CITY OF WASHINGTON

WASHINGTON COUNTY, PENNSYLVANIA

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

CITY OF WASHINGTON
WASHINGTON COUNTY, PENNSYLVANIA
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P&K
Palermo/Kissinger
& ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2016, 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, 2016, 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.

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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.

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

September 27, 2017

CITY OF WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016. 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, 2016 by $23,622,899 (Net Position) on a modified cash basis.
- During the year ended December 31, 2016, the City of Washington's net position increased by $387,042.
- As of the year ended December 31, 2016, the City of Washington's governmental funds reported combined ending fund balances of $1,848,823.
- The City of Washington's fiduciary funds reported an ending fund balance of $45,001,026.
- Total long-term debt decreased by $1,570,008 during the year. The outstanding long-term debt at December 31, 2016 was $11,941,006.

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.

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 Funds** – Fund financial statements provide detailed information about the most significant funds. Non-major funds are grouped together. 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.

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 $23,622,899 as of December 31, 2016. 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, 2016 with comparative totals for the year ended December 31, 2015.

City of Washington's Net Position

	Governmental Activities	
	2016	2015
Current Assets	$ 1,962,279	$ 2,796,720
Capital Assets	33,715,082	34,085,946
Total Assets	$ 35,677,361	$36,882,666
Current Liabilities	$ 1,689,072	$ 1,687,491
Long-Term Liabilities	10,365,390	11,959,318
Total Liabilities	$ 12,054,462	$ 13,646,809
Net Position		
Restricted for:		
Road Projects	$ 74,250	$ 18,370
Capital Projects	575,525	435,938
Transit Operations	156,201	167,594
Public Safety	70,559	55,381
Pension Obligations	13,158	146,342
Unrestricted:		
Invested in Capital Assets, net of related debt	25,029,076	23,829,932
Undesignated (deficit)	(2,295,870)	(1,417,700)
Total Net Position	$ 23,622,899	$ 23,235,857

The governmental activities' current assets decreased by $834,441, primarily due to the use grants funds held at December 31, 2015 that were expended during 2016, as well as expenses related to capital projects provided by the City's unrestricted funds. The governmental activities' current liabilities increased by $1,581, primarily resulting from a larger amount being held in escrow at the end of 2016. Overall, the City had an increase in net position of $387,042. This increase primarily results from the donation of the Farmer's Market Pavilion from the Washington County Redevelopment Authority, totaling $775,765.

The following table provides a summary of the City's operations for the year ended December 31, 2016 with comparative totals for the year ended December 31, 2015.

	Governmental Activities	
Revenues:	2016	2015
Program Revenues		
Fees, Fines and Charges for Services	$ 2,317,544	$ 2,381,779
Operating Grants and Contributions	2,086,988	3,030,269
Capital Grants and Contributions	904,274	640,175
General Revenues:		
Taxes	11,082,744	11,282,181
Special Assessments	49,360	62,018
Licenses and Permits	326,169	342,818
Payments in Lieu of Taxes	84,320	97,586
Investment Earnings	16,168	26,382
Miscellaneous	57,567	75,062
Total Revenues	16,925,134	17,938,270
Program Expenses:		
General Government and Administration	1,030,826	969,018
Public Safety	3,958,720	3,859,145
Public Works-Sanitation	857,709	833,497
Public Works-Highways/Roads/Streets	1,286,313	1,098,853
Public Works-Other	423,815	1,798,851
Culture-Recreation	482,203	325,301
Community Development	208,587	261,605
Debt Service	343,303	321,682
Employee Benefits	6,478,695	6,343,565
Depreciation	1,420,369	1,327,852
Miscellaneous	47,552	35,964
Total Expenses	16,538,092	17,175,333
Increase in Net Position	$ 387,042	$ 762,937

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, 2016, the City's combined governmental funds ending fund balance totaled $1,848,823. The total combined fund balance decreased $812,102.

Fiduciary Funds – Fiduciary funds consist of assets held in a trustee capacity by the City of Washington for pension benefits. As of December 31, 2016, the fund balance of the fiduciary funds was $45,001,026. The fund balance increased by $5,489,545 during 2016 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 $965,752 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 $566,426 below budgeted amounts, primarily due to grant proceeds not received during the year ended December 31, 2016.

As a result, the City reported a favorable variance of $399,326 under budget. Please see the statement of revenues, expenditures and changes in fund balance budget versus actual on page 9 for further detail.

CAPITAL ASSETS

The City's investment in capital assets for its governmental activities as of December 31, 2016 amounts to $33,715,082, net of accumulated depreciation. During the year, the City added capital assets in the amount of $1,049,505, due to the donation of the Farmer's Market Pavilion, as well as the purchase of new street equipment and police vehicles. Depreciation amounted to $1,420,369 for the year ended December 31, 2016. As a result, the City's total capital assets decreased by approximately one percent (1%) from December 31, 2015.

Capital Assets at Year End

	Governmental Activities	
	2016	2015
Infrastructure	$ 7,414,122	$ 7,414,122
Buildings and improvement	27,820,862	26,995,097
Vehicles and equipment	15,957,857	15,734,117
Total	51,192,841	50,143,336
Accumulated depreciation	(17,477,759)	(16,057,390)
Total capital assets, net of accumulated depreciation	$ 33,715,082	$ 34,085,946

DEBT ADMINISTRATION

The City's long-term debt at December 31, 2016 totaled $11,941,006. During the year, the City's total long-term debt decreased by $1,570,008. Total interest expense paid in 2016 was $340,053.

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, 2016, the City was required to pay $33,000 towards this debt.

