City of Williamsport, Pennsylvania

Basic Financial Statements and
Supplementary Information

December 31, 2012

ParenteBeard

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Independent Auditors' Report

Honorable Members of City Council
City of Williamsport, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamsport, Pennsylvania (the "City"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Municipal Authority of the City of Williamsport (the "Municipal Authority"), which represents 100% of the assets, liabilities, net position, revenues and expenses of that discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Municipal Authority, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamsport, Pennsylvania, as of December 31, 2012, and the respective changes in net position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13, Schedule of Funding Progress – Pension Trust Funds on page 64, Schedule of Employer Contributions – Pension Trust Funds on page 65, and the Schedule of Funding Progress – Other Postemployment Benefits on page 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The schedule of expenditures of federal awards on pages 73 through 75, required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The combining nonmajor governmental and fiduciary fund financial statements on pages 68 through 72 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 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 in considering the City's internal control over financial reporting and compliance.

ParenteBeard LLC

Williamsport, Pennsylvania
October 23, 2013

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, 2012. The City's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the City's primary government. Component units, unless otherwise noted, are not included in this discussion.

Financial Highlights

- The City's total net position decreased by $6,001,000. Net assets related to governmental activities decreased by $4,970,000, whereas net position of the City's business-type activity decreased by $1,031,000.

- As of December 31, 2012, net position of the City's governmental activities were $7,881,000.

- The unassigned fund balance of the General Fund was $2,947,000, or 16.6 percent of total General Fund expenditures and transfers out.

- The excess of revenues and other financing sources over expenditures and other financing uses was $249,000 within the City's General Fund for the year ended December 31, 2012. This is in contrast to the $1,893,000 deficit spending that was anticipated in the City's 2012 General Fund original budget.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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 five 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 68 and 69 of this report.

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

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

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 24 and 25 of this report. Individual fund data for each of the individual funds that comprise the City's various fiduciary fund types is provided in the form of *combining statements* located on pages 70 through 72 in this report.

Notes to the financial statements. The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 63 of this report.

Other information. The combining statements referred to earlier in connection with governmental and fiduciary fund types are presented on pages 68 through 72.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities at December 31, 2012 and 2011 by approximately $46,838,000 and $52,838,000, respectively.

The City's net position reflected an investment in capital assets (e.g. land, buildings and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The City's investment in its capital assets reported net of related debt as related to its governmental activities was $21,149,000 and $21,102,000 at December 31, 2012 and 2011, respectively. The City's investment in its capital assets reported net of related debt as related to its business-type activities was $37,494,000 and $35,923,000 December 31, 2012 and 2011, respectively.

Condensed Statement of Net Assets
December 31, 2012 and 2011
(In Thousands)

	Total Governmental Activities		Business-Type Activity Enterprise Funds		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 13,243	$ 12,517	$ 5,270	$ 8,177	$ 18,513	$ 20,694
Capital assets, net	29,544	29,312	37,420	36,252	66,964	65,564
Total assets	42,787	41,829	42,690	44,429	85,477	86,258
Other liabilities	7,174	6,038	1,628	1,264	8,802	7,302
Long-term liabilities outstanding	27,732	22,940	2,105	3,178	29,837	26,118
Total liabilities	34,906	28,978	3,733	4,442	38,639	33,420
Net investment in capital assets	21,149	21,102	37,494	35,923	58,643	57,025
Restricted	2,508	2,198	-	-	2,508	2,198
Unrestricted	(15,776)	(10,449)	1,463	4,064	(14,313)	(6,385)
Total	$ 7,881	$ 12,851	$ 38,957	$ 39,987	$ 46,838	$ 52,838

The restricted portion of the City's net position, $2,508,000 and $2,198,000 at December 31, 2012 and 2011, respectively, represent resources that are subject to external restrictions on how they may be used.

At the end of 2012 and 2011 the City is able to report positive balances in net position, for the government as a whole, as well as for its business-type activity. The City's overall financial position weakened in 2012 reflected in the $6,001,000 decrease in total net position for the year ended December 31, 2012.

Condensed Statement of Activities
December 31, 2012 and 2011
(In Thousands)

	Governmental Activities		Business-Type Activity		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program:						
Charges for services	$ 1,110	$ 1,039	$ 1,460	$ 1,219	$ 2,570	$ 2,258
Operating grants and contributions	1,737	2,796	5,933	11,016	7,670	13,812
Capital grants and contributions	1,083	2,712	35	1,478	1,118	4,190
General:						
Taxes	15,473	14,759	-	-	15,473	14,759
Grants and Charges – unrestricted	2,164	2,343	-	-	2,164	2,343
Unrestricted investment income	352	323	-	-	352	323
Gain/(Loss) on disposal of assets	(5)	(615)	-	-	(5)	(615)
Miscellaneous	398	429	-	-	398	429
Total revenues	22,312	23,786	7,428	13,713	29,740	37,499
Expenses:						
General government	2,812	3,233	-	-	2,812	3,233
Public works – highways and streets	2,487	4,936	-	-	2,487	4,936
Other public works enterprises	1,526	1,831	-	-	1,526	1,831
Public safety	18,694	15,357	-	-	18,694	15,357
Culture and recreation	803	740	-	-	803	740
Revolving loans and grants	256	296	-	-	256	296
Revolving outlay (elimination of blight)	-	4	-	-	-	4
Interest on long-term debt	326	314	-	-	326	314
Williamsport Bureau of Transportation	-	-	8,806	7,879	8,806	7,879
Total expenses	26,904	26,711	8,806	7,879	35,710	34,590
Increase (decrease in net position before transfers	(4,592)	(2,925)	(1,378)	5,834	(5,970)	2,909
Transfers	(378)	(387)	347	359	(31)	(28)
Change in net position	(4,970)	(3,312)	(1,031)	6,193	(6,001)	2,881
Net position, January 1	12,851	16,163	39,988	33,795	52,839	49,958
Net position, December 31	$ 7,881	$ 12,851	$ 38,957	$ 39,988	$ 46,838	$ 52,839

Governmental Activities. Governmental activities decreased the City's net position by $4,970,000 and $3,312,000 for the years ended December 31, 2012 and 2011, respectively. The decrease in net position is due to the outlay for post-employment benefits other than pensions.

Business-type activities. The Williamsport Bureau of Transportation (d/b/a "River Valley Transit"), functioning as a business-type activity of the City of Williamsport, experienced a decrease in net position of $1,031,000 and an increase of $6,193,000 for the years ended December 31, 2012 and 2011, respectively. The decrease in 2012 relates to the need to access capital reserves for ongoing capital projects including the Church Street Transportation Center.

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, 2012 and 2011, the City's governmental funds reported combined ending fund balances of $6,498,000 and $5,423,000, respectively. The City's unassigned fund balance, which is available for spending at the government's discretion, was $2,947,000 and $2,833,000 at December 31, 2012 and 2011, respectively. The remainder of the fund balance at December 31, 2012 is nonspendable, restricted for Liquid Fuels tax purposes, Community Development activities, debt service payments, and assigned for flood levee accreditation, an emergency site replacement program and street reconstruction projects.

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

Unrestricted net position of the City's Enterprise funds at December 31, 2012 and 2011 amounted to $1,463,000 and $4,065,000, respectively, and those for the Internal Service funds amounted to $471,000 and $430,000, respectively. The total change in net position for the Enterprise Fund and Internal Service Fund amounted to a decrease of $1,028,000 and an increase of $6,180,000 for the years ending December 31, 2012 and 2011, 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 2012, including transfers out, was approximately $19.3 million; this represents an increase of $1,130,000 (6.2%) from 2011. The General Fund expenditure budget for fiscal year 2011 was approximately $18.2 million.

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, 2012, the *unassigned fund balance* of the General Fund was $2,947,000. During 2012, the City's General Fund balance increased by $249,000. As a measure of the General Fund's liquidity, the *unassigned fund balance* represents 16.6 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, 2012 was slightly below the recommended limits.

Revenues of the General Fund totaled $18.0 million and $18.1 million for the years ended December 31, 2012 and 2011, respectively, representing a year-to-year decrease of $122,000 (0.67%). The following represents a summary of General Fund revenue by source.

	2012	2011
Revenues (In Thousands)		
Taxes	$ 15,441	$ 14,781
Licenses and permits	626	741
Fines and forfeits	217	209
Interest, rents and royalties	11	11
Intergovernmental	1,217	1,863
Charges for services	172	97
Miscellaneous	327	431
Total	$ 18,011	$ 18,133

The General Fund's operations were also supported by operating transfers in which totaled $22,500 and $22,500 during the years ended December 31, 2012 and 2011, respectively. Additional details relating to interfund transfers can be found in Note 8 on pages 43 and 44.

General Fund expenditures totaled $16,893,000 and $16,668,000 for the years ended December 31, 2012 and 2011, respectively, which represents an increase of $225,000 (1.4%). The following represents a summary of General Fund expenditures for the years ended December 31, 2012 and 2011, by source:

	2012	2011
Expenses (In Thousands)		
General government	$ 1,756	$ 1,527
Public works – highways and streets	1,789	1,729
Other public works enterprises	253	279
Public safety	12,482	12,470
Culture and recreation	612	655
Debt service	1	8
Total	$ 16,893	$ 16,668

In addition, the General Fund made operating transfers out to other governmental, proprietary and fiduciary funds in the amount of $891,000 and $829,000 during the years ended December 31, 2012 and 2011.

