



Financial Statements

December 31, 2016

CITY OF JOHNSTOWN

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) offers readers of the City's financial statements a narrative overview and analysis of the City's financial activities for the year ended December 31, 2016. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the financial statements and notes to the financial statements (which immediately follow this discussion).

The intent of the Management Discussion and Analysis is to focus on the current year's activities and resulting changes in the City's financial position. It also includes currently known facts that may have a significant impact on the City's financial position. The annual financial statements include a comparative analysis of prior year government-wide financial information.

GASB 34 establishes the required elements of the general purpose external financial report as:

- Management's Discussion and Analysis
- Basic Financial Statements
 - Government-Wide Financial Statements
 - Fund Financial Statements
 - Notes to the Financial Statements
 - Required Supplementary Information

FINANCIAL HIGHLIGHTS

- The net position of the City of Johnstown at December 31, 2016, amounted to \$40.1 million dollars. Net position invested in capital assets (net of depreciation and related debt) account for 165% of net position, with a value of \$66.1 million. The remaining net position available for the government's ongoing obligations to citizens and creditors shows a deficit of (\$28.3) million, as well as \$2.3 million which is restricted for use within the Sewer Upgrade Fund.
- Business-type activities reported net position at December 31, 2016, of \$34.5 million. Its net position invested in capital assets (net of depreciation and related debt) account for 93.3% of this amount, with a value of \$32.2 million. Of the remaining net position \$2.3 million is restricted for use within the Sewer Upgrade Fund. The current assets at year-end were \$6.0 million, with total current liabilities of \$6.6 million. Long-term debt obligations at December 31, 2016 were \$51.4 million.

- As of December 31, 2016, the City's governmental activities reported an ending net position deficit balance of \$5.6 million. The amount available for spending at the government's discretion (unassigned fund balance) totals (\$28.3) million. The remaining \$33.9 million is considered as an investment in capital assets, net of related debt.
- Total General Fund revenues were \$11.5 million for year 2016. Property tax receipts were \$3.9 million. Other local taxes, consisting of earned income, mercantile, business privilege, deed transfer, amusement, parking lot, and beverage taxes totaled \$5.6 million for year 2016. Revenues from other sources, such as intergovernmental revenues, payments in lieu of taxes, licenses and permits, fines and forfeits, grants and joint projects, departmental earnings, interest and investment income, and other income made up the remaining \$2 million of General Fund revenues.
- Total General Fund (including capital) expenditures totaled \$10.8 million for year 2016. Looking at the annual expenditure totals, they were spent in the following manner: \$1.4 million for General government, \$7.2 million for Public Safety, \$120 thousand for Community Development, \$1.8 million for Public Works, and \$277 thousand for Culture & Recreation and Sanitation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Johnstown's basic financial statements. The basic financial statements are comprised of three (3) components: 1) government-wide financial statements, 2) fund financial statements and budgetary comparison, and 3) notes to the financial statements.

Government-Wide Financial Statements

There are two (2) government-wide financial statements (Statement of Net Position and Statement of Activities), which are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, judicial, public safety, public works, health and welfare, education, parks and recreation, cultural, community development, and debt service. The business-type activities of the City of Johnstown are related to parking and the sewer upgrade project.

Statement of Net Position

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two (2) reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, this is just one indicator of financial health of the City. Other indicators include the condition of the City's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions with the City.

Statement of Activities

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received in December 2016, and earned but unused vacation leave will be included in the statement of activities as revenue and expense, even though the cash associated with these items was not received or distributed until after December 31, 2016.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Johnstown, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Johnstown can be divided into three (3) categories: governmental funds, proprietary funds, and fiduciary funds. Governmental Funds are used to account for most, if not all, of a government's tax-supported activities. Proprietary Funds are used to account for a government's business type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities. Fiduciary Funds are used to account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

Governmental Funds

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund. (GASB Statement No. 34 defines a major fund as a fund who's assets, liabilities, revenues or expenditures comprise 1) at least ten percent (10%) of the total dollar amount of the same category within either all governmental or all enterprise funds, as appropriate, and 2) at least five percent (5%) of the total dollar amount of all governmental and enterprise funds combined for the same category. The General Fund is always considered a major fund.) The governmental fund financial statements can be found immediately following the government-wide financial statements.

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

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

The City maintains budgetary controls over its operating funds. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level. Personnel services are budgeted by full time positions. Capital outlays are approved on an item-by-item basis or project basis. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with the budget. Major fund budgetary variance statements are included with the basic financial statements. Non-major fund information follows the notes to the financial statements. Budgetary variances for the General Fund are discussed in some detail later in this section.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary fund statements follow the governmental fund statements in this report. They provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. The proprietary fund financial statements provide information for the Sewer Upgrade Fund. There are no reconciling differences from the Proprietary Fund Statement of Net Position to the business-type activity column on the Government-Wide Statement of Net Position.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City of Johnstown has one (1) type of fiduciary funds – Agency Funds (which are clearing accounts for assets held by the City in its role as custodian until the funds are allocated to the organizations or government agencies to which they belong). The Statement of Fiduciary Net Position can be found following the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. The City's net position totaled \$40,127,229 at December 31, 2016. The following table reflects the condensed Government-Wide Statement of Net Position:

City of Johnstown's Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
Current & Other Assets	\$ 9,295,025	\$ 4,483,325	\$ 5,992,275	\$ 6,076,453	\$ 15,287,300	\$ 10,559,778
Non-Current Assets	51,188,395	36,946,817	86,221,587	72,305,884	137,409,982	109,252,701
Deferred Outflows	<u>1,973,627</u>	<u>1,870,784</u>	<u>---</u>	<u>209,865</u>	<u>1,973,627</u>	<u>2,080,649</u>
Total Assets	<u>\$ 62,457,047</u>	<u>\$ 43,300,926</u>	<u>\$92,213,862</u>	<u>\$ 78,592,202</u>	<u>\$ 154,670,909</u>	<u>\$ 121,893,128</u>
Current Liabilities	\$ 4,271,820	\$ 936,090	\$ 6,564,439	\$ 7,172,552	\$ 10,836,260	\$ 8,108,382
Non-Current Liabilities	43,675,055	38,104,963	51,149,661	41,411,381	94,824,716	79,516,344
Deferred Inflows	<u>8,882,705</u>	<u>7,792,146</u>	<u>---</u>	<u>---</u>	<u>8,882,705</u>	<u>7,792,146</u>
Total Liabilities	<u>\$ 56,829,580</u>	<u>\$ 46,833,199</u>	<u>\$ 57,714,100</u>	<u>\$ 48,583,933</u>	<u>\$ 105,404,495</u>	<u>\$ 95,417,132</u>
Net Position:						
Invested in Capital Assets, net of related debt	\$ 33,930,483	\$ 25,377,100	\$ 32,179,078	\$ 28,752,293	\$ 66,109,561	\$ 54,129,393
Restricted	-	-	2,320,684	4,094,641	2,320,684	4,094,641
Unrestricted	<u>(28,303,016)</u>	<u>(28,909,373)</u>	<u>---</u>	<u>(2,838,405)</u>	<u>(28,303,016)</u>	<u>(31,747,778)</u>
Total Net Position	<u>\$ 5,627,467</u>	<u>\$ (3,532,273)</u>	<u>\$ 34,499,762</u>	<u>\$ 30,008,529</u>	<u>\$ 40,127,229</u>	<u>\$ 26,476,256</u>

The City of Johnstown's total assets were over \$154.7 million as of December 31, 2016. Of this amount, \$133.4 million represents fixed assets.

Of the remaining City assets, approximately \$7.4 million is accounted for in cash, cash equivalents, and pooled investments, \$11.9 million in accounts and notes receivable, due from other governments with the remainder spread among miscellaneous assets.

At December 31, 2016, the City had outstanding liabilities of \$105.7 million, with slightly over \$66.5 million in bonds payable and notes payable and over \$23.4 million in net pension liability. Refer to the notes to the financial statements for a more in depth discussion of long-term debt.

The largest portion of the City's net position reflects its investment in capital, less any outstanding related debt used to acquire those assets. The City's capital assets are used to provide services to citizens. Consequently, investments in capital are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In the current fiscal year, this represented \$66.1 million or 165.7% of net position. The remaining, (\$26) million or (64.7%) of net position comprise the City's ongoing obligations to its citizens and creditors for all activities.

Statement of Activities – Changes in Net Position

The following schedule provides the revenues and expenses for the current fiscal year compared to the previous fiscal year.

City of Johnstown's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for services	\$ 1,174,931	\$ 430,619	\$ 7,056,628	\$ 6,205,106	\$ 8,231,559	\$ 6,635,725
Operating grants & contributions	4,682,356	3,474,241	---	62,779	4,682,356	3,537,020
Capital grants & Contributions	128,418	5,547,316	8,881,663	---	9,010,081	5,547,316
General Revenues:						
Property taxes	6,873,026	7,768,360	---	---	6,873,026	7,768,360
Other local taxes	5,429,242	3,619,999	---	---	5,429,242	3,619,999
Other	<u>1,515,236</u>	<u>1,229,756</u>	<u>(706,199)</u>	<u>(425,510)</u>	<u>809,037</u>	<u>804,246</u>
Total Revenues	<u>\$ 19,803,209</u>	<u>\$ 22,082,499</u>	<u>\$ 15,232,092</u>	<u>\$ 5,842,375</u>	<u>\$ 35,035,301</u>	<u>\$ 27,924,874</u>

City of Johnstown's Changes in Net Position (Cont'd.)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
Expenses:						
General government	\$ 1,716,178	\$ 2,230,838	---	---	\$ 1,716,178	\$ 2,230,838
Public Safety	9,825,478	8,290,460	---	---	9,825,478	8,290,460
Community						
Development	1,593,179	1,725,775	---	---	1,593,179	1,725,775
Public Works	2,340,473	2,553,429	---	---	2,340,473	2,553,429
Human Services	183,982	167,279	---	---	183,982	167,279
Culture and						
Recreation	475,863	510,118	---	---	475,863	510,118
Capital Maintenance	958	1,177,210	---	---	958	1,177,210
Debt Service	341,535	248,476	---	---	341,536	248,476
Sanitation						
Expenditures	58,253	92,230	---	---	58,253	92,230
Unallocated						
Depreciation	2,175,838	1,267,172	---	---	2,175,838	1,267,172
Parking	368,472	---	---	1,073,921	368,472	1,073,921
Sewer Upgrade	---	---	2,304,119	1,530,565	2,304,119	1,530,565
Total Expenses	\$ 19,080,209	\$ 18,262,987	\$ 2,571,796	\$ 2,604,486	\$21,384,328	\$20,867,473
Excess of expenses						
Over revenues	723,000	3,819,512	12,927,973	3,237,889	13,650,973	7,057,401
Net position -						
beginning	(3,532,273)	19,918,114	30,008,529	20,363,628	26,476,256	40,281,742
Reclassification of						
Unrestricted Net						
Position	(2,838,405)	(6,407,012)	2,838,405	6,407,012	---	---
Conversion of Net						
Position in Capital						
Assets	11,275,145	(20,862,887)	(11,275,145)	---	---	(20,862,887)
Net position – ending	\$ 5,627,467	\$ (3,532,273)	\$34,499,762	\$30,008,529	\$40,127,229	\$26,476,256

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Johnstown uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a financial analysis of the City's governmental and proprietary funds.

Governmental Funds Revenue and Expense Analysis

The general governmental functions are contained in the General Fund. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City. On December 31, 2016, unassigned fund balance of the General Fund was \$848 thousand. Total assets in the General Fund amounted to \$6.9 million, accounting for 40.3% of total governmental fund assets.

Revenues Classified by Source Governmental Funds

	<u>December 31, 2016</u>		<u>December 31, 2015</u>		<u>Increase/Decrease</u>
<u>Revenues by Source</u>	Amount	Percent of Total	Amount	Percent of Total	Amount
Taxes	\$ 12,439,547	64.6%	\$ 11,441,355	52.8%	\$ 998,192
Intergovernmental revenues	---	0.0%	60,000	0.3%	(60,000)
Charges for services	773,870	4.0%	161,078	0.7%	612,792
Payment in lieu of taxes	9,319	0.0%	12,208	0.1%	(2,889)
Licenses and permits	423,181	2.2%	444,403	2.0%	(21,222)
Fines and forfeits	250,877	1.3%	110,889	0.5%	139,988
Grants and joint projects	4,810,774	25.0%	8,961,557	41.3%	(4,153,783)
Departmental earnings	150,184	0.8%	158,652	0.7%	(8,468)
Interest and investment income	44,545	0.2%	46,983	0.2%	(2,438)
Other income	339,179	1.8%	287,620	1.3%	51,559
<u>Total Revenues</u>	<u>\$ 19,241,476</u>	<u>100.00%</u>	<u>\$ 21,684,745</u>	<u>100.00%</u>	<u>\$ (2,443,269)</u>

The following provides an explanation of revenues by source that changed significantly over the prior year.

- **General Property Taxes** - This consists of real estate property tax receipts. Real property tax receipts were \$12,439,547 for 2016. The real estate tax rate was 52.48 cents/\$1,000 in 2016. The City of Johnstown maintains a relatively flat tax base due to the lack of construction, an increasing number of property reassessments being applied for and granted by the tax assessment board at the County, demolition of properties, and businesses closing. In 2016, the increase in tax revenue was directly related to the former Conemaugh Hospital being purchased by Duke Lifepoint and placed back into taxation.
- **Charges for Services** - This category consists largely of Parking charges for service which amounted to \$773,870 for 2016.
- **Payment in Lieu of Taxes** - Payments received in 2016 in lieu of taxes amounted to \$9,319 in the General Fund.
- **Earned Income Taxes** - As a result of the City's distressed status, the City was authorized by the Municipalities Financial Recover Act, Act 47 of 1987, to impose an additional earned income tax on residents and non-residents as follows:

	<u>2015</u>	<u>2016</u>
Non-resident of the City of Johnstown that work within City limits	.10%	.00%
All residents of the City of Johnstown	.50%	.50%

- **Licenses and permits-** This category consists largely of Beverage (liquor), current and delinquent Business, current and delinquent Mercantile and Business Privilege, Amusement, Bicycle, and Restaurant licenses. In addition, it includes Building, Plumbing, Sub-Structure, Cable Television fees, and Moving Permits. All of the licenses and permits covered under this section are allowable under Commonwealth of Pennsylvania's Act 511 that gives local municipalities the power to regulate fees. This area produced a total of \$423,181 in 2016.
- **Fines and forfeits** - This category represents the collection of fines and forfeits received from various District Justices, County Court system, State Police, and other governmental agencies. The money collected can come from traffic fines, criminal activities, and other legal means producing restitution for laws violated. This area produced a total of \$250,877 in 2016.
- **Grants and joint projects** - This category represents monies received during 2016 in excess of \$4.8 million for various projects. These projects consisted of new equipment for the various departments, improvements to various neighborhoods, monies to aid local businesses, and money to try and stimulate the local economy.
- **Departmental Earnings** - This category represents earnings received by various departments for services that they provide. In 2016, this area generated \$150,184 of income for the City of Johnstown by providing services such as false alarm fees, accident and police reports, police training, sewer rental fees, NSF check fees, police record checks, police premium pay reimbursements, reimbursement of various insurance premiums pay for other funds, zoning hearing board fees, infrastructure service fees, rental of the sewer pumper, public works fees, fire department fees, health department fees, insurance proceeds for damage repairs, and towing fees.
- **Interest and investment income** - Interest earnings for year ended December 31, 2016, were \$44,545. Any increases earned on City of Johnstown's investments were offset by the loss in revenue from departmental earnings and other income.
- **Other income** -This category is made up of the various miscellaneous income items that include things such as: miscellaneous contributions, sale of scrap equipment, and monies which have no defined category.

The net change in fund balance for the Governmental Funds FY 2015 was an increase of \$3,713,583, largely due to the General Fund generating \$3,285,534. The total change in Fund Balance for all remaining Governmental Funds at December 31, 2016 is \$428,049.