CONTINGENCIES - *Continued*

At December 31, 2016, the City of Washington owed the Washington County Tax Claim office approximately $123,000. This amount represents the accumulation of commissions on delinquent tax property sales over a 10 year period. The City of Washington has agreed to pay this amount in installments by the year ended December 31, 2018.

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 2016. Increases in salaries and wages, pension contributions, and equipment are the largest expected increased expenses.

In June 2017, the City of Washington refinanced a portion of the General Obligation Bonds, Series 2012B as well as securing additional proceeds in the amount of $2,000,000 to provide for capital improvements projects. The proceeds from the new bond issuance totaled $4,865,000. The refinanced debt has a maturity date of September 1, 2025.

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, 2016

		Governmental Activities
ASSETS		
Current assets:		
Cash and cash equivalents		$ 1,962,279
Capital assets, net of depreciation		33,715,082
TOTAL ASSETS		$ 35,677,361
LIABILITIES		
Current liabilities:		
Long-term debt - portion due within one year		$ 1,575,616
Other current liabilities		113,456
Total current liabilities		1,689,072
Long-term liabilities:		
Long-term debt - less portion due within one year		10,365,390
TOTAL LIABILITIES		12,054,462
NET POSITION		
Restricted for:		
Road projects		74,250
Capital projects		575,525
Transit operations		156,201
Public safety		70,559
Pension obligations		13,158
Unrestricted:		
Invested in capital assets, net of related debt	$ 25,029,076	
Undesignated (deficit)	(2,295,870)	22,733,206
TOTAL NET POSITION		23,622,899
TOTAL LIABILITIES AND NET POSITION		$ 35,677,361

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, 2016

Total Combined Governmental Fund Balances (Page 5)	$	1,848,823
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		33,715,082
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		(1,575,616)
Due in more than one year		(10,365,390)
Total Net Position- Governmental Activities (Page 1)	$	23,622,899

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, 2016

FUNCTIONS/PROGRAM	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Program Revenues: Total Program Revenue	Net (Expenses) and Revenues - Total Governmental Activities
Governmental Activities:						
General government and administration	$ 1,030,826	$ 182,440	$ 16,964	$ -	$ 199,404	$ (831,422)
Public Safety	3,958,720	453,838	1,000	-	454,838	(3,503,882)
Public Works-Sanitation	857,709	1,095,348	11,288	-	1,106,636	248,927
Public Works-Highways/Roads/Streets	1,286,313	-	750,477	-	750,477	(535,836)
Public Works-Other	423,815	457,622	-	31,445	489,067	65,252
Culture/Recreation	482,203	128,296	3,410	-	131,706	(350,497)
Community development	208,587	-	359,793	872,829	1,232,622	1,024,035
Debt service	343,303	-	375,701	-	375,701	32,398
Municipal pension contributions	4,431,606	-	568,355	-	568,355	(3,863,251)
Other employee benefits	2,047,089	-	-	-	-	(2,047,089)
Depreciation	1,420,369	-	-	-	-	(1,420,369)
Miscellaneous	47,552	-	-	-	-	(47,552)
Total Governmental Activities	16,538,092	2,317,544	2,086,988	904,274	5,308,806	(11,229,286)
General Revenues:						
Taxes						11,082,744
Special Assessments						49,360
Licenses and permits						326,169
Payments in lieu of taxes						84,320
Investment earnings						16,168
Miscellaneous						57,567
Total General Revenues						11,616,328
CHANGE IN NET POSITION						387,042
NET POSITION - beginning of the year						23,235,857
NET POSITION - end of the year						$ 23,622,899

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, 2016

Net change in fund balances-total governmental funds (Page 6)	$	(812,102)
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.		1,049,505
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.		(1,420,369)
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.		1,570,008
Change in fund balance of governmental activities (Page 3)	$	387,042