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 deficiency of revenues and other financing sources over expenditures and other financing uses of $9,000 and $12,000 for the years ended December 31, 2012 and 2011. The CDBG Fund's fund balance of $24,000 and $33,000 at December 31, 2012 and 2011, 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 16 and 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, 2012, the City expended $1,587,000 for such projects. The major capital projects in 2012 consisted of work on the William Street Redevelopment Project and the Pathways to Health Project. The fund balance of the Capital Projects Fund at December 31, 2012 totaled $305,000.

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:

Fund	Activities
Community Development Home Rehab	Housing
Liquid Fuels	Maintenance of streets
Redevelopment Authority	Housing
Homeless Prevention & Rapid Rehousing Program	Housing
Act 13	Infrastructure/Housing

Operating revenues over expenditures totaled $579,000 and $(16,000) for 2012 and 2011, respectively, after operating transfers. The nonmajor financial statements can be found on pages 68 and 69.

Pension Trust Funds

The City maintains three single employer defined benefit pension trust funds (Police, Fire Officers & Employees). These funds are used to account for the Employee Retirement Plan contributions of the City and its employees, related benefit payments and other plan costs. The net position held for pension benefits were $65,156,000 and $60,667,000 at December 31, 2012 and 2011, respectively, representing a year-to-year increase of $4,488,000 or 7.4 percent. The City transferred from the General Fund the Annual Required Contribution of $2,150,110 to the Pension Trust Fund. Additional information on the employee pension funds can be found in Note 11 starting on page 49 of this report.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2012 and 2011 were $67,220,000 and $67,221,000, 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	
	2012	2011	2012	2011	2012	2011
Land & improvements	$ 3,834,252	$ 3,956,715	$ 1,339,131	$ 1,369,769	$ 5,173,383	$ 5,326,484
Infrastructure	20,165,363	19,509,113	-	-	20,165,363	19,509,113
Buildings	1,866,043	2,006,562	27,411,956	16,901,550	29,277,999	18,908,112
Construction in process	1,266,704	1,377,288	1,091,393	11,760,129	2,358,097	13,137,417
Furniture	855,895	938,882	-	-	855,895	938,882
Museum exhibits	-	-	536,099	536,099	536,099	536,099
Property held under capital lease	-	-	1,612,585	1,657,483	1,612,585	1,657,483
Vehicles	1,555,524	1,522,965	7,041,087	5,684,848	7,240,372	7,207,813
Total	$ 29,543,781	$ 29,311,525	$ 39,032,251	$ 37,909,878	$ 67,219,793	$ 67,221,403

Long-Term Debt

Changes in the City's notes payable for the years ended December 31, 2012 and 2011 were as follows (in thousands):

	Governmental	Business-type	Total
Notes/lease rentals payable at January 1, 2011	$ 6,308,441	$ 3,900,267	$ 10,208,708
Additions	1,769,633	569,296	2,338,929
Payments	(127,571)	(1,285,905)	(1,413,476)
Notes/lease rentals payable December 31, 2011	7,950,503	3,183,658	11,134,161
Additions	350,000	500,000	850,000
Payments	(133,131)	(1,005,788)	(1,138,919)
Notes/lease payable December 31, 2012	$ 8,167,372	$ 2,677,870	$ 10,845,242

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

Economic Condition

Unemployment (as per the U.S. Department of Labor, Bureau of Labor Statistics) in the Williamsport area was 8.2 percent at the end of 2012, which is an increase compared with 7.0 percent at the end of 2011. The 2012 rate is higher than Pennsylvania's overall unemployment rate (not seasonally adjusted) of 7.9 percent. The City is in a period of economic uncertainty; however, the general economic outlook is positive with major construction occurring in the Central Business District.

Requests for Information

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

City of Williamsport, Pennsylvania

Statement of Net Position
December 31, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activity	Total	Municipal Authority	Parking Authority
Assets					
Cash and cash equivalents	$ 5,344,723	$ 848,350	$ 6,193,073	$ 16,426	$ 372,334
Receivables (net of allowance for uncollectibles):					
Taxes	1,367,501	-	1,367,501	-	-
Loans	3,634,743	-	3,634,743	-	-
Other	1,792,886	103,224	1,896,110	34,890	121,161
Internal balances	150,503	(150,503)	-	-	-
Due from fiduciary funds	236,054	-	236,054	-	-
Due from other governments	537,564	1,240,906	1,778,470	5,601,115	-
Inventories, at cost	154,337	406,616	560,953	-	-
Prepaid expenses	-	69,261	69,261	-	-
Capital assets, net of accumulated depreciation:					
Land, land improvements and monuments	3,834,252	1,339,131	5,173,383	-	1,061,440
Infrastructure	20,165,363	-	20,165,363	-	-
Buildings and improvements	1,866,043	27,411,956	29,277,999	-	3,379,890
Vehicles and equipment	2,411,419	7,577,186	9,988,605	-	43,003
Construction in process	1,266,704	1,091,393	2,358,097	-	-
Property held under capital lease, net	-	1,612,585	1,612,585	-	-
Net Investment in direct financing leases	-	1,139,678	1,139,678	-	-
Deferred financing costs	25,269	-	25,269	-	-
Total assets	42,787,361	42,689,783	85,477,144	5,652,431	4,977,828
Liabilities					
Accounts payable and accrued expenses	1,024,004	247,130	1,271,134	-	69,234
Accrued liabilities	446,054	74,140	520,194	34,890	10,734
Compensated absences	83,150	443,869	527,019	-	-
Matured bonds payable	5,000	-	5,000	-	-
Due to other governments	2,400	-	2,400	-	-
Due to private purpose trust fund	530	5,486	6,016		
Deferred revenues	3,688,001	284,013	3,972,014	1,600	8,077
Noncurrent liabilities:					
Portion due or payable within one year:					
Capital leases payable	43,593	-	43,593	-	-
Notes payable	1,881,846	572,655	2,454,501	146,563	138,539
Portion due or payable after one year:					
Compensated absences payable	1,717,063	-	1,717,063	-	-
Capital leases payable	183,658	-	183,658	-	-
Notes payable	6,285,526	2,105,215	8,390,741	5,454,552	2,196,003
Unearned lease income, net	-	-	-	-	76,682
Other postemployment benefits	18,759,663	-	18,759,663	-	-
Net pension obligation	786,070	-	786,070	-	-
Total liabilities	34,906,558	3,732,508	38,639,066	5,637,605	2,499,269
Net Position					
Net investment in capital assets	21,149,158	37,494,059	58,643,217	-	2,149,791
Restricted for:					
Liquid fuels tax purposes	171,887	-	171,887	-	-
HOME activities	63,012	-	63,012	-	-
Home rehabilitation purposes	40,514	-	40,514	-	-
Debt Service	602,967	-	602,967	-	-
Redevelopment activities	6,454	-	6,454	-	-
Reserved for grant purposes	1,246,288	-	1,246,288	-	-
Reserved for encumbrances	376,765	-	376,765	-	-
Unrestricted, undesignated	(15,776,242)	1,463,216	(14,313,026)	14,826	328,768
Total net position	$ 7,880,803	$ 38,957,275	$ 46,838,078	$ 14,826	$ 2,478,559

See notes to financial statements

City of Williamsport, Pennsylvania

Statement of Activities
Year Ended December 31, 2012

		Program Revenue			Net (Expense) Revenue And Changes In Net Position				
					Primary Government			Component Units	
Functions/Programs	**Expenses**	**Changes For Services**	**Operating Grants And Contributions**	**Capital Grants And Contributions**	**Governmental Activities**	**Business-Type Activity**	**Total**	**Muncipal Authority**	**Parking Authority**
Primary Government									
Governmental activities:									
General government	$ 2,812,486	$ 604,553	$ 30,221	$ -	$ (2,177,712)		$ (2,177,712)		
Public works - highways and streets	2,487,423	32,150	662,281	1,064,639	(728,353)		(728,353)		
Other public works enterprises	1,526,140	-	153,206	18,443	(1,354,491)		(1,354,491)		
Public safety	18,694,232	219,327	864,747	-	(17,610,158)		(17,610,158)		
Culture and recreation	803,032	32,904	26,870	-	(743,258)		(743,258)		
Revolving loans and grants	255,940	220,749	-	-	(35,191)		(35,191)		
Interest on Long-term debt	325,578	-	-	-	(325,578)		(325,578)		
Total governmental activities	26,904,831	1,109,683	1,737,325	1,083,082	(22,974,741)		(22,974,741)		
Business-Type Activity									
River Valley Transit	8,805,622	1,459,490	5,933,110	35,027		$ (1,377,995)	(1,377,995)		
Total primary government	$ 35,710,453	$ 2,569,173	$ 7,670,435	$ 1,118,109	(22,974,741)	(1,377,995)	(24,352,736)		
Component Units									
Municipal Authority	$ 459,531	$ 455,348	$ -	$ -				$ (4,183)	$ -
Parking Authority	750,537	1,055,512	-	-				-	304,975
Total component units	$ 1,210,068	$ 1,510,860	$ -	$ -				(4,183)	304,975
		General Revenues:							
		Taxes:							
		Real estate			10,077,647	-	10,077,647	-	-
		Earned income			1,989,313	-	1,989,313	-	-
		Business privilege			1,620,582	-	1,620,582	-	-
		Local services			1,091,912	-	1,091,912	-	-
		Mercantile			360,230	-	360,230	-	-
		Real estate transfer			298,884	-	298,884	-	-
		Other			34,346	-	34,346	-	-
		Grants and charges not restricted to specific programs			2,164,072	-	2,164,072	-	-
		Unrestricted investment earnings			351,875	-	351,875	13	15,666
		Miscellaneous			398,825	-	398,825	-	6,840
		Loss on disposal of assets			(5,109)	-	(5,109)	-	-
		Transfers among governmental/business type activities			(359,662)	359,662	-	-	-
		Payments to fiduciary funds			(18,031)	(12,083)	(30,114)	-	-
		Total general revenues and transfers			18,004,884	347,579	18,352,463	13	22,506
		Change in Net Position			(4,969,857)	(1,030,416)	(6,000,273)	(4,170)	327,481
		Net Position, Beginning			12,850,660	39,987,691	52,838,351	18,996	2,151,078
		Net Position, Ending			$ 7,880,803	$ 38,957,275	$ 46,838,078	$ 14,826	$ 2,478,559

