
| <b>Total assets</b>                                | <b>41,829,140</b>       | <b>44,429,320</b>      | <b>86,258,460</b>    | <b>5,796,263</b>    | <b>4,783,509</b>    |
| <b>Liabilities</b>                                 |                         |                        |                      |                     |                     |
| Accounts payable and accrued expenses              | 1,702,721               | 504,701                | 2,207,422            | -                   | 52,293              |
| Accrued liabilities                                | 143,232                 | 61,884                 | 205,116              | 36,032              | 6,587               |
| Compensated absences                               | 74,799                  | 407,373                | 482,172              | -                   | -                   |
| Deferred revenues                                  | 3,727,273               | 284,013                | 4,011,286            | 1,200               | 709                 |
| Noncurrent liabilities:                            |                         |                        |                      |                     |                     |
| Portion due or payable within one year:            |                         |                        |                      |                     |                     |
| Capital leases payable                             | 257,475                 | -                      | 257,475              | -                   | -                   |
| Notes payable                                      | 133,131                 | 5,788                  | 138,919              | 138,920             | 138,070             |
| Portion due or payable after one year:             |                         |                        |                      |                     |                     |
| Compensated absences payable                       | 1,552,853               | -                      | 1,552,853            | -                   | -                   |
| Capital leases payable                             | 1,698                   | -                      | 1,698                | -                   | -                   |
| Notes payable                                      | 7,817,372               | 3,177,870              | 10,995,242           | 5,601,115           | 2,352,258           |
| Unearned lease income, net                         | -                       | -                      | -                    | -                   | 84,010              |
| Other postemployment benefits                      | 13,567,926              | -                      | 13,567,926           | -                   | -                   |
| <b>Total liabilities</b>                           | <b>28,978,480</b>       | <b>4,441,629</b>       | <b>33,420,109</b>    | <b>5,777,267</b>    | <b>2,633,927</b>    |
| <b>Net Assets</b>                                  |                         |                        |                      |                     |                     |
| Invested in capital assets, net of related debt    | 21,101,849              | 35,923,165             | 57,025,014           | -                   | 2,117,055           |
| Restricted for:                                    |                         |                        |                      |                     |                     |
| Liquid fuels tax purposes                          | 145,044                 | -                      | 145,044              | -                   | -                   |
| Community development                              | 33,079                  | -                      | 33,079               | -                   | -                   |
| HOME activities                                    | 19,277                  | -                      | 19,277               | -                   | -                   |
| Home rehabilitation purposes                       | 47,739                  | -                      | 47,739               | -                   | -                   |
| Debt service                                       | 535,433                 | -                      | 535,433              | -                   | -                   |
| Redevelopment activities                           | 6,454                   | -                      | 6,454                | -                   | -                   |
| Reserved for grant purposes                        | 1,139,988               | -                      | 1,139,988            | -                   | -                   |
| Reserved for encumbrances                          | 271,392                 | -                      | 271,392              | -                   | -                   |
| Unrestricted, undesignated                         | (10,449,595)            | 4,064,526              | (6,385,069)          | 18,996              | 32,527              |
| <b>Total net assets</b>                            | <b>\$ 12,850,660</b>    | <b>\$ 39,987,691</b>   | <b>\$ 52,838,351</b> | <b>\$ 18,996</b>    | <b>\$ 2,149,582</b> |

See notes to financial statements



**City of Williamsport, Pennsylvania**

Balance Sheet  
Governmental Funds  
December 31, 2011

|                            | General Fund        | CDBG              | HOME                | Capital Projects    | Non-Revenue Escrow  | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|----------------------------|---------------------|-------------------|---------------------|---------------------|---------------------|-------------------|--------------------------|--------------------------|
| <b>Assets</b>              |                     |                   |                     |                     |                     |                   |                          |                          |
| Cash and cash equivalents  | \$ 1,327,219        | \$ 55,142         | \$ 11,965           | \$ 508,418          | \$ 1,485,416        | \$ 250,433        | \$ 222,547               | \$ 3,861,140             |
| Receivables:               |                     |                   |                     |                     |                     |                   |                          |                          |
| Taxes                      | 1,388,019           | -                 | -                   | -                   | -                   | -                 | -                        | 1,388,019                |
| Loans                      | -                   | 632,738           | 1,766,271           | -                   | 1,283,641           | -                 | 16,059                   | 3,698,709                |
| Other                      | 176,238             | -                 | 168                 | 830,708             | 53,624              | -                 | -                        | 1,060,738                |
| Due from other funds       | 1,745,620           | 9,420             | 10,667              | -                   | 170,154             | 285,000           | -                        | 2,220,861                |
| Due from other governments | -                   | 44,224            | 15,085              | 1,408,113           | -                   | -                 | 49,861                   | 1,517,283                |
| Inventories, at cost       | 124,314             | -                 | -                   | -                   | -                   | -                 | -                        | 124,314                  |
| <b>Total assets</b>        | <b>\$ 4,761,410</b> | <b>\$ 741,524</b> | <b>\$ 1,804,156</b> | <b>\$ 2,747,239</b> | <b>\$ 2,992,835</b> | <b>\$ 535,433</b> | <b>\$ 288,467</b>        | <b>\$ 13,871,064</b>     |

**Liabilities and Fund Balances**

|  |                     |                   |                     |                     |                     |                   |                   |                      |
|--|---------------------|-------------------|---------------------|---------------------|---------------------|-------------------|-------------------|----------------------|
| Liabilities:                               |                     |                   |                     |                     |                     |                   |                   |                      |
| Vouchers payable                           | \$ 326,376          | \$ 35,368         | \$ 15,085           | \$ 902,304          | \$ 337,427          | \$ -              | \$ 73,171         | \$ 1,689,731         |
| Accrued liabilities                        | 131,971             | 5,075             | -                   | -                   | 555                 | -                 | -                 | 137,601              |
| Compensated absences                       | 71,018              | 3,781             | -                   | -                   | -                   | -                 | -                 | 74,799               |
| Matured bonds payable                      | 5,000               | -                 | -                   | -                   | -                   | -                 | -                 | 5,000                |
| Due to other funds                         | 9,420               | 31,483            | 3,523               | 1,577,453           | 202,650             | -                 | -                 | 1,824,529            |
| Deferred revenue                           | 989,117             | 632,738           | 1,766,271           | -                   | 1,312,205           | -                 | 16,059            | 4,716,390            |
| <b>Total liabilities</b>                   | <b>1,532,902</b>    | <b>708,445</b>    | <b>1,784,879</b>    | <b>2,479,757</b>    | <b>1,852,837</b>    | <b>-</b>          | <b>89,230</b>     | <b>8,448,050</b>     |
| Fund balances:                             |                     |                   |                     |                     |                     |                   |                   |                      |
| Nonspendable                               | 124,314             | -                 | -                   | -                   | -                   | -                 | -                 | 124,314              |
| Restricted                                 | -                   | 33,079            | 19,277              | -                   | 1,139,998           | 535,433           | 199,237           | 1,927,024            |
| Assigned                                   | 271,392             | -                 | -                   | 267,482             | -                   | -                 | -                 | 538,874              |
| Unassigned                                 | 2,832,802           | -                 | -                   | -                   | -                   | -                 | -                 | 2,832,802            |
| <b>Total fund balances</b>                 | <b>3,228,508</b>    | <b>33,079</b>     | <b>19,277</b>       | <b>267,482</b>      | <b>1,139,998</b>    | <b>535,433</b>    | <b>199,237</b>    | <b>5,423,014</b>     |
| <b>Total liabilities and fund balances</b> | <b>\$ 4,761,410</b> | <b>\$ 741,524</b> | <b>\$ 1,804,156</b> | <b>\$ 2,747,239</b> | <b>\$ 2,992,835</b> | <b>\$ 535,433</b> | <b>\$ 288,467</b> | <b>\$ 13,871,064</b> |

## City of Williamsport, Pennsylvania

Reconciliation of the Balance Sheet of the Governmental Funds  
To the Statement of Net Assets  
December 31, 2011

|   |                     |                             |
|---|---------------------|-----------------------------|
| <b>Total Fund Balance, Governmental Funds</b>   |                     | \$ 5,423,014                |
| Amounts reported for governmental activities in the statement of net assets are different because:  |                     |                             |
| Capital assets used in governmental activities are not reported as assets in governmental funds. The cost of assets is \$48,004,892 and the accumulated depreciation is (\$18,693,367).   |                     | 29,311,525                  |
| Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:  |                     |                             |
| Notes payable   | \$ (7,950,503)      |                             |
| Capital lease payable   | (259,173)           |                             |
| Compensated absences (long-term)  | (1,552,853)         |                             |
| Other postemployment benefits   | <u>(13,567,926)</u> |                             |
|   |                     | (23,330,455)                |
| Deferred financing cost related to notes payable are deferred and amortized over life of the debt in statement of activities. The cost of deferred financing cost is \$37,144, and the accumulated amortization is (\$9,275).                   |                     | 27,869                      |
| Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.   |                     | 989,117                     |
| Internal service funds are used by management to charge the operating costs of City Hall to individual funds. The assets and liabilities of the internal service fund ("City Hall Operating Fund") are included in the statement of net assets. |                     | <u>429,590</u>              |
| <b>Net Assets of Governmental Activities<br/>in the Statement of Net Assets</b>   |                     | <u><u>\$ 12,850,660</u></u> |

See notes to financial statements

**City of Williamsport, Pennsylvania**  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended December 31, 2011

|   | General Fund  | CDBG      | HOME     | Capital Projects | Non-Revenue Escrow | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------|-----------|----------|------------------|--------------------|-------------------|--------------------------|--------------------------|
| <b>Revenues</b>   |               |           |          |                  |                    |                   |                          |                          |
| Taxes   | \$ 14,780,615 | \$ -      | \$ -     | \$ -             | \$ -               | \$ -              | \$ -                     | \$ 14,780,615            |
| Licenses and permits  | 741,462       | -         | -        | -                | -                  | -                 | -                        | 741,462                  |
| Fines and forfeits  | 208,669       | -         | -        | -                | -                  | -                 | -                        | 208,669                  |
| Interest, rents and royalties                                 | 10,645        | -         | 34       | -                | 54,839             | 23                | 1,002                    | 66,543                   |
| Intergovernmental:  |               |           |          |                  |                    |                   |                          |                          |
| Federal   | -             | 1,582,234 | 200,182  | 581,570          | 64,116             | -                 | 95,506                   | 2,523,608                |
| State   | 1,480,861     | -         | -        | 1,107,904        | 488,022            | -                 | 757,851                  | 3,834,638                |
| Local   | 382,316       | -         | -        | 82,350           | 12,000             | -                 | 5,478                    | 482,144                  |
| Charges for services  | 97,060        | -         | -        | -                | 36,583             | -                 | -                        | 133,646                  |
| Collection on loans   | -             | 37,827    | 42,818   | -                | 49,555             | -                 | 8,446                    | 138,646                  |
| Miscellaneous   | 431,497       | -         | -        | 815,757          | 43,039             | -                 | 2,601                    | 1,292,894                |
| Total revenues  | 18,133,125    | 1,620,061 | 243,034  | 2,587,581        | 748,154            | 23                | 870,884                  | 24,202,862               |
| <b>Expenditures</b>   |               |           |          |                  |                    |                   |                          |                          |
| Current:  |               |           |          |                  |                    |                   |                          |                          |
| General government  | 1,526,815     | 388,183   | 95,588   | 140,438          | 403,730            | -                 | 8,550                    | 2,563,304                |
| Public works  | 1,728,916     | 374,558   | -        | 6,110,254        | -                  | -                 | 651,552                  | 8,865,280                |
| Other public works enterprises                                | 279,116       | -         | -        | -                | 175,828            | -                 | -                        | 454,944                  |
| Public safety   | 12,470,304    | 206,262   | -        | 26,656           | 8,263              | -                 | -                        | 12,711,485               |
| Culture and recreation  | 654,470       | -         | -        | -                | 72                 | -                 | -                        | 654,542                  |
| Revolving loans and grants                                    | -             | -         | 179,248  | -                | -                  | -                 | 116,425                  | 295,673                  |
| Capital outlay  | -             | 635,042   | -        | -                | -                  | -                 | -                        | 635,042                  |
| Total expenditures  | 16,659,621    | 1,604,045 | 274,836  | 6,277,348        | 587,893            | -                 | 776,527                  | 26,180,270               |
| Excess (deficiency) of revenues over expenditures             | 1,473,504     | 16,016    | (31,802) | (3,689,767)      | 160,261            | 23                | 94,357                   | (1,977,406)              |
| <b>Other Financing Sources (Uses)</b>                         |               |           |          |                  |                    |                   |                          |                          |
| Proceeds from draws on note payable/capital lease obligations | -             | -         | -        | -                | -                  | 1,769,634         | -                        | 1,769,634                |
| Proceeds from the sale of capital assets                      | (8,328)       | -         | -        | 1,620,253        | -                  | (433,139)         | -                        | 1,620,253                |
| Debt service  | 22,500        | -         | -        | -                | -                  | 475,380           | -                        | 497,880                  |
| Transfers in  | (829,121)     | (28,021)  | -        | 1,810,924        | (2,500)            | (1,690,924)       | (110,510)                | (2,661,076)              |
| Transfers out   | -             | -         | -        | -                | -                  | -                 | -                        | -                        |
| Total other financing sources (uses)                          | (614,949)     | (28,021)  | -        | 3,431,177        | (2,500)            | 120,951           | (110,510)                | 2,596,148                |
| <b>Net Change in Fund Balances</b>                            | 658,555       | (12,005)  | (31,802) | (258,590)        | 157,761            | 120,974           | (16,153)                 | 618,740                  |
| <b>Fund Balances - Beginning</b>                              | 2,569,953     | 45,084    | 51,079   | 526,072          | 982,237            | 414,459           | 215,390                  | 4,804,274                |
| <b>Fund Balances - Ending</b>                                 | 3,228,508     | 33,079    | 19,277   | 267,482          | 1,139,998          | 535,433           | 199,237                  | 5,423,014                |