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

CITY OF WASHINGTON
WASHINGTON COUNTY, PENNSYLVANIA

COMBINED STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2016

	GENERAL FUND	FIRE DAMAGE ESCROW FUND	POLICE EVIDENCE ESCROW FUND	PURCHASES OF BUSES & EQUIPMENT FUND	PAYROLL FUND	ACT 205 DISTRESSED PENSION FUND	SOLID WASTE FUND	DOWNTOWN REVITALIZATION FUND	LOCAL SHARES FUND	CAPITAL IMPROVEMENTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL (MEMORANDUM ONLY)
REVENUES													
Taxes	$ 5,030,356	$ -	$ -	$ -	$ -	$ 3,510,975	$ -	$ -	$ -	$ -	$ 1,298,472	$ 1,242,941	$ 11,082,744
Special assessments	-	-	-	-	-	-	-	49,360	-	-	-	-	49,360
Licenses and permits	326,169	-	-	-	-	-	-	-	-	-	-	-	326,169
Fines and forfeits	125,323	-	-	-	-	-	-	-	-	-	-	-	125,323
Interest, rents & royalties	7,526	-	-	461	-	2,343	1,614	344	352	684	-	2,844	16,168
Grants	385,851	-	-	31,445	-	-	2,121	-	161,630	883,123	-	1,505,712	2,969,888
Intergovernmental revenues	101,284	-	-	-	-	-	-	-	-	-	-	-	101,284
Contributions and donations	-	-	-	-	-	-	-	-	-	-	-	4,410	4,410
Charges for services	1,095,309	-	-	-	-	-	1,095,347	-	-	-	-	1,565	2,192,221
Miscellaneous revenues	9,438	-	-	98	-	-	-	-	-	-	-	48,031	57,567
Proceeds from short term debt	600,000	-	-	-	-	-	-	-	-	-	-	-	600,000
Refund of prior year expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	7,881,256	-	-	32,004	-	3,513,318	1,099,082	49,704	161,982	883,813	1,298,472	2,805,503	17,725,134
EXPENDITURES													
General government	953,548	-	-	-	-	-	-	-	-	32,398	-	44,880	1,030,826
Public safety	3,891,158	-	-	-	-	-	-	-	-	74,247	-	60,082	4,025,487
Public works-sanitation	-	-	-	-	-	-	855,403	-	-	-	-	2,306	857,709
Public works-highways/roads/streets	697,120	-	-	-	-	-	-	-	31,636	333,649	-	363,905	1,428,310
Public works-other	184,188	-	-	46,819	-	-	-	-	65,000	-	-	107,808	423,815
Culture/recreation	311,676	-	-	-	-	-	-	-	150	16,976	-	170,377	499,179
Community development	-	-	-	-	-	-	-	-	-	825,765	-	208,587	1,034,352
Debt service - principal	1,570,008	-	-	-	-	-	-	-	-	-	-	-	1,570,008
Debt service - interest and fiscal agent fees	343,303	-	-	-	-	-	-	-	-	-	-	-	343,303
Debt service - short term debt repayment	600,000	-	-	-	-	-	-	-	-	-	-	-	600,000
Municipal pension contributions	785,096	-	-	-	-	3,646,510	-	-	-	-	-	-	4,431,606
Other employee benefits	2,047,089	-	-	-	-	-	-	-	-	-	-	-	2,047,089
Miscellaneous	19,238	-	-	-	13	-	3,880	-	-	-	-	24,421	47,552
TOTAL EXPENDITURES	11,602,424	-	-	46,819	13	3,646,510	859,283	-	116,786	1,283,035	-	982,366	18,537,236
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(3,721,168)	-	-	(14,815)	(13)	(133,192)	239,799	49,704	45,196	(399,222)	1,298,472	1,823,137	(812,102)
OTHER FINANCING SOURCES (USES)													
Interfund transfers in	3,712,835	-	-	4,792	-	-	-	-	-	203,059	-	23,027	3,943,513
Interfund transfers out	(203,059)	-	-	-	-	-	(486,258)	-	(27,819)	-	(1,298,472)	(1,927,895)	(3,943,513)
TOTAL OTHER FINANCING SOURCES (USES)	3,509,576	-	-	4,792	-	-	(486,258)	-	(27,819)	203,059	(1,298,472)	(1,904,868)	-
NET CHANGE IN FUND BALANCE	(211,592)	-	-	(10,023)	(13)	(133,192)	(246,459)	49,704	17,377	(196,163)	-	(81,731)	(812,102)
FUND EQUITY - beginning of the year	470,858	-	-	135,092	2,160	146,339	273,329	203,953	113,713	564,470	-	1,289,802	2,660,925
FUND EQUITY - end of the year	$ 259,266	$ -	$ -	$ 125,069	$ 2,147	$ 13,147	$ 26,870	$ 253,657	$ 131,090	$ 368,307	$ -	$ 1,208,071	$ 1,848,823

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, 2016

	GENERAL FUND	FIRE DAMAGE ESCROW FUND	POLICE EVIDENCE ESCROW FUND	PURCHASES OF BUSES & EQUIPMENT FUND	PAYROLL FUND	ACT 205 DISTRESSED PENSION FUND	SOLID WASTE FUND	DOWNTOWN REVITALIZATION FUND	LOCAL SHARES FUND	CAPITAL IMPROVEMENTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL (MEMORAN ONLY)
ASSETS													
Cash & cash equivalents	$315,098	$ 21,596	$ 15,562	$ 125,069	$ 22,613	$ 13,147	$26,860	$ 253,657	$131,090	$ 368,307	$ -	$ 669,280	$1,962,279
TOTAL ASSETS	$315,098	$ 21,596	$ 15,562	$ 125,069	$ 22,613	$ 13,147	$26,860	$ 253,657	$131,090	$ 368,307	$ -	$ 669,280	$1,962,279
LIABILITIES AND FUND BALANCES													
LIABILITIES:													
Payroll withholdings	$ -	$ -	$ -	$ -	$ 20,466	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 20,466
Other liabilities	55,832	21,596	15,562	-	-	-	-	-	-	-	-	-	92,990
TOTAL LIABILITIES	55,832	21,596	15,562	-	20,466	-	-	-	-	-	-	-	113,456
FUND BALANCES:													
Fund balance	259,266	-	-	125,069	2,147	13,147	26,860	253,657	131,090	368,307	-	669,280	1,848,823
TOTAL LIABILITIES & FUND BALANCES	$315,098	$ 21,596	$ 15,562	$ 125,069	$ 22,613	$ 13,147	$26,860	$ 253,657	$131,090	$ 368,307	$ -	$ 669,280	$1,962,279

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, 2016

	PENSION FUNDS
ASSETS	
Cash & cash equivalents	$ 2,101,682
Investments	42,899,344
TOTAL ASSETS	$ 45,001,026
LIABILITIES AND FUND BALANCES	
LIABILITIES:	
Payroll withholdings	$ -
TOTAL LIABILITIES	-
FUND BALANCES:	
Restricted for pension benefits	45,001,026
Unrestricted	-
TOTAL LIABILITIES & FUND BALANCES	$ 45,001,026

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, 2016

		PENSION FUNDS
ADDITIONS		
Contributions:		
State aid	$ 559,955	
Employee members	272,387	
Employer	3,871,650	$ 4,703,992
Investment income:		
Interest and dividends	$ 957,908	
Net appreciation in investment fair market value	2,358,800	3,316,708
TOTAL ADDITIONS		8,020,700
DEDUCTIONS		
Pension benefits paid		2,366,859
Administrative expenses		164,299
TOTAL DEDUCTIONS		2,531,158
INCREASE IN NET ASSETS		5,489,542
NET ASSETS - beginning of the year		39,511,484
NET ASSETS - end of the year		$ 45,001,026