See notes to financial statements

City of Williamsport, Pennsylvania

Balance Sheet
Governmental Funds
December 31, 2012

	General Fund	CDBG	HOME	Capital Projects	Non-Revenue Escrow	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	$ 1,200,451	$ 53,445	$ 54,941	$ 885,909	$ 1,464,469	$ 277,232	$ 835,465	$ 4,771,912
Receivables:								
Taxes	1,367,501	-	-	-	-	-	-	1,367,501
Loans	-	609,827	1,788,059	-	1,219,497	-	17,360	3,634,743
Other	912,734	-	-	876,208	3,880	-	14	1,792,836
Due from other funds	1,773,079	230	11,630	-	15,154	325,735	-	2,125,828
Due from other governments	-	10,465	7,059	516,518	1,122	-	2,400	537,564
Inventories, at cost	154,337	-	-	-	-	-	-	154,337
Total assets	$ 5,408,102	$ 673,967	$ 1,861,689	$ 2,278,635	$ 2,704,122	$ 602,967	$ 855,239	$ 14,384,721
Liabilities and Fund Balances								
Liabilities:								
Vouchers payable	$ 397,324	$ 628	$ 10,618	$ 551,626	$ 5,062	$ -	$ 41,177	$ 1,006,435
Accrued liabilities	438,468	6,052	-	-	686	-	-	445,206
Compensated absences	78,377	4,226	-	-	547	-	-	83,150
Matured bonds payable	5,000	-	-	-	-	-	-	5,000
Due to other funds	760	26,784	-	1,422,431	206,273	-	-	1,656,248
Due to other goverments	-	2,400	-	-	-	-	-	2,400
Deferred revenue	1,010,550	609,827	1,788,059	-	1,244,754	-	35,360	4,688,550
Total liabilities	1,930,479	649,917	1,798,677	1,974,057	1,457,322	-	76,537	7,886,989
Fund balances:								
Nonspendable	154,337	-	-	-	-	-	-	154,337
Restricted	-	24,050	63,012	-	1,246,800	602,967	778,702	2,715,531
Assigned	376,765	-	-	304,578	-	-	-	681,343
Unassigned	2,946,521	-	-	-	-	-	-	2,946,521
Total fund balances	3,477,623	24,050	63,012	304,578	1,246,800	602,967	778,702	6,497,732
Total liabilities and fund balances	$ 5,408,102	$ 673,967	$ 1,861,689	$ 2,278,635	$ 2,704,122	$ 602,967	$ 855,239	$ 14,384,721

See notes to financial statements

City of Williamsport, Pennsylvania

Reconciliation of the Balance Sheet of the Governmental Funds
To the Statement of Net Position
December 31, 2012

Total Fund Balance, Governmental Funds		$ 6,497,732
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not reported as assets in governmental funds. The cost of assets is $50,346,903 and the accumulated depreciation is ($20,803,122).		29,543,781
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	$ (8,167,372)	
Capital lease payable	(227,251)	
Compensated absences (long-term)	(1,717,063)	
Other postemployment benefits	(18,759,663)	
Net pension obligation	(786,070)	
		(29,657,419)
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 ($11,875).		25,269
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.		1,000,553
Internal service funds are used by management to charge the operating costs of City Hall to individual funds. The assets and liabilities of the internal service fund ("City Hall Operating Fund") are included in the statement of net position.		470,887
Net Position of Governmental Activities in the Statement of Net Position		$ 7,880,803

See notes to financial statements

City of Williamsport, Pennsylvania

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2012

	General Fund	CDBG	HOME	Capital Projects	Non-Revenue Escrow	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes	$ 15,441,235	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,441,235
Licenses and permits	625,937	-	-	-	-	-	-	625,937
Fines and forfeits	217,107	-	-	-	-	-	-	217,107
Interest, rents and royalties	11,116	-	55	-	47,359	-	1,044	59,574
Intergovernmental:								
Federal	-	776,200	259,096	1,064,639	103,943	-	92,953	2,296,831
State	853,837	-	-	-	68,698	-	1,192,479	2,115,014
Local	362,882	-	-	-	7,221	-	16,300	386,403
Charges for services	172,234	-	-	-	50,961	-	-	223,195
Collection on loans	-	8,539	133,239	-	80,320	-	13,190	235,288
Miscellaneous	326,649	-	-	89,521	18,226	-	14,002	448,398
Total revenues	18,010,997	784,739	392,390	1,154,160	376,728	-	1,329,968	22,048,982
Expenditures								
Current:								
General government	1,755,516	286,479	100,299	68,070	132,444	-	14,498	2,357,306
Public works	1,789,173	232,346	-	1,506,029	-	-	612,483	4,140,031
Other public works enterprises	252,819	-	-	-	55,340	-	-	308,159
Public safety	12,482,427	209,671	-	12,965	47,095	-	-	12,752,158
Culture and recreation	612,280	-	-	-	32,547	-	-	644,827
Revolving loans and grants	-	41,145	245,440	-	-	-	10,500	297,085
Capital outlay	-	23,296	-	-	-	-	-	23,296
Total expenditures	16,892,215	792,937	345,739	1,587,064	267,426	-	637,481	20,522,862
Excess (deficiency) of revenues over expenditures	1,118,782	(8,198)	46,651	(432,904)	109,302	-	692,487	1,526,120
Other Financing Sources (Uses)								
Proceeds from draws on note payable/capital lease obligations	-	-	-	-	-	350,000	-	350,000
Debt service	(1,080)	-	-	-	-	(457,629)	-	(458,709)
Transfers in	22,500	20,500	-	470,000	-	525,163	-	1,038,163
Transfers out	(891,087)	(21,331)	(2,916)	-	(2,500)	(350,000)	(113,022)	(1,380,856)
Total other financing sources (uses)	(869,667)	(831)	(2,916)	470,000	(2,500)	67,534	(113,022)	(451,402)
Net Change in Fund Balances	249,115	(9,029)	43,735	37,096	106,802	67,534	579,465	1,074,718
Fund Balances - Beginning	3,228,508	33,079	19,277	267,482	1,139,998	535,433	199,237	5,423,014
Fund Balances - Ending	$ 3,477,623	$ 24,050	$ 63,012	$ 304,578	$ 1,246,800	$ 602,967	$ 778,702	$ 6,497,732

See notes to financial statements

City of Williamsport, Pennsylvania

Reconciliation of the Statement of Revenues, Expenditures,
And Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended December 31, 2012

Net Change in Fund Balances - Total Governmental Funds	$	1,074,718
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.		237,365
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).		38,479
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).		(5,109)
The repayment of principal on capital leases is expended in the funds; however, such payments reduce the capital lease liability within the statement of net position. This amount represents the dollar value of principal payments made on capital leases payable during 2012.		307,210
Certain compensated absences payable are considered long-term in nature, are not reported as liabilities within the funds. Such liabilities are, however, reported within the statement of net position, and changes in these liabilities are reflected within the statement of activities. This amount represents the change in long-term compensated absences payable for the year ended December 31, 2012.		(164,210)
The net pension obligation related to the City's pension plans is considered long-term in nature, and is not reported as a liability within the funds. This liability is, however, reported within the statement of net position, and changes in this liability are reflected within the statement of activities.		(786,070)
Other postemployment benefits payable are considered long-term in nature, are not reported as liabilities within the funds. Such liabilities are, however, reported within the statement of net position, and changes in these liabilities are reflected within the statement of activities.		(5,191,737)
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.		2,818
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 position. This amount represents the dollar value of principal payments made on notes payable during 2012.		133,131
Reconciling items relating to long-term debt activites are as follows:		
Issuance of debt		(350,000)
Issuance of capital leases		(275,288)
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.		11,436
Change in Net Position of Governmental Activities	$	(4,969,857)