**City of Williamsport, Pennsylvania**

Reconciliation of the Statement of Revenues, Expenditures,  
And Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
Year Ended December 31, 2011

|   |                       |
|---|-----------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds</b>   | <b>\$ 618,740</b>     |
| Amounts reported for governmental activities in the statement of activities are different because:  |                       |
| Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is for the amount by which capital outlays exceed depreciation in the current period.   | 2,460,943             |
| Capital outlays and depreciation expense related to the City's Internal Service Fund (included within the City's governmental activities) (also included in net loss of the Internal Service Fund below; amount is segregated here for ease of tie-in to changes in capital assets)   | 40,118                |
| Capital assets used in governmental activities are not reported as assets in the governmental funds. Thus, upon the disposal of a capital asset, the statement of activities records a net loss (cost less accumulated depreciation less proceeds).   | (614,988)             |
| Capital assets used in governmental activities are not reported as assets in the governmental funds. Thus, upon the sale of a capital asset, the governmental fund records revenue for the gross proceeds of the sale while the statement of activities records reduction of the loss on disposal.  | (1,620,253)           |
| The repayment of principal on capital leases is expended in the funds, however, such payments reduce the capital lease liability within the statement of net assets. This amount represents the dollar value of principal payments made on capital leases payable during 2011.  | 281,776               |
| Certain compensated absences payable are considered long-term in nature, are not reported as liabilities within the funds. Such liabilities are, however, reported within the statement of net assets, and changes in these liabilities are reflected within the statement of activities. This amount represents the change in long-term compensated absences payable for the year ended December 31, 2011. | 26,160                |
| Other postemployment benefits payable are considered long-term in nature, are not reported as liabilities within the funds. Such liabilities are, however, reported within the statement of net assets, and changes in these liabilities are reflected within the statement of activities.  | (2,805,316)           |
| Internal service funds are used by management to charge the operating costs of City Hall to individual funds. The operating income of the internal service fund (City Hall Operating Fund) is reported within the governmental activities.  | (13,461)              |
| The repayment of principal on notes payable is expensed in the funds, however, such payments reduce the notes payable liability within the statement of net assets. This amount represents the dollar value of principal payments made on notes payable during 2011.  | 127,571               |
| Reconciling items relating to long-term debt activities are as follows:   |                       |
| Issuance of bonds   | (1,769,633)           |
| Amortization of debt issuance costs   | (2,600)               |
| Revenues related to real estate taxes in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.  | (41,780)              |
| <b>Change in Net Assets of Governmental Activities</b>  | <b>\$ (3,312,723)</b> |

See notes to financial statements

**City of Williamsport, Pennsylvania**

Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual - General Fund  
 Year Ended December 31, 2011

|   | Budgeted Amounts   |                    |                     | Variance With<br>Final Budget -<br>Positive<br>(Negative) |
|---|--------------------|--------------------|---------------------|---|
|   | Original           | Final              | Actual<br>Amounts   |   |
| <b>Revenues</b>   |                    |                    |                     |   |
| Taxes   | \$ 13,985,250      | \$ 13,985,250      | \$ 14,780,615       | \$ 795,365  |
| Licenses and permits                                      | 543,000            | 543,000            | 741,462             | 198,462   |
| Fines and forfeits  | 234,000            | 234,000            | 208,669             | (25,331)  |
| Interest, rents, royalties and investment gains           | 11,400             | 11,400             | 10,645              | (755)   |
| Intergovernmental:  |                    |                    |                     |   |
| State   | 883,000            | 883,000            | 1,480,861           | 597,861   |
| Local   | 369,712            | 369,712            | 382,316             | 12,604  |
| Charges for services                                      | 127,871            | 127,871            | 97,060              | (30,811)  |
| Miscellaneous   | 355,200            | 355,200            | 431,497             | 76,297  |
| <b>Total revenues</b>                                     | <b>16,509,433</b>  | <b>16,509,433</b>  | <b>18,133,125</b>   | <b>1,623,692</b>  |
| <b>Expenditures</b>                                       |                    |                    |                     |   |
| Current:  |                    |                    |                     |   |
| General government  | 1,699,720          | 1,642,705          | 1,526,815           | 115,890   |
| Public works - highways and streets                       | 1,893,580          | 1,914,580          | 1,728,916           | 185,664   |
| Other public works enterprises                            | 253,269            | 293,769            | 279,116             | 14,653  |
| Public safety   | 12,838,995         | 12,819,310         | 12,470,304          | 349,006   |
| Culture and recreation                                    | 689,098            | 704,298            | 654,470             | 49,828  |
| Debt service  | 10,000             | 10,000             | 8,328               | 1,672   |
| <b>Total expenditures</b>                                 | <b>17,384,662</b>  | <b>17,384,662</b>  | <b>16,667,949</b>   | <b>716,713</b>  |
| <b>(Deficit) Excess of Revenues Over<br/>Expenditures</b> | <b>(875,229)</b>   | <b>(875,229)</b>   | <b>1,465,176</b>    | <b>2,340,405</b>  |
| <b>Other Financing Sources (Uses)</b>                     |                    |                    |                     |   |
| Transfers in  | 22,600             | 22,600             | 22,500              | (100)   |
| Transfers out   | (840,000)          | (840,000)          | (829,121)           | 10,879  |
| <b>Total other financing uses</b>                         | <b>(817,400)</b>   | <b>(817,400)</b>   | <b>(806,621)</b>    | <b>10,779</b>   |
| <b>Net Change in Fund Balances</b>                        | <b>(1,692,629)</b> | <b>(1,692,629)</b> | <b>658,555</b>      | <b>2,351,184</b>  |
| <b>Fund Balances, Beginning</b>                           | <b>1,834,460</b>   | <b>1,834,460</b>   | <b>2,569,953</b>    | <b>735,493</b>  |
| <b>Fund Balances, Ending</b>                              | <b>\$ 141,831</b>  | <b>\$ 141,831</b>  | <b>\$ 3,228,508</b> | <b>\$ 3,086,677</b>                                       |

**City of Williamsport, Pennsylvania**

## Statement of Net Assets

## Proprietary Funds

December 31, 2011

|  | <u>Business-Type<br/>Activity (RVT)</u> | <u>Internal Service<br/>Fund (CHO)</u> |
|--|---|--|
| <b>Assets</b>  |   |  |
| Current assets:  |   |  |
| Cash and cash equivalents                                    | \$ 1,494,455                            | \$ 486,804                             |
| Other accounts receivable                                    | 45,110                                  | 100                                    |
| Due from other funds   | 4,001                                   | 252                                    |
| Due from other governments                                   | 3,372,055                               | -                                      |
| Inventories, at cost   | 384,856                                 | -                                      |
| Prepaid expenses   | 67,042                                  | -                                      |
| Total current assets   | <u>5,367,519</u>                        | <u>487,156</u>                         |
| Capital assets:  |   |  |
| Land and improvements  | 1,525,878                               | 1                                      |
| Buildings and improvements                                   | 22,379,966                              | 1,381,036                              |
| Equipment  | 16,595,476                              | 115,482                                |
| Construction in progress                                     | 11,760,129                              | -                                      |
| Less accumulated depreciation                                | <u>(16,009,054)</u>                     | <u>(1,061,477)</u>                     |
| Net capital assets   | <u>36,252,395</u>                       | <u>435,042</u>                         |
| Net investment in direct financing leases                    | <u>1,196,945</u>                        | <u>-</u>                               |
| Property held under capital lease, net                       | <u>1,657,483</u>                        | <u>-</u>                               |
| Total assets   | <u>\$ 44,474,342</u>                    | <u>\$ 922,198</u>                      |
| <b>Liabilities and Net Assets</b>                            |   |  |
| Current liabilities:   |   |  |
| Current portion of notes payable                             | \$ 5,788                                | \$ -                                   |
| Vouchers payable   | 504,701                                 | 12,990                                 |
| Accrued liabilities  | 61,884                                  | 631                                    |
| Compensated absences   | 407,373                                 | -                                      |
| Due to other funds   | 45,022                                  | 43,945                                 |
| Deferred revenue   | <u>284,013</u>                          | <u>-</u>                               |
| Total current liabilities                                    | <u>1,308,781</u>                        | <u>57,566</u>                          |
| Non-current liability,<br>Long-term portion of notes payable | <u>3,177,870</u>                        | <u>-</u>                               |
| Net assets   |   |  |
| Invested in capital assets, net of related debt              | 35,923,165                              | 435,042                                |
| Unrestricted   | <u>4,064,526</u>                        | <u>429,590</u>                         |
| Total net assets   | <u>39,987,691</u>                       | <u>864,632</u>                         |
| Total liabilities and net assets                             | <u>\$ 44,474,342</u>                    | <u>\$ 922,198</u>                      |

See notes to financial statements

**City of Williamsport, Pennsylvania****Statement of Revenues, Expenses, and Changes in Fund Net Assets**

Proprietary Funds

Year Ended December 31, 2011

|   | <u>Business-Type<br/>Activity (RVT)</u> | <u>Internal Service<br/>Fund (CHO)</u> |
|---|---|--|
| <b>Operating Revenues</b>                           |   |  |
| Charges for services                                | \$ 1,218,934                            | \$ 279,950                             |
| <b>Operating Expenses</b>                           |   |  |
| Wages and salaries                                  | 3,082,659                               | 22,374                                 |
| Depreciation  | 1,812,200                               | 40,118                                 |
| Employee benefits                                   | 910,909                                 | 19,222                                 |
| Administrative expense                              | 522,791                                 | -                                      |
| Materials and supplies                              | 986,483                                 | 155,515                                |
| Maintenance   | 354,544                                 | 21,182                                 |
| Insurance   | 193,064                                 | -                                      |
| Total operating expenses                            | <u>7,862,650</u>                        | <u>258,411</u>                         |
| <b>Operating (Loss) Income</b>                      | <u>(6,643,716)</u>                      | <u>21,539</u>                          |
| <b>Nonoperating Revenues (Expenses)</b>             |   |  |
| Subsidies from other governments:                   |   |  |
| State   | 5,422,027                               | -                                      |
| Federal   | 6,910,992                               | -                                      |
| Local   | 161,937                                 | -                                      |
| Loss on disposal of assets                          | (4,608)                                 | -                                      |
| Interest expense                                    | (12,090)                                | -                                      |
| Total nonoperating revenues (expenses)              | <u>12,478,258</u>                       | <u>-</u>                               |
| <b>Income Before Other Financing Sources (Uses)</b> | <u>5,834,542</u>                        | <u>21,539</u>                          |
| <b>Other Financing Sources (Uses)</b>               |   |  |
| Operating transfers in                              | 359,662                                 | -                                      |
| Operating transfers out                             | (927)                                   | (35,000)                               |
| Total other financing sources (uses), net           | <u>358,735</u>                          | <u>(35,000)</u>                        |
| <b>Net Income (Loss)</b>                            | 6,193,277                               | (13,461)                               |
| <b>Net Assets, Beginning</b>                        | <u>33,794,414</u>                       | <u>878,093</u>                         |
| <b>Net Assets, Ending</b>                           | <u>\$ 39,987,691</u>                    | <u>\$ 864,632</u>                      |

See notes to financial statements

**City Of Williamsport, Pennsylvania**

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2011

|  | <b>Business-Type<br/>Activity<br/>(RVT)</b> | <b>Internal Service<br/>Fund<br/>(CHO)</b> |
|--|---|--|
| <b>Cash Flows from Operating Activities</b>  |   |  |
| Cash received from users   | \$ 1,198,256                                | \$ 279,900                                 |
| Cash payments to employees for services  | (3,953,115)                                 | (41,710)                                   |
| Cash paid to suppliers for goods and services  | (4,762,687)                                 | (175,163)                                  |
| Internal activity - receipts from other funds  | 9,697                                       | 34,720                                     |
|  | <u>(7,507,849)</u>                          | <u>97,747</u>                              |
| <b>Cash Flows from Non-Capital Financing Activities</b>  |   |  |
| Operating subsidies and transfers from (to) other funds  | <u>4,122,759</u>                            | <u>(35,000)</u>                            |
| <b>Cash Flows from Capital and Related Financing Activities</b>  |   |  |
| Subsidies received from other governments  | 11,012,432                                  | -  |
| Payments for capital acquisitions  | (7,880,905)                                 | -  |
| Principal payments on long-term debt   | (1,285,905)                                 | -  |
| Interest payments on long-term debt  | (12,090)                                    | -  |
| Proceeds from long-term debt   | 569,296                                     | -  |
| Payments received under direct financing leases  | 57,035                                      | -  |
|  | <u>2,459,863</u>                            | <u>-</u>                                   |
| Net cash provided by capital and related financing activities  | <u>2,459,863</u>                            | <u>-</u>                                   |
| <b>(Decrease) Increase in Cash and Cash Equivalents</b>  | <b>(925,227)</b>                            | <b>62,747</b>                              |
| <b>Cash and Cash Equivalents, Beginning</b>  | <b><u>2,419,682</u></b>                     | <b><u>424,057</u></b>                      |
| <b>Cash and Cash Equivalents, Ending</b>   | <b><u>\$ 1,494,455</u></b>                  | <b><u>\$ 486,804</u></b>                   |
| <b>Reconciliation of Operating (Loss) Income to Net Cash (Used in) Provided by Operating Activities</b>  |   |  |
| Operating (loss) income  | \$ (6,643,716)                              | \$ 21,539                                  |
| Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities: |   |  |
| Depreciation   | 1,812,200                                   | 40,118                                     |
| Changes in assets and liabilities:   |   |  |
| Other accounts receivable  | (20,678)                                    | (50)                                       |
| Due to/from other funds, net   | 9,697                                       | 34,720                                     |
| Prepays  | (3,180)                                     | 500  |
| Inventories  | (25,189)                                    | -  |
| Vouchers payable   | (2,677,436)                                 | 1,034                                      |
| Other operating liabilities  | 40,453                                      | (114)                                      |
| <b>Net Cash (Used in) Provided by Operating Activities</b>   | <b><u>\$ (7,507,849)</u></b>                | <b><u>\$ 97,747</u></b>                    |