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, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCE, JANUARY 1, 2016	$ 2,660,925	$ 2,660,925	$ 2,660,925	$ -
RESOURCES (inflows):				
Taxes	$ 10,742,511	$ 10,742,511	$ 11,082,744	$ 340,233
Special assessments	45,000	45,000	49,360	4,360
Licenses and permits	331,600	331,600	326,169	(5,431)
Fines and forfeits	141,000	141,000	125,323	(15,677)
Interest, rents & royalties	17,175	17,100	16,168	(932)
Grants	3,314,133	3,768,629	2,969,888	(798,741)
Intergovernmental revenues	117,755	117,755	101,284	(16,471)
Contributions and donations	1,600	1,600	4,410	2,810
Charges for services	2,309,490	2,309,365	2,192,221	(117,144)
Miscellaneous revenues	17,000	17,000	57,567	40,567
Proceeds from short term debt	800,000	800,000	800,000	-
TOTAL RESOURCES (inflows)	17,837,264	18,291,560	17,725,134	(566,426)
AMOUNT AVAILABLE FOR APPROPRIATION	20,498,189	20,952,485	20,386,059	(566,426)
CHARGES TO APPROPRIATIONS (outflows):				
General government	1,287,866	1,284,221	1,030,826	253,395
Public safety	4,401,337	4,232,803	4,025,487	207,316
Public works-sanitation	882,730	902,730	857,709	45,021
Public works-highways/roads/streets	1,394,445	1,497,121	1,426,310	70,811
Public works-other	1,002,379	839,464	423,815	415,649
Culture/recreation	605,634	605,634	499,179	106,455
Community development	796,000	1,554,645	1,034,352	520,293
Debt service - principal	1,573,468	1,573,468	1,570,008	3,460
Debt service - interest and fiscal agent fees	347,011	347,011	343,303	3,708
Debt service - short term debt repayment	800,000	800,000	800,000	-
Municipal pension contributions	3,965,096	3,965,096	4,431,606	(466,510)
Other employee benefits	1,859,800	1,859,800	2,047,089	(187,289)
Miscellaneous	40,995	40,995	47,552	(6,557)
TOTAL CHARGES TO APPROPRIATIONS (outflows)	18,956,761	19,502,988	18,537,236	965,752
BUDGETARY FUND BALANCE, DECEMBER 31, 2016	$ 1,541,428	$ 1,449,497	$ 1,848,823	$ 399,326

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

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.

<u>Government-wide Financial Statements</u>

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.

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.

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) Fire Damage Escrow Fund
B) Police Evidence Fund
C) Purchase of Buses and Equipment Fund
D) Payroll Fund
E) Act 205 Distressed Pension Fund
F) Solid Waste Fund
G) Downtown Revitalization Fund
H) Local Shares Assessment Fund
I) Capital Improvements Fund
J) Debt Service Fund
K) Other Governmental Funds
- General Reserve Fund
- Liquid Fuels Fund
- U.S. Justice Capital Equipment Fund
- Park Development 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
- DNCR Multi-Municipal Recreation Plan Fund
- Catfish Creek Project Fund
- PDC Safety Initiative Fund
- DCED Multi-Municipal Zoning Fund
- North Central Highway Safety Fund
- Marcellus Shale Impact Fund
- Recycling Performance Grant Fund
- Police Department Purchase Fund
- Mass Transit Fund
- Park Renovations Fund
- PEMA Fire Fund
- Growing Greener Fund
- Recycling Drop Off Grant Fund

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

FIDUCIARY FUNDS

The fiduciary find 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.

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, 2016 was $1,420,369. 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 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. Subsequent Events

In accordance with Accounting Standards Codification (ASC) 855-10, *Subsequent Events*, the Township has evaluated subsequent events through September 27, 2017, the date financial statements were available to be issued.

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, 2016, the carrying amount of the City's deposits was $1,962,279. The bank balance was $2,718,072. 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.

Deposits, categorized by level of risk, are:

	Category 1	Category 2	Category 3	Bank Value	Carrying Value	Market Value
General Fund	$ 250,000	$ -	$ 65,098	$ 417,492	$ 315,098	$ 315,098
Special Revenue Funds	-	-	994,042	1,647,441	994,042	994,042
Capital Projects Funds	-	-	653,139	653,139	653,139	653,139
Total Deposits	$250,000	$ -	$1,712,279	$2,718,072	$1,962,279	$1,962,279

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 2016 was $236,987,964. The City's tax rate for 2016 was 107.63 mills on land and 3.5 mills on buildings for a total levy of $5,338,503 and was payable as follows:

- At discount of 2% until March 31, 2016
- At face until May 31, 2016
- At penalty of 10% after May 31, 2016
- Unpaid property taxes for 2016 were liened on January 15, 2017.

The total tax rates assessed for the year ended December 31, 2016 were as follows:

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

NOTE 4 – GRANT REVENUE

The City of Washington received the following grants during the year ended December 31, 2016:

A) Federal Grants:

The following amounts represent grants provided by federal funds during the year ended December 31, 2016.

Federal Transit Assistance	$ 31,445	
U.S. Environmental Protection Agency	47,064	
Total federal grants received during the year ended December 31, 2016		$ 78,509

B) State Grants:

The following amounts represent grants provided by the Commonwealth of Pennsylvania during the year ended December 31, 2016.