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, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance With Final Budget - Positive (Negative)
Revenues				
Taxes	$ 14,917,005	$ 14,917,005	$ 15,441,235	$ 524,230
Licenses and permits	575,000	575,000	625,937	50,937
Fines and forfeits	204,000	204,000	217,107	13,107
Interest, rents, royalties and investment gains	8,500	8,500	11,116	2,616
Intergovernmental:				
State	883,000	883,000	853,837	(29,163)
Local	376,712	376,712	362,882	(13,830)
Charges for services	122,025	122,025	172,234	50,209
Miscellaneous	353,700	353,700	326,649	(27,051)
Total revenues	17,439,942	17,439,942	18,010,997	571,055
Expenditures				
Current:				
General government	1,858,505	1,856,480	1,755,516	100,964
Public works - highways and streets	2,047,692	2,031,292	1,789,173	242,119
Other public works enterprises	384,102	384,102	252,819	131,283
Public safety	13,470,414	13,468,014	12,482,427	985,587
Culture and recreation	694,322	715,147	612,280	102,867
Debt service	10,000	10,000	1,080	8,920
Total expenditures	18,465,035	18,465,035	16,893,295	1,571,740
(Deficit) Excess of Revenues Over Expenditures	(1,025,093)	(1,025,093)	1,117,702	2,142,795
Other Financing Sources (Uses)				
Transfers in	22,500	22,500	22,500	-
Transfers out	(890,000)	(890,000)	(891,087)	(1,087)
Total other financing uses	(867,500)	(867,500)	(868,587)	(1,087)
Net Change in Fund Balances	(1,892,593)	(1,892,593)	249,115	2,141,708
Fund Balances, Beginning	2,022,237	2,022,237	3,228,508	1,206,271
Fund Balances, Ending	$ 129,644	$ 129,644	$ 3,477,623	$ 3,347,979

See notes to financial statements

City of Williamsport, Pennsylvania

Statement of Net Position
Proprietary Funds
December 31, 2012

	Business-Type Activity (RVT)	Internal Service Fund (CHO)
Assets		
Current assets:		
Cash and cash equivalents	$ 848,350	$ 572,807
Other accounts receivable	103,224	50
Due from other funds	8,247	-
Due from other governments	1,240,906	-
Inventories, at cost	406,616	-
Prepaid expenses	69,261	-
Total current assets	2,676,604	572,857
Capital assets:		
Land and improvements	1,525,878	1
Buildings and improvements	33,881,527	1,381,036
Equipment	19,103,298	115,482
Construction in progress	1,091,393	-
Less accumulated depreciation	(18,182,430)	(1,099,956)
Net capital assets	37,419,666	396,563
Net investment in direct financing leases	1,139,678	-
Property held under capital lease, net	1,612,585	-
Total assets	$ 42,848,533	$ 969,420
Liabilities and Net Position		
Current liabilities:		
Current portion of notes payable	$ 572,655	$ -
Vouchers payable	247,130	17,568
Accrued liabilities	74,140	849
Compensated absences	443,869	-
Due to other funds	164,236	83,553
Deferred revenue	284,013	-
Total current liabilities	1,786,043	101,970
Non-current liability,		
Long-term portion of notes payable	2,105,215	-
Net position		
Net investment in capital assets	37,494,059	396,563
Unrestricted	1,463,216	470,887
Total net position	38,957,275	867,450
Total liabilities and net position	$ 42,848,533	$ 969,420

See notes to financial statements

City of Williamsport, Pennsylvania

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2012

	Business-Type Activity (RVT)	Internal Service Fund (CHO)
Operating Revenues		
Charges for services	$ 1,459,490	$ 299,800
Operating Expenses		
Wages and salaries	3,353,154	23,467
Depreciation	2,218,273	38,479
Employee benefits	984,563	21,789
Administrative expense	595,049	-
Materials and supplies	1,143,086	155,346
Maintenance	215,243	22,901
Insurance	213,037	-
Total operating expenses	8,722,405	261,982
Operating (Loss) Income	(7,262,915)	37,818
Nonoperating Revenues (Expenses)		
Subsidies from other governments:		
State	3,254,210	-
Federal	2,553,715	-
Local	160,212	-
Loss on disposal of assets	-	
Miscellaneous	-	-
Interest expense	(83,217)	-
Total nonoperating revenues (expenses)	5,884,920	-
Income Before Other Financing Sources (Uses)	(1,377,995)	37,818
Other Financing Sources (Uses)		
Operating transfers in	359,662	-
Operating transfers out	(12,083)	(35,000)
Total other financing sources (uses), net	347,579	(35,000)
Net (Loss) Income	(1,030,416)	2,818
Net Position, Beginning	39,987,691	864,632
Net Position, Ending	$ 38,957,275	$ 867,450

See notes to financial statements

City Of Williamsport, Pennsylvania

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2012

	Business-Type Activity (RVT)	Internal Service Fund (CHO)
Cash Flows from Operating Activities		
Cash received from users	$ 1,401,376	$ 299,850
Cash payments to employees for services	(4,288,965)	(45,038)
Cash paid to suppliers for goods and services	(2,447,965)	(173,669)
Internal activity - receipts from other funds	114,968	39,860
Net cash (used in) provided by operating activities	(5,220,586)	121,003
Cash Flows from Non-Capital Financing Activities		
Operating subsidies and transfers from (to) other funds	4,797,080	(35,000)
Cash Flows from Capital and Related Financing Activities		
Subsidies received from other governments	3,649,786	-
Payments for capital acquisitions	(3,340,647)	-
Principal payments on long-term debt	(1,005,788)	-
Interest payments on long-term debt	(83,217)	-
Proceeds from long-term debt	500,000	-
Payments received under direct financing leases	57,267	-
Net cash used in capital and related financing activities	(222,599)	-
(Decrease) Increase in Cash and Cash Equivalents	(646,105)	86,003
Cash and Cash Equivalents, Beginning	1,494,455	486,804
Cash and Cash Equivalents, Ending	$ 848,350	$ 572,807
Reconciliation of Operating (Loss) Income to Net Cash (Used in) Provided by Operating Activities		
Operating (loss) income	$ (7,262,915)	$ 37,818
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Depreciation	2,218,273	38,479
Changes in assets and liabilities:		
Other accounts receivable	(58,114)	50
Due to/from other funds, net	114,968	39,860
Prepaids	(2,219)	-
Inventories	(21,760)	-
Vouchers payable	(257,571)	4,578
Other operating liabilities	48,752	218
Net Cash (Used in) Provided by Operating Activities	$ (5,220,586)	$ 121,003

See notes to financial statements

City of Williamsport, Pennsylvania

Statement of Fiduciary Net Position
December 31, 2012

	Pension Trust Funds	Private Purpose Trusts	Agency Funds
Assets			
Cash and cash equivalents	$ 513,696	$ -	$ 688,764
Receivables,			
Other	174,527	-	-
Due from other funds	-	6,016	-
Investments, at fair value:			
U.S. Government securities	5,494,058	-	-
Corporate bonds	10,106,459	-	-
Domestic equity securities	38,153,697	-	-
Certificates of deposit	10,732,883	-	-
Total investments	64,487,097	-	-
Total assets	$ 65,175,320	$ 6,016	$ 688,764
Liabilities			
Vouchers payable	$ -	$ 6,016	$ 152,319
Due to other funds	19,300	-	216,754
Due to other taxing units	-	-	319,691
Total liabilities	19,300	6,016	$ 688,764
Net Position			
Held in trust for pension benefits	65,156,020	-	
Reserved for workers' compensation	-	-	
Total net position	65,156,020	-	
Total liabilities and net position	$ 65,175,320	$ 6,016	

See notes to financial statements

City of Williamsport, Pennsylvania

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2012

	Pension Trust Funds	Private Purpose Trusts
Additions		
Contributions:		
Employer	$ 1,074,529	$ -
Transfers in	-	30,114
Commonwealth of Pennsylvania	1,075,580	-
Employees	527,512	-
Miscellaneous	12,321	-
Total contributions	2,689,942	30,114
Investment earnings:		
Interest and dividends	1,520,035	-
Net appreciation in fair value of investments	4,113,835	-
Other investment income	132,176	-
Total investment gains	5,766,046	-
Less Investment Expense	(161,200)	-
Net Investment Income	5,604,846	-
Total additions	8,294,788	30,114
Deductions		
Benefits	3,762,345	30,114
Administrative	43,827	-
Total deductions	3,806,172	30,114
Change in Net Position	4,488,616	-
Net Position, Beginning	60,667,404	-
Net Position, Ending	$ 65,156,020	$ -

See notes to financial statements

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.

Discretely Presented Component Unit	Brief Description of Activities and Relationship to the City
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.

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

Blended Component Unit	Brief Description of Activities and Relationship to the City
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 position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *discretely presented component units* for which the primary government is financially accountable.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

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

Governmental Funds

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to specified purposes. The major Special Revenue 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.

- 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.

- The Act 13 Fund accounts for funds received from the Pennsylvania Public Utility Commission under Act 13 – The Unconventional Gas Well Impact Fee. These funds may be used for a number of eligible purposes including roadways, bridges, public infrastructure, housing, information systems, and planning, among other things.

Capital Projects Fund

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

Debt Service Fund

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

Proprietary Funds

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

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

Internal Service Fund – City Hall Operating Fund

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

Fiduciary Funds

Pension Trust Funds

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

Private Purpose Trust Fund

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

Agency Funds

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

New Accounting Principles

The City adopted Governmental Accounting Standards Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, for the year ended December 31, 2012. GASB No. 62 directly incorporates the applicable guidance from those FASB and AICPA pronouncements, issued prior to November 30, 1989, into the state and local government accounting and financial reporting standards. The City implemented the accounting and reporting requirement of GASB 62 as of January 1, 2012. This implementation did not materially change the City's accounting and reporting policies.