The following table represents expenditures by function:

Expenses Classified by Source Governmental Funds					
<u>Expenditures by Source</u>	<u>December 31, 2016</u>		<u>December 31, 2015</u>		<u>Increase/Decrease</u>
	Amount	Percent of Total	Amount	Percent of Total	Amount
General Government	\$ 1,959,891	8.3%	\$ 2,125,551	9.1%	\$ (165,660)
Public Safety	9,657,411	40.8%	9,577,746	41.2%	79,665
Parking	1,253,798	5.3%	---	---	1,253,798
Community Development	1,628,179	6.9%	1,725,775	7.4%	(97,596)
Public Works	2,340,473	9.9%	2,553,429	11.0%	(212,956)
Human Services	183,982	0.8%	167,279	0.7%	16,703
Culture and Recreation	475,863	2.0%	510,118	2.2%	(34,255)
Capital Expenditures	1,535,532	6.5%	6,157,988	26.5%	(4,622,456)
Debt Service	4,590,055	19.4%	402,729	1.7%	4,187,327
Sanitation Expenditures	<u>27,322</u>	<u>0.1%</u>	<u>43,529</u>	<u>0.2%</u>	<u>(16,207)</u>
<u>Total Expenditures</u>	<u>\$ 23,652,506</u>	<u>100.00%</u>	<u>\$ 23,264,144</u>	<u>100.00%</u>	<u>\$ 388,363</u>

The following provides an explanation of the expenditures by function.

- **General Government** - This category is made up of several departments and funds that total \$1.9 million dollars for year 2016:
 - **City Manager's Office** - This office provides for effective and productive administration of City affairs placed in his/her charge by City Council. The City Manager is responsible for all personnel matters, submission of a budget and capital program, administration of the budget and collection of taxes, enforcement of City ordinances and regulations, direction and supervision of all departments, and making recommendations to the City Council concerning City affairs.
 - **City Council** - The City Council serves as the legislative and policy making body of City government. They establish policy through the adoption of ordinances, resolutions and motions at regular or special meetings. The City council appoints the City Manager, City Solicitor and members of the various boards and commissions. City Council consists of nine members, elected at large for staggered four-year terms, one of which is the Mayor.
 - **Finance Department** - This department is responsible for the collection of all real estate taxes, Act 511 taxes, receipt, record and secure monies paid to the City, process purchase orders and issue checks to pay invoices and contractual obligations for goods and services received by the City, produce meaningful financial reports, provide payroll services, handle all employee benefits, file all local, state, and federal reports, and issue checks for payroll taxes.

- **Non-Departmental** - This area is used for the payment of insurances, employee benefits, computer information systems and various City-wide charges not identified by department.
- **Other Non-major Governmental Funds** - These are the Liquid Fuels, Recreation, Sanitation and Debt Sinking.
- **Public Safety** - This category is made up of several departments that total for \$9.7 million for year 2016:
 - Law Enforcement & Traffic Control – Expenditures for the Police Department are used for protecting the community under federal, state, and local laws, provide rapid response to emergency situations, deterring crime through prevention, education, enforcement and apprehension of laws violators, returning stolen and lost property, and responding to all calls for services and information requests in an efficient, professional and ethical manner.
 - Emergency Management Agency – The Emergency Management Agency is to provide for the planning and coordination of a comprehensive program of prevention, mitigation, preparedness, response, and recovery for any natural or technological emergencies.
 - Fire and Rescue Services – The Fire and Rescue Services are responsible to protect lives and property by providing a wide range of fire, rescue, and non-emergency services with highly trained professionals. They are continually upgrading their services with new equipment and training to expand the professional services.
- **Community Development** - This area had total expenditures for 2016 of \$1.6 million. The primary functions of this area are to enhance the residential, commercial, industrial and institutional base of the City and its component neighborhoods. They carry out their functions by enforcing housing, building, zoning, health, plumbing and other City ordinances in a professional manner, develop new and improve existing residential, commercial, industrial and institutional foundation through Codes Enforcement, administration of Federal and State grants for the purpose of job creation, Downtown revitalization and beautification, homeownership and housing rehabilitation, and recreational opportunities, revive the economy and encourage residence in the City, and increase the commercial and industrial base of the City while developing and enhancing its housing stock.
- **Public Works** – Various activities make up this category and their total expenditures for 2016 were \$2.3 million:
 - Technical Services – The administrative actions of the Public Works Department is to provide professional public works management, coordinated equipment purchasing, engineering and technical services in support of Public Works and other City operations.

- Infrastructure Maintenance – This area is responsible to provide for the maintenance, upkeep and repair of recreation areas, streets and alleys, bridges, waterways and storm and sanitary sewers throughout the City
- Building and grounds Maintenance- This area is responsible for the maintenance, upkeep and repair of City-owned facilities and property.
- Mechanical Maintenance- This area performs a variety of functions to support all the operating departments of the City of Johnstown. This division is to repair and maintain the service fleets for the Fire Department, Police Department, Public Works, Community Development and Bureau of Sewage.
- **Human Services-** This area had total expenditures of \$184 thousand for 2016. The primary function of this area is to provide services necessary to well being of residents of the City of Johnstown.
- **Culture and Recreation** – Expenditures for the year 2016 were \$476 thousand. This area is responsible for the function to provide, supervise and maintain a wide range of recreational opportunities for the improvement of the Johnstown Community, and to allow every citizen the opportunity to enjoy a healthier more educational lifestyle.
- **Capital Expenditures** –For the year ended December 31, 2016, the City spent \$1.5 million for various projects.
- **Debt Service-** The Debt Service payments for 2016 were \$4.6 million for the year. The expenditures spent under this area were annual payments towards the City's General Obligation Bonds, loans and notes, as well as the payoff of 2 leases, a line of credit, and the FNB loan.
- **Sanitation** – The total expenditures for year 2016 were \$27 thousand as the City outsourced the sanitation function to Advanced Disposal to provide all residential trash and recycling services.

Enterprise Funds Revenue/Expense Analysis

The business-type (enterprise fund) for the City of Johnstown is the Sewer Upgrade. This fund for 2016 had operating revenues totaling \$7 million.

The Sewer Upgrade fund is funded through user fees based on usage. The Sewer Upgrade Fund is responsible for accounting for all PennVest projects in which the sewage infrastructure is being overhauled to comply with DEP regulations. Overall, Sewer Upgrade generated income of \$16 million for the year 2016, with expenditures totaling \$3 million. The current year income is set aside for principal and interest payments due on the PennVest loans as individual projects are completed.

ORIGINAL AND FINAL AMENDED BUDGETS

During 2016, the original budget was amended several times for increases in revenues and expenses. Some of the amendments were for items such as new grants received, payment for new services provided, addition revenue sources, and unexpected operating expenses. The budget amendments were made under the guidelines established by the City's Home Rule Charter and all legal public notice and hearing requirements for this action were met.

FIXED ASSET AND DEBT ADMINISTRATION

Fixed Assets

The City of Johnstown's total investment in fixed assets, including construction in progress, for its governmental and business type activities as of December 31, 2016, amounts to \$133.4 Million (net of accumulated depreciation).

Major capital project fund activities during the current fiscal year included the following:

Governmental Funds:

- Various small equipment was added during the year, at a cost of \$281,000.
- The City also invest \$1.3 million into vehicles
- \$885,000 was incurred related to the Main Street parking garage.
- The City also incurred costs amounting to \$126 thousand which represents costs associated with the City's replacement of local bridges.

Proprietary Funds:

- The Sewer Upgrade invested \$27.7 million into the City's infrastructure during 2016.

Long-Term Debt

At December 31, 2016, City of Johnstown had total debt outstanding of \$98.6 million. Governmental activities had debt of \$54.0 million, while business-type activities had \$43.8 million in debt. The full faith and credit of the government back these instruments.

The City of Johnstown's total debt had a net increase of \$16.2 million during 2016. The City refunded the 2015 FNB Loan, Line of Credit, and 2 capital leases with a \$6,000,000 unfunded loan and incurred additional debt on two different PENNVEST Notes and two additional capital leases/

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Johnstown's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be in writing and addressed to the Director of Finance, City of Johnstown, 401 Main Street, Johnstown, PA 15901.

INDEPENDENT AUDITOR'S REPORT

July 31, 2017

City Council
City of Johnstown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Johnstown, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Johnstown's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Johnstown, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of net pension liability, City contributions, investment returns and budgetary comparison information on pages III through XV and 63 through 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Johnstown's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2017, on our consideration of the City of Johnstown's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Johnstown's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Wessel & Company". The script is cursive and fluid, with a long horizontal flourish extending from the end of the word "Company".

WESSEL & COMPANY
Certified Public Accountants

CITY OF JOHNSTOWN
GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents (Note 2)	\$ 6,124,025	\$ 1,226,699	\$ 7,350,724
Receivables (net of allowance for uncollectibles)			
Accounts (Note 1k)	553,287	1,708,525	2,261,812
Taxes (Note 3)	593,822	-	593,822
Due from other governments (Note 5)	1,995,971	3,057,051	5,053,022
Inventory (Note 1j)	27,920	-	27,920
Total Current Assets	9,295,025	5,992,275	15,287,300
Non-Current Assets:			
Non-current loans and interest receivable	3,997,701	-	3,997,701
Fixed assets (net of accumulated depreciation) (Note 6)	47,190,694	86,221,587	133,412,281
Total Non-Current Assets	51,188,395	86,221,587	137,409,982
Deferred Outflows:			
Deceased loss on bonds, net	282,007	-	282,007
Bond insurance, net	59,816	-	59,816
Bond discount	91,820	-	91,820
Deferred pension outflows (Note 11)	1,539,984	-	1,539,984
Total Deferred Outflows	1,973,627	-	1,973,627
Total Assets & Deferred Outflows	\$ 62,457,047	\$ 92,213,862	\$ 154,670,909
LIABILITIES AND NET POSITION:			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 2,064,535	\$ 4,834,051	\$ 6,898,586
Accrued wages payable	130,427	-	130,427
Notes payable (Note 9)	582,663	2,892,848	3,475,511
Bonds payable (Note 9)	50,000	-	50,000
Obligations under capital lease (Note 9)	134,953	-	134,953
Accrued interest	55,648	-	55,648
Liability for compensated absences (Note 8 and 9)	91,134	-	91,134
Internal Balances (Note 10)	1,162,460	(1,162,460)	-
Total Current Liabilities	4,271,820	6,564,439	10,836,259
Non-Current Liabilities:			
Net pension liability (Note 11)	23,376,262	-	23,376,262
Compensated absences (Note 8 and 9)	1,048,429	-	1,048,429
OPEB obligation (Note 13)	6,379,774	-	6,379,774
Notes payable (Note 9)	5,417,337	51,149,661	56,566,998
Bonds payable (Note 9)	6,435,000	-	6,435,000
Obligations under capital lease (Note 9)	1,018,253	-	1,018,253
Total Non-Current Liabilities	43,675,055	51,149,661	94,824,716
Deferred Inflows:			
Unearned revenue (Note 7)	6,939,090	-	6,939,090
Unearned revenue Duke LifePoint (Note 12g)	1,732,066	-	1,732,066
Deferred pension inflows (Note 11)	211,549	-	211,549
Total Deferred Inflows	8,882,705	-	8,882,705
Net Position:			
Net investment in capital assets	33,930,483	32,179,078	66,109,561
Net position - unrestricted	(28,303,016)	-	(28,303,016)
Net position - restricted	-	2,320,684	2,320,684
Total Net Position	5,627,467	34,499,762	40,127,229
Total Liabilities and Net Position	\$ 62,457,047	\$ 92,213,862	\$ 154,670,909

CITY OF JOHNSTOWN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Revenues		Net (Expenses)/Revenues and Changes in Net Position	
	Charges for Services	Operating Grants and Contribution	Governmental Activities	Business-type Activities
Functions/Programs	Expenses	Capital Grants and Contributions	Total	
Primary Government:				
Governmental Activities:				
General government	\$ 1,716,178	\$ -	\$ 260,741	\$ 260,741
Public safety	9,825,478	-	(9,726,261)	(9,726,261)
Community development	1,593,179	-	84,071	84,071
Parking	368,472	-	1,024,523	1,024,523
Public works	2,340,473	120,292	(1,601,813)	(1,601,813)
Human services	183,982	-	(183,982)	(183,982)
Culture and recreation	475,863	-	(411,444)	(411,444)
Capital maintenance	958	8,126	7,168	7,168
Debt service	341,535	-	(341,535)	(341,535)
Sanitation expenditures	58,253	-	(30,134)	(30,134)
Unallocated depreciation	2,175,838	-	(2,175,838)	(2,175,838)
Total Governmental Activities	19,080,209	128,418	(13,094,504)	(13,094,504)
Business-type Activities:				
Sewer Upgrade	2,304,119	-	13,634,172	13,634,172
Total Business-type Activities	2,304,119	-	13,634,172	13,634,172
Total Primary Government	\$ 21,384,328	\$ 4,682,356	\$ (13,094,504)	\$ 539,668
General Revenues:				
Taxes:				
Property taxes, levied for general purposes			\$ 3,924,646	\$ 3,924,646
Property taxes, levied for debt retirement			426,352	426,352
Property taxes, levied for pension			2,512,709	2,512,709
Payments in lieu of taxes			9,319	9,319
Other taxes			5,429,242	5,429,242
Licenses & permits			423,181	423,181
Transfers in/(out)			717,677	(717,677)
Unrestricted investment earnings			44,545	11,478
Other revenues			339,180	-
(Loss) on disposal of capital assets			(9,347)	(9,347)
Total General Revenues and Transfers			13,817,504	13,111,305
Change in Net Position			723,000	12,927,973
Net Position - Beginning of Year				26,476,256
Reclassification of Unrestricted Net Position			(3,532,273)	2,838,405
Conversion of Net Position in Capital Assets			(2,838,405)	(11,275,145)
Net Position - Beginning of Year, as restated			4,904,467	21,571,789
Net Position - End of Year			\$ 5,627,467	\$ 34,499,762

CITY OF JOHNSTOWN
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	Major Funds							Other Nonmajor Governmental Funds	Totals
	General	Parking Fund	Community Development Fund	UDAG	State Grant	Pension Fund	Debt Sinking Fund	Home Loan Fund	
ASSETS:									
Assets:									
Cash and cash equivalents	\$ 1,955,295	\$ 131,596	\$ 338	\$ 389,376	\$ 1,487,563	\$ 75	\$ 2,101,347	\$ 475	\$ 6,124,025
Receivables (net of allowance for uncollectibles)									
Accounts	1,364	340,502	-	-	-	-	-	-	461,451
Taxes	1,135,026	-	-	-	-	-	-	-	1,135,026
Due from other governments	1,847,523	-	17,467	-	-	-	-	-	1,864,990
Due from other funds	1,904,824	-	194,698	912,882	26,581	267,677	-	253	3,440,854
Inventory - gas and oil	27,920	-	-	-	-	-	-	-	27,920
Non-current loans and interest receivable	-	-	-	504,997	1,079,763	-	-	2,412,941	3,997,701
Total Assets	\$ 6,871,952	\$ 472,098	\$ 212,503	\$ 1,807,255	\$ 2,593,907	\$ 267,752	\$ 2,101,347	\$ 2,413,669	\$ 17,051,967
LIABILITIES AND FUND BALANCE:									
Liabilities:									
Accounts payable	\$ 746,064	\$ 453,971	\$ 22,621	\$ 886	\$ 284	\$ -	\$ 658,590	\$ 783	\$ 2,064,533
Accrued wages payable	130,427	-	-	-	-	-	-	-	130,427
Liability for compensated absences	91,134	-	-	-	-	-	-	-	91,134
Due to other funds	2,216,185	309,000	102,109	-	61,158	309,911	1,448,256	-	4,472,336
Total Liabilities	3,183,810	762,971	124,730	886	61,442	309,911	2,106,846	783	6,758,430
Deferred Inflows									
Unavailable revenue - property taxes	1,107,649	-	-	-	-	-	-	-	1,107,649
Unavailable revenue - property taxes (Duke LifePoint)	1,732,066	-	-	-	-	-	-	-	1,732,066
Unearned revenue	-	-	87,773	1,806,369	2,532,465	-	-	2,412,886	6,939,090
	2,839,715	-	87,773	1,806,369	2,532,465	-	-	2,412,886	9,778,805
Fund Balance:									
Assigned	-	-	-	-	-	-	-	-	15,762
Unassigned	848,427	(290,873)	-	-	-	(42,159)	(5,499)	-	498,970
Total Fund Balance	848,427	(290,873)	-	-	-	(42,159)	(5,499)	-	514,732
Total Liabilities and Fund Balance	\$ 6,871,952	\$ 472,098	\$ 212,503	\$ 1,807,255	\$ 2,593,907	\$ 267,752	\$ 2,101,347	\$ 2,413,669	\$ 17,051,967