Pennsylvania Ad Hoc Retirement	8,400
General Municipal Pension System State Aid	559,955
Municipal Liquid Fuels	392,755
Act 44, Section 1513 Transit Operations	4,792
Local Share Assessments	161,630
North Central Highway Safety	84,146
Marcellus Shale Impact	194,342

NOTE 4 – GRANT REVENUE – (Continued)

B) State Grants – (Continued):

DCED Multi-Municipal Zoning	52,778	
Fire Department Equipment	13,790	
Environmental Protection	109,310	
Main Street Construction	94,977	
Highway Safety	1,750	
Recycling Performance	11,288	
Total state grants received during the year ended December 31, 2016		1,689,913

C) County Grants:

Debt Service payments made by the Redevelopment Authority of Washington County	$ 375,701	
Farmers' Market Pavilion		
Redevelopment Authority of Washington County	775,765	
Washington County Tourism	50,000	
Total Farmers' Market Pavilion	825,765	
Total county grants received during the year ended December 31, 2016		1,201,466
Total grant revenue received during the year ended December 31, 2016		$2,969,888

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.

NOTE 5 – PENSION PLANS – (Continued)

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:

Asset Class	Target Percentage	Range
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:

Investment Type	Fair Value	Credit Rating
Money Market Funds	$ 2,101,681	Not rated
Mortgage-Backed Securities	151,242	Not rated
Corporate Debt	3,660,195	A
Corporate Debt	4,069,787	Baa
Corporate Debt	248,415	Ba
Corporate Debt	1,415	Not Rated
Total	$ 10,232,735	

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. At December 31, 2016, 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:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5.99	6-10	More than 10
U.S. Treasuries	$2,538,224	$ 749,492	$1,144,921	$ 643,811	$ -
U.S. Agency Debt	4,956,167	2,355	30,865	-	4,922,947
Corporate Debt	7,979,812	763,490	5,870,867	1,345,455	-
Mortgage-Backed Securities	151,242	-	-	-	151,242
Total	$15,625,445	$1,515,337	$7,046,653	$1,989,266	$5,074,189

NOTE 5 – PENSION PLANS – (Continued)

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. The assets of the three pension plans are consolidated by PNC Institutional Investments. Asset information as of December 31, 2016 was furnished by PNC Institutional Investments.

The Market Value of assets is summarized below by type:

	Market Value
A. Cash and Cash Equivalents	$ 2,101,681
B. U.S. Government and Agency Securities	7,494,391
C. Corporate Debt	7,979,812
D. Real Estate	2,096,809
E. Mutual Funds – Equity	17,646,819
F. Equities	7,530,272
G. Mortgage Backed Securities	151,242
Total	$45,001,026

DEPOSITS

At December 31, 2016 the Plan held $2,101,681 in deposits.

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

Plan Administration: 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 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 Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2015.

NOTE 5 – PENSION PLANS – (Continued)

1. Plan Description – Continued

Plan Membership: The plan provides pensions for full-time police officers of the City. As of December 31, 2016, pension plan membership consists of:

• Active employees	31
• Retirees and beneficiaries currently receiving benefits	36
• Terminated employees entitled to benefits but not yet receiving them	0
Total	67

2. Benefit Provisions

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.

NOTE 5 – PENSION PLANS – (Continued)

2. Benefit Provisions – Continued

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.

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.

Contributions: Act 205 of 1984 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the plan's most recent biennial actuarial valuation. 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.

NOTE 5 – PENSION PLANS (Continued)

3. Summary of Significant Accounting Policies—Continued

Contributions (continued): Employees are required to contributed 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.

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

	2016	2015
Total pension liability		
Service cost	$ 535,062	$ 509,583
Interest	1,543,447	1,470,814
Differences between expected and actual experience	-	(398,358)
Changes of assumptions	-	1,113,538
Benefit payments, including refunds of employee contributions	(990,647)	(1,082,566)
Net change in total pension liability	1,087,862	1,613,011
Total pension liability-beginning	20,530,600	18,917,589
Total pension liability-ending	21,618,462	20,530,600
Plan fiduciary net position		
Contributions-employer	$ 1,958,948	$ 1,826,222
Contributions-employee	180,078	150,853
Net investment income	1,480,756	110,052
Benefit payments, including refunds of employee contributions	(990,647)	(1,082,566)
Administrative expense	(76,600)	(95,597)
Net change in plan fiduciary net position	2,552,535	908,964
Plan fiduciary net position-beginning	17,734,444	16,825,480
Plan fiduciary net position-ending	20,286,979	17,734,444
Net pension liability	$ 1,331,483	$ 2,796,156

NOTE 5 – PENSION PLANS (Continued)

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

Plan fiduciary net position as a percentage of the total pension liability	93.8%	86.4%
Covered employee payroll	$ 2,118,794	$ 1,935,541
Net pension liability as a percentage of covered employee payroll	62.8%	144.5%

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.

At December 31, 2016, the Plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 258,584
Changes of assumptions	722,822	-
Net difference between projected and actual earnings on pension plan investments	700,561	99,849
Total	$1,423,383	$358,433

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31,	
2017	$ 334,029
2018	334,029
2019	334,030
2020	62,862
Thereafter	-
Total	$1,064,950

NOTE 5 – PENSION PLANS (Continued)

5. Reconciliation of Funded Status

Information regarding the funded status of the police pension plan was not available as of December 31, 2016. The following table details the funded status of the police pension plan as of December 31, 2016, the most recent valuation date:

Total pension liability	$ 21,618,462
Plan fiduciary net position	(20,286,979)
Net pension liability	$ 1,331,483
Funded ratio	93.8%

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:

Sensitivity Analysis	1% Decrease	Current	1% Increase
Interest Rate	6.5%	7.50%	8.50%
Net pension liability	$ 4,059,922	$ 1,331,483	($932,834)
Plan fiduciary net position as a percentage of the Total pension liability	83.3%	93.8%	104.8%

An actuarially determined contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The actuarially determined contribution provided is based upon the Minimum Municipal Obligation as defined in ACT 205 which confirms to these standards. The actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the actuarially determined contribution for calendar year 2016 is based upon the January 1, 2015 actuarial valuation.