The City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, for the year ended December 31, 2012. GASB No. 63 standardized the presentation of deferred outflows of resources and deferred inflows of resources and their effect on net position rather than net assets. The application of this guidance affects presentation only and therefore does not have a material impact on the City's financial statements.

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.

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, 2012 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 an expenditure at the time individual inventory items are consumed (consumption method).

Capital Assets

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

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

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

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

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

Liabilities for Compensated Absences

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

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

- City Firemen are compensated at the rate of 30% of the employee's regular rate at retirement, for all unused sick time accumulated from January 1, 1999 through the date of retirement, not to exceed 120 days. In addition to this, City Firemen are compensated at the rate of one day per three days of sick leave accumulated through December 31, 1998, at the employee's regular rate at that date;

- City Policemen are compensated at the rate of 15% of the employee's regular rate for accumulated sick leave upon retirement, up to a maximum of 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 $18 for every eight hours accumulated up to a maximum of $6,500 upon retirement or termination. All other accumulated sick time is forfeited at that time;

- Employees covered under the AFSCME labor contract are compensated $20 for each three day unit of unused sick time, up to a maximum of 120 three day units (360 days) for a maximum of $2,400 upon retirement. All other accumulated sick time is forfeited at that time, and;

- Non-contract RVT employees follow the sick leave policy of the Transit Employees, all other non-contract employees utilize the same plan as the employees covered under the AFSCME contract.

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, 2012, the General, CDBG, HOME, Non-Revenue Escrow, Non-major and Enterprise funds had deferred revenues of $1,010,550, $609,827, $1,788,059, $1,244,754, $35,360, 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

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

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 20 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, 2012, the City’s total deposits were $8,687,699. Of this amount, $1,515,099 was insured by the FDIC and $250,000 was insured by the SIPC. The remaining deposits of $6,922,600 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.

Investments

As of December 31, 2012, the City had the following investments:

Investment	Maturities	Fair Value
Certificates of deposit	Average of 4 years	$ 10,732,883
Corporate bonds	Average of 10 years	8,898,049
Government bonds	Average of 11 years	5,486,578
Corp. mortgage/asset backed securities	Average of 10 years	727,534
Foreign bonds	Average of 5 years	480,876
Government asset backed securities	Average of 13 years	7,480
Investments subject to maturity		26,333,400
Equity securities		38,153,697
Total investments		$ 64,487,097

Credit Ratings

The City's investments had the following credit ratings:

Equity securities	NR	59.16%
Certificates of deposit	NR	16.64
Corporate bonds	AAA to BAA1	13.80
Government bonds	AAA	8.51
Corp. mortgage/asset backed securities	AA2 to A3	1.13
Foreign bonds	AA1 to A3	0.75
Government asset backed securities	NR	0.01

The City's investment policy limits investments as follows:

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

Interest Rate Risk

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

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, 2012, 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, 2012 the carrying amount and bank balance of the Municipal Authority's deposits was $16,426, all of which was covered by federal depository insurance.

Component Unit - Parking Authority

Cash

At December 31, 2012 the carrying amounts of the Parking Authority's deposits were $372,334 and bank balance was $395,725. Of this amount, $250,000 was insured by the FDIC. The remaining deposits of $145,725 were exposed to custodial credit risk, since the deposits were collateralized with securities held by the pledging financial institutions, but not in the Parking Authority's name.

4. Due from Other Governments

The amounts reported in the City's various governmental and proprietary funds at December 31, 2012 as due from other governments is summarized below:

	Federal	State	Local	Total
CDBG Fund	$ 10,465	$ -	$ -	$ 10,465
HOME Fund	7,059	-	-	7,059
Capital Projects	16,518	500,000	-	516,518
Non-Revenue Fund	1,122	-	-	1,122
Non-Major Funds	-	-	2,400	2,400
Enterprise Fund	1,002,403	147,527	90,976	1,240,906
Total	$ 1,037,567	$ 647,527	$ 93,376	$ 1,778,470

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, 2012:

Total minimum lease payments to be received	$ 1,141,874
Estimated residual value of leased property	65,327
Unearned income	(67,523)
Net investment	$ 1,139,678

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, 2012 for each of the next five years and thereafter are as follows:

2013	$ 63,062
2014	63,463
2015	67,869
2016	67,869
2017	67,869
2018-2022	355,644
2023-2027	383,709
2028-2031	72,389
Total	$ 1,141,874

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, 2012, upon which the 2012 levy was based, was $960,111,170. The estimated market value was $960,111,170 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, 2012, was $10.58 per $1,000, which means that the City has a tax margin of $14.42 per $1,000.

7. Capital Assets

Primary Government

	Balance January 1, 2012	Acquisitions	Disposals/ Transfers	Balance December 31, 2012
Governmental activities				
Cost				
Land, improvements and monuments	$ 4,404,606	$ -	$ 7,370	$ 4,411,976
Infrastructure	31,394,264	518,647	1,665,118	33,578,029
Buildings and improvements	4,794,260	-	-	4,794,260
Furniture and equipment	2,108,403	19,772	(10,814)	2,117,361
Transportation	3,926,071	333,925	(81,423)	4,178,573
Construction in progress	1,377,288	1,561,904	(1,672,488)	1,266,704
Total cost	48,004,892	2,434,248	(92,237)	50,346,903
Less accumulated depreciation				
Land, improvements and monuments	(447,891)	(129,833)	-	(577,724)
Infrastructure	(11,885,151)	(1,527,515)	-	(13,412,666)
Buildings and improvements	(2,787,698)	(140,519)	-	(2,928,217)
Furniture and equipment	(1,169,521)	(102,385)	10,439	(1,261,467)
Transportation	(2,403,106)	(296,631)	76,689	(2,623,048)
Total accumulated depreciation	(18,693,367)	(2,196,883)	87,128	(20,803,122)
Governmental activities, net	$ 29,311,525	$ 237,365	$ (5,109)	$ 29,543,781

	Balance January 1, 2012	Acquisitions	Disposals/ Transfers	Balance December 31, 2012
Business-type activity				
Cost				
Land and land improvements	$ 1,525,878	$ -	$ -	$ 1,525,878
Buildings and improvements	22,379,966	497,588	11,003,973	33,881,527
Machinery and equipment	16,059,377	2,507,822	-	18,567,199
Museum exhibits	536,099	-	-	536,099
Property held under capital lease	2,277,644	-	-	2,277,644
Construction in progress	11,760,129	335,237	(11,003,973)	1,091,393
Total cost	54,539,093	3,340,647	-	57,879,740
Less accum. depreciation				
Land improvements	(156,109)	(30,638)	-	(186,747)
Buildings and improvements	(5,478,416)	(991,155)	-	(6,469,571)
Machinery and equipment	(10,374,529)	(1,151,583)	-	(11,526,112)
Property held under capital lease	(620,161)	(44,898)	-	(665,059)
Total accumulated depreciation	(16,629,215)	(2,218,274)	-	(18,847,489)
Business-type activities capital assets, net	$ 37,909,878	$ 1,122,373	-	39,032,251

Property Held Under Capital Lease - Governmental Activities

The City has entered into several agreements that have been accounted for as capital leases. These agreements cover vehicles and streets equipment. These assets are being amortized over their respective lease terms, which approximate their estimated productive lives. Amortization of assets under capital leases related to governmental activities amounted to approximately $49,000 for the year ended December 31, 2012.

Capital Leases	Balance January 1, 2012	Additions	Payments	Balance December 31, 2012	Due Within One Year
Various vehicles and equipment	$259,173	$275,288	$(307,210)	$227,251	$43,593

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, 2012, as related to the City's governmental activities:

Years ending December 31:	
2013	$ 51,966
2014	50,238
2015	50,238
2016	50,238
2017	50,237
Total minimum lease payments	252,917
Less amounts representing interest	(25,666)
Present value of net minimum lease payments	227,251
Less current portion	(43,593)
Present value of net minimum lease payments, long term	$ 183,658

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, 2012.

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	77,644
Total	2,277,644
Less accumulated amortization	(665,059)
Property held under capital leases, net	$ 1,612,585

Component Unit - Parking Authority

	Balance January 1, 2012	Acquisitions	Disposals/ Transfers	Balance December 31, 2012
Cost				
Land improvements	$ 1,270,056	$ 4,406	$ -	$ 1,274,462
Parking deck/buildings	4,688,343	7,602	-	4,695,945
Machinery and equipment	306,525	7,283	-	313,808
Total cost	6,264,924	19,291	-	6,284,215
Less accumulated depreciation for				
Land improvements	(203,868)	(9,154)	-	(213,022)
Parking deck/buildings	(1,195,271)	(120,784)	-	(1,316,055)
Machinery and equipment	(256,905)	(13,900)	-	(270,805)
Total accumulated depreciation	(1,656,044)	(143,838)	-	(1,799,882)
Business-type activities capital assets, net	$ 4,608,880	$ (124,547)	$ -	$ 4,484,333

8. Interfund Balances and Activity

Balances Due to/from Other Funds

Individual fund receivable and payable amounts at December 31, 2012 were as follows:

	Interfund Receivable	Interfund Payable
General Fund	$ 1,773,079	$ (760)
Special Revenue Funds		
Community Development Block Grant	230	(26,784)
HOME	11,630	-
Non-Revenue Escrow	15,154	(206,273)
Debt Service Fund	325,735	-
Capital Projects Fund	-	(1,422,431)
Enterprise Fund	8,247	(164,236)
Internal Service Fund (City Hall Operating)	-	(83,553)
Fiduciary Funds	6,016	(19,300)
Agency Funds	-	(216,754)
Total	$ 2,140,091	$ (2,140,091)

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, 2012 were as follows:

	In	Out
General Fund	$ 22,500	$ (891,087)
Special Revenue Funds		
Community Development Block Grant	20,500	(21,331)
Home Rehab	-	(20,500)
Home	-	(2,916)
Non-Revenue Escrow	-	(2,500)
Liquid Fuels	-	(92,522)
Capital Projects	470,000	-
Debt Service	525,163	(350,000)
Proprietary Funds		
Enterprise Fund (RVT)	359,662	(12,083)
City Hall Operating	-	(35,000)
Fiduciary Funds		
Unemployment Compensation	30,114	-
Total	$ 1,427,939	$ (1,427,939)

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.

