

CITY OF WASHINGTON
WASHINGTON COUNTY, PENNSYLVANIA
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

**CITY OF WASHINGTON
WASHINGTON COUNTY, PENNSYLVANIA**

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To the Mayor and City Council
of the City of Washington
Washington County, Pennsylvania

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the City of Washington, Washington County, Pennsylvania, as of and for the year ended December 31, 2015, 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 the modified cash basis of accounting described in Note C; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Washington, Washington County, Pennsylvania, as of December 31, 2015, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note C.

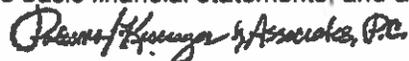
To the Mayor and City Council
of the City of Washington
Washington County, Pennsylvania

Basis of Accounting

We draw attention to Note C of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Washington, Washington County, Pennsylvania's basic financial statements. The management's discussion and analysis and budgetary comparison information on pages iii-ix and 9, which are the responsibility of management, are presented for purposes 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.



Palermo/Kissinger & Associates, P.C.
Washington, Pennsylvania

September 27, 2016

**CITY OF WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Our discussion and analysis of the City of Washington's (City) financial performance provides an overview of the City's financial activities for the year ended December 31, 2015. Please read in conjunction with the financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- The assets of the City of Washington exceeded its liabilities at the close of the fiscal year ended December 31, 2015 by \$23,235,857 (Net Position) on a modified cash basis.
- During the year ended December 31, 2015, the City of Washington's net position increased by \$762,937.
- As of the year ended December 31, 2015, the City of Washington's governmental funds reported combined ending fund balances of \$2,660,925.
- The City of Washington's fiduciary funds reported an ending fund balance of \$39,511,484.
- Total long-term debt decreased by \$1,585,732 during the year. The outstanding long-term debt at December 31, 2015 was \$13,511,014.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 5. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide statements by providing information about the City's most significant funds. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**CITY OF WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the City's activities as a whole. These statements include all assets and liabilities using the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

Net position may serve as a useful indicator of financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads and other development projects, to assess the overall health of the City.

Governmental activities of the City are reported in the Statement of Net Position and the Statement of Activities. Governmental Activities include the police, fire, public works, cultural and recreation activities, community development, and general administration. Property taxes, earned income taxes, franchise fees, and state and federal grants finance most of these activities.

- **Business-Type Activities** – Business-type activities are those activities in which the City charges a fee to customers to help cover all or most of the costs of certain services it provides. The City does not have any business-type activities.
- **Reporting the City's Most Significant Fund** – Fund financial statements provide detailed information about the most significant funds – not the City as a whole. The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. A fund is used to maintain control over resources that have been segregated for specific activities or objectives. The various funds of the City report information regarding governmental activities.
- **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 current sources and uses 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 short-term financing requirements.
- **Fiduciary Funds** – Fiduciary funds are used to account for assets held by the City in a trustee capacity for the policemen, firemen, officers, and administrative employees for pension benefits.

**CITY OF WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 short-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The funds of the City are categorized as follows: General, Major Fund Types and Other 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 Balance for these fund types. The Other Governmental Funds are combined into a single, aggregated presentation in the governmental funds financial statements.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceed liabilities by \$23,235,857 as of December 31, 2015. The City's combined net position reflects its investment in capital assets, less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. The following focuses in the net position of the City's governmental activities for the year ended December 31, 2015 with comparative totals for the year ended December 31, 2014.

City of Washington's Net Position

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Current Assets	\$ 2,796,720	\$ 3,285,231
Capital Assets	<u>34,085,946</u>	<u>34,369,950</u>
Total Assets	<u>\$ 36,882,666</u>	<u>\$37,655,181</u>
Current Liabilities	\$ 1,687,491	\$ 1,654,973
Long-Term Liabilities	<u>11,959,318</u>	<u>13,527,288</u>
Total Liabilities	<u>\$ 13,646,809</u>	<u>\$ 15,182,261</u>
Net Position		
Invested in Capital Assets, net of related debt	23,829,932	\$ 23,058,204
Restricted for:		
Road Projects	18,370	99,509
Capital Projects	435,938	478,601
Transit Operations	167,594	543,621
Public Safety	55,381	75,221
Pension Obligations	146,342	187,490
Unrestricted	<u>(1,417,700)</u>	<u>(1,969,726)</u>
Total Net Position	<u>\$ 23,235,857</u>	<u>\$ 22,472,920</u>

**CITY OF WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The governmental activities' current assets decreased by \$488,511, primarily due to the transfer of mass transit funds to the Washington County Transportation Authority with the consolidation of the City transit operations. The governmental activities' current liabilities increased by \$32,518, primarily resulting from a larger amounts being held in escrow at the end of 2015. Overall, the City had an increase in net position of \$762,937. This increase primarily results from an increase in grants used to purchase fixed assets.

The following table provides a summary of the City's operations for the year ended December 31, 2015 with comparative totals for the year ended December 31, 2014.

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program Revenues		
Fees, Fines and Charges for		
Services	\$ 2,381,779	\$ 2,410,170
Operating Grants and Contributions	3,030,269	3,509,167
Capital Grants and Contributions	640,175	3,207,249
General Revenues:		
Taxes	11,282,181	11,348,089
Special Assessments	62,018	69,877
Licenses and Permits	342,818	341,027
Payments in Lieu of Taxes	97,586	132,192
Investment Earnings	26,382	31,418
Miscellaneous	<u>75,062</u>	<u>33,803</u>
Total Revenues	<u>17,938,270</u>	<u>21,082,992</u>
 Program Expenses:		
General Government and Administration	969,018	1,041,808
Public Safety	3,859,145	3,757,509
Public Works-Sanitation	833,497	852,955
Public Works-Highways/Roads/Streets	1,098,853	1,109,770
Public Works-Other	1,798,851	1,969,001
Culture-Recreation	325,301	391,571
Community Development	261,605	848,355
Debt Service	321,682	1,358,878
Employee Benefits	6,343,565	6,166,898
Depreciation	1,327,852	1,375,286
Miscellaneous	<u>35,964</u>	<u>27,726</u>
Total Expenses	<u>17,175,333</u>	<u>18,899,757</u>
 Excess before Special Items	\$ 762,937	\$ 2,183,235
Special Items – Gain on Sale of Fixed Assets	<u>-</u>	<u>20,907</u>
 Increase in Net Position	<u>\$ 762,937</u>	<u>\$ 2,204,142</u>

**CITY OF WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds - The focus of the City's governmental funds is to provide information on short term inflows, outflows, and balances of spendable resources. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Such information is useful in assessing the City's financing requirements.

For the year ended December 31, 2015, the City's combined governmental funds ending fund balance totaled \$2,660,925. The total combined fund balance decreased \$538,791.

Fiduciary Funds – Fiduciary funds consist of assets held in a trustee capacity by the City of Washington for pension benefits. As of December 31, 2015, the fund balance of the fiduciary funds was \$39,511,484. The fund balance increased by \$2,102,577 during 2015 due primarily contributions made by the City of Washington as well as investment earnings and increases in market value.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the original City budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts that were estimated at the time the original budget was prepared). The second category includes changes that the Council made to increase appropriations in its budget to prevent budget overruns.

The actual charges to appropriations were \$1,865,213 below the final budgeted amounts, primarily due projects not completed due to lack of grant funding as well as conservative spending practices. Resources available for appropriation were \$3,109,439 below budgeted amounts, primarily due to grant proceeds not received during the year ended December 31, 2015.

As a result, the City reported an unfavorable variance of \$1,244,226 under budget. Please see the statement of revenues, expenditures and changes in fund balance budget versus actual on page 9 for further detail.

**CITY OF WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

CAPITAL ASSETS

The City's investment in capital assets for its governmental activities as of December 31, 2015 amounts to \$34,085,946, net of accumulated depreciation. During the year, the City increased its capital assets by \$1,043,848, due to the construction of the intermodal transportation center, the purchase of new street equipment and police vehicles. Depreciation amounted to \$1,327,852 for the year ended December 31, 2015. As a result, the City's total capital assets decreased by approximately one percent (1%) from December 31, 2014.

Capital Assets at Year End

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Infrastructure	\$ 7,414,122	\$ 7,414,122
Buildings and improvement	26,995,097	26,213,259
Vehicles and equipment	<u>15,734,117</u>	<u>15,472,107</u>
 Total	 50,143,336	 49,099,488
 Accumulated depreciation	 <u>(16,057,390)</u>	 <u>(14,729,538)</u>
 Total capital assets, net of accumulated depreciation	 <u>\$ 34,085,946</u>	 <u>\$ 34,369,950</u>

DEBT ADMINISTRATION

The City's long-term debt at December 31, 2015 totaled \$13,511,014. During the year, the City's total long-term debt decreased by \$1,585,732. Total interest expense paid in 2015 was \$317,932.