The actuarially determined contribution for the year ended December 31, 2016 was $866,916.

NOTE 5 – PENSION PLANS (Continued)

5. Reconciliation of Funded Status – Continued

The actuarially determined contribution for the prior two years are summarized below:

	2015	2014
Actuarially determined contributions	$ 949,015	$956,859
Contributions made	1,826,222	1,901,201
Contribution deficiency/(excess)	($877,207)	($944,342)
Contributions as a percentage Of participant payroll	94.4%	94.8%

6. Actuarial Methods and Assumptions

Actuarial valuation date	January 1, 2015
Actuarial cost method	Entry age
Asset valuation method	4 year smoothing
Amortization method	Level dollar
Aggregate remaining amortization period (years)	10
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	5.00%
Underlying inflation rate	3.00%

7. Concentrations

As of December 31, 2016, the following individual investments constituted more than 5% of the plan's net assets:

Investments at fair value with PMRS	$20,243,576

NOTE 5 – PENSION PLANS (Continued)

B. Firemen Pension Plan

1. Plan Description

Plan Administration: 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 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 Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2015.

Plan Membership: The Plan provides pensions for full-time firefighters of the City. As of December 31, 2016, pension plan membership consists of:

• Active employees	22
• Retirees and beneficiaries currently receiving benefits	32
• Terminated employees entitled to benefits but not yet receiving them	0
Total	54

2. Benefit Provisions

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.

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

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 Firemen's 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.

NOTE 5 – PENSION PLANS (Continued)

3. Summary of Significant Accounting Policies (Continued)

Contributions: The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the plan's most recent 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 (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 contributed 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 and collective bargaining.

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. Schedule of Changes in Net Pension Liability and Related Ratios

	2016	2015
Total pension liability		
Service Cost	$ 297,936	$ 283,749
Interest	1,291,173	1,257,827
Differences between expected and actual experience	-	(191,305)
Benefit payments, including refunds of employee contributions	(1,093,163)	(1,128,494)
Net change in total pension liability	495,946	221,777
Total pension liability-beginning	17,454,403	17,232,626
Total pension liability-ending	17,950,349	17,454,403
Plan fiduciary net position		
Contributions-employer	$ 2,279,055	$ 2,324,574
Contributions-employee	80,926	81,631
Net investment income	1,404,818	102,984
Benefit payments, including refunds of employee contributions	(1,093,163)	(1,128,494)
Administrative expense	(69,949)	(84,554)
Net change in plan fiduciary net position	2,601,687	1,296,141
Plan fiduciary net position-beginning	16,641,347	15,345,206
Plan fiduciary net position-ending	19,243,034	16,641,347
Net pension liability	($1,292,685)	$ 813,056

NOTE 5 – PENSION PLANS (Continued)

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

Plan fiduciary net position as a percentage of the total pension liability	107.2%	95.3%
Covered employee payroll	$ 1,350,419	$ 1,388,595
Net pension liability as a percentage of covered employee payroll	-95.7%	58.6%

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.

At December 31, 2016, the Plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 116,283
Net difference between projected and actual earnings on pension plan investments	641,396	111,210
Total	$641,396	$227,493

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31,	
2017	$ 148,486
2018	148,486
2019	148,485
2020	(31,554)
Thereafter	-
Total	$413,903

NOTE 5 – PENSION PLANS (Continued)

5. Reconciliation of Funded Status

Information regarding the funded status of the firemen's police pension was not available as of December 31, 2016. The following table details the funded status of the firemen's pension plan as of December 31, 2016, the most recent valuation date:

Total pension liability	$17,950,349
Plan fiduciary net position	(19,243,034)
Net pension liability	($ 1,295,685)
Funded ratio	107.2%

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:

Sensitivity Analysis	1% Decrease	Current	1% Increase
Interest Rate	6.5%	7.50%	8.50%
Net pension liability	$ 816,419	($1,292,685)	($3,051,700)
Plan fiduciary net position as a percentage of the Total pension liability	95.9%	107.2%	118.8%

An actuarially determined contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The actuarially determined contribution provided is based upon the Minimum Municipal Obligation as defined in ACT 205 which confirms to these standards. The actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the actuarially determined contribution for calendar year 2016 is based upon the January 1, 2015 actuarial valuation.

The actuarially determined contribution for the year ended December 31, 2016 was $641,006.

NOTE 5 – PENSION PLANS (Continued)

5. Reconciliation of Funded Status – Continued

The actuarially determined contribution for the prior two years are summarized below:

	2015	2014
Actuarially determined contributions	$ 1,008,765	$1,016,657
Contributions made	2,324,574	2,433,170
Contribution deficiency/(excess)	($1,315,809)	($1,416,513)
Contributions as a percentage Of participant payroll	167.4%	187.8%

6. Actuarial Methods and Assumptions

Actuarial valuation date	January 1, 2015
Actuarial cost method	Entry age
Asset valuation method	4 year smoothing
Amortization method	Level dollar
Aggregate remaining amortization period (years)	7
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	5.00%
Underlying inflation rate	3.00%

7. Concentrations

As of December 31, 2016, the following individual investments constituted more than 5% of the plan's net assets:

Investments at fair value with PMRS	$19,192,290

C. Officers and Employees Retirement System

1. Plan Description

Plan Administration: 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 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 Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2015.