**City of Williamsport, Pennsylvania**Statement of Fiduciary Net Assets  
December 31, 2011

|                                    | <u>Pension<br/>Trust<br/>Funds</u> | <u>Private<br/>Purpose<br/>Trusts</u> | <u>Agency<br/>Funds</u> |
|------------------------------------|------------------------------------|---------------------------------------|-------------------------|
| <b>Assets</b>                      |                                    |                                       |                         |
| Cash and cash equivalents          | \$ 968,099                         | \$ -                                  | \$ 788,528              |
| Receivables,<br>Other              | <u>237,835</u>                     | -                                     | -                       |
| Due from other funds               | -                                  | <u>5,806</u>                          | -                       |
| Investments, at fair value:        |                                    |                                       |                         |
| U.S. Government securities         | 14,245,623                         | -                                     | -                       |
| Domestic corporate bonds           | 10,773,198                         | -                                     | -                       |
| Domestic equity securities         | 34,241,259                         | -                                     | -                       |
| Mutual funds                       | <u>201,390</u>                     | -                                     | -                       |
| Total investments                  | <u>59,461,470</u>                  | -                                     | -                       |
| Total assets                       | <u>\$ 60,667,404</u>               | <u>\$ 5,806</u>                       | <u>\$ 788,528</u>       |
| <b>Liabilities</b>                 |                                    |                                       |                         |
| Vouchers payable                   |                                    | \$ 5,806                              | \$ 101,955              |
| Due to other funds                 |                                    | -                                     | 317,424                 |
| Due to other taxing units          |                                    | -                                     | <u>369,149</u>          |
| Total liabilities                  |                                    | <u>5,806</u>                          | <u>\$ 788,528</u>       |
| <b>Net Assets</b>                  |                                    |                                       |                         |
| Held in trust for pension benefits | 60,667,404                         | -                                     |                         |
| Reserved for workers' compensation | <u>-</u>                           | -                                     |                         |
| Total net assets                   | <u>60,667,404</u>                  | -                                     |                         |
| Total liabilities and net assets   | <u>\$ 60,667,404</u>               | <u>\$ 5,806</u>                       |                         |

See notes to financial statements

# City of Williamsport, Pennsylvania

## Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year Ended December 31, 2011

|   | <u>Pension Trust<br/>Funds</u> | <u>Private<br/>Purpose Trusts</u> |
|---|--------------------------------|-----------------------------------|
| <b>Additions</b>                              |                                |                                   |
| Contributions:                                |                                |                                   |
| Employer                                      | \$ 720,825                     | \$ -                              |
| Transfers in                                  | -                              | 28,537                            |
| Commonwealth of Pennsylvania                  | 1,460,668                      | -                                 |
| Employees                                     | 537,319                        | -                                 |
|   | <u>2,718,812</u>               | <u>28,537</u>                     |
| Total contributions                           |                                |                                   |
|   | 2,718,812                      | 28,537                            |
| Investment earnings:                          |                                |                                   |
| Interest and dividends                        | 1,496,736                      | -                                 |
| Net appreciation in fair value of investments | 1,402,159                      | -                                 |
| Other investment income                       | 97,212                         | -                                 |
|   | <u>2,996,107</u>               | <u>-</u>                          |
| Total investment gains                        |                                |                                   |
|   | 2,996,107                      | -                                 |
| <b>Less Investment Expense</b>                | <u>(153,584)</u>               | <u>-</u>                          |
| <b>Net Investment Income</b>                  | <u>2,842,523</u>               | <u>-</u>                          |
| Total additions                               | <u>5,561,335</u>               | <u>28,537</u>                     |
| <b>Deductions</b>                             |                                |                                   |
| Benefits                                      | 4,421,665                      | 28,537                            |
| Administrative                                | 23,325                         | -                                 |
|   | <u>4,444,990</u>               | <u>28,537</u>                     |
| Total deductions                              |                                |                                   |
|   | 4,444,990                      | 28,537                            |
| <b>Change in Net Assets</b>                   | 1,116,345                      | -                                 |
| <b>Net Assets, Beginning</b>                  | <u>59,551,059</u>              | <u>-</u>                          |
| <b>Net Assets, Ending</b>                     | <u>\$ 60,667,404</u>           | <u>\$ -</u>                       |

See notes to financial statements

# City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2011

## 1. Summary of Significant Accounting Policies

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

### Reporting Entity

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

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

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

# City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2011

| <u>Discretely Presented Component Unit</u>   | <u>Brief Description of Activities and Relationship to the City</u>   |
|--|---|
| The Parking Authority was formed by the City, with its purpose being to acquire, hold, construct, improve, maintain and operate on and off street parking facilities for the general public.   | The Mayor of the City appoints all Authority board members and, through these appointments, the City is able to impose its will on the Authority.   |
| <u>Blended Component Unit</u>  | <u>Brief Description of Activities and Relationship to the City</u>   |
| The Redevelopment Authority provides for the acquisition and demolition of properties, economic development and shopsteading loans, and historic rehabilitation and preservation. This assistance is funded primarily through federal grants from the City's Community Development Block Grant ("CDBG") program. | A continuing financial relationship exists between the City and the Redevelopment Authority under the terms of a cooperative agreement between the City and the Redevelopment Authority. According to the terms of this agreement, the Redevelopment Authority will, among other things, provide CDBG and other funding as necessary, prepare loan agreements and mortgages and obtain collateral for loans. In addition, the City's Mayor appoints a voting majority to the Board of Directors of the Redevelopment Authority. |

## Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *discretely presented component units* for which the primary government is financially accountable.

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

# City of Williamsport, Pennsylvania

---

Notes to Financial Statements

December 31, 2011

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

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

## **Governmental Funds**

### **General Fund**

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for within this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid by other funds are paid from the General Fund.

### **Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to specified purposes. The major Special Revenue Funds reported by the City under this generic heading include the Community Development Block Grant ("CDBG") Fund, the HOME Fund and the Non-Revenue Escrow Fund. The CDBG and HOME Funds do not adopt an annual operating budget; rather, the City prepares multi-year budgets that coincide with the federally mandated period of availability of funds. The Non-Revenue Escrow Fund also does not adopt an annual operating budget, as the fund primarily consists of capital escrow funds and grant proceeds, which will be spent over several years.

Other nonmajor Special Revenue funds reported by the City include:

- The Liquid Fuels Fund accounts for state aid revenues used for building, improving and maintaining City streets.
- The Home Rehabilitation Fund accounts for the operations of the City's Home Rehabilitation program, which was funded in part by federal funds whose use is restricted for the provision of specified home rehabilitation services to eligible City residents.

# City of Williamsport, Pennsylvania

---

## Notes to Financial Statements

December 31, 2011

- The HPRP Fund accounts for the operations of the City's Homeless Prevention and Rapid Re-Housing Program, which is funded by federal American Recovery and Reinvestment Act funding whose use is restricted to providing financial assistance and services to either prevent individuals and families from becoming homeless or to help those who are experiencing homelessness to be quickly re-housed and stabilized.
- The Redevelopment Authority of the City of Williamsport is a blended component unit of the City. Additional details pertaining to the operations of the Redevelopment Authority may be found elsewhere in this section.

### **Capital Projects Fund**

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

### **Debt Service Fund**

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

### **Proprietary Funds**

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

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

#### **Internal Service Fund – City Hall Operating Fund**

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

# City of Williamsport, Pennsylvania

---

Notes to Financial Statements

December 31, 2011

## **Fiduciary Funds**

### **Pension Trust Funds**

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

### **Private Purpose Trust Fund**

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

### **Agency Funds**

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

## **New Accounting Principle**

The City adopted Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the year ended December 31, 2011. GASB No. 54 provides for more clearly defined fund balance categories and classifications to make the nature and extent of the constraints placed on a government's fund balance more transparent. It also clarifies the existing governmental fund type definitions to improve the comparability and provide for a better understanding as to the purposes for which governments have chosen to use particular funds for financial reporting.

## **Cash Equivalents**

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

## **Investments**

Marketable securities are stated at their fair values. Other investments, including cash investment funds and certificates of deposit, are carried at cost, which approximates fair value. Adjustments to reflect increases or decreases in fair value, referred to as unrealized gains and losses, are reported as investment income.

## **Receivables**

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

# City of Williamsport, Pennsylvania

---

Notes to Financial Statements

December 31, 2011

## Property Tax Calendar

The City is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the City. Taxes are due in one installment on or before June 30 following the levy date. Taxes not paid or exonerated become delinquent on December 31. The City collects taxes up to December 31 of the same year (payments post-marked by December 31 but received shortly after year-end are considered as having been collected for accounting purposes). Subsequent to year-end, all unpaid property taxes are certified to the Lycoming County Delinquent Tax Office for further collection and possible tax sales over an additional 36-month period. Current tax collections for the year ended December 31, 2011 were 92.5% of the tax levy.

## Inventory

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

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

## Capital Assets

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

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

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

# City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2011

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

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

## Liabilities for Compensated Absences

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

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

- City Firemen are compensated at the rate of 30% of the employee's regular rate at retirement, for all unused sick time accumulated from January 1, 1999 through the date of retirement, not to exceed 120 days. In addition to this, City Firemen are compensated at the rate of one day per three days of sick leave accumulated through December 31, 1998, at the employee's regular rate at that date;
- City Policemen are compensated at the rate of 15% of the employee's regular rate for accumulated sick leave upon retirement, up to a maximum of 120 days;
- Transit employees have an attendance incentive plan whereby an employee with three or less sick occurrences per calendar year will be paid 5% and employees with perfect attendance per calendar year will be paid 10% of their accumulated sick leave at a rate of \$17 for every eight hours accumulated up to a maximum of \$2,000 upon retirement or termination. All other accumulated sick time is forfeited at that time;
- Employees covered under the AFSCME labor contract are compensated \$20 for each three day unit of unused sick time, up to a maximum of 120 three day units (360 days) for a maximum of \$2,400 upon retirement or termination. All other accumulated sick time is forfeited at that time, and;
- Non-contract RVT employees follow the sick leave policy of the Transit Employees, all other non-contract employees utilize the same plan as the employees covered under the AFSCME contract.

# City of Williamsport, Pennsylvania

---

Notes to Financial Statements  
December 31, 2011

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

## Deferred Revenue

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

At December 31, 2011, the General, CDBG, HOME, Non-Revenue Escrow, Non-major and Enterprise funds had deferred revenues of \$989,117, \$632,738, \$1,766,271, \$1,312,205, \$16,059, and \$284,013, respectively.

## Governmental Fund Balance Classification/Policies and Procedures

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

- *Non-spendable* – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints, such as inventory
- *Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation
- *Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the City's "highest level of decision-making authority" which do not lapse at year-end
  - City Council is its highest level of decision-making authority, and
  - City Council commits funds through a formal board motion
- *Assigned* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City
  - City Council authorized the City Budget & Fiscal Officer to assign funds to specific purposes
  - City Council passed a board motion authorizing assignments for activities as contemplated by Council

# City of Williamsport, Pennsylvania

---

## Notes to Financial Statements

December 31, 2011

- *Unassigned* – includes position fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

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

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

### **Pension Plans**

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

### **Use of Estimates**

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

## **2. Budgetary Procedures and Budgetary Accounting**

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

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

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

Accounting principles generally accepted in the United States of America require that the City include a combined statement of revenues, expenditures and changes in fund balances - budgeted and actual - for the General Fund and for each major special revenue fund for which *annual* budgets have been legally adopted. A statement of revenues, expenditures and changes in fund balance - budgeted and actual - General Fund is presented on page 21 of the accompanying financial statements. The City does not adopt *annual* budgets for its Community Development Block Grant Fund, HOME Fund and Non-Revenue Escrow Fund, the three major special revenue fund types. Rather, program year budgets are adopted for these funds. These program year budgets, which are in effect through program conclusion (typically a three to five year period), are not required to be presented.

### **3. Cash, Cash Equivalents, and Investments**

#### **Primary Government**

Pennsylvania statutes provide for the investment of governmental funds in certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for cash management and investment purposes, which the City does. In addition to the investments authorized for governmental funds, pension trust fund investments may be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practices. Act 72 requires all governmental (public funds) deposits not insured by the Federal Depository Insurance Corporation (FDIC) to be collateralized by the financial institution.

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

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

#### **Deposits**

Custodial Credit Risk is the risk that in the event of a bank failure, the City will not recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The City does not have a formal deposit policy for custodial credit risk. As of December 31, 2011, the City's total deposits were \$8,372,725. Of this amount, \$1,306,008 was insured by the FDIC and \$250,000 was insured by the SIPC. The remaining deposits of \$6,816,717 were exposed to custodial credit risk, since the deposits were collateralized with securities held by the pledging financial institutions, but not in the City's name.

# City of Williamsport, Pennsylvania

Notes to Financial Statements  
December 31, 2011

## Investments

As of December 31, 2011, the City had the following investments:

| <u>Investment</u>                      | <u>Maturities</u>   | <u>Fair Value</u> |
|--|---------------------|-------------------|
| Corporate bonds                        | Average of 10 years | \$ 8,945,524      |
| Government bonds                       | Average of 14 years | 14,236,713        |
| Government asset backed securities     | Average of 14 years | 8,911             |
| Corp. mortgage/asset backed securities | Average of 9 years  | 1,290,176         |
| Foreign bonds                          | Average of 7 years  | 537,497           |
|  |                     | <hr/>             |
| Investments subject to maturity        |                     | 25,018,821        |
| Other                                  |                     | <hr/>             |
|  |                     | 34,442,649        |
|  |                     | <hr/>             |
| Total investments                      |                     | \$ 59,461,470     |

## Credit Ratings

The City's investments had the following credit ratings:

|  |             |        |
|--|-------------|--------|
| Corporate bonds                        | AAA to BAA1 | 35.75% |
| Government bonds                       | AAA         | 56.90  |
| Government asset backed securities     | NR          | 0.04   |
| Corp. mortgage/asset backed securities | AA2 to A3   | 5.16   |
| Foreign bonds                          | AAA to A3   | 2.15   |

The City's investment policy limits investments as follows:

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

## Interest Rate Risk

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

# City of Williamsport, Pennsylvania

Notes to Financial Statements  
December 31, 2011

## Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2011, all of the City's investments were held by Wells Fargo Advisors, LLC, and were insured by SIPC or to the extent that the City's investments exceed SIPC coverage, are insured up to \$50,000,000 per account.

## Component Unit - Municipal Authority

### Cash

At December 31, 2011 the carrying amount of the Municipal Authority's deposits was \$19,797 and the bank balance was \$20,347, all of which was covered by federal depository insurance.

## Component Unit - Parking Authority

### Cash

At December 31, 2011 the carrying amounts of the Parking Authority's deposits were \$156,417 and bank balance was \$172,617, all of which was covered by federal depository insurance.