CONTINGENCIES

During 2006, the City became a guarantor on a loan acquired by the Washington Parking Authority (Parking Authority) for construction of a parking garage in the amount of \$3,535,000. The Parking Authority is responsible for the repayment of this debt from parking revenue. However, in the event the Parking Authority defaults on the loan, the City assumes this debt. The amount the City may potentially need to provide for this debt in future periods is unable to be estimated. During the year ended December 31, 2015, the City was not required to pay anything towards this debt.

**CITY OF WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2016 budget, including the economy and inflation. The City anticipates revenues for 2016 to remain relatively consistent with 2015. Increases in salaries and wages, pension contributions, and equipment are the largest expected increased expenses.

The City is participating in an Early Intervention Program (EIP). This program is designed to evaluate the City's current financial position and develop a sound five-year financial plan. Currently, City Council is implementing the approved recommendations provided by the EIP.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, contact the Department of Finance at 55 West Maiden Street, Washington, Pennsylvania.

CITY OF WASHINGTON
WASHINGTON COUNTY, PENNSYLVANIA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2015

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,796,720
Capital assets, net of depreciation	34,085,946
TOTAL ASSETS	\$ 36,882,666
LIABILITIES	
Current liabilities:	
Long-term debt - portion due within one year	\$ 1,551,696
Other current liabilities	135,795
Total current liabilities	1,687,491
Long-term liabilities:	
Long-term debt - less portion due within one year	11,959,318
TOTAL LIABILITIES	13,646,809
NET POSITION	
Invested in capital assets, net of related debt	23,829,932
Restricted for:	
Road projects	18,370
Capital projects	435,938
Transit operations	167,594
Public safety	55,381
Pension obligations	146,342
Unrestricted (deficit)	(1,417,700)
TOTAL NET POSITION	23,235,857
TOTAL LIABILITIES AND NET POSITION	\$ 36,882,666

SEE AUDITOR'S REPORT AND THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CITY OF WASHINGTON
WASHINGTON COUNTY, PENNSYLVANIA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION - MODIFIED CASH BASIS**

DECEMBER 31, 2015

Total Combined Governmental Fund Balances (Page 5)	\$ 2,660,925
Differences in amounts reported for governmental activities in the statement of net assets:	
Fixed assets used in governmental activities are not current resources and are not reported on the governmental funds balance sheet	34,085,946
Debt principal payments are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet	
Due within one year	(1,551,696)
Due in more than one year	<u>(11,959,318)</u>
Total Net Position- Governmental Activities (Page 1)	<u>\$ 23,235,857</u>

SEE AUDITOR'S REPORT AND THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CITY OF WASHINGTON
WASHINGTON COUNTY, PENNSYLVANIA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

FUNCTIONS/PROGRAM	Expenses	Program Revenues			Total Program Revenue	Net (Expenses) and Revenues - Total Governmental Activities
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
General government and administration	\$ 969,018	\$ 168,067	\$ 419,836	\$ -	\$ 587,903	\$ (381,115)
Public Safety	3,859,145	513,836	5,601	-	519,437	(3,339,708)
Public Works-Sanitation	833,497	1,119,818	85,084	-	1,204,902	371,405
Public Works-Highways/Roads/Streets	1,098,853	-	342,944	-	342,944	(755,909)
Public Works-Other	1,798,851	450,925	1,062,280	487,706	2,000,911	202,060
Culture/Recreation	325,301	129,133	4,775	-	133,908	(191,393)
Community development	261,605	-	350,038	152,469	502,507	240,902
Debt service	321,682	-	262,851	-	262,851	(58,831)
Municipal pension contributions	4,294,936	-	-	-	-	(4,294,936)
Other employee benefits	2,048,629	-	514,663	-	514,663	(1,533,966)
Depreciation	1,327,852	-	-	-	-	(1,327,852)
Miscellaneous	35,964	-	-	-	-	(35,964)
Total Governmental Activities	17,175,333	2,381,779	3,048,072	640,175	6,070,026	(11,105,307)
General Revenues:						
Taxes						11,273,278
Special Assessments						62,018
Licenses and permits						333,918
Payments in lieu of taxes						97,586
Investment earnings						26,382
Miscellaneous						75,062
Total General Revenues						11,868,244
CHANGE IN NET POSITION						762,937
NET POSITION - beginning of the year						22,472,920
NET POSITION - end of the year						\$ 23,235,857

SEE AUDITOR'S REPORT AND THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CITY OF WASHINGTON
WASHINGTON COUNTY, PENNSYLVANIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

DECEMBER 31, 2015

Net change in fund balances-total governmental funds (Page 6)	\$ (538,791)
Differences in amounts reported for governmental activities on the statement of activities:	
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	1,043,848
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in fund balance, but does not require the use of current funds. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.	(1,327,852)
The issuance of long-term debt provides current resources of governmental funds, while the repayment of debt consumes the current financial resources of governmental funds. Therefore, the repayment of debt, net of new proceeds, results in a decrease to fund balance.	<u>1,585,732</u>
Change in fund balance of governmental activities (Page 3)	<u>\$ 762,937</u>

SEE AUDITOR'S REPORT AND THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CITY OF WASHINGTON
WASHINGTON COUNTY, PENNSYLVANIA

COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS - CASH BASIS

DECEMBER 31, 2015

	GENERAL FUND	POLICE EVIDENCE ESCROW FUND	MASS TRANSIT FUND	PAYROLL FUND	ACT 205 DISTRESSED PENSION FUND	SOLID WASTE FUND	DOWNTOWN REVITALIZATION FUND	MARCELLUS SHALE IMPACT FEE FUND	CAPITAL IMPROVEMENTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL (MEMORANDUM ONLY)
ASSETS												
Cash & cash equivalents	\$ 567,338	\$ 15,562	\$ 32,501	\$ 25,913	\$ 146,339	\$ 273,329	\$ 203,953	\$ 233,383	\$ 564,470	\$ -	\$ 733,932	\$ 2,796,720
Investments	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 567,338	\$ 15,562	\$ 32,501	\$ 25,913	\$ 146,339	\$ 273,329	\$ 203,953	\$ 233,383	\$ 564,470	\$ -	\$ 733,932	\$ 2,796,720
LIABILITIES AND FUND BALANCES												
LIABILITIES:												
Payroll withholdings	\$ -	\$ -	\$ -	\$ 23,753	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,753
Other liabilities	96,480	15,562	-	-	-	-	-	-	-	-	-	112,042
TOTAL LIABILITIES	96,480	15,562	-	23,753	-	-	-	-	-	-	-	135,795
FUND BALANCES:												
Fund balance	470,858	-	32,501	2,160	146,339	273,329	203,953	233,383	564,470	-	733,932	2,660,925
TOTAL LIABILITIES & FUND BALANCES	\$ 567,338	\$ 15,562	\$ 32,501	\$ 25,913	\$ 146,339	\$ 273,329	\$ 203,953	\$ 233,383	\$ 564,470	\$ -	\$ 733,932	\$ 2,796,720