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities, including bonds payable, accrued interest on bonds, pension obligations, other post employment benefits and compensated absences are not due and payable in the current period and therefore are not reported as a fund liability

The difference in net position between full accrual accounting and modified accrual accounting due to differing revenue recognition criteria between the two methods

Capital assets in governmental activities are not financial resources and, therefore, are not reported in the funds

Net position of governmental activities

(40,206,105)
658,281
44,660,559
\$ 5,627,467

CITY OF JOHNSTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Major Funds								Other Nonmajor Governmental Funds	Totals
	General	Parking Fund	Community Development Fund	UDAG	State Grant	Pension Fund	Debt Sinking Fund	Home Loan Fund		
Revenues										
Taxes	\$ 9,500,486	-	\$ -	\$ -	\$ -	\$ 2,512,709	\$ 426,352	\$ -	\$ -	\$ 12,439,547
Charges for services	33,473	647,859	-	-	-	-	-	-	92,538	773,870
Payments in lieu of taxes	9,319	-	-	-	-	-	-	-	-	9,319
Licenses and permits	423,181	-	-	-	-	-	-	-	-	423,181
Fines and forfeits	99,217	151,660	-	-	-	-	-	-	-	250,877
Grants and joint projects	873,785	593,476	1,166,741	97,798	228,729	919,477	-	183,982	746,786	4,810,774
Departmental earnings	150,184	-	-	-	-	-	-	-	-	150,184
Interest and investment income	28,124	(160)	-	6,444	8,094	491	198	-	1,354	44,545
Other income	338,886	-	-	-	-	-	250	-	43	339,179
Total Revenues	11,456,655	1,392,835	1,166,741	104,242	236,823	3,432,677	426,800	183,982	840,721	19,241,476
Expenditures										
General government	1,366,129	-	-	-	-	593,762	-	-	-	1,959,891
Public safety	7,227,278	-	-	-	-	2,430,133	-	-	-	9,657,411
Community development	120,373	-	1,166,741	104,242	236,823	-	-	-	-	1,628,179
Parking	-	1,253,798	-	-	-	-	-	-	-	1,253,798
Public works	1,791,648	-	-	-	-	-	-	-	548,825	2,340,473
Human services	-	-	-	-	-	-	-	183,982	-	183,982
Culture and recreation	276,865	-	-	-	-	-	-	-	198,998	475,863
Capital expenditures	-	-	-	-	-	-	1,328,418	-	207,114	1,535,532
Debt service	-	-	-	-	-	-	4,590,055	-	-	4,590,055
Sanitation expenditures	-	-	-	-	-	-	-	-	27,322	27,322
Total Expenditures	10,782,293	1,253,798	1,166,741	104,242	236,823	3,023,895	5,918,473	183,982	982,259	23,652,506
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	674,362	139,037	-	-	-	408,782	(5,491,673)	-	(141,538)	(4,411,030)
Other Financing Sources/(Uses)										
Operating transfers in	3,459,856	333,495	-	-	-	267,677	1,048,416	-	684,662	5,794,106
Operating transfers (out)	(848,684)	(639,495)	-	-	-	-	(2,969,198)	-	(619,052)	(5,076,429)
Line of credit proceeds	-	-	-	-	-	-	78,518	-	-	78,518
Note proceeds	-	-	-	-	-	-	6,000,000	-	-	6,000,000
Lease proceeds	-	-	-	-	-	-	1,328,418	-	-	1,328,418
Total Other Financing Sources/(Uses)	2,611,172	(306,000)	-	-	-	267,677	5,486,154	-	65,610	8,124,613
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	3,285,534	(166,963)	-	-	-	676,459	(5,519)	-	(75,928)	3,713,583
Fund Balance/(Deficit) - Beginning of Year as originally stated	(1,027,876)	-	-	-	-	(718,618)	833,208	-	552,840	(360,446)
Reclassification of Unrestricted Fund Balance	(1,409,231)	(123,910)	-	-	-	-	(833,188)	-	(472,076)	(2,838,405)
Fund Balance/(Deficit) - Beginning of Year	(2,437,107)	(123,910)	-	-	-	(718,618)	20	-	80,764	(3,198,851)
Fund Balance/(Deficit) - End of Year	\$ 848,427	\$ (290,873)	\$ -	\$ -	\$ -	\$ (42,159)	\$ (5,499)	\$ -	\$ 4,836	\$ 514,732

See Independent Auditor's Report and Accompanying Notes to Financial Statements

CITY OF JOHNSTOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds (page 7)	\$ 3,713,583
The compensated absences portion of accrued wages and benefits and other post employment benefits in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(91,293)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of the differences in the treatment of long-term debt on the statement of activities.	(3,158,415)
The difference in the change in net position between full accrual accounting and modified accrual accounting due to differing revenue recognition criteria between the two accounting methods.	(177,529)
The net effect of various transactions involving capital assets, (i.e. purchases, disposals, depreciation, etc.) is a decrease in the change in net position.	<u>436,654</u>
Change in net position of governmental activities (page 5)	<u><u>\$ 723,000</u></u>

CITY OF JOHNSTOWN
STATEMENT OF NET POSITION
PROPRIETARY FUND - SEWER UPGRADE
DECEMBER 31, 2016

Current Assets

Cash and cash equivalents	\$ 1,226,699
Accounts receivable	1,708,525
Due from other governments	3,057,051
Due from other funds	<u>1,474,000</u>
Total Current Assets	<u>7,466,275</u>

Non-Current Assets

Fixed assets (net of accumulated depreciation and amortization)	<u>86,221,587</u>
---	-------------------

Total Assets

\$ 93,687,862

Current Liabilities

Accounts payable and accrued liabilities	\$ 4,834,051
Notes payable	2,892,848
Due to other funds	<u>311,540</u>
Total Current Liabilities	<u>8,038,439</u>

Non-Current Liabilities

Notes payable	<u>51,149,661</u>
Total Liabilities	<u>59,188,100</u>

Net Position

Net investment in capital assets	32,179,078
Restricted	<u>2,320,684</u>
Total Net Position	<u>34,499,762</u>

Total Liabilities and Net Position

\$ 93,687,862

CITY OF JOHNSTOWN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND - SEWER UPGRADE
FOR THE YEAR ENDED DECEMBER 31, 2016

Operating Revenues:	
Charges for service	\$ 7,056,628
Total Operating Revenues	<u>7,056,628</u>
Operating Expenses:	<u>1,970,709</u>
Total Operating Expenses	<u>1,970,709</u>
Operating Income/(Loss)	<u>5,085,919</u>
Non-Operating Revenues/(Expenses):	
Grant revenue	8,881,663
Interest income	11,478
Interest expense	<u>(333,410)</u>
Total Non-Operating Revenues/(Expenses)	<u>8,559,731</u>
Income/(Loss) Before Transfers	<u>13,645,650</u>
Other Financing Sources/(Uses):	
Operating transfers (out)	<u>(717,677)</u>
Total Other Financing Sources/(Uses)	<u>(717,677)</u>
Change in Net Position	12,927,973
Net Position - Beginning of Year	<u>21,571,789</u>
Net Position - End of Year	<u><u>\$ 34,499,762</u></u>

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

CITY OF JOHNSTOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - SEWER UPGRADE
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash Flows From Operating Activities

Cash received from customers	\$ 6,664,911
Internal activity - payments from/(to) other funds	409,556
Cash payments to employees	(24,729)
Cash payments to suppliers for goods and services	598,144
Transfer out to other funds	(450,000)
Net Cash Provided By Operating Activities	<u>7,197,882</u>

**Cash Flows From Capital and
Related Financing Activities**

Proceeds from Issuance of Note Payable	15,227,623
Purchase of property and equipment	(29,075,680)
Payment on debt	(2,208,570)
Grant revenue	8,881,663
Interest paid	(333,410)
Net Cash (Used For) Capital and Related Financing Activities	<u>(7,508,374)</u>

Cash Flows From Investing Activities

Interest on cash equivalents	11,478
Net Cash Provided By Investing Activities	<u>11,478</u>

Net Change in Cash and Cash Equivalents (299,014)

Cash and Cash Equivalents - Beginning of Year 1,525,713

Cash and Cash Equivalents - End of Year \$ 1,226,699

CITY OF JOHNSTOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - SEWER UPGRADE
FOR THE YEAR ENDED DECEMBER 31, 2016

**Reconciliation of operating income/(loss) to net cash
provided by operating activities:**

Operating Income/(Loss)	\$ 4,818,242
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities:	
Depreciation and amortization	1,354,697
Transfer out to other funds	(450,000)
Changes in assets and liabilities:	
Accounts receivable	(391,717)
Due from other funds	98,483
Accounts payable and other liabilities	1,457,104
Due to other funds	311,073
Total Adjustments	<u>2,379,640</u>

Net Cash Provided by Operating Activities	<u><u>\$ 7,197,882</u></u>
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See Independent Auditor's Report and
Accompanying Notes to Financial Statements

CITY OF JOHNSTOWN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016

	457 Deferred Compensation Fund	Rehabilitation Loan Fund
<u>ASSETS</u>		
Assets:		
Cash and cash equivalents	\$ -	\$ 22,505
Non-current loans and Interest receivable	-	5,149,313
Property and rights under deferred compensation plan	<u>2,143,012</u>	<u>-</u>
Total Assets	<u>\$ 2,143,012</u>	<u>\$ 5,171,818</u>
<u>LIABILITIES AND NET POSITION</u>		
Liabilities:		
Grantee deposits	\$ -	\$ 22,505
Unearned revenues	-	5,149,313
Obligation to employees under deferred compensation plan	<u>2,143,012</u>	<u>-</u>
Total Liabilities	<u>2,143,012</u>	<u>5,171,818</u>
Net Position:		
Reserved for self-insurance	-	-
Held in trust for pension benefits	<u>-</u>	<u>-</u>
Total Net Position	<u>-</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 2,143,012</u>	<u>\$ 5,171,818</u>

CITY OF JOHNSTOWN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016

	Enterprise and UDAG Loan Fund	Job Development Revolving Loan Fund	Pension Trust Fund	Payroll Deduction	Total Current Year
<u>ASSETS</u>					
Assets:					
Cash and cash equivalents	\$ 37,303	\$ 185,089	\$ 4,641,218	\$ -	\$ 4,886,115
Investments	-	-	21,664,241	-	21,664,241
Non-current loans and Interest receivable	-	310,967	-	-	5,460,280
Due from other funds	-	-	-	87,825	87,825
Property and rights under deferred compensation plan	-	-	-	-	2,143,012
Total Assets	<u>37,303</u>	<u>496,056</u>	<u>26,305,459</u>	<u>87,825</u>	<u>34,241,473</u>
Deferred Outflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 37,303</u>	<u>\$ 496,056</u>	<u>\$ 26,305,459</u>	<u>\$ 87,825</u>	<u>\$ 34,241,473</u>
<u>LIABILITIES AND NET POSITION</u>					
Liabilities:					
Payroll taxes payable	\$ -	-	\$ -	\$ 87,825	\$ 87,825
Grantee deposits	-	-	-	-	22,505
Deferred revenues	-	311,177	-	-	5,460,490
Due to other funds	37,303	181,503	-	-	218,806
Due to other governments	-	3,376	-	-	3,376
Obligation to employees under deferred compensation plan	-	-	-	-	2,143,012
Total Liabilities	<u>37,303</u>	<u>496,056</u>	<u>-</u>	<u>87,825</u>	<u>7,936,014</u>
Net Position:					
Held in trust for pension benefits	<u>-</u>	<u>-</u>	<u>26,305,459</u>	<u>-</u>	<u>26,305,459</u>
Total Net Position	<u>-</u>	<u>-</u>	<u>26,305,459</u>	<u>-</u>	<u>26,305,459</u>
Total Liabilities and Net Position	<u>\$ 37,303</u>	<u>\$ 496,056</u>	<u>\$ 26,305,459</u>	<u>\$ 87,825</u>	<u>\$ 34,241,473</u>

CITY OF JOHNSTOWN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Additions</u>	Pension Trust Fund
Contributions:	
Employee	\$ 236,584
Employer	3,023,894
	<hr/>
Total Contributions	3,260,478
	<hr/>
Investment Income (Loss):	
Interest and dividends	121,958
Net appreciation in fair value of investments	1,294,645
	<hr/>
Total Investment Income	1,416,603
	<hr/>
Total Additions	4,677,081
	<hr/>
<u>Deductions</u>	
Benefits	3,808,509
Administrative expenses	185,632
	<hr/>
Total Deductions	3,994,141
	<hr/>
Change in Net Position	682,940
Net Position Held in Trust for Employee Pension Benefits:	
Beginning of Year	25,622,519
	<hr/>
End of Year	\$ 26,305,459
	<hr/> <hr/>

**CITY OF JOHNSTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Johnstown was incorporated December 18, 1889, under the Commonwealth of Pennsylvania Third Class Cities Act as replaced by provisions of Act 317, P.L. 932, reenacted and amended by Act 164, P.L. 662, otherwise known as the Third Class City Code. Effective January 1, 1994, the City of Johnstown's form of government changed from the Mayor-Council to the Council-Manager form under the Home Rule Charter. The appointed professional manager is responsible for the day-to-day operations of the City and the council acts as the governing body of the City.

The City is currently under distressed status in accordance with the Municipalities Financial Recovery Act, Act 47 of 1987. A coordinator was appointed and a Recovery Plan was first adopted in May 1993. The overall goal of the plan is to restore the economic viability of the City to provide the citizens with the expected normal level of municipal services.

The following is a summary of significant accounting policies of the City of Johnstown:

a. Financial Reporting Entity

The City follows the Statement of Governmental Accounting Standards Board (GASB) No. 61 "The Financial Reporting Entity." The City's combined financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The organization has the potential to impose a financial benefit/burden on the City

Based on the aforementioned criteria, the City of Johnstown has no component units.

b. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

c. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows, and liabilities and deferred inflows, is reported as fund balance.

The following are the City's major governmental funds:

General Fund

The General Fund is the general operating fund of the City used to account for all financial resources, except those required to be accounted for in another fund. General tax revenues of the City, as well as other resources received and not designated for a specific purpose, are accounted for in the General Fund.

Parking Fund

In 2014, the City elected to combine the Parking Fund and Intermodal Parking Fund for financial statement purposes. City Council treats these two (2) funds as one (1) operation and adopts one (1) budget for the parking function.

The Parking Fund is used to account for revenues from parking garages, meters, and fines which are restricted as to use for financing of parking operations and servicing bonded debt on the parking garages.

The Intermodal Parking Fund is used to account for revenues from the Conference Center parking garages, meters, and fines which are restricted as to use for financing of parking operations. Currently, the Conference Center is run by Crown America and if a certain profit is obtained, a percentage is paid to the City.

In 2016, the Parking funds were transitioned from Business-type Activities to Governmental Activities. Additional details on the impact of this change can be found in Note 14.

Community Development Fund

The Community Development Fund is used to account for entitlement grants from the Department of Housing and Urban Development. These grants are restricted for special purposes.

Urban Development Action Grant Fund

The Urban Development Action Grant Fund is used to account for loan repayments on urban development loans granted in prior years and eligible activities from federal Title I.

State Grant Programs Fund

The State Grant Programs Fund is used to account for small special purpose state grants.

Pension Fund

To account for dedicated real estate taxes and state grants relating to pension activity restricted to funding the pension plans.

Debt Sinking Fund

The Debt Sinking Fund is used to account for dedicated real estate taxes and temporary investment of proceeds from general obligation loans and tax anticipation loans and to account for expenditures from general obligation loans. Also to account for receipt of transfers from the General Fund and remittance of payments of principal and interest on general obligation and tax anticipation loans.

Home Loan Fund

The home loan fund is used to account for loans made by, and collections on behalf of, the Federal Home Investment Partnerships Program.