## 4. Due from Other Governments

The amounts reported in the City's various governmental and proprietary funds at December 31, 2011 as due from other governments is summarized below:

|                  | <u>Federal</u>      | <u>State</u>        | <u>Local</u>     | <u>Total</u>        |
|------------------|---------------------|---------------------|------------------|---------------------|
| CDBG Fund        | \$ 44,224           | \$ -                | \$ -             | \$ 44,224           |
| HOME Fund        | 15,085              | -                   | -                | 15,085              |
| Capital Projects | 143,829             | 1,264,284           | -                | 1,408,113           |
| Non-Major Funds  | 46,361              | -                   | 3,500            | 49,861              |
| Enterprise Fund  | <u>2,100,639</u>    | <u>1,206,021</u>    | <u>65,395</u>    | <u>3,372,055</u>    |
| Total            | <u>\$ 2,350,138</u> | <u>\$ 2,470,305</u> | <u>\$ 68,895</u> | <u>\$ 4,889,338</u> |

# City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2011

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

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

Following is a summary of the components of the RVT's net investment in direct financing leases at December 31, 2011:

|   |                     |
|---|---------------------|
| Total minimum lease payments to be received | \$ 1,204,937        |
| Estimated residual value of leased property | 65,327              |
| Unearned income                             | <u>(73,319)</u>     |
| Net investment                              | <u>\$ 1,196,945</u> |

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

Minimum lease payments to be received as of December 31, 2011 for each of the next five years and thereafter are as follows:

|           |                     |
|-----------|---------------------|
| 2012      | \$ 63,062           |
| 2013      | 63,062              |
| 2014      | 63,463              |
| 2015      | 67,869              |
| 2016      | 67,869              |
| 2017-2021 | 350,358             |
| 2022-2026 | 377,893             |
| 2027-2031 | <u>151,361</u>      |
| Total     | <u>\$ 1,204,937</u> |

## 6. Property Taxes

The City's property tax is levied each January 1 on the assessed values as of the date of levy for all taxable real property located in the City. The assessed value at January 1, 2011, upon which the 2011 levy was based, was \$955,325,610. The estimated market value was \$955,325,610 making the assessed value 100% of the estimated market value.

The City is permitted by state law to levy taxes up to \$25 per \$1,000 of assessed valuation for general governmental services. The tax rate to finance general governmental services for the year ended December 31, 2011, was \$10.18 per \$1,000, which means that the City has a tax margin of \$14.82 per \$1,000.

# City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2011

## 7. Capital Assets

### Primary Government

|                                  | Balance<br>January 1,<br>2011 | Acquisitions        | Disposals/<br>Transfers | Balance<br>December 31,<br>2011 |
|----------------------------------|-------------------------------|---------------------|-------------------------|---------------------------------|
| Governmental activities          |                               |                     |                         |                                 |
| Cost                             |                               |                     |                         |                                 |
| Land, improvements and monuments | \$ 6,212,669                  | \$ 15,000           | \$ (1,823,063)          | \$ 4,404,606                    |
| Infrastructure                   | 27,147,111                    | 553,035             | 3,694,118               | 31,394,264                      |
| Buildings and improvements       | 4,794,260                     | -                   | -                       | 4,794,260                       |
| Furniture and equipment          | 2,098,406                     | 75,664              | (65,667)                | 2,108,403                       |
| Transportation                   | 3,920,779                     | 170,179             | (164,887)               | 3,926,071                       |
| Construction in progress         | 1,827,364                     | 3,656,220           | (4,106,296)             | 1,377,288                       |
| Total cost                       | <u>46,000,589</u>             | <u>4,470,098</u>    | <u>(2,465,795)</u>      | <u>48,004,892</u>               |
| Less accumulated depreciation    |                               |                     |                         |                                 |
| Land, improvements and monuments | (329,506)                     | (118,385)           | -                       | (447,891)                       |
| Infrastructure                   | (10,519,755)                  | (1,365,396)         | -                       | (11,885,151)                    |
| Buildings and improvements       | (2,645,540)                   | (142,158)           | -                       | (2,787,698)                     |
| Furniture and equipment          | (1,121,261)                   | (113,927)           | 65,667                  | (1,169,521)                     |
| Transportation                   | (2,298,704)                   | (269,289)           | 164,887                 | (2,403,106)                     |
| Total accumulated depreciation   | <u>(16,914,766)</u>           | <u>(2,009,155)</u>  | <u>230,554</u>          | <u>(18,693,367)</u>             |
| Governmental activities, net     | <u>\$ 29,085,823</u>          | <u>\$ 2,460,943</u> | <u>\$ (2,235,241)</u>   | <u>\$ 29,311,525</u>            |

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2011

|   | <u>Balance<br/>January 1,<br/>2011</u> | <u>Acquisitions</u> | <u>Disposals/<br/>Transfers</u> | <u>Balance<br/>December 31,<br/>2011</u> |
|---|--|---------------------|---------------------------------|--|
| Business-type activity                              |  |                     |                                 |  |
| Cost  |  |                     |                                 |  |
| Land and land improvements                          | \$ 1,525,878                           | \$ -                | -                               | 1,525,878                                |
| Buildings and improvements                          | 11,288,615                             | 25,303              | 11,066,048                      | 22,379,966                               |
| Machinery and equipment                             | 13,814,201                             | 2,027,838           | 217,338                         | 16,059,377                               |
| Museum exhibits                                     | 536,099                                | -                   | -                               | 536,099                                  |
| Property held under capital lease                   | 2,277,644                              | -                   | -                               | 2,277,644                                |
| Construction in progress                            | 17,300,124                             | 5,827,764           | (11,367,759)                    | 11,760,129                               |
| <b>Total cost</b>                                   | <u>46,742,561</u>                      | <u>7,880,905</u>    | <u>(84,373)</u>                 | <u>54,539,093</u>                        |
| Less accum. depreciation                            |  |                     |                                 |  |
| Land improvements                                   | (125,470)                              | (30,639)            | -                               | (156,109)                                |
| Buildings and improvements                          | (4,738,896)                            | (739,520)           | -                               | (5,478,416)                              |
| Machinery and equipment                             | (9,457,152)                            | (997,142)           | 79,765                          | (10,374,529)                             |
| Property held under capital lease                   | (575,263)                              | (44,898)            | -                               | (620,161)                                |
| <b>Total accumulated depreciation</b>               | <u>(14,896,781)</u>                    | <u>(1,812,199)</u>  | <u>79,765</u>                   | <u>(16,629,215)</u>                      |
| <b>Business-type activities capital assets, net</b> | <u>\$ 31,845,780</u>                   | <u>\$ 6,068,706</u> | <u>(4,608)</u>                  | <u>37,909,878</u>                        |

### Property Held Under Capital Lease - Governmental Activities

The City has entered into several agreements that have been accounted for as capital leases. These agreements cover vehicles, streets equipment and a copier. These assets are being amortized over their respective lease terms, which approximate their estimated productive lives. Amortization of assets under capital leases related to governmental activities amounted to approximately \$22,000 for the year ended December 31, 2011.

| <u>Capital Leases</u>          | <u>Balance<br/>January 1,<br/>2011</u> | <u>Additions</u> | <u>Payments</u>  | <u>Balance<br/>December 31,<br/>2011</u> | <u>Due Within<br/>One Year</u> |
|--------------------------------|--|------------------|------------------|--|--------------------------------|
| Various vehicles and equipment | <u>\$540,949</u>                       | <u>\$ -</u>      | <u>\$281,776</u> | <u>\$259,173</u>                         | <u>\$257,475</u>               |

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2011

The following is a schedule, by year, of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2011, as related to the City's governmental activities:

|  |                  |
|--|------------------|
| Years ending December 31:                              |                  |
| 2012   | \$ 265,753       |
| 2013   | <u>1,727</u>     |
| Total minimum lease payments                           | 267,480          |
| Less amounts representing interest                     | <u>(8,307)</u>   |
| Present value of net minimum lease payments            | 259,173          |
| Less current portion                                   | <u>(257,475)</u> |
| Present value of net minimum lease payments, long term | <u>\$ 1,698</u>  |

### Property Held Under Capital Lease - Business-Type Activities

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

These assets are being amortized over their respective lease terms, which approximate their estimated productive lives. Amortization of assets under capital leases amounted to \$44,898 for the year ended December 31, 2011.

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

|   |                     |
|---|---------------------|
| 150 parking spaces                              | \$ 2,100,000        |
| Enclosed waiting area for "Park & Ride" Program | 100,000             |
| Radio system                                    | <u>77,644</u>       |
| Total   | 2,277,644           |
| Less accumulated amortization                   | <u>(620,161)</u>    |
| Property held under capital leases, net         | <u>\$ 1,657,483</u> |

# City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2011

## Component Unit - Parking Authority

|   | Balance<br>January 1,<br>2011 | Acquisitions        | Disposals/<br>Transfers | Balance<br>December 31,<br>2011 |
|---|-------------------------------|---------------------|-------------------------|---------------------------------|
| <b>Cost</b>   |                               |                     |                         |                                 |
| Land improvements                                   | \$ 1,263,656                  | \$ 6,400            | \$ -                    | \$ 1,270,056                    |
| Parking deck/buildings                              | 4,682,031                     | 6,312               | -                       | 4,688,343                       |
| Machinery and equipment                             | 296,863                       | 9,662               | -                       | 306,525                         |
| <b>Total cost</b>                                   | <b>6,242,550</b>              | <b>22,374</b>       | <b>-</b>                | <b>6,264,924</b>                |
| <b>Less accumulated depreciation for</b>            |                               |                     |                         |                                 |
| Land improvements                                   | (201,305)                     | (4,060)             | -                       | (205,365)                       |
| Parking deck/buildings                              | (1,069,994)                   | (125,277)           | -                       | (1,195,271)                     |
| Machinery and equipment                             | (239,017)                     | (17,888)            | -                       | (256,905)                       |
| <b>Total accumulated depreciation</b>               | <b>(1,510,316)</b>            | <b>(147,225)</b>    | <b>-</b>                | <b>(1,657,541)</b>              |
| <b>Business-type activities capital assets, net</b> | <b>\$ 4,732,234</b>           | <b>\$ (124,851)</b> | <b>\$ -</b>             | <b>\$ 4,607,383</b>             |

## 8. Interfund Balances and Activity

### Balances Due to/from Other Funds

Individual fund receivable and payable amounts at December 31, 2011 were as follows:

|   | Interfund<br>Receivable | Interfund<br>Payable  |
|---|-------------------------|-----------------------|
| General Fund                                | \$ 1,745,620            | \$ (9,420)            |
| Special Revenue Funds                       |                         |                       |
| Community Development Block Grant           | 9,420                   | (31,483)              |
| HOME  | 10,667                  | (3,523)               |
| Non-Revenue Escrow                          | 170,154                 | (202,650)             |
| Debt Service Fund                           | 285,000                 | -                     |
| Capital Projects Fund                       | -                       | (1,577,453)           |
| Enterprise Fund                             | 4,001                   | (45,022)              |
| Internal Service Fund (City Hall Operating) | 252                     | (43,945)              |
| Fiduciary Fund                              | 5,806                   | -                     |
| Agency Funds                                | -                       | (317,424)             |
| <b>Total</b>                                | <b>\$ 2,230,920</b>     | <b>\$ (2,230,920)</b> |

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2011

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

### Transfers to/from Other Funds

Interfund transfers for the year ended December 31, 2011 were as follows:

|                                   | <u>In</u>           | <u>Out</u>            |
|-----------------------------------|---------------------|-----------------------|
| General Fund                      | \$ 22,500           | \$ (829,121)          |
| Special Revenue Funds             |                     |                       |
| Community Development Block Grant | -                   | (28,021)              |
| Liquid fuels                      | -                   | (110,510)             |
| Capital Projects                  | 1,810,924           | -                     |
| Debt Service                      | 475,380             | (1,690,924)           |
| Non-Revenue Escrow                | -                   | (2,500)               |
| Proprietary Funds                 |                     |                       |
| Enterprise Fund (RVT)             | 359,662             | (927)                 |
| City Hall Operating               | -                   | (35,000)              |
| Fiduciary Funds                   |                     |                       |
| Unemployment Compensation         | 28,537              | -                     |
|                                   | <u>28,537</u>       | <u>-</u>              |
| Total                             | <u>\$ 2,697,003</u> | <u>\$ (2,697,003)</u> |

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

# City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2011

## 9. Long-Term Debt

### Primary Government

A summary of changes in long-term debt for 2011 is as follows:

| Note Payable   | Balance<br>1/1/11   | Additions          | Payments             | Balance<br>12/31/11 | Due Within<br>One Year |
|--|---------------------|--------------------|----------------------|---------------------|------------------------|
| Series of 2005 –<br>Capital projects<br>(C&N Bank)   | \$5,873,152         | \$ -               | \$ (133,117)         | \$ 5,740,035        | \$138,919              |
| Series of 2010 –<br>Capital projects<br>(M&T Bank)   | 1,433,003           | 1,589,275          | -                    | 3,022,278           | -                      |
| Series B of 2010 –<br>Capital projects<br>(M&T Bank) | <u>2,902,553</u>    | <u>749,654</u>     | <u>(1,280,359)</u>   | <u>2,371,848</u>    | <u>-</u>               |
| Total  | <u>\$10,208,708</u> | <u>\$2,338,929</u> | <u>\$(1,413,476)</u> | <u>\$11,134,161</u> | <u>\$138,919</u>       |

The following table summarizes the City's long term debt by activity for the year ended December 31, 2011:

|                                     | Governmental<br>Activities | Business-Type<br>Activity | Total               |
|-------------------------------------|----------------------------|---------------------------|---------------------|
| Notes payable, January 1, 2011      | \$6,308,441                | \$3,900,267               | \$10,208,708        |
| Additions                           | 1,769,633                  | 569,296                   | 2,338,929           |
| Payments                            | <u>(127,571)</u>           | <u>(1,285,905)</u>        | <u>(1,413,476)</u>  |
| Notes payable,<br>December 31, 2011 | 7,950,503                  | 3,183,658                 | 11,134,161          |
| Less: current portion               | <u>(133,131)</u>           | <u>(5,788)</u>            | <u>(138,919)</u>    |
| Notes payable, long-term            | <u>\$7,817,372</u>         | <u>\$3,177,870</u>        | <u>\$10,995,242</u> |

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

**Governmental Activities**

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

In February 2005, the City entered into a lease rental agreement with the Municipal Authority in the amount of \$6,000,000 to finance a variety of capital projects, including: a street resurfacing and rehabilitation project; improvements to City storm sewer and fire hydrant systems; improvements to and furnishing of City Hall; purchasing street lights and other capital equipment; paying capitalized interest on the note, and; paying the costs of financing the note. Proceeds of the 2005 note were available to the City as a non-revolving line of credit from the bank. The note bears interest at the rate of 4.875% per annum; interest payments are due semi-annually on May 15 and November 15 of each year. Principal payments commenced on May 15, 2010, and continue through and including May 15, 2034. The outstanding principal balance on this note was \$5,500,867 at December 31, 2011.