CITY OF WASHINGTON
WASHINGTON COUNTY, PENNSYLVANIA

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	GENERAL FUND	POLICE EVIDENCE ESCROW FUND	MASS TRANSIT FUND	PAYROLL FUND	DISTRESSED PENSION FUND	ACT 205 FUND	SOLID WASTE FUND	DOWNTOWN REVITALIZATION FUND	MARCELLUS SHALE IMPACT FEE FUND	CAPITAL IMPROVEMENTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL (MEMORANDUM ONLY)
REVENUES													
Taxes	\$ 5,116,069	\$ -	\$ -	\$ -	\$ 3,505,273	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,353,920	\$ 1,296,016	\$ 11,273,278
Special assessments	-	-	-	-	-	-	-	62,018	-	-	-	-	62,018
Licenses and permits	333,918	-	-	-	-	-	-	-	-	-	-	-	333,918
Fines and forfeits	133,715	-	-	-	-	-	-	-	-	-	-	-	133,715
Interest, rents & royalties	21,622	-	1,051	98	621	602	283	-	224	816	-	1,065	26,382
Grants	33,810	-	912,958	-	-	-	-	224,073	-	-	-	2,075,928	3,246,769
Intergovernmental revenues	360,437	-	-	-	-	-	-	-	-	-	-	3,900	364,337
Contributions and donations	16,330	-	149,322	-	-	-	-	-	-	-	-	9,075	174,727
Chargas for services	1,121,193	-	-	-	-	1,119,817	-	-	-	5,000	-	7,064	2,248,064
Miscellaneous revenues	8,799	-	-	-	-	-	-	-	-	-	-	59,725	73,524
Proceeds from short term debt	800,000	-	-	-	-	-	-	-	-	-	-	-	800,000
Refund of prior year expenditures	1,538	-	-	-	-	-	-	-	-	-	-	-	1,538
TOTAL REVENUES	7,949,421	-	1,063,331	98	3,505,694	1,120,419	62,301	224,297	5,816	1,353,920	3,452,773	-	18,738,270
EXPENDITURES													
General government	926,734	-	-	-	-	-	16,604	9,658	12,962	-	2,660	-	969,018
Public safety	3,837,175	-	-	-	-	-	-	-	25,702	-	35,958	-	3,898,835
Public works-sanitation	-	-	-	-	-	831,869	-	-	-	-	-	1,628	833,497
Public works-highways/roads/streets	663,809	-	-	-	-	-	-	-	133,590	-	417,141	-	1,214,540
Public works-other	144,682	-	1,244,350	-	-	-	-	-	-	-	1,201,657	-	2,590,689
Culture/recreation	303,251	-	-	-	-	-	-	72,527	34,156	-	12,000	-	421,934
Community development	-	-	-	-	-	-	86,139	46,431	-	-	129,035	-	281,605
Debt service	2,707,414	-	-	-	3,547,043	-	-	-	-	-	-	-	2,707,414
Municipal pension contributions	747,893	-	-	-	-	-	-	-	-	-	-	-	4,294,936
Other employee benefits	2,048,629	-	-	-	-	-	-	-	-	-	-	-	2,048,629
Miscellaneous	17,519	-	-	5,324	-	6,518	-	-	-	-	6,603	-	35,964
TOTAL EXPENDITURES	11,397,106	-	1,244,350	5,324	3,547,043	838,387	102,943	128,816	206,410	-	1,806,682	-	19,277,061
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(3,447,685)	-	(181,019)	(5,226)	(41,149)	282,032	(40,642)	95,481	(200,594)	1,353,920	1,646,091	-	(538,791)
OTHER FINANCING SOURCES (USES)													
Interfund transfers in	3,698,597	-	-	-	-	-	-	100,500	344,383	-	54,561	-	4,198,041
Interfund transfers out	(317,966)	-	(330,017)	(18)	-	(614,574)	-	-	-	(1,353,920)	(1,581,546)	-	(4,198,041)
TOTAL OTHER FINANCING SOURCES (USES)	3,380,631	-	(330,017)	(18)	-	(614,574)	-	100,500	344,383	(1,353,920)	(1,526,985)	-	-
NET CHANGE IN FUND BALANCE	(67,054)	-	(511,036)	(5,244)	(41,149)	(332,542)	(40,642)	195,981	143,789	-	119,106	-	(538,791)
FUND EQUITY - beginning of the year	537,912	-	543,537	7,404	187,488	605,871	244,595	37,402	420,681	-	614,826	-	3,199,716
FUND EQUITY - end of the year	\$ 470,858	\$ -	\$ 32,501	\$ 2,160	\$ 146,339	\$ 273,329	\$ 203,953	\$ 233,383	\$ 564,470	\$ -	\$ 733,932	\$ -	\$ 2,660,925

SEE AUDITOR'S REPORT AND THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CITY OF WASHINGTON
WASHINGTON COUNTY, PENNSYLVANIA

STATEMENT OF NET POSITION - CASH BASIS

FIDUCIARY FUNDS

DECEMBER 31, 2015

	<u>PENSION FUNDS</u>
<u>ASSETS</u>	
Cash & cash equivalents	\$ 1,092,987
Investments	<u>38,418,497</u>
TOTAL ASSETS	<u>\$ 39,511,484</u>
<u>LIABILITIES AND FUND BALANCES</u>	
LIABILITIES:	
Payroll withholdings	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>
FUND BALANCES:	
Restricted for pension benefits	39,511,484
Unrestricted	<u>-</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 39,511,484</u>

SEE AUDITOR'S REPORT AND THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CITY OF WASHINGTON
WASHINGTON COUNTY, PENNSYLVANIA
STATEMENT OF CHANGES IN NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

		<u>PENSION FUNDS</u>
<u>ADDITIONS</u>		
Contributions:		
State aid	\$ 505,788	
Employee members	310,904	
Employer	<u>3,789,147</u>	\$ 4,605,839
Investment income:		
Interest and dividends	\$ 830,764	
Net appreciation in investment fair market value	<u>(591,139)</u>	<u>239,625</u>
TOTAL ADDITIONS		<u>4,845,464</u>
<u>DEDUCTIONS</u>		
Pension benefits paid		2,522,039
Administrative expenses		<u>220,848</u>
TOTAL DEDUCTIONS		<u>2,742,887</u>
INCREASE IN NET ASSETS		2,102,577
NET ASSETS - beginning of the year		<u>37,408,907</u>
NET ASSETS - end of the year		<u><u>\$ 39,511,484</u></u>

SEE AUDITOR'S REPORT AND THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CITY OF WASHINGTON
WASHINGTON COUNTY, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET VERSUS ACTUAL - COMBINED GOVERNMENTAL FUNDS - CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCE, JANUARY 1, 2015	\$ 3,199,716	\$ 3,199,716	\$ 3,199,716	\$ -
<u>RESOURCES (inflows):</u>				
Taxes	\$ 10,869,379	\$ 10,869,379	\$ 11,273,278	\$ 403,899
Special assessments	50,000	50,000	62,018	12,018
Licenses and permits	324,000	324,000	333,918	9,918
Fines and forfeits	141,000	141,000	133,715	(7,285)
Interest, rents & royalties	22,780	22,780	26,382	3,602
Grants	6,477,443	6,685,163	3,246,769	(3,438,394)
Intergovernmental revenues	558,000	556,000	364,337	(191,663)
Contributions and donations	152,752	154,752	174,727	19,975
Charges for services	2,258,805	2,202,635	2,248,064	45,429
Miscellaneous revenues	42,000	42,000	73,524	31,524
Proceeds from short term debt	800,000	800,000	800,000	-
Refund of prior year expenditures	-	-	1,538	1,538
TOTAL RESOURCES (inflows)	21,696,159	21,847,709	18,738,270	(3,109,439)
AMOUNT AVAILABLE FOR APPROPRIATION	24,895,875	25,047,425	21,937,986	(3,109,439)
<u>CHARGES TO APPROPRIATIONS (outflows):</u>				
General government	1,294,639	1,265,040	969,018	296,022
Public safety	4,343,006	4,360,945	3,898,835	462,110
Public works-sanitation	908,624	908,624	833,497	75,127
Public works-highways/roads/streets	1,413,965	1,607,609	1,214,540	393,069
Public works-other	2,927,559	2,857,268	2,590,689	266,579
Culture/recreation	923,815	934,725	421,934	512,791
Community development	768,000	768,000	261,605	506,395
Debt service	2,914,095	2,687,860	2,707,414	(19,554)
Municipal pension contributions	3,797,745	3,797,745	4,294,936	(497,191)
Other employee benefits	1,844,800	1,861,039	2,048,629	(187,590)
Miscellaneous	29,000	93,419	35,964	57,455
TOTAL CHARGES TO APPROPRIATIONS (outflows)	21,165,248	21,142,274	19,277,061	1,865,213
BUDGETARY FUND BALANCE, DECEMBER 31, 2015	\$ 3,730,627	\$ 3,905,151	\$ 2,660,925	\$ (1,244,226)

SEE AUDITOR'S REPORT AND THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Washington (City) is a Third Class City organized and operated under the laws of the Commonwealth of Pennsylvania and Washington County. The City is governed by a Mayor and a four-member Council elected by the residents of the City of Washington. The City provides such services as are authorized by its charter to advance the welfare, comfort, safety, and convenience of the City and its inhabitants.

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units with the exception of the Basis of Presentation as described in "C" below. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial reporting entity includes organizations, functions and activities over which elected officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. There are no component units as defined in the Governmental Accounting Standards Board (GASB) Statement No. 14 which are included in the City's reporting entity. Furthermore, the City is not includable as a component unit in any other primary government.

B. Summary of Significant Accounting Policies

As discussed further below, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

C. Basis of Presentation

The City's basic modified cash basis financial statements include both government-wide (reporting the City as a whole) and fund (reporting the City's major funds) financial statements. All activities of the City are classified as governmental in both the government-wide and fund financial statements.