NOTE 5 – PENSION PLANS (Continued)

1. Plan Description – Continued

Plan Membership: The plan provides pensions for elected officials or full-time non-uniformed employees of the City. As of December 31, 2016, pension plan membership consists of:

• Active employees	30
• Retirees and beneficiaries currently receiving benefits	23
• Terminated employees entitled to benefits but not yet receiving them	0
Total	53

2. Benefit Provisions

Pension benefits 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.
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, less 40 percent of the Social Security Benefit for participants hired before January 1, 1993.
Social Security Benefit	The Social Security old-age insurance benefit calculated under the provisions of the Federal Social Security Act in effect on the date of termination, using only the compensation earned in employment with the City.
Death Benefit	
Before Retirement Eligibility:	Refund of contributions without interest.
After Retirement Eligibility or if killed in service:	A monthly benefit equal to 50 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 until death or remarriage.
Payment of Survivor Benefits:	Monthly survivor benefits are payable to the participant's spouse until death or remarriage.

NOTE 5 – PENSION PLANS (Continued)

2. Benefit Provisions – Continued

Disability Benefit	
Service Related:	Total and permanent disablement which occurs following the completion of 15 years of continuous service.
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.
Termination Benefits	
Eligibility:	Occurs after 12 years of continuous service and before the completion of 20 years of service.
Amount of Benefit:	A monthly benefit commencing at age 60 equal to the normal benefit multiplied by the ratio of years of continuous service at termination to 20 years.
Member Contributions	
Amount or Rate:	5 percent of compensation for participant hired prior to January 1, 1993. 6 percent for participants hired on or after January 1, 1993.
Refund:	Accumulated contributions without interest.

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 Officers and Employees 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 of 1984 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the plan's most recent biennial actuarial valuation. 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.

NOTE 5 – PENSION PLANS (Continued)

3. Summary of Significant Accounting Policies – Continued

Contributions (continued): Employees are required to contributed 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.

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

	2016	2015
Total pension liability		
Service Cost	$ 90,763	$ 101,095
Interest	393,041	379,029
Differences between expected and actual experience	-	(228,342)
Benefit payments, including refunds of employee contributions	(269,985)	(295,500)
Net change in total pension liability	213,819	(43,718)
Total pension liability-beginning	5,282,331	5,326,049
Total pension liability-ending	5,496,150	5,282,331
Plan fiduciary net position		
Contributions-employer	$ 60,410	$ 102,991
Contributions-employee	65,452	55,475
Net investment income	407,148	33,315
Benefit payments, including refunds of employee contributions	(269,985)	(295,500)
Administrative expense	(27,750)	(33,675)
Net change in plan fiduciary net position	235,275	(137,394)
Plan fiduciary net position-beginning	5,342,352	5,479,746
Plan fiduciary net position-ending	5,577,627	5,342,352
Net pension liability	($ 81,477)	($ 60,021)

NOTE 5 – PENSION PLANS (Continued)

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

Plan fiduciary net position as a percentage of the total pension liability	101.5%	101.%
Covered employee payroll	$ 991,160	$ 959,031
Net pension liability as a percentage of covered employee payroll	(8.2)%	(6.3)%

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.

At December 31, 2016, the Plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 126,856
Net difference between projected and actual earnings on pension plan investments	223,176	9,803
Total	$223,176	$136,659

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31,	
2017	$ 21,198
2018	21,198
2019	46,571
2020	(2,450)
Thereafter	-
Total	$86,517

NOTE 5 – PENSION PLANS (Continued)

5. Reconciliation of Funded Status

The components of the net pension liability at December 31, 2016 are as follows:

Total pension liability	$5,496,150
Plan fiduciary net position	(5,577,627)
Net pension liability	($ 81,477)
Funded ratio	101.5%

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:

Sensitivity Analysis	1% Decrease	Current	1% Increase
Interest Rate	6.5%	7.50%	8.50%
Net pension liability	$ 412,622	($81,477)	($507,789)
Plan fiduciary net position as a percentage of the Total pension liability	92.5%	101.5%	109.2%

An actuarially determined contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The actuarially determined contribution provided is based upon the Minimum Municipal Obligation as defined in ACT 205 which confirms to these standards. The actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the actuarially determined contribution for calendar year 2016 is based upon the January 1, 2015 actuarial valuation.

The actuarially determined contribution for the year ended December 31, 2016 was $60,410.

NOTE 5 – PENSION PLANS (Continued)

5. Reconciliation of Funded Status – Continued

The actuarially determined contribution for the prior two years are summarized below:

	2015	2014
Actuarially determined contributions	$102,991	$107,424
Contributions made	102,991	107,424
Contribution deficiency/(excess)	$ -	$ -
Contributions as a percentage Of participant payroll	10.7%	11.6%

6. Actuarial Methods and Assumptions

Actuarial valuation date	January 1, 2016
Actuarial cost method	Entry age
Asset valuation method	4 year smoothing
Amortization method	Level dollar
Aggregate remaining amortization period (years)	17
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	5.00%
Underlying inflation rate	3.00%

7. Concentrations

As of December 31, 2016, the following individual investments constituted more than 5% of the plan's net assets:

Investments at fair value with PMRS	$5,565,160

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance January 1	Additions	Disposals	Ending Balance December 31
Infrastructure	$ 7,414,122	$ -	$ -	$ 7,414,122
Buildings & Improvements	26,995,097	825,765	-	27,820,862
Equipment	15,734,117	223,740	-	15,957,857
	50,143,336	1,049,505	-	51,192,841
Accumulated Depreciation	(16,057,390)	(1,420,369)	-	(17,477,759)
Net Capital Assets	$ 34,085,946	$ (370,864)	$ -	$ 33,715,082

NOTE 7 - LONG TERM DEBT

Long-term debt consisted of the following as of December 31, 2016:

A) 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 2016, the Redevelopment Authority provided $162,677 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:	$ 680,000
Principal Amount Outstanding at December 31, 2016:	$ 3,965,000
Total interest paid during year	$ 108,830

B) 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:	$ 140,008
Principal Amount Outstanding at December 31, 2016:	$ 161,006
Total interest paid during year	$ 9,992

The proceeds from this loan were used to purchase a new fire truck and equipment. During 2016, the Redevelopment Authority provided $150,000 towards this debt, which is treated by the City as a contribution from other governmental entities.