**\$5,000,000 General Obligation Note, Series of 2010 (M&T Bank)**

In May 2010, the City issued its general obligation Note, Series of 2010 in the maximum principal amount of \$5,000,000 to acquire, construct, and improve the Church Street Transportation Center. Trade and Transit Center expansion, and other approved Central Business District projects, and to pay related costs and expenses. Proceeds of the note are available to the city on a draw down, line of credit basis for three years from the date of issuance. The note bears interest at a variable rate equal to 65% of the sum of the 5-year constant maturity treasury rate, plus 3%. Interest payments are due quarterly during the drawdown period on February 1, May 1, August 1, and November 1 of each year and semi-annually on November 1 and May 1 thereafter. Principal payments commence on November 1, 2013, and continue through and including May 1, 2028. The outstanding principal balance on this note was \$1,089,275 at December 31, 2011.

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

In September 2010, the City issued its general obligation Note, Series B of 2010 in the maximum principal amount of \$3,000,000 to provide interim financing for reimbursable costs associated with approved Central Business District projects. Proceeds of the note are available to the City on a revolving, line of credit basis, until maturity. The note bears interest at a variable rate equal to 65% of the sum of the one-month LIBOR rate plus 3% per annum. Interest payments are due quarterly on February 1, May 1, August 1, and November 1 of each year. Relating to governmental activities principal is due in one lump sum on May 2013. The outstanding principal balance on this note was \$1,360,361 at December 31, 2011. Refer to business type activity section for other information on this note.

The following is a schedule, by year, of the future minimum principal and interest payments required under the note payable agreements of the City's governmental activities as of December 31, 2011:

# City of Williamsport, Pennsylvania

Notes to Financial Statements  
December 31, 2011

| <u>Year Ending December 31</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>         |
|--------------------------------|---------------------|---------------------|----------------------|
| 2012                           | \$ 133,131          | \$ 322,979          | \$ 456,110           |
| 2013                           | 1,531,846           | 295,293             | 1,827,139            |
| 2014                           | 210,445             | 276,817             | 487,262              |
| 2015                           | 219,075             | 268,006             | 487,081              |
| 2016                           | 227,428             | 259,480             | 486,908              |
| 2017-2021                      | 1,289,925           | 1,141,346           | 2,431,271            |
| 2022-2026                      | 1,585,315           | 839,568             | 2,424,883            |
| 2027-2031                      | 1,647,286           | 471,379             | 2,118,665            |
| 2032-2036                      | 1,106,052           | 83,683              | 1,189,735            |
| Total                          | <u>\$ 7,950,503</u> | <u>\$ 3,958,551</u> | <u>\$ 11,909,054</u> |

## Business-Type Activity

### Lease Rental Payable – Municipal Authority

In December 1998, RVT entered into a lease rental agreement with the Municipal Authority in the amount of \$3,000,000 to finance a construction project. Lease rental payments were deferred until January 2000, at which time monthly payments began. Monthly payments of \$12,500 plus accrued interest at 3.93% were required through December 31, 2005, with a final payment of all unpaid principal and interest due on January 1, 2006. During 2005, this note was paid by the City and RVT is repaying the note to the City according to the terms of the City's Guaranteed Note, Series of 2005 (C&N Bank) as described above. The outstanding principal on this note was \$239,168 at December 31, 2011.

### \$5,000,000 General Obligation Note, Series of 2010 (M&T Bank)

Refer to the "Governmental Activities" section of this note for information on the terms of this borrowing. The outstanding business-type activity principal balance on this note was \$1,933,003 at December 31, 2011.

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

Refer to the "Governmental Activities" section of this note for information on the terms of this borrowing. The outstanding business-type activity principal balance on this note was \$1,011,487 at December 31, 2011.

The following is a schedule by year of the future minimum principal and interest payments required under note payable agreements of the City' business-type activity as of December 31, 2011:

# City of Williamsport, Pennsylvania

Notes to Financial Statements  
December 31, 2011

| Year Ending December 31 | Principal           | Interest          | Total               |
|-------------------------|---------------------|-------------------|---------------------|
| 2012                    | \$ 5,788            | \$ 75,752         | \$ 81,541           |
| 2013                    | 1,072,655           | 63,786            | 1,136,441           |
| 2014                    | 118,289             | 50,330            | 168,619             |
| 2015                    | 120,993             | 47,619            | 168,611             |
| 2016                    | 123,733             | 44,870            | 168,604             |
| 2017-2021               | 662,789             | 180,088           | 842,877             |
| 2022-2026               | 743,160             | 99,440            | 842,600             |
| 2027-2031               | 288,161             | 25,106            | 313,267             |
| 2032-2036               | 48,090              | 3,639             | 51,728              |
| Total                   | <u>\$ 3,183,658</u> | <u>\$ 590,630</u> | <u>\$ 3,774,288</u> |

## Component Unit - Parking Authority

The following is a summary of changes in long-term debt for the year ended December 31, 2011.

|                                 | Balance<br>January 1,<br>2011 | Additions   | Payments          | Balance<br>December 31,<br>2011 |
|---------------------------------|-------------------------------|-------------|-------------------|---------------------------------|
| Note payable, Series of<br>1999 | <u>\$ 2,643,196</u>           | <u>\$ -</u> | <u>\$ 152,868</u> | <u>\$ 2,490,328</u>             |

As of December 31, 2011 long-term debt consisted of the following:

|   |                     |
|---|---------------------|
| Note payable, Series of 1999, due in monthly payments of \$21,620 including principal and interest at 4.79% per annum through May 12, 2009; thereafter monthly payment of \$17,910 including principal and interest at 2.21% per annum adjusted annually through May 12, 2025. Secured by a perfected security interest in all revenues and receipts (excluding Midtown Parking Deck), accounts, documents, and general intangibles of the Authority. | \$ 2,490,328        |
| Less current maturities   | <u>(138,070)</u>    |
| Long-term debt  | <u>\$ 2,352,258</u> |

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2011

The annual requirements to amortize the note payable as of December 31, 2011 are as follows:

| <u>Year Ending December 31</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|--------------------------------|---------------------|-------------------|---------------------|
| 2012                           | \$ 138,070          | \$ 61,897         | \$ 199,967          |
| 2013                           | 141,633             | 58,334            | 199,967             |
| 2014                           | 145,286             | 54,681            | 199,967             |
| 2015                           | 149,035             | 50,932            | 199,967             |
| 2016                           | 152,880             | 47,087            | 199,967             |
| 2017-2021                      | 825,639             | 174,196           | 999,835             |
| 2022-2026                      | 937,785             | 62,049            | 999,834             |
| Total                          | <u>\$ 2,490,328</u> | <u>\$ 509,176</u> | <u>\$ 2,999,504</u> |

### 10. Compensated Absences

The liability for compensated absences recorded in the governmental activities column on the statement of net assets, was \$1,627,652 at December 31, 2011. The liability for compensated absences for business-type activities amounted to \$407,373 at December 31, 2011. The changes in the City's compensated absences in 2011 are summarized as follows:

|                           | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|---------------------------|------------------------------------|-------------------------------------|
| Balance January 1, 2011   | \$ 1,660,532                       | \$ 378,206                          |
| Increase                  | 1,677,221                          | 189,822                             |
| Decrease                  | <u>(1,710,101)</u>                 | <u>(160,655)</u>                    |
| Balance December 31, 2011 | <u>\$ 1,627,652</u>                | <u>\$ 407,373</u>                   |

### 11. Employee Pension Funds

#### Plan Descriptions

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

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2011

### Combining Statement of Fiduciary Net Assets – Pension Funds

|  | <u>Firemen's<br/>Pension</u> | <u>Police<br/>Pension</u> | <u>O&amp;E<br/>Pension</u> | <u>Total</u>         |
|--|------------------------------|---------------------------|----------------------------|----------------------|
| <b>Assets</b>                                    |                              |                           |                            |                      |
| Cash and cash<br>equivalents                     | <u>\$ 256,591</u>            | <u>\$ 426,660</u>         | <u>\$ 284,848</u>          | <u>\$ 968,099</u>    |
| Receivables<br>Other                             | <u>80,177</u>                | <u>102,281</u>            | <u>55,377</u>              | <u>237,835</u>       |
| <b>Investments, at fair value</b>                |                              |                           |                            |                      |
| U.S. Government<br>securities                    | <u>4,822,199</u>             | <u>6,121,808</u>          | <u>3,301,616</u>           | <u>14,245,623</u>    |
| Domestic corporate<br>bonds                      | <u>3,611,819</u>             | <u>4,667,293</u>          | <u>2,494,086</u>           | <u>10,773,198</u>    |
| Domestic equity<br>securities                    | <u>10,777,692</u>            | <u>15,805,225</u>         | <u>7,658,342</u>           | <u>34,241,259</u>    |
| Mutual funds                                     | <u>89,735</u>                | <u>111,655</u>            | <u>-</u>                   | <u>201,390</u>       |
| Total investments                                | <u>19,301,445</u>            | <u>26,705,981</u>         | <u>13,454,044</u>          | <u>59,461,470</u>    |
| Total  | <u>\$ 19,638,213</u>         | <u>\$ 27,234,922</u>      | <u>\$ 13,794,269</u>       | <u>\$ 60,667,404</u> |
| <b>Net Assets</b>                                |                              |                           |                            |                      |
| Held in trust for benefits<br>and other purposes | <u>\$ 19,638,213</u>         | <u>\$ 27,234,922</u>      | <u>\$ 13,794,269</u>       | <u>\$ 60,667,404</u> |

# City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2011

## Combining Statement of Changes in Fiduciary Net Assets – Pension Funds

|  | Firemen's<br>Pension | Police<br>Pension | O&E<br>Pension | Total         |
|--|----------------------|-------------------|----------------|---------------|
| Additions  |                      |                   |                |               |
| Contributions                                    |                      |                   |                |               |
| Employer   | \$ 354,395           | \$ 260,882        | \$ 105,548     | \$ 720,825    |
| Commonwealth of<br>Pennsylvania                  | 718,142              | 528,646           | 213,880        | 1,460,668     |
| Employees  | 109,053              | 170,393           | 257,873        | 537,319       |
| Total contributions                              | 1,181,590            | 959,921           | 577,301        | 2,718,812     |
| Investment earnings                              |                      |                   |                |               |
| Interest and dividends                           | 481,520              | 679,439           | 335,777        | 1,496,736     |
| Net appreciation in fair<br>value of investments | 465,151              | 596,461           | 340,547        | 1,402,159     |
| Other investment income                          | 34,681               | 42,716            | 19,815         | 97,212        |
| Total investment<br>earnings                     | 981,352              | 1,318,616         | 696,139        | 2,996,107     |
| Less investment expense<br>(advisory fees)       | (49,124)             | (70,059)          | (34,401)       | (153,584)     |
| Net investment<br>earnings                       | 932,228              | 1,248,557         | 661,738        | 2,842,523     |
| Total additions                                  | 2,113,818            | 2,208,478         | 1,239,039      | 5,561,335     |
| Deductions                                       |                      |                   |                |               |
| Benefits and refunds of<br>contributions         | 1,595,880            | 2,212,846         | 612,939        | 4,421,665     |
| Administrative                                   | 7,325                | 7,925             | 8,075          | 23,325        |
| Total deductions                                 | 1,603,205            | 2,220,771         | 621,014        | 4,444,990     |
| Change in Net Assets                             | 510,613              | (12,293)          | 618,025        | 1,116,345     |
| Net Assets, Beginning                            | 19,127,600           | 27,247,215        | 13,176,244     | 59,551,059    |
| Net Assets, Ending                               | \$ 19,638,213        | \$ 27,234,922     | \$ 13,794,269  | \$ 60,667,404 |

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2011

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

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

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2011

|                             | <b>Officers' and Employees'<br/>Pension Fund</b>  | <b>Firemen's<br/>Pension Fund</b>  | <b>Police<br/>Pension Fund</b>   |
|-----------------------------|---|--|--|
| Monthly disability benefits | Same as monthly retirement benefit calculated at date of disablement  | Equal to the accrued benefit based upon average monthly compensation and years of service at the date of disablement   | Same as monthly retirement benefit calculated at date of disablement   |
| Death benefits - Spouse     |   |  |  |
| Before retirement           | Refund of contributions if any, without interest  | Monthly benefit equal to fifty percent of the accrued benefit until death or remarriage for non-service related death; monthly benefit equal to one hundred percent of accrued benefit until death or remarriage for service-related death   | Refund of contributions without interest if participant had less than twenty years of service; if after twenty years of service, receives same benefit as if death occurred after retirement |
| After retirement            | In the event that a participant shall die after the receipt of any benefit payments under the plan, the beneficiary shall be entitled to a benefit only to the extent and in the manner consistent with the provisions of the form of payment of benefits selected by the participant pursuant to the provisions of the plan. | Monthly benefit equal to 100% of pension participant was receiving or entitled to receive on day of participant's death is payable to spouse until death or remarriage. In the event of the death of the spouse, each of the participant's dependent children will receive an equal share of benefit until their 18 <sup>th</sup> birthday | Monthly benefit equal to 100% of the pension participant was receiving or entitled to receive on the day of participant's death is payable to spouse   |

Membership of the Plans consisted of the following at January 1, 2011, the date of the latest actuarial valuation:

|   | <b>Officers' and<br/>Employees'<br/>Pension Fund</b> | <b>Firemen's<br/>Pension<br/>Fund</b> | <b>Police<br/>Pension<br/>Fund</b> |
|---|--|---------------------------------------|------------------------------------|
| Retirees and beneficiaries receiving benefits                 | 40   | 81                                    | 72                                 |
| Terminated members entitled to but not yet receiving benefits | 1  | 1                                     | 2                                  |
| Active plan members   | <u>116</u>   | <u>32</u>                             | <u>40</u>                          |
| Total   | <u>157</u>   | <u>114</u>                            | <u>114</u>                         |

# City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2011

## Funding Policy

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

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

The Commonwealth of Pennsylvania provides an allocation of funds that must be used for pension funding. The City must fund any financial requirement established by the MMO that exceeds state/member contributions. For the year ended December 31, 2011, the combined City/Commonwealth contributions to the Fire, Police and O&E plans were \$1,072,537, \$789,528, and \$319,428, respectively, each of which was equal to the related MMO.