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis by column and are reported on a modified cash basis, which recognizes capital assets as well as long-term debt. The modified cash basis of accounting does not recognize the recording of amounts owed to and by the City, deferred expenses and revenues, and other assets and liabilities normally recorded using the accrual basis of accounting as required by generally accepted accounting principles. The City's net assets are reported in three parts, a) invested in capital assets, net of related debt; b) restricted net assets; and c) unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants. The net costs (by function) are normally covered by general revenue (property taxes, earned income taxes, intergovernmental revenues, interest income, etc). This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. The City presently has fiduciary-type funds which are presented separately on the modified cash basis of accounting. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- (a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- (b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The various funds are grouped, in the financial report, into two generic fund types and categories as follows:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Other Major Funds – Funds are maintained to account for revenues derived from special sources. Such revenues are restricted to expenditures for specified purposes. The Other Major Funds presented are made up of the following self-balancing funds maintained by the City:

- A) Police Evidence Fund
- B) Mass Transit Fund
- C) Payroll Fund
- D) Act 205 Distressed Pension Fund
- E) Solid Waste Fund
- F) Downtown Revitalization Fund
- G) Marcellus Shale Impact Fee Fund
- H) Capital Improvements Fund
- I) Debt Service Fund
- J) Other Governmental Funds
 - General Reserve Fund
 - Fire Damaged Buildings Escrow Fund
 - Liquid Fuels Fund
 - U.S. Justice Capital Equipment Fund
 - Contingency Reserve Fund
 - Park Development Fund
 - Arts and Heritage Fund
 - TIF Revenue Fund
 - Fire Capital Purchase Fund
 - Municipal Pension State Aid Fund
 - Elm Street Grant Fund
 - Insurance Claims Fund
 - Forfeited Property Fund
 - State Forfeited Property Fund
 - Rental Registration Fund
 - Local Shares Assessment Fund
 - DNCR Multi-Municipal Recreation Plan Fund
 - Catfish Creek Project Fund
 - PDC Safety Initiative Fund
 - Park Pavilion Update Fund
 - Land Use and Planning Fund
 - DCED H2O Fund
 - North Central Highway Safety Fund
 - Marcellus Shale Impact Fund
 - Recycling Performance Grant Fund
 - Police Department Purchase Fund

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

GOVERNMENTAL FUNDS – (Continued)

- J) Other Governmental Funds – (Continued)
 - Purchases of Buses and Equipment Fund
 - RCAP - Park Renovations Fund
 - PEMA Fire Fund
 - RCAP - Washington and Jefferson Fund
 - Growing Greener Fund
 - Citizens Library HVAC Fund
 - Recycling Drop Off Grant Fund
 - Police Special Fund
 - EIP Financial Upgrade Fund
 - Park Pavilion Fund

FIDUCIARY FUNDS

The fiduciary fund is comprised of the following pension funds:

Police Pension Fund – The Police Pension Fund is used to account for assets held by the City in a trustee capacity for the policemen of the City.

Firemen Pension Fund–The Firemen Pension Fund is used to account for assets held by the City in a trustee capacity for the firemen of the City.

Officers and Administration Pension Fund – The Officers and Administration Pension Fund is used to account for assets held by the City in a trustee capacity for the officer and administrative employees of the City.

D. Budget and Budgetary Accounting

Formal budgetary integration is employed as a management control device for all governmental fund types. Once the budget is approved, it can be amended at the function and fund level only by a vote of the majority of members of Council and the Mayor. A formal budget was adopted for the General Fund, each of the Special Revenue Funds, and each of the Capital Projects Funds.

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. Capital Assets

Capital assets purchased or acquired are reported at historical costs or estimated historical costs. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expenses as incurred. Assets capitalized, not including infrastructure assets, have an original cost of \$4,000 or more. Infrastructure assets capitalized have an original cost of \$100,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Depreciation expense for the year ended December 31, 2015 was \$1,327,852. Estimated useful lives are as follows:

Buildings	20-50 years
Infrastructure	20-50 years
Improvements	10-20 years
Vehicles and Equipment	5-10 years

NOTE 2 – CASH AND CASH EQUIVALENTS

The City of Washington considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

At December 31, 2015, the carrying amount of the City's deposits was \$2,796,720. The bank balance was \$2,812,015. The City maintains checking and money market accounts with Washington Financial Bank and First Niagara Bank.

Deposits with financial institutions are insured by FDIC insurance for the first \$250,000 of deposits.

The City's deposits are categorized to give an indication of the level of risk assumed by the City at year end. The categories are described as follows:

- Category 1 - Insured or collateralized with securities held by the City or its agent in the City's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 - Uncollateralized or which are collateralized with securities held by the pledging financial institution or by its trust department but not in the City's name.

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

NOTE 2 – CASH AND CASH EQUIVALENTS – (Continued)

Deposits, categorized by level of risk, are:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Bank Value</u>	<u>Carrying Value</u>	<u>Market Value</u>
General Fund	\$ 250,000	\$ -	\$ 317,338	\$ 544,348	\$ 567,338	\$ 567,338
Special Revenue Funds	16,581	-	1,414,925	1,469,791	1,431,506	1,431,506
Capital Projects Funds	-	-	<u>797,876</u>	<u>797,876</u>	<u>797,876</u>	<u>797,876</u>
Total Deposits	<u>\$266,581</u>	<u>\$ -</u>	<u>\$2,530,139</u>	<u>\$2,812,015</u>	<u>\$2,796,720</u>	<u>\$2,796,720</u>

NOTE 3 – PROPERTY TAXES

The City's property tax is levied on March 1 on the assessed value of all real property located in the City. The assessed value of the roll for 2015 was \$238,013,460. The City's tax rate for 2015 was 107.63 mills on land and 3.5 mills on buildings for a total levy of \$5,364,877 and was payable as follows:

- At discount of 2% until March 31, 2015
- At face until May 31, 2015
- At penalty of 10% after May 31, 2015
- Unpaid property taxes for 2015 were liened on January 15, 2016.

The total tax rates assessed for the year ended December 31, 2015 were as follows:

	<u>Land</u>	<u>Buildings</u>
General Purposes	54.99 mills	1.73 mills
Debt Services	19.91	0.69
Pension Systems	27.88	0.91
All Other Purposes	<u>4.85</u>	<u>0.17</u>
Total Tax Rate	<u>107.63</u> mills	<u>3.50</u> mills

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

NOTE 4 – GRANT REVENUE

The City of Washington received the following grants during the year ended December 31, 2015:

A) Federal Grants:

The following amounts represent grants provided by federal funds during the year ended December 31, 2015.

Federal Transit Assistance	\$ 483,806	
U.S. Environmental Protection Agency	<u>152,469</u>	
Total federal grants received during the year ended December 31, 2015		\$ 636,275

B) State Grants:

The following amounts represent grants provided by the Commonwealth of Pennsylvania during the year ended December 31, 2015.

Pennsylvania Ad Hoc Retirement	8,875	
General Municipal Pension System State Aid	505,788	
Municipal Liquid Fuels	335,812	
Act 44, Section 1513 Transit Operations	912,958	
Local Share Assessments	161,630	
North Central Highway Safety	150,038	
Marcellus Shale Impact	224,073	
Grower Greener Community Development	200,000	
Fire Department Equipment	1,301	
Drop off Recycling	<u>85,084</u>	
Total state grants received during the year ended December 31, 2015		2,585,559

C) County Grants:

Debt Service payments made by the Redevelopment Authority of Washington County		<u>262,851</u>
Total grant revenue received during the year ended December 31, 2015		<u>\$3,484,685</u>

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

NOTE 5 – PENSION PLANS

The City of Washington maintains the following pension plans for its employees:

- A) Police Pension Plan
- B) Firemen Pension Plan
- C) Officers and Employees Retirement System

Plan Administration: The City of Washington Comprehensive Municipal Pension Trust Fund (the Trust) was established by Ordinance No. 1371, effective April 9, 1987, as a result of the City's eligibility for, and election to participate in, the supplemental state assistance program provision of Act 205 of 1984 for distressed municipalities. This provision required the City to aggregate the municipal pension assets into a single pension trust fund pursuant to Section 607(b) of Act 205. The City of Washington entered at that time under Level II of the recovery program.

The Trust retains the assets and acts as a common investment and administrative agent of the City's police, firemen's and non-uniformed pension plans. The Trust is governed by the City of Washington Comprehensive Municipal Pension Trust Fund Board of Trustees, which has delegated the authority to management certain fund assets to PNC Institutional Investments.

Act 205 Section 607(b), requires that each pension plan subject to the aggregation shall have an undivided participation in the assets of the Trust. For accounting purposes the value of the participation by each plan shall be calculated annually. The value for each plan and its share of the investment earnings are shown in the statement of the undivided participation in the assets of the comprehensive municipal pension trust fund, which appear in the separately issued City of Washington Police, Firemen's and Officers and Employees Pension Plan audit reports.