The other governmental funds of the City account for grants and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and payment of debt; and the acquisition or construction of major capital facilities.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The City's proprietary funds may be used to account for any activity for which a fee is charged to external users for goods or services.

The following is the City's major proprietary fund:

Sewer Upgrade Fund

The Sewer Upgrade fund is utilized to account for sewer rental fee surcharges collected by the City which are restricted for future sewer system improvements. The City also obtains PennVest financing for the ongoing upgrades to the City's infrastructure. In 2014, the Sewer Upgrade fund was transitioned from a governmental fund type to a proprietary fund type. This resulted in a change in the basis of accounting for the fund by going from the modified accrual to the full accrual basis of accounting.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The City's investment trust fund accounts for the external portion of the cash management pool, which represents resources that belong to legally separate entities. The City's agency funds account for assets held by the City for political subdivisions in which the City acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

d. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements, and fund financial statements for proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows, liabilities, and deferred inflows (whether current or non-current) are included on the balance sheet and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounts, revenues are recognized when earned, if measurable, and expenses are recognized as incurred, regardless of timing of related cash flows.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows and current liabilities and deferred inflows are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Proprietary Fund Financial Statements

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the City finances and meets the cash flow needs of its enterprise activities.

Proprietary funds separate all activity into two (2) categories: operating and non-operating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods. Non-operating revenues and expenses entail all other activity not included in operating revenues and expenses. Non-operating revenues and expenses include capital and non-capital financing activities and investing activities.

e. Unearned Revenues

Unearned revenues arise when assets are recognized before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements were met have also been recorded as unearned revenue.

f. Investments

Investments of all funds are stated at fair value.

g. Budgets and Budgetary Accounting

The administration submits to City Council proposed operating budgets in accordance with the Administrative Code. Prior to the inception of the calendar year, the budgets are legally enacted by Council through passage of budget ordinances. All transfers of budgeted amounts between departments, as well as all budget amendments, require the approval of City Council. Transfers among programs within a department require the approval of the City Manager.

The budgets are prepared on the cash receipts and disbursements basis of accounting, for the following funds:

- General Fund
- Special Revenue
 - Parking
 - Community Development
 - UDAG
 - State Grant
 - Pension Fund
 - Debt Sinking
 - Home Loan Fund

Formal budgetary integration is employed as a management control device on a cash receipts and disbursements basis of accounting during the year for the aforementioned funds. However, since the budgets are not adopted on a basis consistent with generally accepted accounting principles (GAAP), the budgetary comparisons presented in this report are on a non-GAAP budgetary basis. In this instance, however, the comparison is not materially distorted by the different bases.

h. Cash and Cash Equivalents

The City considers all unrestricted highly liquid investments with a maturity of three (3) months or less when purchased to be cash equivalents.

i. Fixed Assets

Fixed assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the governmental-wide financial statements and in the fund financial statements for proprietary funds. Fixed assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one (1) year. Assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated fixed assets are recorded at estimated fair market value at the date of donation.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Infrastructure assets are reported in the business-type and governmental activities columns. Infrastructure in the business-type activities columns is classified as improvements other than buildings and consists of water and sewer lines. Infrastructure reported in the governmental activities column consists of City roads and bridges constructed after 1980.

The City depreciates assets on a straight line basis using the following estimated useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Site Improvements	15-30 years
Infrastructure	15-50 years
Office Furniture & Equipment	8-15 years
Building & Permanent Fixtures	20-40 years
General Equipment	10-15 years
Radio Equipment	10 years
Computer Hardware & Software	5 years
Vehicles	8 years

j. Inventory

The City maintains various inventories of expendable supplies held for consumption. The costs are recorded as an expenditure (governmental funds) or expense (proprietary fund) at the time individual inventory items are purchased (purchases method). As of December 31, 2016, City personnel estimated that inventories of highway anti-skid material, fuel and lubricants, and vehicle repair parts amounted to approximately \$27,920 at cost.

k. Allowance for Estimated Uncollectible Accounts

The City has provided an allowance for estimated uncollectible accounts for sewer rental fees and sewage treatment fees based upon the City's collection history and the judgment of management. At December 31, 2016, the gross amounts receivable and the allowances were as follows:

	Governmental Activities	Business-type Activities
	Receivables	Sewer Fees Receivables
Total receivables	\$ 962,332	\$ 2,324,801
Less allowance for uncollectible accounts	(409,045)	(616,276)
Net receivables	<u>\$ 553,287</u>	<u>\$ 1,708,525</u>

l. Accumulated Liabilities for Compensated Absences

Accumulated compensated absences for sick pay in the governmental and proprietary fund types expected to be liquidated with expendable available resources are accrued and the amount payable from future resources is recorded in the General Long-Term Debt Account Group in accordance with statement 16 of the Governmental Accounting Standards Board, "Accounting for Compensated Absences."

m. Deferred Compensation Plan

The City of Johnstown established a deferred compensation plan, which was adopted under the provisions of the Internal Revenue Code Section 457 (Deferred Compensation Plan with Respect to Service for State and Local Governments.) A third-party firm administers the plan under a trust agreement.

The plan covers certain management employees of the City. The amounts required to be contributed are based on contractual amounts or percentages of compensation as provided in their employment contracts. All amounts of compensation deferred under the Plan and all income attributable to those amounts (until paid or made available to the employee or beneficiary) are solely the property and rights of the City; but are restricted for employees that participate in the Plan. The City must exercise due care as required of any ordinary prudent investor.

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

Fair market value at December 31, 2015	\$ 1,940,367
Contributions	170,320
Distributions	(51,623)
Service fees	(2,991)
Gain/(Loss) on investments	135,163
Transfer Out	<u>---</u>
Fair market value at December 31, 2016	<u>\$ 2,191,236</u>

n. Earned Income Tax/Municipal Services Tax

As a result of the City's distressed status, the City was authorized by the Municipalities Financial Recovery Act, Act 47 of 1987, to impose an additional earned income tax on residents and non-residents as follows:

	<u>2015</u>	<u>2016</u>
Non-resident of the City of Johnstown that work within city limits	.10%	.00%
All residents of the City of Johnstown	.50%	.50%

Beginning in 2016, the local services tax increased from \$52 to \$156 annually. Individuals earning less than \$21,000 per year will be exempt from this tax. The commuter tax has been eliminated as a result of this increase.

o. Interfund Transactions

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. These advances (reported in "Due from" asset accounts) are considered "available spendable resources".

p. Fund Balance

The City follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement required the governmental funds' fund balances to be reclassified into the following five (5) categories.

Nonspendable fund balance – fund balance permanently restricted and unavailable for current operations.

Restricted fund balance – fund balance temporarily restricted for specified purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance – fund balance temporarily restricted for specified purposes established by a formal action by Council. Formal action by Council is also necessary to modify or rescind a fund balance commitment.

Assigned fund balance – fund balance intended for a specific purpose that does not meet the criteria to be classified as restricted or committed. The Council has authorized the Finance Director as the official authorized to assign fund balance to a specific purpose.

Unassigned fund balance – fund balance available for operations without any restriction.

Council will spend the most restricted dollars before less restricted in the order as defined above.

The City of Johnstown reports the following restricted fund balances:

The Sewer Upgrade Fund maintains a restricted net position of \$2,320,684 derived from the sanitary sewer upgrade surcharge held for the purpose of future upgrades to the sewer collection system.

q. **New GASB Pronouncement**

In the current year, the City has implemented GASB Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurement and provides guidance for determining a fair value measurement for financial reporting purposes.

In the current year, the City has implemented GASB Statement No. 73, Accounting and Financial Reporting for Pension and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB 67 and 68. This Statement improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

In the current year, the City has implemented GASB Statement No. 76, the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This Statement replaces the requirements of Statement No. 55, the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements in this Statement improve financial reporting by raising the category of GASB Implementation Guides in the GAAP hierarchy, emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP, and requiring the consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature.

In the current year, the City has implemented GASB Statement No. 77, Tax Abatement Disclosures. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: brief description information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; the gross dollar amount of taxes abated during the period; and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

In the current year, the City has implemented GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured and collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Governmental Funds. Fiduciary Fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practice. The deposits and investments of the Fiduciary Funds are administered by trustees and are held separately from those of other City funds. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the City.

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 7,350,724
Fiduciary funds:	
Cash and investments	<u>26,550,356</u>
Total Cash and Investments	<u>\$ 33,901,080</u>

Cash and investments as of December 31, 2016, consist of the following:

Cash on hand	\$ 9,875
Deposits with financial institutions	12,226,964
Investments	<u>21,664,241</u>
Total Cash and Investments	<u>\$ 33,901,080</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Entity manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Entity's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Entity's investments by maturity:

<u>Investment Type</u>	<u>Year of Maturity</u>			
	<u><1</u>	<u>1 – 5</u>	<u>5 - 10</u>	<u>10+</u>
U.S. Treasury & Agency	\$ 210,643	\$ 462,770	\$ 187,642	\$ ---
Corporate Bonds	<u>64,427</u>	<u>4,856,464</u>	<u>3,020,474</u>	<u>50,319</u>
Totals	<u>\$ 275,070</u>	<u>\$ 5,319,234</u>	<u>\$ 3,208,116</u>	<u>\$ 50,319</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the total amount of investments within each rating:

<u>Rating</u>	<u>Amount</u>
AAA	\$ 3,767,028
AA	1,403,323
AA-	71,444
A	1,345,961
A-	187,498
BBB+	1,480,368
< BBB	<u>597,117</u>
Total	<u>\$ 8,852,739</u>

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Pennsylvania Government code and the Entity's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Pennsylvania Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool equal at least one hundred ten percent (110%) of the total amount deposited by the public agencies.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments, as of December 31, 2016. Entity investments by the following investment types were uncollateralized, which includes deposits collateralized by securities held by the pledging financial institution or by its trust department or agent, but not in the city's name.

<u>Investment Type</u>	<u>Reported Amount</u>
Pension Trust	\$ 26,305,459

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Entity's investments (including investments held by bond trustees) include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

<u>Highly Sensitive Investments</u>	<u>Fair Value at Year End</u>
Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.	\$ 39,884

Investments – Fair Value Measurements

Generally accepted accounting principles define fair value, describe a framework for measuring fair value, and require disclosure about fair value measurements. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

Level 1 – Represented by quoted prices available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products and exchange traded equities and mutual funds.

Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using price models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-based agency securities, obligations of states, and political subdivisions and certain corporate, asset backed securities, swap agreements, and life insurance contracts.

Level 3 – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity's own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and those with internally developed values.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value on the statement of fiduciary net position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Mutual Funds and Stocks: Valued at the closing price reported on the active market on which the securities are traded.

Government Obligations and Corporate Bonds: Government obligations consisting of U.S. Treasury bonds and notes, agency securities, mortgage backed securities and corporate debt obligations consisting of bonds are generally valued at the most recent price of the equivalent quotes yield for such securities, or those of comparable maturity, quality and type. Such investments are generally classified within Level 2 of the valuation hierarchy.

The following table sets forth by level within the fair value hierarchy, the financial assets that were accounted for at fair value on a recurring basis as of December 31, 2016:

	Fair Value Measurements at Reporting Date		
	Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	\$ 9,845,097	\$ ---	\$ ---
Government Obligations	---	861,054	---
Stocks	4,828,168	---	---
Corporate Bonds	---	8,000,327	---
Cash & Cash Equivalents	<u>3,443,629</u>	<u>---</u>	<u>---</u>
	<u>\$ 18,116,894</u>	<u>\$ 8,861,381</u>	<u>\$ ---</u>

NOTE 3 - PROPERTY TAXES

The City bills and collects its own property taxes based upon property valuations provided by the County Assessor's Office. For 2016, the City levied 33.63 mills per dollar for general revenue purposes. Other combined tax levies, totaling 18.85 mills per dollar of assessed valuation, were provided for debt service, pension contributions and the county library. The total tax levy of 52.48 mills per dollar of assessed valuation would generate \$8,909,301 of property tax revenue based upon the total taxable assessed valuation of property within the City of \$169,758,850. The property tax levy for 2016 was passed on November 10, 2015.

The following is a summary of the tax calendar for the year ended December 31, 2016:

Mailing Date – March 30, 2016
Discount Period at 2% -- April 1, 2016 to May 31, 2016
Face Period -- June 1, 2016 to July 31, 2016
Penalty Period at 10% -- August 1, 2016 to December 31, 2016

Sale of Delinquent Property Taxes Receivable

During 2016, the City sold delinquent property tax receivables from the 2015 tax year totaling \$1,971,547. The cash proceeds, net of fees, totaled \$713,043. This amount is displayed within tax revenue on the statement of revenues, expenditures, and changes in fund balances.

As defined in the agreement, the purchase price of future property taxes receivable may be adjusted based upon the result of collection of taxes previously sold. Additionally, the City is committed to repurchase outstanding tax claims in the event the agreement is not renewed.

Management has determined that the amount of cash received approximates the present value of future collections.

Total fees on the above tax sales amounted to \$44,315.

The effect of this transaction on the government wide financial statements is as follows:

Long-Term Taxes Receivable as of	
January 1, 2016	\$ 713,043
Net Proceeds from 2016 Sale	(713,043)
Gain/(Loss) from Sale of Taxes Receivable	\$ <u>---</u>

Taxes Receivable

Fund Financial Statement

Additionally, subsequent to year end, the City sold delinquent property tax receivables from the 2016 tax year totaling \$1,930,748. The cash proceeds received, net of fees, totaled \$593,822. This amount was also reported as unearned revenue in the current year and will be recognized within the statement of revenues, expenditures and changes in fund balances during the 2017 fiscal year.

NOTE 4 - PAYMENTS IN LIEU OF TAXES

Payments received in 2016 in lieu of taxes amounted to \$12,232 in the General Fund, which resulted from the City's agreements with the Johnstown Housing Authority and church donations.

NOTE 5 - DUE FROM/(TO) OTHER GOVERNMENTS

Amounts due from other governments are generally comprised of amounts due from the Federal, State and Local government units for reimbursement due under the grant programs at December 31, 2016. Amounts due to other governments are generally comprised of interest earned on state grants required to be returned to the state for which program expenditures have not occurred at December 31, 2016.

NOTE 6 - FIXED ASSETS

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

	Balance <u>December 31, 2015</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>December 31, 2016</u>
Government activities:				
Fixed assets not being depreciated:				
Land	\$ 4,713,625	\$ ---	\$ ---	\$ 4,713,625
Construction-in-progress	<u>89,685</u>	<u>885,326</u>	<u>---</u>	<u>975,011</u>
Total fixed assets not being depreciated	<u>4,803,310</u>	<u>885,326</u>	<u>---</u>	<u>5,688,636</u>

Other fixed assets:

Site improvements	3,127,230	79,532	---	3,206,762
Building and permanent fixtures	36,035,930	---	---	36,035,930
Infrastructure	23,275,098	---	---	23,275,098
General equipment	5,145,926	293,563	---	5,439,489
Vehicles	<u>6,435,583</u>	<u>1,363,418</u>	<u>(28,042)</u>	<u>7,770,959</u>
Total other fixed assets, at cost	<u>74,019,767</u>	<u>1,736,513</u>	<u>(28,042)</u>	<u>75,728,238</u>

Less accumulated depreciation for:

Site improvements	1,411,317	129,825	---	1,541,142
Buildings and permanent fixtures	14,466,533	914,544	---	15,381,077
Infrastructure	6,848,409	594,646	---	7,443,055
General equipment	4,261,901	123,282	---	4,385,183
Vehicles	<u>5,080,877</u>	<u>413,541</u>	<u>(18,695)</u>	<u>5,475,723</u>
Total accumulated depreciation	<u>32,069,037</u>	<u>2,175,838</u>	<u>(18,695)</u>	<u>34,226,180</u>
Governmental activities fixed assets, net	<u>46,754,040</u>	<u>446,001</u>	<u>(9,347)</u>	<u>47,190,694</u>

Business-type activities:

Fixed assets not being depreciated:

Land	\$	---	---	---	\$	---
Construction-in-Progress	<u>5,173,448</u>	<u>22,624,295</u>	<u>---</u>	<u>27,797,743</u>		
Total fixed assets not being depreciated	<u>5,173,448</u>	<u>22,624,295</u>	<u>---</u>	<u>27,797,743</u>		

Other fixed assets:

Other fixed Assets

Buildings and permanent fixtures

--- --- --- ---

Infrastructure 54,227,007 6,451,385 --- 60,678,392

Machinery & equipment --- --- --- ---

Furniture & fixtures --- --- --- ---

Total other fixed assets, at cost 54,227,007 6,451,385 --- 60,678,392

Less accumulated depreciation for:

Buildings & permanent fixtures

--- --- --- ---

Infrastructure 899,851 1,354,697 --- 2,254,548

Machinery & equipment --- --- --- ---

Furniture & fixtures --- --- --- ---

Total accumulated depreciation 899,851 1,354,697 --- 2,254,548

Business-type activities fixed assets, net \$ 58,500,604 27,720,983 --- \$ 86,221,587

NOTE 7 - UNEARNED REVENUES

Unearned revenues are generally comprised of advances from Federal, State and Local governmental units for which program expenditures have not yet occurred at December 31, 2016. In addition, unearned revenue is recorded as an offset to non-current loans and interest receivable made to businesses and individuals in connection with joint projects with the federal and state governments. Property taxes for which there was an enforceable legal claim at December 31, 2016, but were levied to finance 2016 operations, have been recorded as unearned revenue.