## Annual Pension Cost

The City's annual pension cost and net pension asset for prior years (2010; most recent year prior to the January 1, 2011 valuation date) were calculated as follows:

|   | <u>Officers' and<br/>Employees'<br/>Pension Fund</u> | <u>Firemen's<br/>Pension<br/>Fund</u> | <u>Police<br/>Pension<br/>Fund</u> |
|---|--|---------------------------------------|------------------------------------|
| Annual required contribution                  | \$229,831  | \$1,142,426                           | \$ 621,438                         |
| Interest on net pension asset                 | -  | (2,907)                               | -                                  |
| Adjustment to annual required contribution    | <u>-</u>   | <u>5,011</u>                          | <u>-</u>                           |
| Annual pension cost                           | 229,831  | 1,144,530                             | 621,438                            |
| Contributions made                            | <u>229,831</u>                                       | <u>1,142,426</u>                      | <u>621,438</u>                     |
| (Increase) decrease in net pension obligation | -  | 2,104                                 | -                                  |
| Net pension obligation, beginning of year     | <u>-</u>   | <u>(38,760)</u>                       | <u>-</u>                           |
| Net pension obligation, end of year           | <u>\$ -</u>  | <u>\$ (36,656)</u>                    | <u>\$ -</u>                        |

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2011

The annual required contribution ("ARC") for the current year was determined as part of the January 1, 2011 actuarial valuation, which used the following assumptions:

| <b>Actuarial Assumption</b>   | <b>Officers' and Employees' Pension Fund</b>  | <b>Firemen's Pension Fund</b>                 | <b>Police Pension Fund</b>                    |
|-------------------------------|---|---|---|
| Actuarial cost method         | Entry age normal cost method                  | Entry age normal cost method                  | Entry age normal cost method                  |
| Amortization method           | Level percentage of projected payroll, closed | Level percentage of projected payroll, closed | Level percentage of projected payroll, closed |
| Investment rate of return     | 8%  | 7.5%  | 8%  |
| Projected salary increase     | 5%  | 5%  | 5%  |
| Consumer price index          | 3%  | 3%  | 3%  |
| Asset valuation method        | 4-Year Smoothing                              | 4-Year Smoothing                              | 4-Year Smoothing                              |
| Remaining amortization period | 11 years                                      | 7 years                                       | 11 years                                      |

### Trend Information

| <b>Plan and Year Ending</b>                  | <b>Annual Pension Cost (APC)</b> | <b>Percentage of APC Contributed</b> | <b>Net Pension (Obligation) Asset</b> |
|--|----------------------------------|--------------------------------------|---------------------------------------|
| <b>Officers' and Employees' Pension Fund</b> |                                  |                                      |                                       |
| 12/31/11                                     | \$ 368,772                       | 86.7%                                | (49,144)                              |
| 12/31/10                                     | 229,831                          | 100.0%                               | -                                     |
| 12/31/09                                     | 223,227                          | 97.4%                                | (207,544)                             |
| <b>Firemen's Pension Fund</b>                |                                  |                                      |                                       |
| 12/31/11                                     | \$1,315,893                      | 81.5%                                | (206,700)                             |
| 12/31/10                                     | 1,144,530                        | 99.8%                                | (36,656)                              |
| 12/31/09                                     | 1,018,770                        | 100.3%                               | (44,842)                              |
| <b>Police Pension Fund</b>                   |                                  |                                      |                                       |
| 12/31/11                                     | \$ 895,363                       | 88.2%                                | (105,835)                             |
| 12/31/10                                     | 621,438                          | 100.0%                               | -                                     |
| 12/31/09                                     | 609,745                          | 99.0%                                | (133,000)                             |

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2011

### Funded Status and Funding Progress

The funded status of the plan as of January 1, 2011, the most recent actuarial valuation date, was as follows:

|                        | Actuarial Value<br>of Plan<br>Assets (A) | Actuarial<br>Accrued<br>Liability (B) | Total<br>Unfunded<br>Actuarial<br>Liability<br>(Asset) (C) | Funded<br>Ratio<br>(A)/(B) | Annual<br>Covered<br>Payroll (C) | Ratio of<br>UAAL to<br>Annual<br>Covered<br>Payroll<br>((B-A)/C) |
|------------------------|--|---------------------------------------|--|----------------------------|----------------------------------|--|
| Police Pension Fund    | \$27,344,895                             | \$34,388,866                          | \$7,043,971  | 79.5%                      | \$2,826,463                      | 249.22%  |
| Fireman's Pension Fund | 19,061,137                               | 26,980,301                            | 7,919,164  | 70.6%                      | 1,908,780                        | 414.88%  |
| O & E Pension Plan     | 13,194,793                               | 17,046,371                            | 3,851,578  | 77.4%                      | 4,509,524                        | 85.41%   |

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs' for benefits.

### Summary of Significant Accounting Policies

#### Basis of Accounting

The Plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are made. Employer contributions to each Plan are recognized when made. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

A separate report is not issued for the plan.

#### Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments.

#### Contributions

Employee contributions are governed by the Plans' respective governing ordinances and collective bargaining. (See Funding Policy above).

Employer contributions are determined pursuant to the Commonwealth of Pennsylvania's Municipal Pension Funding and Recovery Act (Act 205 of 1984, [see Funding Policy above]).

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plans and funded through the MMO and/or Plan earnings.

**12. Defined Contribution (Section 457) Plan**

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

**13. Postemployment Benefits**

**Plan Description**

The City provides postretirement healthcare benefits for fire and police employees who retire with at least 12 years of service with their respective department and have attained the age of 50 and life insurance benefits to all employees who retire with at least 12 years of service and have attained the age of 50 for fire and police employees and age 60 for all other employees. The cost of such medical, vision and life insurance coverage for retirees and spouses are primarily funded through annual appropriations from the City's General Fund. These benefits are accounted for in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Retired employees who are ineligible under the above requirements and choose to participate in the medical plan must pay 100% of the composite rate cost of such coverage. While no formal plan document currently exists, GASB No. 45 requires the valuation to consider the "substantive plan," meaning the plan terms as understood by the City and plan members, as described in various current and historical employment and union contracts, including any plan changes that have been made and communicated to employees. The plan is an unfunded single employer plan and no financial report is prepared. Stand-alone financial statements are not issued for the plan.

**Funding Policy**

The contribution requirements of plan members and the City are established and may be amended through negotiations between the City and the respective unions. The plan is funded on a pay-as-you-go basis, eligible retirees premiums are paid annually to fund the health care benefits provided to current retirees. Retirees are currently not required to contribute to the plan. The City made estimated contributions to the plan of approximately \$1,895,106 for the year ended December 31, 2011. Contributions are actuarially determined in accordance with GASB Statement 45.

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2011

### Annual OPEB Cost and Net OPEB Obligation

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

|  |                      |
|--|----------------------|
| Annual required contribution               | \$ 4,874,260         |
| Interest on net OPEB obligation            | 477,241              |
| Adjustment to annual required contribution | <u>(651,079)</u>     |
| Annual OPEB cost (expense)                 | 4,700,422            |
| Contributions made                         | <u>(1,895,106)</u>   |
| Increase in net OPEB obligation            | 2,805,316            |
| Net OPEB obligation at January 1, 2011     | <u>10,762,610</u>    |
| Net OPEB obligation at December 31, 2011   | <u>\$ 13,567,926</u> |

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2011, 2010 and 2009 were as follows:

| Year Ended        | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|--|---------------------|
| December 31, 2011 | \$ 4,700,422     | 40.3%                                      | \$ 13,567,926       |
| December 31, 2010 | \$ 4,752,463     | 29.9%                                      | \$ 10,762,610       |
| December 31, 2009 | \$ 5,056,780     | 26.3%                                      | 7,430,506           |

# City of Williamsport, Pennsylvania

Notes to Financial Statements

December 31, 2011

## Funded Status and Funding Progress

The funded status of the plan as of January 1, 2011, the most recent actuarial valuation date, was as follows:

|  |               |
|--|---------------|
| Actuarial accrued liability                        | \$ 55,492,042 |
| Actuarial value of plan assets                     | <u>-</u>      |
| Unfunded actuarial accrued liability (UAAL)        | 55,492,042    |
| Funded ratio (actuarial value of plan assets/UAAL) | 0%            |
| Covered payroll                                    | \$ 10,649,893 |
| UAAL as a percentage of covered payroll            | 521%          |

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

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

## Actuarial Methods and Assumptions

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

In the January 1, 2010, actuarial valuation, the Entry Age Normal Method was used. Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

The actuarial assumptions included a 4.5% investment rate of return, which is the expected rate to be earned on the City's deposits and investments, an annual healthcare cost trend rate of 9.0% initially, reduced to an ultimate rate of 5.0% in 2018 and later. The UAAL is being amortized as a level dollar over a thirty year open period.

# City of Williamsport, Pennsylvania

## Notes to Financial Statements

December 31, 2011

### 14. Fund Balance Classifications

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

|                           | General Fund | CDBG      | HOME Fund | Capital Projects | Non-Revenue Escrow | Debt Service | Other Governmental Funds | Total        |
|---------------------------|--------------|-----------|-----------|------------------|--------------------|--------------|--------------------------|--------------|
| Non-spendable for,        |              |           |           |                  |                    |              |                          |              |
| Inventory                 | \$ 124,314   | \$ -      | \$ -      | \$ -             | \$ -               | \$ -         | \$ -                     | \$ 124,314   |
| Restricted for:           |              |           |           |                  |                    |              |                          |              |
| HOME activities           | -            | -         | 19,277    | -                | -                  | -            | -                        | 19,277       |
| Grant purposes            | -            | -         | -         | -                | 1,139,998          | -            | -                        | 1,139,998    |
| Community Development     | -            | 33,079    | -         | -                | -                  | -            | -                        | 33,079       |
| Debt service              | -            | -         | -         | -                | -                  | 535,433      | -                        | 535,433      |
| Liquid fuels tax purposes | -            | -         | -         | -                | -                  | -            | 145,044                  | 145,044      |
| Home rehabilitation       | -            | -         | -         | -                | -                  | -            | 47,739                   | 47,739       |
| Redevelopment activities  | -            | -         | -         | -                | -                  | -            | 6,454                    | 6,454        |
| Total restricted          | \$ -         | \$ 33,079 | \$ 19,277 | \$ -             | \$ 1,139,998       | \$ 535,433   | \$ 199,237               | \$ 1,927,024 |
| Assigned for:             |              |           |           |                  |                    |              |                          |              |
| Encumbrances              | \$ 271,392   | \$ -      | \$ -      | \$ -             | \$ -               | \$ -         | \$ -                     | \$ 271,392   |
| Capital projects          | -            | -         | -         | 267,482          | -                  | -            | -                        | 267,482      |
| Total assigned            | \$ 271,392   | \$ -      | \$ -      | \$ 267,482       | \$ -               | \$ -         | \$ -                     | \$ 538,874   |

### 15. Related Organizations

The City's officials are responsible for appointing certain members of the governing boards of other organizations; but the City's accountability for these organizations during 2011 did not extend beyond making the appointments. A majority of the boards of the following organizations are either appointed by City Council or recommended and nominated by the Mayor and approved by City Council:

- Williamsport Municipal Water Authority
- Williamsport Sanitary Authority

# City of Williamsport, Pennsylvania

---

Notes to Financial Statements

December 31, 2011

## 16. Commitments and Contingent Liabilities

### Litigation

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

In addition, the City participates in a variety of other federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City is potentially liable for any expenditure that may be disallowed pursuant to the terms of these grant programs.

### Tax Revenue Anticipation Note – 2012

In December 2011, City Council approved a resolution authorizing City Officials to enter into a Tax and Revenue Anticipation Note, Series I of 2012, dated January 1, 2012, in the amount of \$2,500,000, bearing interest at a variable rate based upon the one-month LIBOR Rate plus a margin of 230 basis points, not to exceed 7.76%, maturing on December 31, 2012.

### Environmental

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

### Construction

The City has entered into various agreements with contractors related to the Garage and Office Expansion Project, the Church Street Transportation Center and William Street Redevelopment Project. At December 31, 2011, there was approximately \$250,000 remaining under these arrangements.

## 17. Pending Changes in Accounting Principles

In December 2010, the GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements ("SCA"). This statement addresses how to account for and report situations where a government engages another entity to operate a major capital asset on its behalf. This statement improves financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferor's and governmental operators. To the extent applicable, the City is required to adopt Statement No. 60 for its 2012 financial statements.

In December 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus. This statement addresses certain issues with distinguishing a government's control over another government in the reporting of component units. The City is required to adopt Statement No. 61 for its 2013 financial statements.

# City of Williamsport, Pennsylvania

---

## Notes to Financial Statements

December 31, 2011

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement incorporates certain applicable accounting and financial reporting guidance of the FASB and AICPA into GASB literature to simplify the preparation of state and local government financial statements. The City is required to adopt Statement No. 62 for its 2012 financial statements.

In July 2011, GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The City is required to adopt Statement No. 63 for its fiscal 2012 financial statements.

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The City is required to adopt Statement No. 65 for its 2013 financial statements.

In March 2012, the GASB issued Statement No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The City is required to adopt Statement No. 66 for its 2013 financial statements.

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The City is required to adopt Statement No. 67 for its 2014 financial statements.

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

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

**18. Subsequent Events**

**Issuance of Long-term Debt**

On various dates throughout 2012 the City made draws on their General Obligation Note, Series B of 2010, which is available to the City on a revolving line of credit basis (see Note 9 for further information on this debt issuance). In total the City drew down \$1,391,000 at various dates throughout 2012. The City also repaid \$1,498,000 of this Note during 2012.

**Fraternal Order of Police, Lodge No. 29 Contract**

On January 24, 2013, City Council approved contract modifications with the Fraternal Order of Police, Lodge No. 29, for the period from January 1, 2013, through December 31, 2016. These modifications were approved as the previous contract expired on December 31, 2012.