Investments: The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The Plan's target asset allocation is as follows:

<u>Asset Class</u>	<u>Target Percentage</u>	<u>Range</u>
Equities	55%	45% – 65%
Fixed Income	40%	30% – 50%
Real Estate	5%	0% - 10%

Credit Risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit ratings of the plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Money Market Funds	\$ 1,092,987	Not rated
Mortgage-Backed Securities	153,537	Not rated
Corporate Debt	3,672,043	A
Corporate Debt	3,989,999	Baa
Corporate Debt	3,002	Not Rated
Total	<u>\$ 8,911,568</u>	

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

NOTE 5 – PENSION PLANS – (Continued)

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. At December 31, 2015, the Plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represent 5% or more of Fiduciary Net Position.

Interest Rate Risk for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The plan has no investment policy for interest rate risk other than the 50 percent limit on fixed income securities. The maturities of the plan's debt investment are listed on the table below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5.99</u>	<u>6-10</u>	<u>More than 10</u>
U.S. Treasuries	\$4,281,064	\$1,248,331	\$3,032,733	\$ -	\$ -
U.S. Agency Debt	3,351,537	-	49,128	13,094	3,289,315
Corporate Debt	7,665,044	-	4,990,343	2,674,701	-
Mortgage-Backed Securities	153,537	-	-	-	153,537
Total	<u>\$15,451,182</u>	<u>\$1,248,331</u>	<u>\$8,072,204</u>	<u>\$2,687,795</u>	<u>\$3,442,852</u>

The activity of each plan is presented in the fund financial statements under the Fiduciary Fund. The details and activity of each pension fund is as follows:

A. Police Pension Plan

1. Plan Description

The City of Washington's Police Pension Plan is a single-employer defined benefit pension plan. The Plan was established by Ordinance No. 324, effective February 19, 1936 and was most recently amended and restated effective January 1, 2003. The Plan is governed by the provisions of Act 205 of 1984. The Council has delegated the authority to manage certain Plan assets to PNC Institutional Investments. Mockenhaupt Benefits Group is the Plan Actuary. Actuarial valuation reports are prepared every two years.

Plan Membership: The most recent valuation report, Actuarial Valuation Report Form PC-201C, which was filed with the Public Employee Retirement Commission and dated January 1, 2015, discloses that pension plan membership consists of:

• Active employees	30
• Retirees and beneficiaries currently receiving benefits	37
• Terminated employees entitled to benefits but not yet receiving them	<u>0</u>
Total	<u>67</u>

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

NOTE 5 – PENSION PLANS (Continued)

2. Benefit Provisions

Actuarial Valuation Report Form PC-201C, which was filed with the Public Employee Retirement Commission and dated January 1, 2015 (the most recent valuation), discloses that the pension plan benefit provisions are as follows:

Eligibility Requirements

Normal Retirement: For participants hired before January 1, 1994, age 50 and 20 years of continuous service. For participants hired after December 31, 1993, age 53 and 20 years of continuous service.

Normal Benefit

A monthly benefit equal to the greater of 50 percent of the monthly salary or 50 percent of the final monthly average salary plus service increment, if any.

Death Benefit

Before Retirement Eligibility: Refund of contributions without interest.
After Retirement Eligibility, disability, or if killed in service: A monthly benefit equal to 100 percent of the pension the participant was receiving or entitled to receive on the day of the participant's death payable to participant's spouse.

Payment of Survivor Benefits: Monthly survivor benefits are payable to the participant's spouse for life, or if the spouse later dies, the benefit will be paid to the participant's dependent children, if any, until age 18.

Disability Benefit

Service Related: Total and permanent disablement which occurs while performing the duties of a police officer for the City.

Non-Service Related: Total and permanent disablement following the completion of 10 years of continuous service.

Amount of Benefit: A monthly benefit equal to 50 percent of the participant's base salary at disablement/retirement. If the non-service related disability occurs prior to the completion of 10 years of service, the benefit is equal to 25 percent of the base salary at disablement.

Member Contributions

Amount or Rate: 7.5 percent of compensation, plus \$4 per month. Employees who have reached age 65 will not be required to contribute the \$4 per month.

Refund: Accumulated contributions without interest.

CITY OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5 – PENSION PLANS (Continued)

3. Summary of Significant Accounting Policies

Basis of Accounting: These statements have been prepared on the accrual basis of accounting. Contributions and pension payments are recognized in the period that they are due.

Valuation of Investments: Plan investments are listed at fair value as reported by PNC Institutional Asset Management and are allocated to the Police Pension Plan based on the conventions of the Aggregate Trust. The Aggregate Trust was established as a requirement of Act 205 of 1984 for Level II Distressed Plans.

Plan Administration: The City of Washington Police Pension Plan is a single-employer defined benefit pension plan. The Plan is governed by the City Council of the City of Washington which may amend plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to Morrison Fiduciary Advisors, Inc. The Plan is required to file Form PC-201C biennially with the Public Employee Retirement Commission (PERC). The most recent filing was January 1, 2015.

Contributions: Act 205 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation (annual valuation for distressed plans). The MMO includes the normal costs, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to ten percent (10%) of the excess, if any, of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute seven and one-half percent (7.5%) of covered payroll to the Plan plus \$4 per month. This contribution is governed by the Plan's governing ordinances.

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

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

NOTE 5 – PENSION PLANS (Continued)

4. Schedule of Changes in Net Pension Liability and Related Ratios

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service Cost	\$ 509,583	\$ 462,121
Interest	1,470,814	1,357,627
Differences between expected and actual experience	(398,358)	-
Changes of assumptions	1,223,538	-
Benefit payments, including refunds of employee contributions	<u>(1,082,566)</u>	<u>(1,064,207)</u>
Net change in total pension liability	1,613,011	755,541
Total pension liability-beginning	<u>18,917,589</u>	<u>18,162,048</u>
Total pension liability-ending	<u>20,530,600</u>	<u>18,917,589</u>
Plan fiduciary net position		
Contributions-employer	\$ 1,826,222	\$ 1,901,201
Contributions-employee	150,853	150,481
Net investment income	110,052	826,512
Benefit payments, including refunds of employee contributions	(1,082,566)	(1,064,207)
Administrative expense	<u>(95,597)</u>	<u>(5,490)</u>
Net change in plan fiduciary net position	908,964	1,808,497
Plan fiduciary net position-beginning	<u>16,825,480</u>	<u>15,016,983</u>
Plan fiduciary net position-ending	<u>17,734,444</u>	<u>16,825,480</u>
Net pension liability	<u>\$ 2,796,156</u>	<u>\$ 2,092,109</u>
Plan fiduciary net position as a percentage of the total pension liability	86.4%	88.9%
Covered employee payroll	\$ 1,935,541	\$ 2,004,917
Net pension liability as a percentage of covered employee payroll	144.5%	104.3%

The schedule of changes in net pension liability and related ratios shown above is presented using the accrual basis of accounting. The City's financial statements, including the statements of net position and changes in net position for the fiduciary funds presented on pages 7 and 8 of the financial statements, are prepared using the modified cash basis, which does not recognize the recording of amounts owed to and by the Plan, deferred expenses and revenues, and other assets and liabilities normally recorded using the accrual basis of accounting as required by generally accepted accounting principles.

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

NOTE 5 – PENSION PLANS (Continued)

5. Net Pension Liability

The components of the net pension liability at December 31, 2015 are as follows:

Total pension liability	\$20,530,600
Plan fiduciary net position	<u>(17,734,444)</u>
Net pension liability	\$ 2,796,156
Plan fiduciary net position as a percentage of the total pension liability	86.4%

Changes in the investment rate of return affect the measurement of the actuarial accrued liability. Because the investment rate of return does not affect the measurement of assets, the percentage change in the net pension liability can be very significant for a relatively small change in the investment rate of return. The sensitivity of the net pension liability to the investment rate of return with two additional measures, plus and minus one percent from the actuarial assumption is shown below:

<u>Sensitivity Analysis</u>	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net pension liability	<u>\$ 5,410,495</u>	<u>\$ 2,796,156</u>	<u>\$ 627,460</u>

6. Actuarial Methods and Assumptions

Actuarial cost method	Entry age
Asset valuation method	4 year smoothing
Amortization method	Level dollar
Aggregate remaining amortization period (years)	13
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	5.00%
Underlying inflation rate	3.00%

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

NOTE 5 – PENSION PLANS (Continued)

B. Firemen Pension Plan

1. Plan Description

The City of Washington’s Firemen Pension Plan is a single-employer defined benefit pension plan. The Plan was established, effective March 1, 1930 and was most recently amended and restated effective January 1, 2006. The Plan is governed by the provisions of Act 205 of 1984. The Council has delegated the authority to manage certain Plan assets to PNC Institutional Investments. Mockenhaupt Benefits Group is the Plan Actuary.