NOTE 8 - LIABILITY FOR COMPENSATED ABSENCES

City employees that are governed by a union agreement may accumulate unused sick days and earn the right to receive payment for those days. The following summarizes the terms of each contract as it pertains to accumulating sick leave.

	# of Days Earned/Year (Accumulated is unlimited)	Payment		Rate
		Right to Receive Payment for Accumulation of Days	Maximum Number of Days	
Police	12	Termination, death, retirement, or resignation	105	2016 Daily Rate
Fire	15	Termination, death, retirement, or resignation	105	2016 Daily Rate
Non-Uniform	18	Retirement	75	2016 Daily Rate

Employees not governed by a union contract can accumulate sick time. However, these employees' right to receive payment for the accumulated time only occurs at retirement. Vacations are included in the computation as determined by union contracts. Directors and Managers can accumulate unused vacations time, which is included in the computation.

Accrued compensated absences expected to be liquidated with expendable available resources have been recorded in the General Fund as a current liability at December 31, 2016, in the amount of \$91,134. The amount payable from future resources is recorded as a non-current liability in the Governmental-Wide Statement of Net Position in the amount of \$1,048,428.

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Balance 12/31/15	Additions	Reductions	Balance 12/31/16	Amounts Due Within One Year
Governmental Activities:					
2013 General Obligation Bonds	\$ 6,535,000	\$ ---	\$ (50,000)	\$ 6,485,000	\$ 50,000
2016 General Obligation Note	---	6,000,000	---	6,000,000	582,663
FNB Loan	2,740,000	---	(2,740,000)	---	---
Capital Lease	867,554	1,328,418	(1,042,766)	1,153,206	134,953
Compensated Absences Liability	1,279,973	---	(140,410)	1,139,563	91,134
OPEB Obligation	6,123,293	1,868,498	(1,612,017)	6,379,774	---
Net Pension Obligation	23,443,943	---	(67,681)	23,376,262	---
First Summit Line of Credit	338,711	78,518	(417,229)	---	---
TAN Loan	---	2,500,000	(2,500,000)	---	---
Governmental Activities Long-term Liabilities	\$ 41,328,474	\$11,775,434	\$ (8,570,103)	\$ 44,533,805	\$858,750

	Balance 12/31/15	Additions	Reductions	Balance 12/31/16	Amounts Due Within One Year
Business-type Activities:					
Pennvest Loan (#79372)	1,425,337	6,775	(88,297)	1,343,815	77,646
Pennvest Loan (#71390)	7,197,476	1,022,706	(445,560)	7,774,622	444,059
Pennvest Loan (#71397)	9,002,252	527,192	(513,681)	9,015,763	517,350
Pennvest Loan (#71406)	8,114,934	743,674	(495,556)	8,363,052	495,115
Pennvest Loan (#71412)	10,118,233	---	(325,356)	9,792,877	492,110
Pennvest Loan (#71417)	4,811,928	4,235,852	(42,634)	9,005,146	514,222
Pennvest Loan (#27874)	55,810	685,390	---	741,200	5,166
Pennvest Loan (#24880)	---	7,815,972	---	7,815,972	347,180
Pennvest Loan (#75314)	---	190,062	---	190,062	---
Business-type Activities					
Long-term Liabilities	\$ 40,725,970	\$ 15,227,623	\$ (1,911,084)	\$ 54,042,509	\$ 2,892,848

Description of Debt

Pertinent information regarding general obligation debt outstanding is presented below:

Governmental Activities

General Obligation Bonds, Series of 2013:

The City of Johnstown issued \$6,710,000 in General Obligation Bonds in 2013, with an average interest rate of 3.03% to currently refund the outstanding 2006 Series General Obligation Bonds. The security for the bonds is the City's full faith credit and taxing power of the City. By issuing the general obligation bonds, Series of 2013, the City has retired the 2006 general obligations bonds.

General Obligation Note, Series A of 2016:

In December 2016, the City issued a General Obligation Note with First Summit in the amount of \$6,000,000. This note matures in May 2026 with an interest rate of 2.65%. The proceeds of this loan were used to pay off the outstanding balance of the FNB Loan, Line of Credit, and two (2) KS StateBank capital leases. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt amounted to an increase of \$741,467. The economic gain resulting from this transaction amounts to \$23,093.

KS StateBank Capital Leases

In February 2015, the City obtained a capital lease from KS StateBank for \$927,743.92 with an interest rate of 3.02%. In April 2015, the City obtained an additional capital lease for \$173,519.75 with an interest rate of 3.25%. Originally, both leases were set to mature in 2019 but were paid off in December 2016 with proceeds from the General Obligation Note, Series A of 2016.

During March 2016, the City obtained two (2) new capital leases from KS StateBank. The first lease was for \$828,436 with an interest rate of 3.63% which matures in March 2025. The second lease was for \$499,982 with an interest rate of 3.25% which matures in March 2022.

FNB Loan:

In December 2015, the City issued a loan with FNB in the amount of \$2,740,000. This note matures in May 2020 with an interest rate of 2.08% and an effective rate of 2.10%. The proceeds of this loan were used to currently refund the General Obligation Bond, Series of 2009. The balance on the FNB loan was paid in full in December 2016 with proceeds from the General Obligation Note, Series A.

First Summit Line of Credit

In February 2013, the City obtained a \$1,000,000 open line of credit from First Summit Bank to fund lighting upgrades in the City parking garage. Interest rates vary at 75% of prime, with minimum of 2.175%. The balance on the line of credit was paid off at year end with proceeds from the General Obligation Note, Series A of 2016.

Business Type Activities

PENNVEST Loan (#79372)

In January of 2012, the City executed loan documents that provided \$1,720,198 to fund the sanitary/storm sewer separation project Phase I. Interest rates vary between 1% and 1.47% over the repayment period of twenty (20) years.

PENNVEST Loan (#71390)

In 2013, the City received approval from PennVest in the amount of \$9,415,164 to fund the sanitary/storm sewer separation project Phase II. Interest rates vary between 1% and 1.077% over the repayment period of twenty (20) years. Monthly principal and interest payments will be due upon the completion of the project. As of December 31, 2016, the City incurred eligible PENNVEST expenses in the amount of \$8,895,308. Principal payments began during 2014.

PENNVEST Loan (#71397)

In 2013, the City received approval from PennVest in the amount of \$10,900,000 to fund the sanitary/storm sewer separation project Phase III. Interest rate is 1% over the repayment period of twenty (20) years. Monthly principal and interest payments will be due upon the completion of the project. As of December 31, 2016, the City incurred eligible PENNVEST expenses in the amount of \$9,961,152. Principal payments began during 2015.

PENNVEST Loan (#71406)

In 2014, the City received approval from PennVest in the amount of \$10,459,380 to fund the sanitary/storm sewer separation project Phase IV. Interest rate is 1% over the repayment period of twenty (20) years. Monthly principal and interest payments will be due upon the completion of the project. As of December 31, 2016, the City incurred eligible PENNVEST expenses in the amount of \$8,901,141. Principal payments began during 2015.

PENNVEST Loan (#71412)

In 2015, the City received approval from PennVest in the amount of \$10,650,771 to fund the sanitary/storm sewer separation project Phase V. Interest rate is 1% over the repayment period of twenty (20) years. Monthly principal and interest payments will be due upon the completion of the project. As of December 31, 2016, the City incurred eligible PENNVEST expenses in the amount of \$10,118,233. Principal payments began during 2016.

PENNVEST Loan (#71417)

In 2015, the City received approval from PennVest in the amount of \$10,900,000 to fund the sanitary/storm sewer separation project Phase VI. Interest rate is 1% over the repayment period of twenty-one (21) years. Monthly principal and interest payments will be due upon the completion of the project. As of December 31, 2016, the City incurred eligible PENNVEST expenses in the amount of \$9,010,336. Principal payments began during 2016.

PENNVEST Loan (#27874)

In 2015, the City received approval from PennVest in the amount of \$1,452,802 to fund the sanitary/storm sewer separation project Phase VII. Interest rate is 1% over the repayment period of twenty-one (21) years. Monthly principal and interest payments will be due upon the completion of the project. As of December 31, 2016, the City incurred eligible PENNVEST expenses in the amount of \$741,201. Principal payments will not begin until the project is near completion.

Debt Maturity

An analysis of debt service requirements to maturity on these obligations follows:

Governmental Activities:

	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2013 General Obligation Bonds			
<u>Years Ending December 31:</u>			
2017	\$ 55,000	\$ 221,592	\$ 276,592
2018	55,000	220,492	275,492
2019	55,000	219,392	274,392
2020	295,000	218,224	513,224
2021	300,000	211,586	511,586
2022 - 2026	1,645,000	928,063	2,573,068
2027 - 2031	1,930,000	642,858	2,572,858
2032 - 2036	<u>2,150,000</u>	<u>249,750</u>	<u>2,399,750</u>
	<u>\$ 6,485,000</u>	<u>\$ 2,911,962</u>	<u>\$ 9,396,962</u>

2016 General Obligation Note

<u>Years Ending December 31:</u>			
2017	\$ 582,663	\$ 221,592	\$ 717,000
2018	577,240	220,492	717,000
2019	592,638	219,392	717,000
2020	608,447	218,224	717,000
2021	624,677	211,586	717,000
2022 - 2026	<u>3,014,335</u>	<u>249,750</u>	<u>3,217,050</u>
	<u>\$ 6,000,000</u>	<u>\$ 2,911,962</u>	<u>\$ 6,802,050</u>

KS StateBank Leases

<u>Years Ending December 31:</u>			
2017	\$ 134,953	\$ 40,259	\$ 175,212
2018	139,605	35,607	175,212
2019	144,418	30,794	175,212
2020	149,399	25,813	175,212
2021	154,552	20,660	175,212
2022 - 2025	<u>430,279</u>	<u>35,194</u>	<u>465,473</u>
	<u>\$ 1,153,206</u>	<u>\$ 188,327</u>	<u>\$ 1,341,533</u>

Business-type Activities:

PennVest – 79372*

<u>Years Ending December 31:</u>			
2017	\$ 77,646	\$ 13,580	\$ 91,226
2018	76,482	18,099	94,581
2019	77,614	16,967	94,581
2020	78,763	15,818	94,581
2021	79,928	14,653	94,581
2022-2026	417,738	55,165	472,903
2027-2031	449,578	23,325	472,903
2032	<u>86,066</u>	<u>634</u>	<u>86,700</u>
	<u>\$ 1,343,815</u>	<u>\$ 158,241</u>	<u>\$ 1,502,056</u>

PennVest – 71390*Years Ending December 31:

2017	\$ 444,059	\$ 75,539	\$ 519,598
2018	448,341	71,257	519,598
2019	451,789	69,282	521,071
2020	455,529	67,014	522,543
2021	460,459	62,084	522,543
2022-2026	2,378,139	234,576	2,612,715
2027-2031	2,509,651	103,064	2,612,715
2032-2033	<u>626,655</u>	<u>4,373</u>	<u>631,028</u>
	<u>\$ 7,774,622</u>	<u>\$ 687,189</u>	<u>\$ 8,461,811</u>

PennVest – 71397*Years Ending December 31:

2017	\$ 517,350	\$ 87,553	\$ 604,903
2018	518,896	82,646	601,542
2019	524,109	77,433	601,542
2020	529,374	72,168	601,542
2021	534,692	66,850	601,542
2022-2026	2,755,119	252,591	3,007,710
2027-2031	2,896,317	111,393	3,007,710
2032-2033	<u>739,906</u>	<u>4,947</u>	<u>744,853</u>
	<u>\$ 9,015,763</u>	<u>\$ 755,581</u>	<u>\$ 9,771,344</u>

PennVest – 71406*Years Ending December 31:

2017	\$ 495,115	\$ 82,110	\$ 577,225
2018	499,772	77,453	577,225
2019	504,793	72,432	577,225
2020	509,864	67,361	577,225
2021	514,986	62,239	577,225
2022-2026	2,653,581	232,544	2,886,125
2027-2031	2,789,576	96,549	2,886,125
2032	<u>395,365</u>	<u>2,405</u>	<u>397,770</u>
	<u>\$ 8,363,052</u>	<u>\$ 693,093</u>	<u>\$ 9,056,145</u>

PennVest – 71412*Years Ending December 31:

2017	\$ 492,110	\$ 95,677	\$ 587,787
2018	497,054	90,733	587,787
2019	502,047	85,740	587,787
2020	507,091	80,696	587,787
2021	512,185	75,602	587,787
2022-2026	2,639,147	299,788	2,938,935
2027-2031	2,774,402	164,533	2,938,935
2032-2035	<u>1,868,841</u>	<u>31,148</u>	<u>1,899,989</u>
	<u>\$ 9,792,877</u>	<u>\$ 923,917</u>	<u>\$10,716,794</u>

PennVest – 71417*Years Ending December 31:

2017	\$ 514,222	\$ 87,320	\$ 601,542
2018	519,383	82,159	601,542
2019	524,601	76,941	601,542
2020	529,871	71,671	601,542
2021	535,194	66,348	601,542
2022-2026	2,757,706	250,002	3,007,708
2027-2031	2,899,036	108,672	3,007,708
2032-2033	<u>725,133</u>	<u>4,253</u>	<u>729,386</u>
	<u>\$ 9,005,146</u>	<u>\$ 747,366</u>	<u>\$ 9,752,512</u>

PennVest – 27874*Years Ending December 31:

2017	\$ 5,166	\$ 7,530	\$ 12,696
2018	73,151	7,025	80,176
2019	73,885	6,291	80,176
2020	74,628	5,548	80,176
2021	75,377	4,799	80,176
2022-2026	388,398	12,482	400,880
2027	<u>50,595</u>	<u>182</u>	<u>50,777</u>
	<u>\$ 741,200</u>	<u>\$ 43,857</u>	<u>\$ 785,057</u>

PennVest – 27880*Years Ending December 31:

2017	\$ 347,180	\$ 79,035	\$ 426,215
2018	525,128	76,414	601,542
2019	530,403	71,139	601,542
2020	535,732	65,810	601,542
2021	541,114	60,428	601,542
2022-2026	2,788,208	219,502	3,007,710
2027-2031	<u>2,548,207</u>	<u>76,608</u>	<u>2,624,815</u>
	<u>\$ 7,815,972</u>	<u>\$ 648,936</u>	<u>\$ 8,464,908</u>

PennVest – 75314*Years Ending December 31:

2017	\$ ---	\$ 1,679	\$ 1,679
2018	186,271	1,785	188,056
2019	<u>3,791</u>	<u>58</u>	<u>3,849</u>
	<u>\$ 190,062</u>	<u>\$ 3,522</u>	<u>\$ 193,584</u>

**Amortization schedules will change in subsequent years since project remains under construction as of December 31, 2016, and a final amortization schedule is not available.*

NOTE 10 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

- a) Cumulative deficit fund balances or net assets of individual funds. The following funds had deficit fund balances or net assets at December 31, 2016:

Parking Fund	\$ (290,873)
Pension Fund	\$ (42,159)
Debt Sinking Fund	\$ (5,499)
Sanitation Fund	\$ (3,093)
Recreation Fund	\$ (7,833)

- b) Individual fund interfund receivable and payable balances. Balances at December 31, 2016, were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 1,904,826	\$ 2,216,186
Enterprise and UDAG Loan Fund	200	37,503
Community Development Fund	194,698	102,109
Urban Development Action Grant Fund	912,882	---
State Grant Program Fund	18,289	52,866
Parking Fund	---	308,999
Debt Sinking Fund	---	1,448,256
Home Invest Fund	453	200
Job Redevelopment Revolving Loan Fund	13,195	194,698
Pension Fund	267,677	309,910
Recreation Fund	---	3,763
Sanitation Fund	---	21,954
Sewer Upgrade Fund	1,474,000	311,540
Payroll Deduction Fund	87,825	---
Liquid Fuels Fund	133,939	---
	<u>\$ 5,007,984</u>	<u>\$ 5,007,984</u>

NOTE 11 - PENSION PLANS

Plan Description

The City maintains four (4) Single Employer defined benefit pension plans. All plans provide retirement benefits, death benefits for surviving spouses and disability benefits to plan members. These benefits are established and may be amended by the individual pension boards, which are established by City Council. The Commonwealth of Pennsylvania has enacted the "Municipal Pension Plan Funding and Recovery Act" (Act 205). The act establishes certain standards and requirements for municipal pensions in the areas of: (1) actuarial reporting; (2) employer contribution requirements; (3) revising the State insurance allocations; and (4) funding assistance and measures available to municipalities based on a "distressed status" classification determined by the Commonwealth of Pennsylvania. In December 1985, the City of Johnstown elected third level "distress" for pension purposes as authorized by the State of Pennsylvania. The City's actuarial reports for all pension plans have been changed to meet the reporting requirements of Act 205. The plans do issue separate reports. A copy of these reports can be obtained from the City of Johnstown's Finance Department. The disclosure requirements for each plan are summarized as follows:

Police Employees

Plan administration

The City of Johnstown Police Pension Plan is a single-employer defined benefit pension plan. The Plan was established by Ordinance No. 3390, effective December 29, 1959. The Plan is governed by the City Council of the City of Johnstown 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 CS McKee and State Street. 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.