9. Long-Term Debt

Primary Government

A summary of changes in long-term debt for 2012 is as follows:

Note Payable	Balance 1/1/12	Additions	Payments	Balance 12/31/12	Due Within One Year
Series of 2005 – Capital projects (C&N Bank)	$ 5,740,035	$ -	$ (138,919)	$ 5,601,116	$ 146,564
Series of 2010 – Capital projects (M&T Bank)	3,022,278	-	-	3,022,278	86,089
Series B of 2010 – Capital projects (M&T bank)	2,371,848	850,000	(1,000,000)	2,221,848	2,221,848
Total	$ 11,134,161	$ 850,000	$ (1,138,919)	$ 10,845,242	$ 2,454,501

The following table summarizes the City's long term debt by activity for the year ended December 31, 2012:

	Governmental Activities	Business-Type Activity	Total
Notes payable, January 1, 2012	$ 7,950,503	$ 3,183,658	$ 11,134,161
Additions	350,000	500,000	850,000
Payments	(133,131)	(1,005,788)	(1,138,919)
Notes payable, December 31, 2012	8,167,372	2,677,870	10,845,242
Less: current portion	(1,881,846)	(572,655)	(2,454,501)
Note payable, long term	$ 6,285,526	$ 2,105,215	$ 8,390,741

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 $5,367,736 at December 31, 2012.

$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, 2012.

$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 in December 2013. The outstanding principal balance on this note was $1,710,361 at December 31, 2012. 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, 2012:

Year Ending December 31	Principal	Interest	Total
2013	$ 1,881,846	$ 297,968	$ 2,179,814
2014	210,445	276,817	487,262
2015	219,075	268,006	487,081
2016	227,428	259,480	486,908
2017	237,489	249,204	486,693
2018-2022	1,343,835	1,086,279	2,430,114
2023-2027	1,652,730	770,680	2,423,410
2028-2032	1,639,422	392,204	2,031,626
2033-2037	755,102	37,619	792,721
Total	$ 8,167,372	$ 3,638,257	$ 11,805,629

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 $233,380 at December 31, 2012.

$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 $1,933,003 at December 31, 2012.

$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 $511,487 at December 31, 2012.

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, 2012:

Year Ending December 31	Principal	Interest	Total
2013	$ 572,655	$ 56,308	$ 628,963
2014	118,289	50,330	168,619
2015	120,993	47,619	168,612
2016	123,733	44,870	168,603
2017	126,599	41,995	168,594
2018-2022	678,074	164,753	842,827
2023-2027	760,472	82,063	842,535
2028-2032	144,222	17,826	162,048
2033-2036	32,833	1,636	34,469
Total	$ 2,677,870	$ 507,400	$ 3,185,270

Component Unit - Parking Authority

The following is a summary of changes in long-term debt for the year ended December 31, 2012.

	Balance January 1, 2012	Additions	Payments	Balance December 31, 2012
Note payable, Series of 1999	$ 2,490,328	$ -	$ 155,786	$ 2,334,542

As of December 31, 2012 long-term debt consisted of the following:

Note payable, Series of 1999, due in monthly payments of $16,769 including principal and interest at 2.76% 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.	$ 2,334,542
Less current maturities	(138,539)
Long-term debt	$ 2,196,003

The annual requirements to amortize the note payable as of December 31, 2012 are as follows:

Year Ending December 31	Principal	Interest	Total
2013	$ 138,539	$ 62,690	$ 201,229
2014	142,411	58,818	201,229
2015	146,392	54,837	201,229
2016	150,484	50,745	201,229
2017	154,690	46,539	201,229
2018-2022	840,778	165,365	1,006,143
2023-2026	761,248	43,665	804,913
Total	$ 2,334,542	$ 482,659	$ 2,817,201

10. Compensated Absences

The liability for compensated absences recorded in the governmental activities column on the statement of net position, was $1,800,213 at December 31, 2012. The liability for compensated absences for business-type activities amounted to $443,869 at December 31, 2012. The changes in the City's compensated absences in 2012 are summarized as follows:

	Governmental Activities	Business-Type Activities
Balance January 1, 2012	$ 1,627,652	$ 407,373
Increase	1,701,196	240,585
Decrease	(1,528,635)	(204,089)
Balance December 31, 2012	$ 1,800,213	$ 443,869

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.

Combining Statement of Fiduciary Net Position

	Firemen's Pension	Police Pension	O&E Pension	Total
Assets				
Cash and cash equivalents	$ 147,565	$ 244,304	$ 121,827	$ 513,696
Receivables				
Other	58,689	73,627	42,211	174,527
Investments, at fair value				
U.S. Government securities	1,882,973	2,371,896	1,239,189	5,494,058
Corporate bonds	3,420,332	4,273,425	2,412,702	10,106,459
Domestic equity securities	11,920,039	17,747,509	8,486,149	38,153,697
Certificates of deposit	3,639,751	4,460,913	2,632,219	10,732,883
Total investments	20,863,095	28,853,743	14,770,259	64,487,097
Total	$ 21,069,349	$ 29,171,674	$ 14,934,297	$ 65,175,320
Liabilities				
Due to other funds	$ 6,400	$ 6,600	$ 6,300	$ 19,300
Net Position				
Held in trust for benefits and other purposes	21,062,949	29,165,074	14,927,997	65,156,020
Total	$ 21,069,349	$ 29,171,674	$ 14,934,297	$ 65,175,320

Combining Statement of Fiduciary Net Position

	Firemen's Pension	Police Pension	O&E Pension	Total
Additions				
Contributions				
Employer	$ 428,365	$ 448,114	$ 198,050	$ 1,074,529
Commonwealth of Pennsylvania	649,255	295,656	130,669	1,075,580
Employees	112,464	153,637	261,411	527,512
Miscellaneous	3,675	6,122	2,524	12,321
Total contributions	1,193,759	903,529	592,654	2,689,942
Investment earnings				
Interest and dividends	493,043	678,974	348,018	1,520,035
Net appreciation in fair value of investments	1,289,609	1,915,679	908,547	4,113,835
Other investment income	50,229	51,456	30,491	132,176
Total investment earnings	1,832,881	2,646,109	1,287,056	5,766,046
Less investment expense (advisory fees)	(51,805)	(72,543)	(36,852)	(161,200)
Net investment earnings	1,781,076	2,573,566	1,250,204	5,604,846
Total additions	2,974,835	3,477,095	1,842,858	8,294,788
Deductions				
Benefits and refunds of contributions	1,536,995	1,533,089	692,261	3,762,345
Administrative	13,104	13,854	16,869	43,827
Total deductions	1,550,099	1,546,943	709,130	3,806,172
Change in Net Position	1,424,736	1,930,152	1,133,728	4,488,616
Net Position, Beginning	19,638,213	27,234,922	13,794,269	60,667,404
Net Position, Ending	$ 21,062,949	$ 29,165,074	$ 14,927,997	$ 65,156,020

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

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

	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund
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	Excess of participant's accumulated contributions over the total payment received shall be paid to participant's estate	Monthly benefit equal to 100% of pension participant was receiving or entitled to receive on day of participant's death is payable to spouse until death or remarriage. In the event of the death of the spouse, each of the participant's dependent children will receive an equal share of benefit until their 18th 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:

	Officers' and Employees Pension Fund	Firemen's Pensions Fund	Police Pension Funds
Retirees and beneficiaries receiving benefits	40	81	72
Terminated members entitled to but not yet receiving benefits	1	1	2
Active plan member	116	32	40
Total	157	114	114

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). Officers and Employees plan participants are required to contribute five and one half percent of compensation to the plan. Participants in the Police and Fire plans are required to contribute five percent of compensation and an additional $1 per month until age sixty-five.

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

The Commonwealth of Pennsylvania provides an allocation of funds that must be used for pension funding. The City must fund any financial requirement established by the MMO that exceeds state/member contributions. For the year ended December 31, 2012, the combined City/Commonwealth contributions to the Fire, Police and O&E plans were $1,077,620, $743,770, and $328,719, respectively, each of which was equal to the related MMO.