Plan Membership: The most recent valuation report, Actuarial Valuation Report Form PC-201C, which was filed with the Public Employee Retirement Commission and dated January 1, 2015 (the most recent valuation), discloses that pension plan membership consists of:

• Active employees	22
• Retirees and beneficiaries currently receiving benefits	36
• Terminated employees entitled to benefits but not yet receiving them	<u>0</u>
Total	<u>58</u>

2. Benefit Provisions

Actuarial Valuation Report Form PC-201C, which was filed with the Public Employee Retirement Commission and dated January 1, 2015, discloses that the pension plan benefit provisions are as follows:

Eligibility Requirements

Normal Retirement: For participants hired before January 1, 1980, 20 years of continuous service. For participants hired after December 31, 1979 and before January 1, 1994, age 50 and 20 years of continuous service. For participants hired after December 31, 1993, age 53 and 20 years of continuous service.

Normal Benefit

A monthly benefit equal to the greater of 50 percent of the monthly salary or 50 percent of the final monthly average salary plus service increment, if any.

CITY OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5 – PENSION PLANS (Continued)

2. Benefit Provisions (Continued)

Death Benefit

Before Retirement Eligibility: Refund of contributions without interest.

After Retirement Eligibility or if killed in service: A monthly benefit equal to 100 percent of the pension the participant was receiving or entitled to receive on the day of the participant's death payable to participant's spouse.

Payment of Survivor Benefits: Monthly survivor benefits are payable to the participant's spouse for life, or if the spouse later dies, the benefit will be paid to the participant's dependent children, if any, until age 18.

Disability Benefit

Service Related: Total and permanent disablement which occurs while performing the duties of a firemen for the City.

Non-Service Related: None.

Amount of Benefit: A monthly benefit equal to the greater of 50 percent of the monthly salary or 50 percent of the final monthly average salary plus service increment, if any, calculated at date of disablement.

Member Contributions

Amount or Rate: 5 percent of compensation plus \$4 per month for participant hired prior to January 1, 2003. 6.5 percent plus \$4 per month for participants hired on or after January 1, 2003. Employees who have reached age 65 will not be required to contribute the \$4 per month.

Refund: Accumulated contributions without interest.

3. Summary of Significant Accounting Policies

Plan Administration: The City of Washington Firemen's Pension Plan is a single-employer defined benefit pension plan. The Plan is governed by the City Council of the City of Washington which may amend plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to Morrison Fiduciary Advisors, Inc. The Plan is required to file Form PC-202C biennially with the Public Employee Retirement Commission (PERC). The most recent filing was January 1, 2015.

Basis of Accounting: These statements have been prepared on the accrual basis of accounting. Contributions and pension payments are recognized in the period that they are due.

CITY OF WASHINGTON
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

NOTE 5 – PENSION PLANS (Continued)

3. Summary of Significant Accounting Policies (Continued)

Valuation of Investments: Plan investments are listed at fair value as reported by PNC Institutional Asset Management and are allocated to the Police Pension Plan based on the conventions of the Aggregate Trust. The Aggregate Trust was established as a requirement of Act 205 of 1984 for Level II Distressed Plans.

Contributions: Act 205 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation (annual valuation for distressed plans). The MMO includes the normal costs, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to ten percent (10%) of the excess, if any, of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute five percent (5%) of covered payroll to the Plan plus \$4 per month if hired before January 1, 2003 and six and one-half percent (6.5%) of covered payroll plus \$4 per month if hired on or after January 1, 2003. This contribution is governed by the Plan's governing ordinances.

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

4. Net Pension Liability

The components of the net pension liability at December 31, 2015 are as follows:

Total pension liability	\$17,454,403
Plan fiduciary net position	<u>(16,641,347)</u>
Net pension liability	\$ 813,056

Plan fiduciary net position as a percentage of the total pension liability	95.3%
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Changes in the investment rate of return affect the measurement of the actuarial accrued liability. Because the investment rate of return does not affect the measurement of assets, the percentage change in the net pension liability can be very significant for a relatively small change in the investment rate of return. The sensitivity of the net pension liability to the investment rate of return with two additional measures, plus and minus one percent from the actuarial assumption is shown below:

<u>Sensitivity Analysis</u>	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net pension liability	<u>\$ 2,874,536</u>	<u>\$ 813,056</u>	<u>(\$ 905,327)</u>

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

NOTE 5 – PENSION PLANS (Continued)

5. Schedule of Changes in Net Pension Liability and Related Ratios

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service Cost	\$ 283,749	\$ 309,161
Interest	1,257,827	1,241,072
Differences between expected and actual experience	(191,305)	-
Benefit payments, including refunds of employee contributions	<u>(1,128,494)</u>	<u>(1,092,404)</u>
Net change in total pension liability	221,777	457,829
Total pension liability-beginning	<u>17,232,626</u>	<u>16,774,797</u>
Total pension liability-ending	<u>17,454,403</u>	<u>17,232,626</u>
Plan fiduciary net position		
Contributions-employer	\$ 2,324,574	\$ 2,433,170
Contributions-employee	81,631	76,732
Net investment income	102,984	750,112
Benefit payments, including refunds of employee contributions	(1,128,494)	(1,092,404)
Administrative expense	<u>(84,554)</u>	<u>(4,290)</u>
Net change in plan fiduciary net position	1,296,141	2,163,320
Plan fiduciary net position-beginning	<u>15,345,206</u>	<u>13,181,886</u>
Plan fiduciary net position-ending	<u>16,641,347</u>	<u>15,345,206</u>
Net pension liability	<u>\$ 813,056</u>	<u>\$ 1,887,420</u>
Plan fiduciary net position as a percentage of the total pension liability	95.3%	89.0%
Covered employee payroll	\$ 1,388,595	\$ 1,295,402
Net pension liability as a percentage of covered employee payroll	58.6%	145.7%

The schedule of changes in net pension liability and related ratios shown above is presented using the accrual basis of accounting. The City's financial statements, including the statements of net position and changes in net position for the fiduciary funds presented on pages 7 and 8 of the financial statements, are prepared using the modified cash basis, which does not recognize the recording of amounts owed to and by the Plan, deferred expenses and revenues, and other assets and liabilities normally recorded using the accrual basis of accounting as required by generally accepted accounting principles.

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

NOTE 5 – PENSION PLANS (Continued)

6. Actuarial Methods and Assumptions

Actuarial cost method	Entry age
Asset valuation method	4 year smoothing
Amortization method	Level dollar
Aggregate remaining amortization period (years)	13
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	5.00%
Underlying inflation rate	3.00%

C. Officers and Employees Retirement System

1. Plan Description

The City of Washington's Officers and Employees Pension Plan is a single-employer defined benefit pension plan. The Plan was established by Ordinance No. 566, effective February 1, 1950 and was most recently amended and restated effective January 1, 1993. The Plan is governed by the provisions of Act 205 of 1984. The Council has delegated the authority to manage certain Plan assets to PNC Institutional Investments. Mockenhaupt Benefits Group is the Plan Actuary.

Plan Membership: The most recent valuation report, Actuarial Valuation Report Form PC-201C, which was filed with the Public Employee Retirement Commission and dated January 1, 2015 (the most recent valuation), discloses that pension plan membership consists of:

• Active employees	29
• Retirees and beneficiaries currently receiving benefits	23
• Terminated employees entitled to benefits but not yet receiving them	<u>0</u>
Total	<u>52</u>

2. Benefit Provisions

Actuarial Valuation Report Form PC-201C, which was filed with the Public Employee Retirement Commission and dated January 1, 2015, discloses that the pension plan benefit provisions are as follows:

Eligibility Requirements

Normal Retirement: For participants hired before January 1, 1993, age 55 and 20 years of continuous service. For participants hired after December 31, 1992, age 60 and 20 years of continuous service.

CITY OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5 – PENSION PLANS (Continued)

3. Summary of Significant Accounting Policies

Plan Administration: The City of Washington Officers and Employees Retirement Systems is a single-employer defined benefit pension plan. The Plan is governed by the City Council of the City of Washington which may amend plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to Morrison Fiduciary Advisors, Inc. The Plan is required to file Form PC-203C biennially with the Public Employee Retirement Commission (PERC). The most recent filing was January 1, 2015.

Basis of Accounting: These statements have been prepared on the accrual basis of accounting. Contributions and pension payments are recognized in the period that they are due.