Method used to value investments

Plan investments are reported at fair value as reported by the AmeriServ Trust and Financial Services Company. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Benefits provided

The members are vested after twelve (12) years and eligible for retirement after twenty (20) years of service. For employees hired after January 1, 1989, they may retire at the later of age fifty (50) plus one day and the completion of twenty (20) years of service. For employees hired after January 1, 2010, they may retire at the later of age fifty (50) plus one day and the completion of twenty-five (25) years of service. The pension benefit is one-half of the monthly pay, plus a service increment up to \$500. The plan provides for a minimum benefit of \$400. The employees must contribute five percent (5%) of their pay, plus \$5.00 per month.

The surviving spouse of a deceased participant will automatically receive one hundred percent (100%) of the participant's pension entitlement until death or remarriage, at which time the benefit will be divided equally among the participants children under age eighteen (18). If no spouse or children are eligible to receive the benefit, the accumulated contributions will be refunded to the estate.

Disability retirement benefits that are service related will be received upon total and permanent disablement after completion of ten (10) years of service. Non-service related disability retirement benefits will be received upon total and permanent disablement after completion of fifteen (15) years of service.

Net Pension Liability of the City's Plan

The components of the net pension liability of the City's plan at December 31, 2016, were as follows:

Total Pension Plan Liability	\$ 18,604,284
Plan Fiduciary Net Position	<u>(10,708,268)</u>
Net Pension Liability	<u>\$ 7,896,016</u>

Plan Fiduciary Net Position as a percentage of the total pension liability is 57.6%

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the Minimum Municipal Obligation. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>-1% (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>+1% (8.5%)</u>
Net pension liability	\$9,909,599	\$7,896,016	\$6,196,613

Pension expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

Components of Pension Expense	<u>12/31/16</u>
Service Cost	\$ 317,244
Interest on total pension liability	1,344,378
Recognition of differences between expected and Actual experience	(57,876)
Change in benefit terms	---
Recognition of changes in assumptions	---
Employee contributions	(98,361)
Projected earnings on pension plan investments	9751,746)
Recognition of differences between projected and Actual earnings on plan investments	182,221
Pension plan administrative expense	74,543
Other changes in fiduciary net position	<u>---</u>
Total pension expense	\$ <u>1,010,403</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between the		
Expected and actual experience	\$ ---	\$ 144,690
Changes of assumptions	---	---
Net difference between projected and		
Actual earnings on plan investments	<u>581,572</u>	<u>---</u>
Total	<u>\$ 581,572</u>	<u>\$ 144,690</u>

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

<u>Year ended</u>	<u>Amount</u>
2017	\$ 124,345
2018	124,345
2019	153,281
2020	34,911
2021	---
Thereafter	<u>---</u>
Total	<u>\$ 436,882</u>

Fire Employees

Plan administration

The City of Johnstown Firemen's Pension Plan is a single-employer defined benefit pension plan. The Plan was established by Ordinance No. 275, effective July 1, 1948. The Plan was amended and restated by Ordinance No. 4441, effective January 1, 1988. The plan is governed by the City Council of the City of Johnstown 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 CS McKee and State Street. The plan is required to file Form PC-202C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reportin Program (MPRP). The most recent filing was as of January 1, 2013.

Method used to value investments

Plan investments are reported at fair value as reported by the AmeriServ Trust and Financial Services Company. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Benefits provided

The members are vested after twelve (12) years and eligible for retirement after twenty (20) years of service. The pension benefit is one-half of the monthly pay, plus a service increment up to \$500. The employees must contribute five percent (5%) of their wages, plus \$5.00 per month.

The surviving spouse of a deceased participant will automatically receive one hundred percent (100%) of the participant's pension entitlement until death or remarriage, at which time the benefit will be divided equally among the participant's children under age eighteen (18), if any.

Disability retirement benefits that are service related will be received based on the normal retirement benefit. Non-service related disability retirement benefits will be received upon total and permanent disablement after completion of fifteen (15) years of service.

Net Pension Liability of the City's Plan

The components of the net pension liability of the City's plan at December 31, 2016, were as follows:

Total Pension Plan Liability	\$ 17,384,837
Plan Fiduciary Net Position	<u>(7,319,417)</u>
Net Pension Liability	<u>\$ 10,065,420</u>

Plan Fiduciary Net Position as a percentage of the total pension liability is 42.1%

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the Minimum Municipal Obligation. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>-1% (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>+1% (8.5%)</u>
Net pension liability	\$12,010,354	\$10,065,420	\$ 8,429,525

Pension expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

Components of Pension Expense	<u>12/31/16</u>
Service Cost	\$ 303,767
Interest on total pension liability	1,258,344
Recognition of differences between expected and Actual experience	(24,762)
Change in benefit terms	---
Recognition of changes in assumptions	---
Employee contributions	(88,781)
Projected earnings on pension plan investments	(474,242)
Recognition of differences between projected and Actual earnings on plan investments	104,678
Pension plan administrative expense	61,848
Other changes in fiduciary net position	<u>---</u>
Total pension expense	<u>\$ 1,140,852</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between the Expected and actual experience	\$ ---	\$ 66,859
Changes of assumptions	---	---
Net difference between projected and Actual earnings on plan investments	<u>329,991</u>	<u>---</u>
Total	<u>\$ 329,991</u>	<u>\$ 66,859</u>

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

<u>Year ended</u>	<u>Amount</u>
2017	\$ 79,916
2018	79,916
2019	87,345
2020	15,955
2021	---
Thereafter	---
Total	<u>\$ 263,132</u>

Officers and Non-Uniform Employees

Plan administration

The City of Johnstown Officers and Non-Uniform Pension Plan is a single-employer defined benefit pension plan. The Plan was established effective January 1, 1971. The Plan was amended and restated by Ordinance No. 4440 effective January 1, 1988. The plan is governed by the City Council of the City of Johnstown 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 CS McKee and State Street. The plan is required to file Form PC-203C 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.

Method used to value investments

Plan investments are reported at fair value as reported by the AmeriServ Trust and Financial Services Company. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Benefits provided

Members are vested after twelve (12) years and are eligible for retirement at the age of fifty-five (55) and twenty (20) years of service. For the employees hired before January 1, 1988, the pension benefit is equal to fifty percent (50%) of average compensation, which will be reduced by forty percent (40%) of the Social Security Benefit. For the employees hired after January 1, 1988, the pension benefit is equal to fifty percent (50%) of average compensation, which will be reduced by fifty percent (50%) of the Social Security Benefit. The employees hired before January 1, 1988, must contribute three and a half percent (3.50%) of compensation wages subject to social security and five percent (5%) of their wages not subject to this tax. The employees hired after January 1, 1988, must contribute two and a quarter percent (2.25%) of their compensation wages subject to social security and five percent (5%) of their wages not subject to this tax.

The surviving spouse of a deceased participant will automatically receive one hundred percent (100%) of the participant's pension entitlement until death or remarriage, at which time the benefit will be divided equally among the participants' children under age eighteen (18), if any.

Disability retirement benefits that are either service or non-service related will be received upon total and permanent disablement after completion of ten (10) years of service. A participant will receive the retirement benefit with no offset for Social Security.

Net Pension Liability of the City's Plan

The components of the net pension liability of the City's plan at December 31, 2016, were as follows:

Total Pension Plan Liability	\$ 12,012,017
Plan Fiduciary Net Position	<u>(6,613,008)</u>
Net Pension Liability	<u>\$ 5,399,009</u>

Plan Fiduciary Net Position as a percentage of the total pension liability is 55.1%

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the Minimum Municipal Obligation. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>-1% (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>+1% (8.5%)</u>
Net pension liability	\$6,486,916	\$5,399,009	\$4,461,067

Pension expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

Components of Pension Expense	<u>12/31/16</u>
Service Cost	\$ 181,810
Interest on total pension liability	873,457
Recognition of differences between expected and Actual experience	67,378
Change in benefit terms	---
Recognition of changes in assumptions	---
Employee contributions	(45,733)
Projected earnings on pension plan investments	(468,812)
Recognition of differences between projected and Actual earnings on plan investments	117,085
Pension plan administrative expense	49,535
Other changes in fiduciary net position	<u>---</u>
Total pension expense	\$ <u>774,720</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between the Expected and actual experience	\$ 161,705	\$ ---
Changes of assumptions	---	---
Net difference between projected and Actual earnings on plan investments	<u>373,711</u>	<u>---</u>
Total	\$ <u>535,416</u>	\$ <u>---</u>

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

<u>Year ended</u>	<u>Amount</u>
2017	\$ 184,463
2018	184,463
2019	144,035
2020	22,455
2021	---
Thereafter	<u>---</u>
Total	\$ <u>535,416</u>

Sewage Employees

Plan administration

The City of Johnstown Bureau of Sewage Pension Plan is a single-employer defined benefit pension plan. The Plan was established effective January 1, 1971. The plan was amended and restated by Ordinance No. 4443, effective January 1, 1988. The plan is governed by the City Council of the City of Johnstown 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 CS McKee and State Street. The plan is required to file Form PC-203C 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.

Method used to value investments

Plan investments are reported at fair value as reported by the AmeriServ Trust and Financial Services Company. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Benefits provided

The plan covers all full-time members of the Sewage Department on the completion of one year of service and obtaining the age of twenty five (25) years. An employee may not become a participant after age fifty six (56). The vesting schedule provides for a graduated vesting of one hundred percent (100%) after fifteen (15) years of service and the eligibility for retirement at age sixty five (65). The pension benefit is equal to one percent (1%) of average compensation up to \$1,000 plus one and a half percent (1.5%) of compensation in excess of \$1,000 multiplied by service up to forty (40) years.

In addition, the death benefit will no longer be paid by the pension plan but will be paid by other life insurance policies. The cash value of the current policies will now be a Plan asset. There are no contributions required by the employees hired prior to January 1, 1988. The employees hired after January 1, 1988, will contribute two and a quarter percent (2.25%) of wages.

Before retirement age, the surviving spouse of a deceased participant will automatically receive a refund of contributions, if any, without interest. After retirement age, the normal form of payment is a life annuity. The participant, at retirement, may select an optional form of payment that is an actuarial equivalent of the normal form.

Disability retirement benefits that are either service or non-service related are accumulated in a side fund and is payable upon permanent incapacity to perform duties of employment.

Net Pension Liability of the City's Plan

The components of the net pension liability of the City's plan at December 31, 2016, were as follows:

Total Pension Plan Liability	\$ 1,661,055
Plan Fiduciary Net Position	<u>(1,645,238)</u>
Net Pension Liability	<u>\$ 15,817</u>

Plan Fiduciary Net Position as a percentage of the total pension liability is 99.0%

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the Minimum Municipal Obligation. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>-1% (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>+1% (8.5%)</u>
Net pension liability/(asset)	\$160,809	\$ 15,817	\$ (110,102)

Pension expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

Components of Pension Expense	<u>12/31/16</u>
Service Cost	\$ ---
Interest on total pension liability	123,653
Recognition of differences between expected and Actual experience	---
Change in benefit terms	---
Recognition of changes in assumptions	---
Employee contributions	---
Projected earnings on pension plan investments	(117,224)
Recognition of differences between projected and Actual earnings on plan investments	29,097
Pension plan administrative expense	17,371
Other changes in fiduciary net position	<u>---</u>
Total pension expense	<u>\$ 52,897</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between the Expected and actual experience	\$ ---	\$ ---
Changes of assumptions	---	---
Net difference between projected and Actual earnings on plan investments	<u>93,005</u>	<u>---</u>
Total	<u>\$ 93,005</u>	<u>\$ ---</u>

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

Year ended	<u>Amount</u>
2017	\$ 29,097
2018	29,097
2019	29,098
2020	5,713
2021	---
Thereafter	<u>---</u>
Total	<u>\$ 93,005</u>

Investment policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by City Council by a majority vote of its members. It is the policy of City Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

The City's total pension investments held by CS McKee amounted to \$5,459,305 as of December 31, 2016. The following was the City's adopted asset allocation policy for these investments as of December 31, 2016:

Asset Class	Target Allocation	Actual Allocation
Domestic Equity	47.5%	55.7%
International Equity	12.5%	10.7%
Fixed Income	38.0%	31.6%
Cash & Equivalents	2.0%	2.0%
TOTAL	100.0%	100.0%

The City's total pension investments held by State Street Global Advisors amounted to \$18,756,045 as of December 31, 2016. The following was the City's adopted asset allocation policy for these investments as of December 31, 2016:

Asset Class	Target Allocation	Actual Allocation
Domestic Equity	47.5%	49.37%
International Equity	12.5%	9.54%
Fixed Income	38.0%	38.06%
Cash & Equivalents	2.0%	3.03%
TOTAL	100.0%	100.0%

Concentrations

As of December 31, 2016, the pension plan held the following investments that represented five percent (5%) or more of the pension plan's fiduciary net position:

Investment	Balance
Russell 1000 Index NL Fund	\$ 5,189,470
Intermed US Credit Indx NL Fund	\$ 2,414,749
Intermed US Govt Bond Indx	\$ 2,362,047
U.S. Large Enhanced NL Fund	\$ 1,835,265
Intermed US Govt Credit Bond	\$ 1,774,359
U.S. Large Cap Enhanced SL Fund	\$ 1,661,134
Intl Active NL Fund	\$ 1,269,890

Long term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The following was the City's target asset allocation as of December 31, 2016:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return Net of Investment Expense & Inflation</u>
Equities	6.3%
Fixed Income	2.0%
Cash	0.0%

Rate of Return on Investments

For the 2016 measurement period, the annual money-weighted rate of return on the City's combined pension plan investments, net of pension plan investment expense, was 5.92%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Plan Membership

The most recent plan financial statements, for the year ending December 31, 2016, reflects the following numbers of participants in the plans:

	<u>Police</u>	<u>Firemen</u>	<u>Non-Uniform</u>	<u>Sewage*</u>	<u>Total</u>
Participants:					
Retirees and beneficiaries	92	73	81	18	264
Deferred vested	6	1	2	4	13
Active employees	<u>38</u>	<u>33</u>	<u>43</u>	<u>0</u>	<u>114</u>
	<u>136</u>	<u>107</u>	<u>126</u>	<u>22</u>	<u>391</u>

**Effective January 1, 2014, the Sewage pension plan was closed to new participants.*

Summary of Significant Accounting Policies

The City of Johnstown maintains a pension trust fund to account for all four (4) pension plans. The pension trust fund is presented on the accrual basis of accounting in the City's financial statements. Employer contributions to each plan are recognized when due as required by Act 205. Benefits and refunds are recognized when due and payable in accordance with the terms of the individual plan. Investments of the plans are reported at fair market value.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

a. Litigation

In the normal course of operations, the City is involved in various disputes and grievances. Management is of the opinion that any outcome resulting from these actions would not have a material effect on the City's financial position.

b. Recovery Plan Recommendations

As described in Note 1, the City is operating under distressed status. A recovery plan dated May 1993, and revised April 1996, December 2000, December 2007, and October 2013 was approved by Council. The City is continuing to work with the Pennsylvania Department of Economic Development in implementing all recommendations.

c. Grant Programs

The City participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs.

d. Risk Financing

The City is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risk areas have not exceeded commercial insurance coverage for the past three (3) years. There were no significant reductions in insurance coverage from coverage in the prior year.

e. Golf Course Lease

The City entered into a Golf Course Agreement and Operation Agreement with an Independent Operator (Operator) in March 2014, effective January 1, 2015. The initial terms of the agreement was for five (5) years with three (3), three (3) year options to renew.