NOTE 7 - LONG TERM DEBT - (Continued)

C) 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 2016, 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:	$ 750,000
Principal Amount Outstanding at December 31, 2016:	$ 5,475,000
Total interest paid during year	$ 150,954

D) 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, 2016:	$ 2,340,000
Total interest paid during year	$ 61,194

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 December 31,	Principal	Interest	Principal	Interest
2017	$ 340,000	$ 95,230	$125,616	$8,187
2018	350,000	88,430	35,390	1,112
2019	360,000	81,430	-	-
2020	370,000	74,230	-	-
2021	495,000	66,368	-	-
2022-2026	2,050,000	79,620	-	-
Total	$3,965,000	$485,308	$161,006	$9,299

	General Obligation Bond Series 2014A		General Obligation Bond Series 2014B	
Year Ended December 31,	Principal	Interest	Principal	Interest
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	910,000	30,258	185,000	61,194
2022-2026	-	-	2,155,000	125,561
Total	$5,475,000	$456,933	$2,340,000	$431,531

Total of all Long-Term Debt

Year Ended December 31,	Principal	Interest
2017	1,575,616	306,655
2018	1,510,390	273,111
2019	1,515,000	239,079
2020	1,545,000	201,225
2021	1,590,000	157,820
2022-2026	4,205,000	205,181
	$ 11,941,006	$1,383,071

Recap of 2016 Long-Term Debt Activity

Outstanding Long-Term Debt 1/1/16	$13,511,014
(-) Repayment of Principal in 2016	(1,570,008)
Outstanding Long-Term Debt 12/31/16	$11,941,006
Total Interest paid on long-term debt during 2016 was	$ 340,053

NOTE 8 - 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 9 - 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, 2016:

A) 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 required to contribute $33,000 toward the Parking Authority debt during 2016.

B) At December 31, 2016, the City of Washington owed the Washington County Tax Claim office approximately $123,000. This amount represents the accumulation of commissions on delinquent tax property sales over a 10 year period. The City of Washington has agreed to pay this amount in installments by the year ended December 31, 2018.

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.

NOTE 10 – 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, 2016 from its most recent audited financial statements.

Total Assets		
Current assets	$ 388,905	
Other assets	241,339	
Fixed assets, net	10,702,826	$11,333,070
Total Liabilities		
Current liabilities	$ 169,492	
Noncurrent liabilities	2,475,000	$ 2,644,492
Total Net Position		8,688,578
Total Liabilities and Net Position		$11,333,070

Operating Revenue	$ 300,050
Operating Expenses	658,710
Operating Income (Loss)	(358,660)
Other Non-Operating Income	39,512
Decrease in Net Assets	$ (319,148)

NOTE 11 – 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, 2016 from its most recent audited financial statements.

Total Assets		
Current assets	$ 22,629	
Fixed assets, net	5,179	$ 27,808
Total Liabilities		
Current liabilities		$ 2,117
Total Net Assets		25,691
Total Liabilities and Net Assets		$ 27,808
Operating Revenue		$ 123,577
Operating Expenses		126,713
Decrease in Net Assets		$ (3,136)

NOTE 12 – 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, 2016.

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, 2016.

D. The following transfers were made between funds for the governmental activities for the year ended December 31, 2016:

1) The General Fund transferred $203,059 to the Capital Projects Fund to provide funds for current and future capital projects.

2) The Special Revenue Funds transferred $2,414,163 to the General Fund to provide for pension contributions, debt repayment and other special projects. The Special Revenue Funds also transferred $27,819 to the Capital Projects Funds for community development capital projects.

3) The Debt Service Fund transferred $1,298,472 to provide for debt service payments made by the General Fund.

NOTE 13 – SUBSEQUENT EVENTS

A. In June 2017, the City of Washington refinanced a portion of the General Obligation Bonds, Series 2012B as well as securing $2,000,000 in additional proceeds to provide for capital improvements projects. The proceeds from the new bond issuance totaled $4,865,000. The refinanced debt has a maturity date of September 1, 2025.

Following is a summary of bond principal maturities and interest requirements:

Year Ending December 31,	Principal	Interest	Total
2017	$ -	$ 97,300	$ 97,300
2018	-	97,300	97,300
2019	-	97,300	97,300
2020	100,000	97,300	197,300
2021	470,000	97,300	567,300
2022 – 2026	4,295,000	211,426	4,506,426
Total	$4,865,000	$697,926	$5,562,926

NOTE 13 – SUBSEQUENT EVENTS – (Continued)

B. On July 12, 2017, an apartment building partially collapsed requiring rescue workers to be onsite for more than nine hours. The City of Washington received an "Emergency Motion for Demolition" Court Order to begin the demolition of the building. The Court Order imposes a lien on the property for the costs of the demolition. A third-party was contracted to perform the demolition services. All costs associated with the demolition are being turned over to the property owner's insurance company. As of September 27, 2017, the City has incurred approximately $20,000 in expenses related to the collapse and demolition of the building. In addition, third-party invoices for approximately $600,000 of demolition costs have been turned over to the building owner's insurance company for payment.