Valuation of Investments: Plan investments are listed at fair value as reported by PNC Institutional Asset Management and are allocated to the Police Pension Plan based on the conventions of the Aggregate Trust. The Aggregate Trust was established as a requirement of Act 205 of 1984 for Level II Distressed Plans.

Contributions: Act 205 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation (annual valuation for distressed plans). The MMO includes the normal costs, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to ten percent (10%) of the excess, if any, of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute three and one-half percent (3.5%) of covered payroll subject to social security taxation and five percent (5%) of pay in excess of the taxable wage base. Participants may contribute five percent (5%) to eliminate the social security offset and an extra one percent (1%) for the survivor benefit. Participants hired after December 31, 1992, contribute six percent (6%) of pay. This contribution is governed by the Plan's governing ordinances.

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

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

NOTE 5 – PENSION PLANS (Continued)

4. <u>Schedule of Changes in Net Pension Liability and Related Ratios</u>	<u>2015</u>	<u>2014</u>
Total pension liability		
Service Cost	\$ 101,095	\$ 105,886
Interest	379,029	380,963
Differences between expected and actual experience	(228,342)	-
Benefit payments, including refunds of employee contributions	<u>(295,500)</u>	<u>(264,068)</u>
Net change in total pension liability	(43,718)	222,781
Total pension liability-beginning	<u>5,326,049</u>	<u>5,103,268</u>
Total pension liability-ending	<u>5,282,331</u>	<u>5,326,049</u>
Plan fiduciary net position		
Contributions-employer	\$ 102,991	\$ 107,424
Contributions-employee	55,475	68,125
Net investment income	33,315	269,812
Benefit payments, including refunds of employee contributions	(295,500)	(264,068)
Administrative expense	<u>(33,675)</u>	<u>(3,895)</u>
Net change in plan fiduciary net position	(137,394)	177,398
Plan fiduciary net position-beginning	<u>5,479,746</u>	<u>5,302,348</u>
Plan fiduciary net position-ending	<u>5,342,352</u>	<u>5,479,746</u>
Net pension liability	<u>(\$ 60,021)</u>	<u>(\$ 153,697)</u>
Plan fiduciary net position as a percentage of the total pension liability	101.1%	102.9%
Covered employee payroll	\$ 959,031	\$ 926,945
Net pension liability as a percentage of covered employee payroll	(6.3)%	(16.6)%

The schedule of changes in net pension liability and related ratios shown above is presented using the accrual basis of accounting. The City's financial statements, including the statements of net position and changes in net position for the fiduciary funds presented on pages 7 and 8 of the financial statements, are prepared using the modified cash basis, which does not recognize the recording of amounts owed to and by the Plan, deferred expenses and revenues, and other assets and liabilities normally recorded using the accrual basis of accounting as required by generally accepted accounting principles.

CITY OF WASHINGTON
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

NOTE 5 – PENSION PLANS (Continued)

5. Net Pension Liability

The components of the net pension liability at December 31, 2015 are as follows:

Total pension liability	\$5,282,331
Plan fiduciary net position	(<u>5,342,352</u>)
Net pension liability	(\$ 60,021)
Plan fiduciary net position as a percentage of the total pension liability	101.1%

Changes in the investment rate of return affect the measurement of the actuarial accrued liability. Because the investment rate of return does not affect the measurement of assets, the percentage change in the net pension liability can be very significant for a relatively small change in the investment rate of return. The sensitivity of the net pension liability to the investment rate of return with two additional measures, plus and minus one percent from the actuarial assumption is shown below:

<u>Sensitivity Analysis</u>	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net pension liability	<u>\$ 433,266</u>	<u>\$ 60,021</u>	<u>\$ (485,357)</u>

6. Actuarial Methods and Assumptions

Actuarial cost method	Entry age
Asset valuation method	4 year smoothing
Amortization method	Level dollar
Aggregate remaining amortization period (years)	11
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	5.00%
Underlying inflation rate	3.00%

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

NOTE 5 – PENSION PLANS (Continued)

SOURCE OF ASSET INFORMATION

The assets of the three pension plans are consolidated by PNC Institutional Investments. Asset information as of December 31, 2015 was furnished by PNC Institutional Investments.

The Market Value of assets is summarized below by type:

	<u>Market Value</u>
A. Cash and Cash Equivalents	\$ 1,092,987
B. Corporate	7,665,044
C. U.S. Government	4,281,066
D. Other Fixed Income	3,505,071
E. Industrial	759,540
F. Consumer Discretionary	1,239,264
G. Consumer Staples	619,920
H. Energy	33,838
I. Financial	517,709
J. Materials	326,898
K. Information Technology	1,744,014
L. Utilities	89,474
M. Healthcare	1,359,744
N. Telecommunications	163,458
O. Other Equity Stock	74,721
P. Mutual Funds – Fixed	1,889,539
Q. Mutual Funds - Equity	<u>14,149,197</u>
Total	<u>\$39,511,484</u>

DEPOSITS

At December 31, 2015 the Plan held \$1,092,987 in deposits.

INVESTMENTS

The Plan's is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The Plan's investments are uninsured and unregistered investments for which the securities are held by a counterparty or by its trust department or agent but not in the Plan's name.

<u>Securities</u>	<u>Total Market Value</u>
U.S. Government Securities	\$ 4,281,066
<u>Other</u>	
Fixed Income	11,170,115
Equities	21,077,776
Mutual Funds	<u>1,889,539</u>
Total Investments	<u>\$38,418,497</u>

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

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance <u>January 1</u>	<u>Additions</u>	<u>Disposals</u>	Ending Balance <u>December 31</u>
Infrastructure	\$ 7,414,122	\$ -	\$ -	\$ 7,414,122
Buildings & Improvements	26,213,259	781,838	-	26,995,097
Equipment	<u>15,472,107</u>	<u>262,010</u>	-	<u>15,734,117</u>
	49,099,488	1,043,848	-	50,143,336
Accumulated Depreciation	<u>(14,729,538)</u>	<u>(1,327,852)</u>	-	<u>(16,057,390)</u>
Net Capital Assets	<u>\$ 34,369,950</u>	<u>\$ (284,004)</u>	<u>\$ -</u>	<u>\$ 34,085,946</u>

NOTE 7 - LONG TERM DEBT

Long-term debt consisted of the following as of December 31, 2015:

**A) Title of Issue City of Washington – Federal Taxable General
Obligation Pension Bonds, Series of 2005A**

Original Date of Issue:	May 12, 2005
Maturity Date of Issue:	September 1, 2019
Annual Interest Rate:	3.540% - 5.10%
Amount of Original Issue:	\$ 7,775,000
Principal Amount Retired During Year:	\$ 530,000
Principal Amount Outstanding at December 31, 2015:	\$ -0-
Total interest paid during year	\$ 26,235

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

NOTE 7 - LONG TERM DEBT - (Continued)

B) Title of Issue: City of Washington - General Obligation Bonds - Series of 2012B

On June 7, 2012, the City of Washington refinanced \$4,417,716 of the 2002 General Obligation Bonds and \$727,211 of the PennVest General Obligation Note to take advantage of lower interest rates. The old interest rate was between 1.601 and 5.860 percent, while the interest rate on the new issuance is between 2.000 and 2.700 percent. The proceeds from the refinanced bonds totaled \$5,315,000. The refinanced debt has a maturity date of September 1, 2023. During 2015, the Redevelopment Authority provided \$61,115 towards this debt, which is treated by the City as a contribution from other governmental entities.

Original Date of Issue:	June 7, 2012
Maturity Date of Issue:	September 1, 2023
Annual Interest Rate:	2.0% - 2.7%
Amount of Original Issue:	\$ 5,315,000
Principal Amount Retired During Year:	\$ 670,000
Principal Amount Outstanding at December 31, 2015:	\$ 4,645,000
Total interest paid during year	\$ 122,230

C) Title of Issue: City of Washington – General Obligation Note – Series 2012

Original Date of Issue:	July 17, 2013
Maturity Date of Issue:	October 15, 2018
Annual Interest Rate:	3.15%
Amount of Original Issue:	\$ 848,370
Principal Amount Retired During Year:	\$ 135,732
Principal Amount Outstanding at December 31, 2015:	\$ 301,014
Total interest paid during year	\$ 14,268

The proceeds from this loan were used to purchase a new fire truck and equipment. During 2015, the Redevelopment Authority provided \$150,000 towards this debt, which is treated by the City as a contribution from other governmental entities.