The City leases to the Operator the premises together with all buildings and equipment. For the year ended December 31, 2016, the City recognized revenue related to the Golf Course Agreement in the amount of \$33,473.

In addition, the Operator will assume complete responsibility for the operation, maintenance, repair, and capital improvements of the golf course during the terms of this agreement.

f. City of Johnstown - PA DEP – Consent Order – Clean Streams Law

In July 2010, the Pennsylvania Department of Environmental Protection (PA DEP) imposed a Consent Order on the City involving violations of the Clean Streams Law. The consent order contained a time table for flow monitoring, SSO (sanitary sewer overflow) Identification, sewer system assessment and repair, and submittal of SSO Abatement Plan.

The City of Johnstown paid a civil penalty in prior years in settlement of the PA DEP's claim for civil penalties for the violations described in the Consent Order. Additional penalties could also be assessed by the PA DEP.

g. Taxes Under Protest

During 2014, Conemaugh Health Systems, a non-profit, was sold to Duke LifePoint, a for-profit entity. As a result of this transaction, Duke LifePoint would be responsible for paying business privilege tax to the City based on gross receipts; however, none were remitted through 2016. A receivable of \$1,575,266 was recorded as of December 31, 2016 for business privilege tax, net of collection fees, owed to the City for 2014, 2015, and 2016. This amount was paid subsequent to year end.

Duke LifePoint Conemaugh Hospital has filed appeals regarding the tax assessments for approximately fifty (50) of its properties for 2015 and 2016. As required by law, the City deposited the tax payments of \$1,226,824 into a separate cash account representing funds to be held under protest. Subsequent to year end, the full \$1,226,824 was paid to settle this dispute. In addition, \$252,621 will be applied as credits on the Duke LifePoint Conemaugh Hospital tax payments for both 2017 and 2018 for a total of \$1,732,066 deferred as of December 31, 2016.

NOTE 13 - POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 11, the City provides post employment health care benefits to the Police, Fire, Sewage and Non-Uniformed employees. The City is on a pay-as-you-go funding for the post employment health care benefits. During 2016, the expenditures of \$1,289,431 were recognized for post employment benefits. The post-employment benefits reimburse one hundred percent (100%) of the amount validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees. The requirements for each department are summarized as follows:

Police Employees

The City provides post employment care benefits to Police employees who were hired prior to January 1, 2010, and retired from the City on or after attaining age fifty (50) with at least twenty (20) years of service. These requirements stated pertain to police employees hired after January 1, 1989. The police employees hired prior to January 1, 1989, need only twenty (20) years of service to retire and receive the post employment health care benefits. The City reimburses one hundred percent (100%) of the cost for employees but not their dependents for those employees retiring before January 1, 1997. For the employees retiring after January 1, 1997, the City reimburses one hundred percent (100%) of the cost for employees and their dependents.

Fire Employees

The City provides post employment health care benefits to fire employees who retired from the City on or after attaining age fifty (50) with at least twenty (20) years of service. These requirements stated pertain to fire employees hired after January 1, 1989. The fire employees hired prior to January 1, 1989, need only twenty (20) years of service to retire and receive the post employment health care benefits. The City reimburses one hundred percent (100%) of the cost for employees and their dependents.

Sewage Employees

The City provides post employment health care benefits to sewage employees who retired from the City on or after attaining age sixty-two (62). The City reimburses \$250 per month for the employee until they reach the age of eligibility for Medicare.

Non-Uniform Employees

The City provides post employment health care benefits to non-uniform employees who retired from the City on or after attaining age fifty-five (55) with at least twenty (20) years of service. These requirements stated pertain to non-uniform employees retiring after January 1, 1997. The non-uniform employees retiring before January 1, 1997, did not receive the post employment health care benefits. The City reimburses one hundred percent (100%) of the cost for employees and their dependents.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-retirement benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over thirty (30) years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB Obligation.

Components of Net OPEB Obligation

Annual Required Contribution	\$ 1,669,491
Interest on Net OPEB Obligation	199,007
Adjustment to Annual Required Contribution	<u>(322,586)</u>
Annual OPEB Cost (Expense)	1,545,912
Contributions Made or Accrued	<u>(1,289,431)</u>
Increase in Net Obligation	256,481
Net OPEB Obligation 1/1/16	<u>6,123,293</u>
Net OPEB Obligation 12/31/16	\$ <u>6,379,774</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost</u>	<u>Net OPEB Obligation</u>
12/31/16	\$1,545,912	24.2%	\$6,379,774

Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial date, the plan was 0% funded. The actuarial accrued liability for benefits was \$21,038,185 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$21,038,185.

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

NOTE 14 – INTERFUND ELIMINATIONS, RECLASSIFICATION OF NET POSITION, AND CONVERSION OF FUND TYPES

During 2016, the City reorganized its reporting structure to more accurately reflect each fund's true net position/fund balance. Additionally, due to the parking fund not generating enough revenue to cover the debt service and the loan restructuring as disclosed in Note 9, the parking fund was converted from a Business Type Activity to a Governmental Activity. The following summarizes the reclassification of unrestricted fund balance/net position and the conversion of net position invested in capital assets net of related debt.

	<u>Governmental</u>	<u>Business</u>
<u>Interfund Eliminations</u>		
<u>General Fund</u>		
Elimination of Parking receivable	\$ (2,090,257)	\$ ---
Elimination of Recreation receivable	(201,300)	---
Elimination of Sanitation receivable	(15,390)	---
Elimination of Debt Service payable	208,952	---
Elimination of Capital Projects payable	688,766	---
	<u>(1,409,229)</u>	<u>---</u>
<u>Capital Projects Fund</u>		
Elimination of General Fund receivable	<u>(688,766)</u>	<u>---</u>
<u>Debt Service Fund</u>		
Elimination of Parking receivable	(624,236)	---
Elimination of General Fund receivable	(208,952)	---
	<u>(833,188)</u>	<u>---</u>
<u>Recreation Fund</u>		
Elimination of General Fund payable	<u>201,300</u>	<u>---</u>
<u>Sanitation Fund</u>		
Elimination of General Fund payable	<u>15,390</u>	<u>---</u>
<u>Parking Fund</u>		
Elimination of General Fund payable	2,090,257	---
Elimination of Debt Service payable	624,236	---
	<u>2,714,493</u>	<u>---</u>
Net Interfund Eliminations	<u>\$ ---</u>	<u>\$ ---</u>

Reclassification of Net Position and Conversion of Fund Types

Reclassification of Unrestricted Fund Balance/Net Position	(2,838,405)	2,838,405
Net Position in Capital Assets, net of related debt	<u>11,275,145</u>	<u>(11,275,145)</u>
Total Reclassification of Net Position and Conversion of Fund Types	<u>\$ 8,436,740</u>	<u>\$ (8,436,740)</u>

NOTE 15 - SUBSEQUENT EVENTS

Tax Anticipation Loan

In January of 2017, the City borrowed \$1,500,000 on a tax anticipation note. The note bears interest at 1.70% and is due on December 31, 2017.

Subsequent events were evaluated through July 31, 2017, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Johnstown
Police Pension Plan
Schedule of Changes in the City's Net Pension
Liability and Related Ratios
Last 10 Fiscal Years

	2016	2015	2014
Total pension liability			
Service cost	\$ 317,244	\$ 302,137	\$ 293,019
Interest	1,344,378	1,318,548	1,309,064
Change in benefit terms			-
Differences between expected and actual experience	-	(260,442)	-
Change in assumptions	-	-	-
Benefit payments, including refunds of member contributions	(1,306,659)	(1,276,650)	(1,173,829)
Net change in pension liability	354,963	83,593	428,254
Total pension liability/(asset) - beginning	18,249,321	18,165,728	17,737,474
Total pension liability/(asset) - ending (A)	<u>\$ 18,604,284</u>	<u>\$ 18,249,321</u>	<u>\$ 18,165,728</u>
Plan fiduciary net position			
General Municipal State Aid	\$ 306,400	\$ 262,618	\$ 233,600
Contributions - employer	577,160	929,633	649,300
Contributions - member	98,361	109,224	95,325
Net investment income	577,195	22,000	680,637
Benefit payments, including refunds of member contributions	(1,306,659)	(1,276,650)	(1,173,829)
Administrative expenses	(74,543)	(123,037)	(57,093)
Other	-	-	-
Net change in plan fiduciary net position	177,914	(76,212)	427,940
Plan fiduciary net position - beginning	10,530,354	10,606,566	10,178,626
Plan fiduciary net position - ending (B)	<u>\$ 10,708,268</u>	<u>\$ 10,530,354</u>	<u>\$ 10,606,566</u>
City's net pension liability/(asset) - ending (A-B)	<u>\$ 7,896,016</u>	<u>\$ 7,718,967</u>	<u>\$ 7,559,162</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>57.56%</u>	<u>57.70%</u>	<u>58.39%</u>
Covered employee payroll	<u>\$ 2,022,322</u>	<u>\$ 2,328,437</u>	<u>\$ 2,353,089</u>
City's net pension liability as a percentage of covered employee payroll	<u>390.44%</u>	<u>331.51%</u>	<u>321.24%</u>

Note: The years presented in this schedule are all of the years in which information is available.

City of Johnstown
Fire Pension Plan
Schedule of Changes in the City's Net Pension
Liability and Related Ratios
Last 10 Fiscal Years

Total pension liability	2016	2015	2014
Service cost	\$ 303,767	\$ 289,302	\$ 285,219
Interest	1,258,344	1,236,902	1,224,728
Change in benefit terms			-
Differences between expected and actual experience	-	(116,383)	-
Change in assumptions			-
Benefit payments, including refunds of member contributions	(1,279,707)	(1,230,754)	(1,239,707)
Net change in pension liability	282,404	179,067	270,240
Total pension liability/(asset) - beginning	17,102,433	16,923,366	16,653,126
Total pension liability/(asset) - ending (A)	<u>\$ 17,384,837</u>	<u>\$ 17,102,433</u>	<u>\$ 16,923,366</u>
Plan fiduciary net position			
General Municipal State Aid	\$ 369,483	\$ 316,686	\$ 378,593
Contributions - employer	1,046,997	1,127,653	1,013,123
Contributions - member	88,781	92,325	119,257
Net investment income	394,467	14,126	419,679
Benefit payments, including refunds of member contributions	(1,279,707)	(1,230,754)	(1,239,707)
Administrative expenses	(61,848)	(98,819)	(37,197)
Other	-	-	847
Net change in plan fiduciary net position	558,173	221,217	654,595
Plan fiduciary net position - beginning	6,761,244	6,540,027	5,885,432
Plan fiduciary net position - ending (B)	<u>\$ 7,319,417</u>	<u>\$ 6,761,244</u>	<u>\$ 6,540,027</u>
City's net pension liability/(asset) - ending (A-B)	<u>\$ 10,065,420</u>	<u>\$ 10,341,189</u>	<u>\$ 10,383,339</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>42.10%</u>	<u>39.53%</u>	<u>38.64%</u>
Covered employee payroll	<u>\$ 1,903,380</u>	<u>\$ 2,051,721</u>	<u>\$ 1,919,853</u>
City's net pension liability as a percentage of covered employee payroll	<u>528.82%</u>	<u>504.03%</u>	<u>540.84%</u>

Note: The years presented in this schedule are all of the years in which information is available.

City of Johnstown
Non-Uniform Pension Plan
Schedule of Changes in the City's Net Pension
Liability and Related Ratios
Last 10 Fiscal Years

Total pension liability	2016	2015	2014
Service cost	\$ 181,810	\$ 173,152	\$ 168,337
Interest	873,457	866,421	837,518
Change in benefit terms	-	-	-
Differences between expected and actual experience	-	296,461	-
Change in assumptions	-	-	-
Benefit payments, including refunds of member contributions	(997,052)	(913,277)	(929,943)
Net change in pension liability	58,215	422,757	75,912
Total pension liability/(asset) - beginning	11,953,802	11,531,045	11,455,133
Total pension liability/(asset) - ending (A)	<u>\$ 12,012,017</u>	<u>\$ 11,953,802</u>	<u>\$ 11,531,045</u>
Plan fiduciary net position			
General Municipal State Aid	\$ 189,247	\$ 162,205	\$ 153,048
Contributions - employer	404,515	564,112	404,228
Contributions - member	45,733	46,558	41,516
Net investment income	356,533	13,923	441,085
Benefit payments, including refunds of member contributions	(997,052)	(913,277)	(929,943)
Administrative expenses	(49,535)	(88,022)	(38,555)
Other	-	-	-
Net change in plan fiduciary net position	(50,559)	(214,501)	71,379
Plan fiduciary net position - beginning	6,663,567	6,878,068	6,806,689
Plan fiduciary net position - ending (B)	<u>\$ 6,613,008</u>	<u>\$ 6,663,567</u>	<u>\$ 6,878,068</u>
City's net pension liability/(asset) - ending (A-B)	<u>\$ 5,399,009</u>	<u>\$ 5,290,235</u>	<u>\$ 4,652,977</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>55.05%</u>	<u>55.74%</u>	<u>59.65%</u>
Covered employee payroll	<u>\$ 1,557,097</u>	<u>\$ 1,995,556</u>	<u>\$ 1,877,318</u>
City's net pension liability as a percentage of covered employee payroll	<u>346.74%</u>	<u>265.10%</u>	<u>247.85%</u>

Note: The years presented in this schedule are all of the years in which information is available.

City of Johnstown
Sewage Pension Plan
Schedule of Changes in the City's Net Pension
Liability and Related Ratios
Last 10 Fiscal Years

	2016	2015	2014
Total pension liability			
Service cost	\$ -	\$ -	\$ -
Interest	123,653	129,123	129,986
Change in benefit terms	-	-	-
Differences between expected and actual experience	-	40,433	-
Change in assumptions	-	-	-
Benefit payments, including refunds of member contributions	(218,669)	(186,022)	(177,979)
Net change in pension liability	(95,016)	(16,466)	(47,993)
Total pension liability/(asset) - beginning	1,756,071	1,772,537	1,820,530
Total pension liability/(asset) - ending (A)	<u>\$ 1,661,055</u>	<u>\$ 1,756,071</u>	<u>\$ 1,772,537</u>
Plan fiduciary net position			
General Municipal State Aid	\$ 36,047	\$ 30,896	\$ 40,276
Contributions - employer	94,045	312,660	110,559
Contributions - member	-	-	774
Net investment income	88,667	3,473	100,460
Benefit payments, including refunds of member contributions	(218,669)	(186,022)	(177,979)
Administrative expenses	(17,371)	(24,009)	(13,164)
Other	-	-	-
Net change in plan fiduciary net position	(17,281)	136,998	60,926
Plan fiduciary net position - beginning	1,662,519	1,525,521	1,464,595
Plan fiduciary net position - ending (B)	<u>\$ 1,645,238</u>	<u>\$ 1,662,519</u>	<u>\$ 1,525,521</u>
City's net pension liability/(asset) - ending (A-B)	<u>\$ 15,817</u>	<u>\$ 93,552</u>	<u>\$ 247,016</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>99.05%</u>	<u>94.67%</u>	<u>86.06%</u>
Covered employee payroll	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's net pension liability as a percentage of covered employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Note: The years presented in this schedule are all of the years in which information is available.