Annual Pension Cost

The City's annual pension cost and net pension obligation for the year ended December 31, 2012 were calculated as follows:

	Officers' and Employees' Pension Funds	Firemen's Pension Fund	Police Pension Funds
Annual required contribution	$ 378,064	$ 1,318,714	$ 849,605
Interest on net pension asset	3,948	15,503	8,467
Adjustment to annual required contribution	-	-	-
Annual pension cost	382,012	1,334,217	858,072
Contributions made	328,720	1,077,620	743,770
(Increase) decrease in net pension obligation	(53,292)	(256,597)	(114,302)
Net pension obligation, beginning of year	(49,344)	(206,700)	(105,835)
Net pension obligation, end of year	$ (102,636)	$ (463,297)	$ (220,137)

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:

Actuarial Assumption	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund
Actuarial cost method	Entry age normal cost method	Entry age normal cost method	Entry age normal cost method
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Investment rate of return	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

Plan and Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Obligation) Asset
Officers' and Employees' Pension Fund			
12/31/12	$ 332,652	86.0%	(102,636)
12/31/11	368,772	86.7%	(49,344)
12/31/10	229,831	100.0%	-
Firemen's Pension Fund			
12/31/12	$1,093,123	80.8%	(463,297)
12/31/11	1,315,893	81.5%	(206,700)
12/31/10	1,144,530	99.8%	36,656
Police Pension Fund			
12/31/12	$ 752,237	86.7%	(220,137)
12/31/11	895,363	88.2%	(105,835)
12/31/10	621,438	100.0%	-

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 of Plan Assets (A)	Actuarial Accrued Liability (B)	Total Unfunded Actuarial Liability (Asset) (C)	Funded Ratio (A)/(B)	Annual Covered Payroll (C)	Ratio of UAAL to Annual Covered Payroll ((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 $2,122,905 for the year ended December 31, 2012. Contributions are actuarially determined in accordance with GASB Statement 45.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 7,537,041
Interest on net OPEB obligation	610,557
Adjustment to annual required contribution	(832,956)
Annual OPEB cost (expense)	7,314,642
Contributions made	(2,122,905)
Increase in net OPEB obligation	5,191,737
Net OPEB obligation at January 1, 2012	13,567,926
Net OPEB obligation at December 31, 2012	$ 18,759,663

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, 2012, 2011 and 2010 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2012	$ 7,314,642	29.0%	$ 18,759,663
December 31, 2011	4,700,422	40.3%	13,567,926
December 31, 2010	4,752,463	29.9%	10,762,610

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2012, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability	$ 86,678,610
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	86,678,610
Funded ratio (actuarial value of plan assets/UAAL)	0%
Covered payroll	$ 11,329,616
UAAL as a percentage of covered payroll	765%

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 efforts 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, 2012, 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 10.75% initially, reduced to an ultimate rate of 5.0% in 2022 and later. The UAAL is being amortized as a level dollar over a thirty year open period.

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	$ 154,337	$ -	$ -	$ -	$ -	$ -	$ -	$ 154,337
Restricted for:								
HOME activities	-	-	63,012	-	-	-	-	63,012
Grant purposes	-	-	-	-	1,246,800	-	-	1,246,800
Community Develop ment	-	24,050	-	-	-	-	-	24,050
Debt service	-	-	-	-	-	602,967	-	602,967
Liquid fuels tax purposes	-	-	-	-	-	-	171,887	171,887
Home rehabilita tion	-	-	-	-	-	-	40,514	40,514
Public works	-	-	-	-	-	-	559,847	559,847
Redevelop ment activities	-	-	-	-	-	-	6,454	6,454
Total restricted	$ -	$ 24,050	$ 63,012	$ -	$ 1,246,800	$ 602,967	$ 778,702	$ 2,715,531
Assigned for:								
Encumbran ces	$ 376,765	$ -	$ -	$ -	$ -	$ -	$ -	$ 376,765
Capital projects	-	-	-	304,578	-	-	-	304,578
Total assigned	$ 376,765	$ -	$ -	$ 304,578	$ -	$ -	$ -	$ 681,343

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 2012 did not extend beyond making the appointments. A majority of the boards of the following organizations are either appointed by City Council or recommended and nominated by the Mayor and approved by City Council:

- Williamsport Municipal Water Authority
- Williamsport Sanitary Authority

16. Commitments and Contingent Liabilities

Litigation

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

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

Environmental

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

Construction

The City has entered into various agreements with contractors related to the Church Street and William Street Redevelopment Projects. At December 31, 2012, there was approximately $260,000 remaining under these arrangements.

Insurance

The City has elected to self-insure its employee medical insurance plan. The City has limited this self-insurance liability through the purchase of catastrophic reinsurance coverage which will reimburse the City for any medical costs over $65,000 per covered individual per year. The City believes that it has adequately provided for all asserted claims and has no knowledge of unasserted claims for which it has not provided. The City’s liability for all asserted and estimated unasserted claims was $253,324 at December 31, 2012. The City has a surplus deposit related to the plan in the amount of $545,957 at December 31, 2012. The cost of medical coverage for employees was approximately $4,680,000 in 2012.

17. Pending Changes in Accounting Principles

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.

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.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. To the extent applicable, the City is required to adopt Statement No. 69 for its calendar year 2014 financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. To the extent applicable, the City is required to adopt Statement No. 70 for its calendar year 2014 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 2013 the City made draws on their General Obligation Note, Series of 2010 and General Obligation Note, Series B of 2012, which are available to the City on a revolving line of credit basis (see Note 9 for further information on these debt issuances). In total the City drew down $5,150,282 at various dates throughout 2013. The City also repaid $2,762,848 of these Notes during 2013.

In August 2013, City Council approved the issuance of one or more series of General Obligation Bonds, in the maximum aggregate principal amount of $21,500,000. The purpose of these bonds will be to currently refund all or a portion of the City's General Obligation Note, Series of 2010 and the City's Guaranteed Note, Series of 2005, as well as various capital projects.

City of Williamsport, Pennsylvania

Required Supplementary Information
Schedule of Funding Progress - Pension Trust Funds
(Unaudited)
Year Ended December 31, 2012

	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
Police Pension Fund							
	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
Firemen's Pension Fund							
	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%
Officers' and Employees' Pension Plan							
	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-fouth 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, 2012

	Police Pension Fund		Firemen's Pension Fund		Officers' and Employees' Pension Fund	
Year Ended December 31,	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2012	$ 849,605	88%	$ 1,318,714	82%	$ 378,064	87%
2011	895,363	88%	1,313,631	82%	368,772	87%
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

Actuarial Assumptions

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

Actuarial Assumption	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund
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, 2012

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, 2012	$ -	$ 86,678,610	$ 86,678,610	0.00%	$ 11,329,616	765%
January 1, 2010	-	55,492,042	55,492,042	0.00%	10,649,893	521%
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, 2012
(Unaudited)

	Liquid Fuels	Home Rehab	Redevelop-ment Authority	HPRP	Act 13	Total Nonmajor Governmental Funds
Assets						
Cash and cash equivalents	$ 209,966	$ 40,500	$ 24,454	$ 698	$ 559,847	$ 835,465
Receivables:						
Loans	-	17,360	-	-	-	17,360
Other	-	14	-	-	-	14
Due from other governments	-	-	2,400	-	-	2,400
Total assets	$ 209,966	$ 57,874	$ 26,854	$ 698	$ 559,847	$ 855,239
Liabilities and Fund Balances						
Liabilities:						
Vouchers payable	$ 38,079	$ -	$ 2,400	$ 698	$ -	$ 41,177
Deferred revenue	-	17,360	18,000	-	-	35,360
Total liabilities	38,079	17,360	20,400	698	-	76,537
Fund balances:						
Restricted	171,887	40,514	6,454	-	559,847	778,702
Total	$ 209,966	$ 57,874	$ 26,854	$ 698	$ 559,847	$ 855,239

City of Williamsport, Pennsylvania

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2012
(Unaudited)

	Liquid Fuels	Home Rehab	Redevelop-ment Authority	HPRP	Act 13	Total Nonmajor Governmental Funds
Revenues						
Interest, rents, royalties	$ 855	$ 85	$ -	$ -	$ 104	$ 1,044
Intergovernmental:						
Federal	-	-		92,953	-	92,953
State	632,736	-	-	-	559,743	1,192,479
Local	-	-	16,300	-	-	16,300
Collections on loans	-	13,190	-	-	-	13,190
Miscellaneous	6,002	-	8,000	-	-	14,002
Total revenues	639,593	13,275	24,300	92,953	559,847	1,329,968
Expenditures						
Current:						
General government	-	-	13,800	698	-	14,498
Public works	520,228	-	-	92,255	-	612,483
Revolving loans and grants	-	-	10,500	-	-	10,500
Total expenditures	520,228	-	24,300	92,953	-	637,481
Excess of revenues over expenditures	119,365	13,275	-	-	559,847	692,487
Other Financing Sources (Uses)						
Transfers out	(92,522)	(20,500)	-	-	-	(113,022)
Net Change in Fund Balances	26,843	(7,225)	-	-	559,847	579,465
Fund Balances - Beginning	145,044	47,739	6,454	-	-	199,237
Fund Balances - Ending	$ 171,887	$ 40,514	$ 6,454	$ -	$ 559,847	$ 778,702

City of Williamsport, Pennsylvania

Statement of Fiduciary Net Position
Private Purpose Trust Fund
December 31, 2012
(Unaudited)

	Unemployment Compensation
Assets	
Due from other funds	$ 6,016
Total assets	$ 6,016
Liabilities	
Vouchers payable	$ 6,016
Net Position	
Reserved for workers' compensation	-
Total liabilities and net position	$ 6,016

City of Williamsport, Pennsylvania

Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
Year Ended December 31, 2012
(Unaudited)