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

NOTE 7 - LONG TERM DEBT - (Continued)

D) Title of Issue: City of Washington - General Obligation Bonds - Series of 2014A

On December 22, 2014, the City of Washington refinanced \$2,875,000 of the General Obligation Pension Bonds, Series of 2005A and \$3,220,000 of the General Obligation Bonds, Series of 2005B to take advantage of lower interest rates. The old interest rate was between 3.000 and 5.100 percent, while the interest rate on the new issuance is between 1.188 and 3.325 percent. The proceeds from the refinanced bonds totaled \$6,475,000. The refinanced debt has a maturity date of September 1, 2021. During 2015, the Redevelopment Authority provided \$63,024 towards this debt, which is treated by the City as a contribution from other governmental entities.

Original Date of Issue:	December 22, 2014
Maturity Date of Issue:	September 1, 2021
Annual Interest Rate:	1.188% - 3.325%
Amount of Original Issue:	\$ 6,475,000
Principal Amount Retired During Year:	\$ 250,000
Principal Amount Outstanding at December 31, 2015:	\$ 6,225,000
Total interest paid during year	\$ 105,304

E) Title of Issue: City of Washington - General Obligation Bonds - Series of 2014B

On December 22, 2014, the City of Washington refinanced \$1,944,713 of the General Obligation Bonds, Series of 2009 to take advantage of lower interest rates. The old interest rate was 5.180 percent, while the interest rate on the new issuance is between 2.250 and 2.750 percent. The proceeds from the refinanced bonds totaled \$2,340,000. The refinanced debt has a maturity date of September 1, 2024.

Original Date of Issue:	December 22, 2014
Maturity Date of Issue:	September 1, 2024
Annual Interest Rate:	2.250% - 2.750%
Amount of Original Issue:	\$ 2,340,000
Principal Amount Retired During Year:	\$ -0-
Principal Amount Outstanding at December 31, 2015:	\$ 2,340,000
Total interest paid during year	\$ 42,326

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

NOTE 7 - LONG TERM DEBT - (Continued)

Debt Maturities of the City of Washington's debt is as follows:

	General Obligation Bond Series 2012B		General Obligation Note Series 2012	
Year Ended	Principal	Interest	Principal	Interest
December 31,				
2016	680,000	108,830	121,696	12,107
2017	340,000	95,230	125,616	8,187
2018	350,000	88,430	53,702	2,522
2019	360,000	81,430	-	-
2020	370,000	74,230	-	-
2021-2025	<u>2,545,000</u>	<u>145,988</u>	<u>-</u>	<u>-</u>
Total	<u>\$4,645,000</u>	<u>\$594,138</u>	<u>\$301,014</u>	<u>\$22,816</u>

	General Obligation Bond Series 2014A		General Obligation Bond Series 2014B	
Year Ended	Principal	Interest	Principal	Interest
December 31,				
2016	750,000	150,954	-	61,194
2017	1,110,000	142,044	-	61,194
2018	1,125,000	122,375	-	61,194
2019	1,155,000	96,455	-	61,194
2020	1,175,000	65,801	-	61,194
2021-2025	<u>910,000</u>	<u>30,258</u>	<u>2,340,000</u>	<u>186,755</u>
Total	<u>\$6,225,000</u>	<u>\$607,887</u>	<u>\$2,340,000</u>	<u>\$492,725</u>

Total of all Long-Term Debt

Year Ended December 31,	Principal	Interest
2016	1,551,696	333,085
2017	1,575,616	306,655
2018	1,528,702	274,521
2019	1,515,000	239,079
2020	1,545,000	201,225
2021-2025	<u>5,795,000</u>	<u>363,001</u>
	<u>\$ 13,511,014</u>	<u>\$1,717,566</u>

Recap of 2015 Long-Term Debt Activity

Outstanding Long-Term Debt 1/1/15	\$15,096,746
(-) Repayment of Principal in 2015	<u>(1,585,732)</u>
Outstanding Long-Term Debt 12/31/15	<u>\$13,511,014</u>

Total Interest paid on long-term debt during 2015 was	<u>\$ 317,932</u>
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**CITY OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 8 – PUBLIC TRANSIT OPERATIONS

On July 1, 2015, the City of Washington and the Washington County Transportation Authority entered into an agreement whereby the City's transit operations will be administered and operated by the Washington County Transportation Authority. A new board of directors for the Washington County Transportation Authority was formed that consisted of members from the current Washington County Transportation Authority board and members appointed by the City of Washington and Washington County.

At June 30, 2015, the City of Washington's Public Transition Operations had \$561,194 in unspent Act 44 Section 1513 funds. Any unspent Act 44 Section 1513 funds are required to be returned to the Pennsylvania Department of Transportation (PennDOT). With the approval of PennDOT, the City transferred \$561,194 of Act 44 funds from the City of Washington's Public Transit Operations to the Washington County Transportation Authority to provide for future transit operations.

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is insured with Selective Insurance through EMC Insurance. General liability for public officials carries a \$10,000 deductible. There is a general aggregate coverage limit of \$2,000,000 with a \$1,000,000 limit for each occurrence.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

In addition, the following commitments and contingencies of the City existed as of December 31, 2015:

During the year ended December 31, 2006, the City became a guarantor on a loan acquired by the Parking Authority in the amount of \$3,535,000 for construction of a new parking garage. The Parking Authority is responsible for the repayment of this debt from parking revenue. However, in the event the Parking Authority defaults on the loan, the City assumes the debt. The City was not required to contribute toward the Parking Authority debt during 2015.

The City of Washington is also involved in other litigation concerning inverse condemnation, demolition contracts and employee matters. The insurance carrier has been notified of these litigations and each matter is being handled accordingly. The City believes the liability from these litigations, if any, will not be material.

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

NOTE 11 – PARKING AUTHORITY OF THE CITY OF WASHINGTON

The Parking Authority of the City of Washington (Parking Authority) was incorporated in 2005 under the Nonprofit Corporation Law of 1988 and was created pursuant to Parking Authority Law, 53 Pa.C.S.5505 et seq. The governing body consists of five members who are each appointed for three year terms by the City.

The activity of the Parking Authority is not presented in the financial statements of the City. However, the following is a summary of the financial information for the Parking Authority as of and for the year ended December 31, 2015 from its most recent audited financial statements.

Total Assets		
Current assets	\$ 402,470	
Other assets	240,991	
Fixed assets, net	<u>11,157,897</u>	<u>\$11,801,358</u>
Total Liabilities		
Current liabilities	\$ 158,632	
Noncurrent liabilities	<u>2,635,000</u>	\$ 2,793,632
Total Net Position		<u>9,007,723</u>
Total Liabilities and Net Position		<u>\$11,801,358</u>
Operating Revenue		\$ 314,018
Operating Expenses		<u>649,262</u>
Operating Income (Loss)		(335,244)
Other Non-Operating Income		<u>10,997</u>
Decrease in Net Assets		<u>\$ (324,247)</u>

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

NOTE 12 -- CITY OF WASHINGTON BUSINESS DISTRICT AUTHORITY

The City of Washington Business District Authority was created in 1999 pursuant to the laws of the Commonwealth of Pennsylvania, and the Municipal Authorities Act of 1945, as amended. The Washington Business District Authority was created for the purpose of making business improvements and providing administrative service to the central business district of the City of Washington. The governing body consists of 9 members who are appointed by the City.

The activity of the Washington Business District Authority is not presented in the financial statements of the City. The following is a summary of the financial information for the Washington Business District Authority as of and for the year ended December 31, 2015 from its most recent audited financial statements.

Total Assets		
Current assets	\$ 25,639	
Fixed assets, net	<u>5,920</u>	<u>\$ 31,559</u>
Total Liabilities		
Current liabilities		\$ 2,732
Total Net Assets		
		<u>28,827</u>
Total Liabilities and Net Assets		
		<u>\$ 31,559</u>
Operating Revenue		\$ 105,686
Operating Expenses		<u>170,264</u>
Decrease in Net Assets		<u>\$ (64,578)</u>

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

NOTE 13 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures to include an overview of certain information concerning individual funds including:

- A. Summary disclosures of changes in general long-term debt. This requirement is met by Note 7.
- B. Deficit fund balances of individual funds. There are no deficit fund balances of any individual funds as of December 31, 2015.
- C. Individual Fund interfund receivable (Due From) and payable (Due To) balances. There are no individual fund interfund receivables or payables as of December 31, 2015.
- D. The following transfers were made between funds for the governmental activities for the year ended December 31, 2015:
 - 1) The General Fund transferred \$203,059 to the Capital Projects Fund to provide funds for current and future capital projects. The General Fund also transferred \$114,907 to the Special Revenue Funds to provide for transit operations and other special projects.
 - 2) The Special Revenue Funds transferred \$2,344,677 to the General Fund to provide for pension contributions and special projects. The Special Revenue Funds also transferred \$181,478 to the Capital Projects Funds for capital projects.
 - 3) The Debt Service Fund transferred \$1,353,920 to provide for debt service payments made by the General Fund.