**City of Williamsport, Pennsylvania**  
 Required Supplementary Information  
 Schedule of Funding Progress - Pension Trust Funds  
 (Unaudited)  
 Year Ended December 31, 2011

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (b) | Total Unfunded Actuarial Liability (Asset) | Funded Ratio (a)/(b) | Annual Covered Payroll | Ratio of Unfunded Liability to Annual Covered Payroll |
|--------------------------|------------------------------------|---------------------------------|--|----------------------|------------------------|---|
| January 1, 2011          | \$27,344,895                       | \$34,388,866                    | \$7,043,971                                | 79.52%               | \$ 2,826,463           | 249.22%   |
| January 1, 2009          | 27,588,362                         | 30,809,261                      | 3,220,899                                  | 89.55%               | 3,201,724              | 100.60%   |
| January 1, 2007          | 26,657,363                         | 24,508,446                      | (2,148,917)                                | 108.77%              | 3,211,951              | N/A   |
| January 1, 2011          | \$19,061,137                       | \$26,980,301                    | \$7,919,164                                | 70.65%               | \$ 1,908,780           | 414.88%   |
| January 1, 2009          | 18,825,290                         | 24,621,595                      | 5,796,305                                  | 76.46%               | 1,731,343              | 334.79%   |
| January 1, 2007          | 18,329,072                         | 20,922,513                      | 2,593,441                                  | 87.60%               | 1,630,363              | 159.07%   |
| January 1, 2011          | \$13,194,793                       | \$17,046,371                    | \$3,851,578                                | 77.41%               | \$ 4,509,524           | 85.41%  |
| January 1, 2009          | 12,910,034                         | 14,557,541                      | 1,647,507                                  | 88.68%               | 4,240,982              | 0.388473  |
| January 1, 2007          | 12,290,852                         | 9,973,285                       | (2,317,567)                                | 123.24%              | 3,883,791              | N/A   |

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

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

**City of Williamsport, Pennsylvania**

Required Supplementary Information  
 Schedule of Employer Contributions - Pension Trust Funds  
 (Unaudited)  
 Year Ended December 31, 2011

| Year Ended<br>December 31, | Police Pension Fund                |                           | Firemen's Pension Fund             |                           | Officers' and Employees'<br>Pension Fund |                           |
|----------------------------|------------------------------------|---------------------------|------------------------------------|---------------------------|--|---------------------------|
|                            | Annual<br>Required<br>Contribution | Percentage<br>Contributed | Annual<br>Required<br>Contribution | Percentage<br>Contributed | Annual<br>Required<br>Contribution       | Percentage<br>Contributed |
| 2011                       | \$ 789,528                         | 100%                      | \$ 1,072,537                       | 100%                      | \$ 319,428                               | 100%                      |
| 2010                       | 621,438                            | 100%                      | 1,142,426                          | 100%                      | 229,831                                  | 100%                      |
| 2009                       | 603,863                            | 100%                      | 1,021,811                          | 100%                      | 217,432                                  | 100%                      |
| 2008                       | 616,341                            | 100%                      | 1,006,779                          | 100%                      | 211,965                                  | 100%                      |
| 2007                       | 774,111                            | 100%                      | 1,164,880                          | 100%                      | 186,125                                  | 100%                      |
| 2006                       | 805,191                            | 100%                      | 1,236,659                          | 100%                      | 179,496                                  | 100%                      |
| 2005                       | 828,782                            | 100%                      | 1,208,437                          | 100%                      | 243,320                                  | 100%                      |
| 2004                       | 815,100                            | 100%                      | 1,235,913                          | 100%                      | 238,745                                  | 100%                      |
| 2003                       | 460,182                            | 100%                      | 986,585                            | 100%                      | 22,153                                   | 100%                      |
| 2002                       | 220,316                            | 100%                      | 782,740                            | 100%                      | -  | N/A                       |
| 2001                       | 192,049                            | 100%                      | 723,253                            | 100%                      | -  | N/A                       |

See note to required supplementary information - pension trust funds

# City of Williamsport, Pennsylvania

Notes to Required Supplementary Information – Pension Trust Funds

December 31, 2011

(Unaudited)

## Actuarial Assumptions

The following actuarial assumptions were used in the January 1, 2011 actuarial valuation, the most recent actuarial valuation:

| <u>Actuarial Assumption</u>   | <u>Officers' and Employees' Pension Fund</u> | <u>Firemen's Pension Fund</u>          | <u>Police Pension Fund</u>             |
|-------------------------------|--|--|--|
| Actuarial cost method         | Entry Age Normal Actuarial Cost Method       | Entry Age Normal Actuarial Cost Method | Entry Age Normal Actuarial Cost Method |
| Amortization method           | Level dollar, Closed                         | Level dollar, closed                   | Level dollar, closed                   |
| Investment rate of return     | 8%   | 7.5%                                   | 8%                                     |
| Projected salary increase     | 5%   | 5%                                     | 5%                                     |
| Consumer Price Index          | 3% per annum                                 | 3% per annum                           | 3% per annum                           |
| Asset valuation method        | 4-Year Smoothing                             | 4-Year Smoothing                       | 4-Year Smoothing                       |
| Remaining amortization period | 11 Years                                     | 7 years                                | 11 Years                               |

**City of Williamsport, Pennsylvania**

Required Supplementary Information  
Schedule of Funding Progress - Other Postemployment Benefits  
(Unaudited)  
Year Ended December 31, 2011

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Plan<br/>Assets<br/>(a)</u> | <u>Actuarial<br/>Accrued<br/>Liability<br/>(b)</u> | <u>Total<br/>Unfunded<br/>Actuarial<br/>Liability<br/>(Asset)</u> | <u>Funded<br/>Ratio<br/>(a)/(b)</u> | <u>Annual Covered<br/>Payroll</u> | <u>Ratio of Unfunded<br/>Liability to Annual<br/>Covered Payroll</u> |
|---|---|--|---|-------------------------------------|-----------------------------------|--|
| January 1, 2010                         | \$ -  | \$ 55,492,042                                      | \$ 55,492,042   | 0.00%                               | \$ 10,649,893                     | 521%   |
| January 1, 2008                         | -   | 53,701,303   | 53,701,303  | 0.00%                               | 4,842,314                         | 1109%  |

**City of Williamsport, Pennsylvania**

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 Year Ended December 31, 2011  
 (Unaudited)

|                                      | Liquid Fuels | Home Rehab | Redevelopment Authority | HPRP      | Total Nonmajor Governmental Funds |
|--------------------------------------|--------------|------------|-------------------------|-----------|-----------------------------------|
| <b>Assets</b>                        |              |            |                         |           |                                   |
| Cash and cash equivalents            | \$ 166,862   | \$ 47,739  | \$ 6,454                | \$ 1,492  | \$ 222,547                        |
| Receivables:                         |              |            |                         |           |                                   |
| Loans                                | -            | 16,059     | -                       | -         | 16,059                            |
| Other                                | -            | -          | -                       | -         | -                                 |
| Due from other funds                 | -            | -          | -                       | -         | -                                 |
| Due from other governments           | -            | -          | 3,500                   | 46,361    | 49,861                            |
| Total assets                         | \$ 166,862   | \$ 63,798  | \$ 9,954                | \$ 47,853 | \$ 288,467                        |
| <b>Liabilities and Fund Balances</b> |              |            |                         |           |                                   |
| Liabilities:                         |              |            |                         |           |                                   |
| Vouchers payable                     | \$ 21,818    | \$ -       | \$ 3,500                | \$ 47,853 | \$ 73,171                         |
| Due to other funds                   | -            | -          | -                       | -         | -                                 |
| Deferred revenue                     | -            | 16,059     | -                       | -         | 16,059                            |
| Total liabilities                    | 21,818       | 16,059     | 3,500                   | 47,853    | 89,230                            |
| Fund balances:                       |              |            |                         |           |                                   |
| Reserved for:                        |              |            |                         |           |                                   |
| Liquid fuels tax purposes            | 145,044      | -          | -                       | -         | 145,044                           |
| Home rehabilitation                  | -            | 47,739     | -                       | -         | 47,739                            |
| Redevelopment activities             | -            | -          | 6,454                   | -         | 6,454                             |
| Debt service                         | -            | -          | -                       | -         | -                                 |
| Unreserved, undesignated             | -            | -          | -                       | -         | -                                 |
| Total fund balances                  | 145,044      | 47,739     | 6,454                   | -         | 199,237                           |
| Total                                | \$ 166,862   | \$ 63,798  | \$ 9,954                | \$ 47,853 | \$ 288,467                        |

**City of Williamsport, Pennsylvania**

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

Nonmajor Governmental Funds

Year Ended December 31, 2011

(Unaudited)

|   | Liquid<br>Fuels   | Home<br>Rehab    | Redevelop-<br>ment<br>Authority | HPRP          | Total Nonmajor<br>Governmental<br>Funds |
|---|-------------------|------------------|---------------------------------|---------------|---|
| <b>Revenues</b>                             |                   |                  |                                 |               |   |
| Interest, rents, royalties                  | \$ 912            | \$ 90            |                                 |               | \$ 1,002                                |
| Intergovernmental:                          |                   |                  |                                 |               |   |
| Federal                                     | -                 | -                |                                 | \$ 95,506     | 95,506                                  |
| State                                       | 642,317           | -                | \$ 115,534                      | -             | 757,851                                 |
| Local                                       | -                 | -                | 5,478                           | -             | 5,478                                   |
| Collections on loans                        | -                 | 8,446            | -                               | -             | 8,446                                   |
| Miscellaneous                               | 1,610             | -                | 991                             | -             | 2,601                                   |
| <b>Total revenues</b>                       | <b>644,839</b>    | <b>8,536</b>     | <b>122,003</b>                  | <b>95,506</b> | <b>870,884</b>                          |
| <b>Expenditures</b>                         |                   |                  |                                 |               |   |
| Current:                                    |                   |                  |                                 |               |   |
| General government                          | -                 | -                | 5,478                           | 3,072         | 8,550                                   |
| Public safety                               | -                 | -                | -                               | -             | -                                       |
| Public works                                | 559,118           | -                | -                               | 92,434        | 651,552                                 |
| Culture and recreation                      | -                 | -                | -                               | -             | -                                       |
| Education                                   | -                 | -                | -                               | -             | -                                       |
| Revolving loans and grants                  | -                 | -                | 116,425                         | -             | 116,425                                 |
| <b>Total expenditures</b>                   | <b>559,118</b>    | <b>-</b>         | <b>121,903</b>                  | <b>95,506</b> | <b>776,527</b>                          |
| <b>Excess of revenues over expenditures</b> | <b>85,721</b>     | <b>8,536</b>     | <b>100</b>                      | <b>-</b>      | <b>94,357</b>                           |
| <b>Other Financing Sources (Uses)</b>       |                   |                  |                                 |               |   |
| Proceeds from draws on note payable         | -                 | -                | -                               | -             | -                                       |
| Debt service                                | -                 | -                | -                               | -             | -                                       |
| Transfers in                                | -                 | -                | -                               | -             | -                                       |
| Transfers out                               | (110,510)         | -                | -                               | -             | (110,510)                               |
| <b>Total other financing sources (uses)</b> | <b>(110,510)</b>  | <b>-</b>         | <b>-</b>                        | <b>-</b>      | <b>(110,510)</b>                        |
| <b>Net Change in Fund Balances</b>          | <b>(24,789)</b>   | <b>8,536</b>     | <b>100</b>                      | <b>-</b>      | <b>(16,153)</b>                         |
| <b>Fund Balances - Beginning</b>            | <b>169,833</b>    | <b>39,203</b>    | <b>6,354</b>                    | <b>-</b>      | <b>215,390</b>                          |
| <b>Fund Balances - Ending</b>               | <b>\$ 145,044</b> | <b>\$ 47,739</b> | <b>\$ 6,454</b>                 | <b>\$ -</b>   | <b>\$ 199,237</b>                       |

**City of Williamsport, Pennsylvania**

Statement of Fiduciary Net Assets

Private Purpose Trust Fund

December 31, 2011

(Unaudited)

|                                    | <u>Unemployment<br/>Compensation</u> |
|------------------------------------|--------------------------------------|
| <b>Assets</b>                      |                                      |
| Due from other funds               | \$ <u>5,806</u>                      |
| Total assets                       | \$ <u><u>5,806</u></u>               |
| <b>Liabilities</b>                 |                                      |
| Vouchers payable                   | \$ 5,806                             |
| <b>Net Assets</b>                  |                                      |
| Reserved for workers' compensation | <u>-</u>                             |
| Total liabilities and net assets   | \$ <u><u>5,806</u></u>               |

**City of Williamsport, Pennsylvania**

Statement of Changes in Fiduciary Net Assets

Private Purpose Trust Fund

Year Ended December 31, 2011

(Unaudited)

|                                       | <u>Unemployment<br/>Compensation</u> |
|---------------------------------------|--------------------------------------|
| <b>Deductions</b>                     |                                      |
| Benefits                              | <u>\$ 28,537</u>                     |
| Total deductions                      | 28,537                               |
| <b>Other Financing Sources (Uses)</b> |                                      |
| Operating transfers in                | <u>28,537</u>                        |
| Total other financing sources (uses)  | <u>28,537</u>                        |
| <b>Change in Net Assets</b>           | -                                    |
| <b>Net Assets, Beginning</b>          | <u>-</u>                             |
| <b>Net Assets, Ending</b>             | <u><u>\$ -</u></u>                   |

**City of Williamsport, Pennsylvania**

## Combining Statement of Fiduciary Net Assets

Agency Funds

December 31, 2011

(Unaudited)

|                           | <u>Tax<br/>Collecting</u> | <u>Payroll<br/>Revolving</u> | <u>Nonrevenue<br/>Escrow</u> | <u>Total</u>      |
|---------------------------|---------------------------|------------------------------|------------------------------|-------------------|
| <b>Assets</b>             |                           |                              |                              |                   |
| Cash and cash equivalents | \$ 671,573                | \$ 2,746                     | \$ 114,209                   | \$ 788,528        |
| Total assets              | <u>\$ 671,573</u>         | <u>\$ 2,746</u>              | <u>\$ 114,209</u>            | <u>\$ 788,528</u> |
| <b>Liabilities</b>        |                           |                              |                              |                   |
| Vouchers payable          | \$ -                      | \$ 2,746                     | \$ 99,209                    | \$ 101,955        |
| Due to other funds        | 302,424                   | -                            | 15,000                       | 317,424           |
| Due to other taxing units | <u>369,149</u>            | <u>-</u>                     | <u>-</u>                     | <u>369,149</u>    |
| Total liabilities         | <u>\$ 671,573</u>         | <u>\$ 2,746</u>              | <u>\$ 114,209</u>            | <u>\$ 788,528</u> |