	Unemployment Compensation
Deductions	
Benefits	$ 30,114
Total deductions	30,114
Other Financing Sources (Uses)	
Operating transfers in	30,114
Total other financing sources (uses)	30,114
Change in Net Position	-
Net Position, Beginning	-
Net Position, Ending	$ -

City of Williamsport, Pennsylvania

Combining Statement of Fiduciary Net Position
Agency Funds
December 31, 2012
(Unaudited)

	Tax Collecting	Payroll Revolving	Nonrevenue Escrow	Total
Assets				
Cash and cash equivalents	$ 516,445	$ 2,757	$ 169,562	$ 688,764
Total assets	$ 516,445	$ 2,757	$ 169,562	$ 688,764
Liabilities				
Vouchers payable	$ -	$ 2,757	$ 149,562	$ 152,319
Due to other funds	196,754	-	20,000	216,754
Due to other taxing units	319,691	-	-	319,691
Total liabilities	$ 516,445	$ 2,757	$ 169,562	$ 688,764

City of Williamsport, Pennsylvania

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

Grantor/Program Title	Federal CFDA Number	Program Amount	Total Received For The Year	Accrued (Deferred) Revenue January 1, 2012	Adjustments	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue December 31, 2012
U.S. Department of Housing and Urban Development:								
Community Development Block Grant Entitlement Grants	14.218	989,506	-	-	-	-	-	-
Community Development Block Grant Entitlement Grants	14.218	1,150,623	809,960	44,224	-	776,200	776,200	10,464
Community Development Block Grant Entitlement Grants-Program Income	14.218	N/A	29,039	-	-	29,039	29,039	-
Community Planning and Development - HOME Program	14.239	1,353,244	267,123	14,381	-	259,801	259,801	7,059
Community Planning and Development - HOME Program - Program Income	14.239	N/A	133,239	-	-	133,239	133,239	-
Homeless Prevention and Rapid Re-Housing Program (ARRA)	14.257	518,859	139,314	46,361	-	92,953	92,953	-
Community Development Block Grants/Special Purpose Grants/Insular Areas	14.228	260,000	42,440	33,797	-	8,643	8,643	-
Total U.S. Department of Housing and Urban Development			1,421,115	138,763	-	1,299,875	1,299,875	17,523
U.S. Department of Interior,								
Passed through the Pennsylvania Historical & Museum Commission Historic Preservation Fund Grants-In-Aid	15.904	3,000	-	-	-	643	643	643
U.S. Department of Justice:								
Bulletproof Vest Partnership Program	16.607	1,458	1,458	-	-	1,458	1,458	-
Bulletproof Vest Partnership Program	16.607	5,092	-	-	-	5,092	5,092	5,092
Public Safety Partnership and Community Policing (ARRA)	16.710	450,000	39,435	-	-	40,557	40,557	1,122
Edward Byrne Memorial Justice Assistance Grant Program	16.738	7,192	3,842	(1,157)	-	4,999	4,999	-
Recovery Act - Edward Bryne Memorial Justice Assistance Grant Program/Grants to Local Government (ARRA)	16.804	70,949	15,949	2,692	-	12,900	12,900	(357)
Total U.S. Department of Justice			60,684	1,535	-	65,006	65,006	5,857

City of Williamsport, Pennsylvania

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

Grantor/Program Title	Federal CFDA Number	Program Amount	Total Received For The Year	Accrued (Deferred) Revenue January 1, 2012	Adjustments	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue December 31, 2012
U.S. Department of Transportation:								
Federal Transit Administration Capital Improvement Grant	20.500	1,000,000	1,000,000	-	-	1,000,000	1,000,000 *	-
Federal Transit Administration Capital Improvement Grant	20.500	1,213,592	-	-	-	-	- *	-
Federal Transit Administration Capital Improvement Grant	20.500	3,951,000	-	-	-	-	- *	-
Federal Transit Administration Capital Improvement Grant	20.500	2,002,950	-	-	-	14,168	14,168 *	14,168
Federal Transit Administration Capital and Operating Assistance Grant	20.507	1,200,000	-	-	-	600,000	600,000 *	600,000
Federal Transit Administration Capital and Operating Assistance Grant	20.507	138,000	-	-	-	138,000	138,000 *	138,000
Federal Transit Administration Capital and Operating Assistance Grant	20.507	1,602,623	1,102,623	551,312	-	801,546	801,546 *	250,235
Passed through Pennsylvania Department of Transportation, Highway Planning and Construction	20.205	750,000	534,612	143,828		390,784	390,784	-
Highway Planning and Construction	20.205	950,000	657,337	-		673,855	673,855	16,518
Federal Transit Administration Capital Assistance Program for Reducing Energy Consumption (ARRA)	20.523	800,000	800,000	800,000	-	-	-	-
Federal Transit Administration Capital and Operating Assistance Grant	20.509	2,852,260	749,327	749,327	-	-	-	-
Total U.S. Department of Transportation			4,843,899	2,244,467	-	3,618,353	3,618,353	1,018,921

City of Williamsport, Pennsylvania

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

Grantor/Program Title	Federal CFDA Number	Program Amount	Total Received For The Year	Accrued (Deferred) Revenue January 1, 2012	Adjustments	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue December 31, 2012
U.S Department of Education,								
Passed through the Pennsylvania Department of Labor and Industry								
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	$ 603	$ 603	$ -	$ -	$ 603	$ 603	$ -
U.S Department of Homeland Security:								
Public Assistance Grant	97.036	1,730	1,730	1,730	-	-	-	-
Public Assistance Grant	97.036	18,766	18,766	18,766	-	-	-	-
Public Assistance Grant	97.036	14,108	14,108	14,108	-	-	-	-
Total U.S. Department of Homeland Security			34,604	34,604	-	-	-	-
Total Federal Financial Assistance			$ 6,360,905	$ 2,419,369	$ -	$ 4,984,480	$ 4,984,480	$ 1,042,944

* 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.

ParenteBeard

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

Honorable Members of City Council
City of Williamsport, Pennsylvania

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamsport, Pennsylvania (the "City"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 23, 2013. Our report includes a reference to other auditors who audited the financial statements of the Municipal Authority of the City of Williamsport (the "Municipal Authority"), as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-1 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 2012-2 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

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

Purpose of this Report

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

ParenteBeard LLC

Williamsport, Pennsylvania
October 23, 2013

ParenteBeard

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Williamsport, Pennsylvania's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2012-3, that we consider to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

ParenteBeard LLC

Williamsport, Pennsylvania
October 23, 2013

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?		yes	X	no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	X	yes		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
14.239	HOME Program
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

Section II - Financial Statement Findings

Finding No.	Finding/Noncompliance	Questioned Costs
2012-1	**Internal Control Over Financial Reporting –City Pension Funds**	
Criteria:	The City maintains three single employer defined benefit pension plans for its Police, Fire and Non-uniformed Officers and Employees (the "Pension Funds"). The Pension Funds employ an investment advisor, CS McKee; whereas investment activity is transacted by a separate securities brokerage firm, Wells Fargo (formerly Wachovia Securities), which also holds the related pension assets in safekeeping. At December 31, 2012, the three City pension funds collectively held approximately $65,000,000 in cash and investments, with each fund having significant activity for the year then ended.	
Condition/Context:	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.	
Effect:	City management cannot be assured that its pension funds have been properly valued, credited for investment earnings and that pension fund disbursements are limited to authorize benefit payments and administrative charges.	N/A
Cause:	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.	

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

Finding No.	Finding/Noncompliance	Questioned Costs
2012-2	**Internal Control Over Financial Reporting – Segregation of Duties**	
Criteria:	Adequate segregation of duties between accounting functions is essential to good internal control. The absence of segregation of duties and responsibilities generally precludes meaningful internal accounting controls.	
Condition/Context:	The responsibility for the performance of accounting duties surrounding the cash receipts cycle is vested in a limited number of employees.	
Effect:	Without proper segregation of accounting functions, errors or fraud could occur and go undetected.	N/A
Cause:	The City employs a limited number of accounting personnel.	
Recommendation:	While it is advisable to have adequate segregation of duties among employees, the cost of such implementation must be weighed against the benefits to be derived. The cost which would result from increasing the number of employees to more fully segregate duties in your organization may exceed any internal control benefits to be derived. We feel that this internal control weakness is somewhat mitigated by the active involvement of the Budget and Fiscal Officer and Controller in the City's operational activities. You must, however, be aware of the possible impact of the internal control weaknesses which exist and continue to involve these individuals in financial accounting matters.	
Views of responsible officials and planned corrective actions:	See corrective action plan.	

Section III – Federal Award Findings and Questioned Costs

2012-3 **Completion and Submission of Annual Single Audit**

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, 2012 beyond the 9-month due date.

Cause: The City was short staffed in the accounting department and had a large volume of capital project activity during 2012 which led to being behind with its year-end close in connection with its December 31, 2012 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.

Finding No.	Finding/Noncompliance	Questioned Costs
Section IV – Summary of Prior Year's Findings and Questioned Costs		
2011-1	**Internal control Over Financial Reporting – City Pension Funds** Prior year finding 2011-1 is repeated as current year finding 2012-1.	
2011-2	**Internal Control Over Financial Reporting – Segregation of Duties** Prior year finding 2011-2 is repeated as current year finding 2012-2.	
2011-3	**Federal Award Findings and Questioned Costs – Completion and Submission of Annual Single Audit** Prior year finding 2011-3 is repeated as current year finding 2012-3.	