**City of Williamsport, Pennsylvania**  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2011

| Grantor/Program Title   | Federal CFDA Number | Program Amount | Total Received For The Year | Accrued (Deferred) Revenue January 1, 2011 | Adjustments | Revenue Recognized | Expenditures     | Accrued (Deferred) Revenue December 31, 2011 |
|---|---------------------|----------------|-----------------------------|--|-------------|--------------------|------------------|--|
| <b>U.S. Department of Housing and Urban Development:</b>  |                     |                |                             |  |             |                    |                  |  |
| Community Development Block Grant Entitlement Grants  | 14.218              | 1,268,936      | 389,694                     | 290,066                                    | -           | 99,628             | 99,628           | -  |
| Community Development Block Grant Entitlement Grants  | 14.218              | 1,374,416      | 1,374,416                   | -  | -           | 1,374,416          | 1,374,416        | -  |
| Community Development Block Grant Entitlement Grants  | 14.218              | 1,150,623      | 63,965                      | -  | -           | 63,965             | 63,965           | -  |
| Community Development Block Grant Entitlement Grants-Program Income                                     | 14.218              | N/A            | 37,827                      | -  | -           | 82,051             | 82,051           | 44,224                                       |
| Community Planning and Development - HOME Program   | 14.239              | 1,443,906      | 220,147                     | 35,049                                     | -           | 199,479            | 199,479          | 14,381                                       |
| Community Planning and Development - HOME Program - Program Income                                      | 14.239              | N/A            | 42,818                      | -  | -           | 42,818             | 42,818           | -  |
| Homeless Prevention and Rapid Re-Housing Program (ARRA)   | 14.257              | 518,859        | 72,789                      | 23,644                                     | -           | 95,506             | 95,506           | 46,361                                       |
| Community Development Block Grants/Special Purpose Grants/Insular Areas                                 | 14.225              | 260,000        | 48,846                      | 9,990                                      | -           | 72,653             | 72,653           | 33,797                                       |
| <b>Total U.S. Department of Housing and Urban Development</b>   |                     |                | <u>2,250,502</u>            | <u>358,749</u>                             | -           | <u>2,030,516</u>   | <u>2,030,516</u> | <u>138,763</u>                               |
| <b>U.S. Department of Justice:</b>  |                     |                |                             |  |             |                    |                  |  |
| Bulletproof vest partnership program  | 16.607              | 1,458          | -                           | -  | -           | 1,458              | 1,458            | 1,458  |
| Edward Byrne Memorial Justice Assistance Grant Program  | 16.738              | 17,189         | 2,569                       | -  | -           | 2,569              | 2,569            | -  |
| Edward Byrne Memorial Justice Assistance Grant Program  | 16.738              | 7,192          | 3,350                       | -  | -           | 2,193              | 2,193            | (1,157)                                      |
| Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Local Government (ARRA) | 16.804              | 70,949         | -                           | 1,805                                      | -           | 887                | 887              | 2,692  |
| <b>Total U.S. Department of Justice</b>   |                     |                | <u>5,919</u>                | <u>1,805</u>                               | -           | <u>7,107</u>       | <u>7,107</u>     | <u>2,993</u>                                 |

**City of Williamsport, Pennsylvania**  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2011

| Grantor/Program Title  | Federal CFDA Number | Program Amount | Total Received For The Year | Accrued (Deferred) Revenue January 1, 2011 | Adjustments | Revenue Recognized | Expenditures     | Accrued (Deferred) Revenue December 31, 2011 |
|--|---------------------|----------------|-----------------------------|--|-------------|--------------------|------------------|--|
| <b>U.S. Department of Transportation:</b>  |                     |                |                             |  |             |                    |                  |  |
| Federal Transit Administration Capital Improvement Grant   | 20.500              | 3,210,228      | -                           | -  | -           | -                  | -                | -  |
| Federal Transit Administration Capital Improvement Grant   | 20.500              | 1,213,592      | 9,792                       | 3,613                                      | -           | 6,179              | 6,179 *          | -  |
| Federal Transit Administration Capital Improvement Grant   | 20.500              | 3,951,000      | 1,609,412                   | 453,467                                    | -           | 1,155,945          | 1,155,945 *      | -  |
| Federal Transit Administration Capital Improvement Grant   | 20.500              | 1,425,000      | 2,028                       | 2,028                                      | -           | -                  | -                | -  |
| Federal Transit Administration Capital Improvement Grant   | 20.500              | 2,002,950      | 1,988,782                   | -  | -           | 1,988,782          | 1,988,782 *      | -  |
| Federal Transit Administration Capital and Operating Assistance Grant  | 20.507              | 712,502        | -                           | -  | -           | -                  | -                | -  |
| Federal Transit Administration Capital and Operating Assistance Grant  | 20.507              | 1,386,580      | 584,749                     | 8,621                                      | -           | 576,128            | 576,128 *        | -  |
| Federal Transit Administration Capital and Operating Assistance Grant  | 20.507              | 1,738,438      | 772,400                     | 151,092                                    | -           | 621,308            | 621,308 *        | -  |
| Federal Transit Administration Capital and Operating Assistance Grant  | 20.507              | 1,602,623      | -                           | -  | -           | 551,312            | 551,312 *        | 551,312                                      |
| Passed through Pennsylvania Department of Transportation, Federal Transit Administration Capital Improvement Grant | 20.500              | 800,000        | -                           | -  | -           | 800,000            | 800,000 *        | 800,000                                      |
| Federal Transit Administration Capital and Operating Assistance Grant  | 20.509              | 2,852,260      | 2,102,933                   | 1,640,923                                  | -           | 1,211,337          | 1,211,337        | 749,327                                      |
| Highway Planning and Construction  | 20.205              | 750,000        | 437,742                     | -  | -           | 581,570            | 581,570 *        | 143,828                                      |
| <b>Total U.S. Department of Transportation</b>   |                     |                | <b>7,507,838</b>            | <b>2,259,744</b>                           | <b>-</b>    | <b>7,492,561</b>   | <b>7,492,561</b> | <b>2,244,467</b>                             |

**City of Williamsport, Pennsylvania**  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2011

| Grantor/Program Title                             | Federal CFDA Number | Program Amount | Total Received For The Year | Accrued (Deferred) Revenue January 1, 2011 | Adjustments | Revenue Recognized  | Expenditures        | Accrued (Deferred) Revenue December 31, 2011 |
|---|---------------------|----------------|-----------------------------|--|-------------|---------------------|---------------------|--|
| <b>U.S. Department of Homeland Security:</b>      |                     |                |                             |  |             |                     |                     |  |
| Public Assistance Grant                           | 97.036              | \$ 21,056      | \$ 21,056                   | \$ -                                       | \$ -        | \$ 21,056           | \$ 21,056           | \$ -   |
| Public Assistance Grant                           | 97.036              | 1,730          | -                           | -  | -           | 1,730               | 1,730               | 1,730  |
| Public Assistance Grant                           | 97.036              | 18,766         | -                           | -  | -           | 18,766              | 18,766              | 18,766                                       |
| Public Assistance Grant                           | 97.036              | 14,108         | -                           | -  | -           | 14,108              | 14,108              | 14,108                                       |
| <b>Total U.S. Department of Homeland Security</b> |                     |                | <u>21,056</u>               |  |             | <u>55,660</u>       | <u>55,660</u>       | <u>34,604</u>                                |
| <b>Total Federal Financial Assistance</b>         |                     |                | <u>\$ 9,785,315</u>         | <u>\$ 2,620,298</u>                        | <u>\$ -</u> | <u>\$ 9,585,844</u> | <u>\$ 9,585,844</u> | <u>\$ 2,420,827</u>                          |

\* Tested as a "major" program.

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

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

Honorable Members of City Council  
City of Williamsport, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Williamsport, Pennsylvania (the "City"), as of and for the year ended December 31, 2011, and have issued our report thereon dated April 26, 2013. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Municipal Authority of the City of Williamsport (the "Municipal Authority"), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance or other matters that are reported separately by those auditors.

**Internal Control Over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-2 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2011-3.

We also noted certain matters that we reported to the management of the City in a separate letter dated April 26, 2013.

The City's responses identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Finance Committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Williamsport, Pennsylvania  
April 26, 2013

**Independent Auditors' Report  
on Compliance with Requirements That Could Have a  
Direct and Material Effect on Each Major Program  
and on Internal Control Over Compliance in  
Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the compliance of the City of Williamsport, Pennsylvania (the "City") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

## Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-3 to be a material weakness.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and therefore there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed above, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Finance Committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*ParenteBeard LLC*

Williamsport, Pennsylvania  
April 26, 2013

**City of Williamsport, Pennsylvania**

Schedule of Findings and Questioned Costs  
December 31, 2011

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: UNQUALIFIED

Internal control over financial reporting:

Material weakness(es) identified?   X   yes        no

Significant deficiency(ies) identified that are not considered to be material weaknesses?   X   yes        none reported

Noncompliance material to financial statements noted?   X   yes        no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?   X   yes        no

Significant deficiency(ies) identified that are not considered to be material weaknesses?        yes   X   none reported

Type of auditors' report issued on compliance for major programs: UNQUALIFIED

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

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

20.205

Highway Planning and Construction

20.500 & 20.507

**FEDERAL TRANSIT CLUSTER:**

20.500 Federal Transit – Capital Investment Grants

20.507 Federal Transit – Formula Grants

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

Auditee qualified as low-risk auditee?        yes   X   no

# City of Williamsport, Pennsylvania

Schedule of Findings and Questioned Costs  
December 31, 2011

## Section II - Financial Statement Findings

| Finding No. | Finding/Noncompliance  | Questioned Costs |
|-------------|--|------------------|
| 2011-1      | <b>Internal Control Over Financial Reporting –City Pension Funds</b>   |                  |
|             | <b>Criteria:</b> The City maintains three single employer defined benefit pension plans for its Police, Fire and Non-uniformed Officers and Employees (the “Pension Funds”). The Pension Funds employ an investment advisor, CS McKee; whereas investment activity is transacted by a separate securities brokerage firm, Wells Fargo (formerly Wachovia Securities), which also holds the related pension assets in safekeeping.  |                  |
|             | At December 31, 2011, the three City pension funds collectively held approximately \$60,000,000 in cash and investments, with each fund having significant activity for the year then ended.   |                  |
|             | <b>Condition/Context:</b> While sophisticated investment policies are in place, and the respective pension boards meet periodically with CS McKee and Wells Fargo (formerly Wachovia) to review investment performance, the City does not maintain its Pension Funds on its general ledger system, nor is the activity within these funds reconciled on a monthly basis by an appropriate individual within City Hall. As such, existing internal control is limited with regard to these funds. |                  |
|             | <b>Effect:</b> City management cannot be assured that its pension funds have been properly valued, credited for investment earnings and that pension fund disbursements are limited to authorize benefit payments and administrative charges.  | N/A              |
|             | <b>Cause:</b> Management considers its external professionals (broker/safe keeper, external auditor) to be a part of its internal control over financial reporting as related to its Pension Funds.  |                  |

**City of Williamsport, Pennsylvania**

Schedule of Findings and Questioned Costs  
December 31, 2011

---

| Finding No.   | Finding/Noncompliance   | Questioned Costs |
|---|---|------------------|
| <b>Recommendation:</b>  | City management should establish separate pension trust funds on its American Fundware general ledger system, and put in place monthly reconciliation procedures whereby investment activity is tracked, recorded and reconciled by an appropriate individual with adequate training in accounting for investments (e.g., recalculation of interest earned on debt securities, verification of dividends paid on equity securities, recalculation of realized gains and losses on sales, recalculation of investment advisory fees, reconciliation of monthly benefits paid to underlying support, etc.). |                  |
| <b>Views of responsible officials and planned corrective actions:</b> | See corrective action plan.   |                  |

**City of Williamsport, Pennsylvania**

Schedule of Findings and Questioned Costs  
December 31, 2011

| Finding No. | Finding/Noncompliance   | Questioned Costs |
|-------------|---|------------------|
| 2011-2      | <p><b>Internal Control Over Financial Reporting – Segregation of Duties</b></p> <p><b>Criteria:</b> Adequate segregation of duties between accounting functions is essential to good internal control. The absence of segregation of duties and responsibilities generally precludes meaningful internal accounting controls.</p> <p><b>Condition/Context:</b> The responsibility for the performance of accounting duties surrounding the cash receipts cycle is vested in a limited number of employees.</p> <p><b>Effect:</b> Without proper segregation of accounting functions, errors or fraud could occur and go undetected.</p> <p><b>Cause:</b> The City employs a limited number of accounting personnel.</p> <p><b>Recommendation:</b> While it is advisable to have adequate segregation of duties among employees, the cost of such implementation must be weighed against the benefits to be derived. The cost which would result from increasing the number of employees to more fully segregate duties in your organization may exceed any internal control benefits to be derived. We feel that this internal control weakness is somewhat mitigated by the active involvement of the Budget and Fiscal Officer and Controller in the City’s operational activities. You must, however, be aware of the possible impact of the internal control weaknesses which exist and continue to involve these individuals in financial accounting matters.</p> <p><b>Views of responsible officials and planned corrective actions:</b> See corrective action plan.</p> | N/A              |

## City of Williamsport, Pennsylvania

---

Schedule of Findings and Questioned Costs  
December 31, 2011

### Section III – Federal Award Findings and Questioned Costs

#### Completion and Submission of Annual Single Audit

2011-3

**Criteria:** The City is required to undergo and complete a Single Audit and file the Single Audit and related Data Collection Form within 9 months of its fiscal year-end.

**Condition/Context:** The City's Single Audit and reporting package was delayed for the year ended December 31, 2011 beyond the 9-month due date.

**Cause:** The City encountered some turnover in its accounting staff which led to being behind with its year-end close in connection with its December 31, 2011 audit.

**Effect:** The City is not in compliance with the Single Audit reporting requirements.

**Recommendation:** We recommend that the City develop an internal procedure to ensure that the books are closed expediently to enable the preparation and completion of the Single Audit within the appropriate time frame.

**Views of Responsible  
Officials and Planned**

**Corrective Actions:** See corrective action plan.

# City of Williamsport, Pennsylvania

Summary Schedule of Prior Audit Findings  
December 31, 2011

---

| Finding No. | Finding/Noncompliance | Questioned<br>Costs |
|-------------|-----------------------|---------------------|
|-------------|-----------------------|---------------------|

---

## Section IV – Summary of Prior Year’s Findings and Questioned Costs

**2010-1**      **Internal control Over Financial Reporting – City Pension Funds**

Prior year finding 2010-1 is repeated as current year finding 2011-1.

**2010-2**      **Internal Control Over Financial Reporting – Segregation of Duties**

Prior year finding 2010-2 is repeated as current year finding 2011-2.