City of Johnstown
Pension Plans
Schedule of City's Contributions
Last 10 Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<u>Police</u>										
Actuarially determined contribution										
Contributions in relation to the										
actuarially determined contributions	\$ 1,101,949	\$ 1,192,251	\$ 1,097,366	\$ 1,030,554	\$ 916,630	\$ 909,847	\$ 895,678	\$ 956,983	\$ 973,574	\$ 959,259
Contribution deficiency/(excess)	883,560	1,192,251	882,900	831,410	734,159	730,186	895,678	956,983	973,574	959,377
Covered employee payroll	\$ 218,389	\$ -	\$ 214,466	\$ 199,144	\$ 182,471	\$ 179,661	\$ -	\$ -	\$ -	\$ (118)
	\$ 2,022,322	\$ 2,328,437	\$ 2,353,089	\$ -	\$ 2,066,063	\$ -	\$ 1,932,255	\$ -	\$ 2,286,757	\$ -
City's contributions as a percentage of covered employee payroll	43.69%	51.20%	37.52%	#DIV/0!	35.53%	#DIV/0!	46.35%	#DIV/0!	42.57%	#DIV/0!
<u>Fire</u>										
Actuarially determined contribution	\$ 1,416,480	\$ 1,444,339	\$ 1,391,716	\$ 1,249,794	\$ 1,133,790	\$ 1,182,841	\$ 1,154,902	\$ 981,837	\$ 933,861	\$ 864,637
Contributions in relation to the										
actuarially determined contributions	1,416,480	1,444,339	1,391,716	986,205	899,390	938,509	1,154,902	981,837	933,861	864,747
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ 263,589	\$ 234,400	\$ 244,332	\$ -	\$ -	\$ -	\$ (110)
Covered employee payroll	\$ 1,903,380	\$ 2,051,721	\$ 1,919,853	\$ -	\$ 1,977,003	\$ -	\$ 1,935,422	\$ -	\$ 1,969,482	\$ -
City's contributions as a percentage of covered employee payroll	74.42%	70.40%	72.49%	#DIV/0!	45.49%	#DIV/0!	59.67%	#DIV/0!	47.42%	#DIV/0!
<u>Non-Uniform</u>										
Actuarially determined contribution	\$ 732,560	\$ 726,317	\$ 685,877	\$ 626,597	\$ 463,524	\$ 402,979	\$ 465,121	\$ 474,230	\$ 480,867	\$ 464,286
Contributions in relation to the										
actuarially determined contributions	593,762	726,317	557,276	516,712	382,308	332,403	465,121	470,225	480,867	464,344
Contribution deficiency/(excess)	\$ 138,798	\$ -	\$ 128,601	\$ 109,885	\$ 81,216	\$ 70,576	\$ -	\$ 4,005	\$ -	\$ (58)
Covered employee payroll	\$ 1,557,097	\$ 1,995,556	\$ 1,877,318	\$ -	\$ 1,775,989	\$ -	\$ 1,594,905	\$ -	\$ 1,927,105	\$ -
City's contributions as a percentage of covered employee payroll	38.13%	36.40%	29.68%	#DIV/0!	21.53%	#DIV/0!	29.16%	#DIV/0!	24.95%	#DIV/0!
<u>Sewage</u>										
Actuarially determined contribution	\$ 130,092	\$ 137,585	\$ 150,835	\$ 139,693	\$ 96,693	\$ 91,103	\$ 92,149	\$ 113,332	\$ 105,244	\$ 111,015
Contributions in relation to the										
actuarially determined contributions	130,092	343,556	150,835	139,693	96,693	91,103	92,149	113,332	105,244	111,027
Contribution deficiency/(excess)	\$ -	\$ (205,971)	\$ -	\$ (270)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (12)
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ 818,198	\$ -	\$ 802,316	\$ -	\$ 692,720	\$ -
City's contributions as a percentage of covered employee payroll	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	11.82%	#DIV/0!	11.49%	#DIV/0!	15.19%	#DIV/0!

NOTE: The years presented in this schedule are all of the years in which information is available.

City of Johnstown
Pension Plans
Notes to Schedule of City's Contributions

The following information is provided with regards to significant methods and assumptions used in calculating the actuarially required contributions:

	<u>Police Employees</u>	<u>Fire Employees</u>	<u>Officers and Non-Uniform Employees</u>	<u>Sewage Employees</u>
Actuarial valuation date	1-1-15	1-1-15	1-1-15	1-1-13
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level Dollar, Closed	Level Dollar, Closed	Level Dollar, Closed	Level Dollar, Closed
Remaining amortization period	13 years	13 years	14 years	18 years
Asset valuation method	4 Year Smoothing	4 Year Smoothing	4 Year Smoothing	4 Year Smoothing
Inflation	3.0%	3.0%	3.0%	3.0%
Salary Increases (including inflation)	5.0%	5.0%	5.0%	5.0%
Investment rate of return	7.5%	7.5%	7.5%	7.5%
Retirement age	See notes	See notes	See notes	See notes
Mortality Table	RP-2000 Combined Mortality Table with Blue Collar Adjustment	RP-2000 Combined Mortality Table with Blue Collar Adjustment	RP-2000 Combined Mortality Table with Blue Collar Adjustment	RP-2000 Combined Mortality Table with Blue Collar Adjustment

City of Johnstown
Combined Pension Plans
Schedule of Investment Return
Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	<u>5.92%</u>	<u>0.22%</u>	<u>7.16%</u>

Note: The years presented in this schedule are all of the years in which information is available.

CITY OF JOHNSTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable/ (Unfavorable)
Revenues				
Taxes	\$ 8,883,047	\$ 8,883,047	\$ 9,500,486	\$ 617,439
Payments in lieu of taxes	23,000	23,000	9,319	(13,681)
Charges for service	32,000	32,000	33,473	1,473
Licenses and permits	455,000	455,000	423,181	(31,819)
Fines and forfeits	109,500	109,500	99,217	(10,283)
Grants and joint projects	712,500	712,500	873,785	161,285
Departmental earnings	158,525	158,525	150,184	(8,341)
Interfund charges and reimbursements	(158,971)	(158,968)	-	158,968
Interest	25,890	25,890	28,124	2,234
Miscellaneous	1,199,954	1,199,954	338,886	(861,068)
Total Revenues	11,440,445	11,440,448	11,456,655	16,207
Expenditures				
General government	237,152	237,152	193,175	43,977
Finance	1,047,035	1,047,035	1,172,954	(125,919)
Fire	3,229,331	3,229,331	3,398,190	(168,859)
Police	3,732,407	3,732,407	3,829,088	(96,681)
Community development	123,300	123,300	120,373	2,927
Culture and recreation	280,266	280,266	276,865	3,401
Public works	1,837,617	1,837,617	1,791,648	45,969
Total Expenditures	10,487,108	10,487,108	10,782,293	(295,185)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	953,337	953,340	674,362	(278,978)
Other Financing Sources/(Uses)				
Operating transfers in	-	-	3,459,856	3,459,856
Operating transfers (out)	(953,337)	(953,340)	(848,684)	104,656
Total Other Financing Sources/(Uses)	(953,337)	(953,340)	2,611,172	3,564,512
(Deficiency)/Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	\$ -	\$ -	3,285,534	\$ 3,285,534
Fund Balance/(Deficit) - Beginning of Year			(2,437,107)	
Fund Balances - End of Year			\$ 848,427	

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

CITY OF JOHNSTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PARKING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable/ (Unfavorable)
Revenues:				
Charges for services	\$ 814,900	\$ 814,900	\$ 799,519	\$ (15,381)
Capital Grants	-	-	593,476	593,476
Interest income	55	55	(160)	(215)
Total Revenues	814,955	814,955	1,392,835	577,880
Expenditures				
Parking	394,139	394,139	1,253,798	(859,659)
Total Expenditures	394,139	394,139	1,253,798	(859,659)
(Deficiency) of Revenues (Under)				
Expenditures	420,816	420,816	139,037	(281,779)
Other Financing Sources/(Uses):				
Operating transfers in	415,024	415,024	333,495	(81,529)
Operating transfers (out)	(835,840)	(835,840)	(639,495)	196,345
Total Other Financing Sources/(Uses)	(420,816)	(420,816)	(306,000)	114,816
(Deficiency) of Revenues and Other				
Financing Sources (Under) Expenditures				
and Other Financing Uses	\$ -	\$ -	(166,963)	\$ (166,963)
Fund Balance - Beginning of Year			(123,910)	
Fund Balance - End of Year			\$ (290,873)	

CITY OF JOHNSTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable/ (Unfavorable)
Revenues				
Federal grants and program income	\$ 2,558,001	\$ 2,558,001	\$ 1,166,741	\$ 1,391,260
Total Revenues	2,558,001	2,558,001	1,166,741	1,391,260
Expenditures				
Demolition	400,000	400,000	174,963	225,037
Economic development	259,171	259,171	116,623	142,548
Rehabilitation - contractors	720,319	720,319	337,148	383,171
Rehabilitation - delivery	171,215	171,215	88,243	82,972
Administration	377,975	377,975	225,863	152,112
Planning	90,000	90,000	37,770	52,230
Public improvements	237,291	237,291	65,000	172,291
Fair Housing	20,030	20,030	13,990	6,040
Special enforcement	100,000	100,000	174	99,826
Code enforcement	182,000	182,000	106,967	75,033
Total Expenditures	2,558,001	2,558,001	1,166,741	1,391,260
Other Financing Sources/(Uses)				
Operating Transfer In	-	-	-	-
Operating Transfer (Out)	-	-	-	-
Total Other Financing Sources/(Uses)	-	-	-	-
(Deficiency)/Excess of Revenue Over/(Under) Expenditures	\$ -	\$ -	-	\$ -
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			\$ -	

CITY OF JOHNSTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - URBAN DEVELOPMENT ACTION GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable/ (Unfavorable)
Revenues				
Urban Development				
Loan Repayments	\$ 493,118	\$ 493,118	\$ 97,798	\$ 395,320
Invest Interest Income	250	250	6,444	(6,194)
Total Revenues	493,368	493,368	104,242	389,126
Expenditures				
Project costs	493,368	493,368	104,242	389,126
Total Expenditures	493,368	493,368	104,242	389,126
Other Financing Sources/(Uses)				
Operating Transfer In	-	-	-	-
Operating Transfer (Out)	-	-	-	-
Total Other Financing Sources/(Uses)	-	-	-	-
(Deficiency)/Excess of Revenue				
Over/(Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

CITY OF JOHNSTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STATE GRANT PROGRAMS FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable/ (Unfavorable)
Revenues				
State grants	\$ 2,051,258	\$ 2,051,258	\$ 228,729	\$ (1,822,529)
Interest	6,408	6,408	8,094	1,686
Total Revenues	<u>2,057,666</u>	<u>2,057,666</u>	<u>236,823</u>	<u>(1,820,843)</u>
Expenditures				
Project costs	<u>2,057,666</u>	<u>2,057,666</u>	<u>236,823</u>	<u>1,820,843</u>
Total Expenditures	<u>2,057,666</u>	<u>2,057,666</u>	<u>236,823</u>	<u>1,820,843</u>
Other Financing Sources/(Uses)				
Operating Transfer In	-	-	-	-
Operating Transfer (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources/(Uses)	-	-	-	-
(Deficiency)/Excess of Revenue Over/(Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			<u>-</u>	
Fund Balance - End of Year			<u>\$ -</u>	

CITY OF JOHNSTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PENSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable/ (Unfavorable)
Revenues:				
Taxes	\$ 2,303,713	\$ 2,303,713	\$ 2,512,709	\$ 208,996
State grants	815,532	815,532	919,477	103,945
Interest	30	30	491	461
Other income	-	-	267,677	267,677
Total Revenues	3,119,275	3,119,275	3,700,354	581,079
Expenditures				
General government	3,119,275	3,119,275	3,023,895	95,380
Total Expenditures	3,119,275	3,119,275	3,023,895	95,380
(Deficiency) of Revenues (Under)				
Expenditures	-	-	676,459	676,459
Other Financing Sources/(Uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total Other Financing Sources/(Uses)	-	-	-	-
(Deficiency) of Revenues and Other				
Financing Sources (Under) Expenditures				
and Other Financing Uses	\$ -	\$ -	676,459	\$ 676,459
Fund Balance - Beginning of Year			(718,618)	
Fund Balance - End of Year			\$ (42,159)	

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

CITY OF JOHNSTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - DEBT SINKING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable/ (Unfavorable)
Revenues:				
Taxes	\$ 401,306	\$ 401,306	\$ 426,352	\$ 25,046
Interest income		-	198	198
Miscellaneous	-	-	250	250
Total Revenues	<u>401,306</u>	<u>401,306</u>	<u>426,800</u>	<u>25,494</u>
Expenditures				
Capital expenditures	-	-	1,328,418	(1,328,418)
Debt service	<u>1,237,146</u>	<u>1,237,146</u>	<u>4,590,055</u>	<u>(3,352,909)</u>
Total Expenditures	<u>1,237,146</u>	<u>1,237,146</u>	<u>5,918,473</u>	<u>(4,681,327)</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(835,840)</u>	<u>(835,840)</u>	<u>(5,491,673)</u>	<u>(4,655,833)</u>
Other Financing Sources/(Uses):				
Proceeds from line of credit		-	78,518	78,518
Operating transfers in	835,840	835,840	1,048,416	212,576
Operating transfers (out)	-	-	(2,969,198)	(2,969,198)
Debt proceeds			6,000,000	6,000,000
Lease proceeds			<u>1,328,418</u>	<u>1,328,418</u>
Total Other Financing Sources/(Uses)	<u>835,840</u>	<u>835,840</u>	<u>5,486,154</u>	<u>4,650,314</u>
(Deficiency) of Revenues and Other				
Financing Sources (Under) Expenditures				
and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	(5,519)	<u>\$ (5,519)</u>
Fund Balance - Beginning of Year			<u>20</u>	
Fund Balance - End of Year			<u>\$ (5,499)</u>	

CITY OF JOHNSTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - HOME LOAN FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable/ (Unfavorable)
Revenues:				
Grant revenue	\$ 550,820	\$ 550,820	\$ 183,982	\$ (366,838)
Other income	-	-	-	-
Total Revenues	550,820	550,820	183,982	(366,838)
Expenditures:				
Human services	550,820	550,820	183,982	366,838
Total Expenditures	550,820	550,820	183,982	366,838
(Deficiency) of Revenues (Under)				
Expenditures	-	-	-	-
Other Financing Sources/(Uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total Other Financing Sources/(Uses)	-	-	-	-
(Deficiency) of Revenues and Other				
Financing Sources (Under) Expenditures				
and Other Financing Uses	\$ -	\$ -	-	\$ -
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			\$ -	

SUPPLEMENTARY INFORMATION

**CITY OF JOHNSTOWN
NONMAJOR FUNDS**

The following are the City's nonmajor funds, for the year ending December 31, 2016:

SPECIAL REVENUE FUNDS:

LIQUID FUELS FUND: To account for Federal and State grants restricted to street construction and maintenance.

RECREATION FUND: To account for the dedicated real estate taxes and other revenues restricted for the use of providing recreation services.

SANITATION FUND: To account for revenues and expenditures of providing sanitation services to residents of the City.

CAPITAL PROJECTS FUND: To account for expenses for capital projects within the City of Johnstown. The projects are approved by City Council at public meetings. The funding for capital projects typically comes from state and/or federal grants as well as the City's line of credit.

CITY OF JOHNSTOWN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	Liquid Fuels Fund	Recreation Fund	Sanitation Fund	Capital Investment Fund	Total Current Year
<u>ASSETS:</u>					
Cash	\$ 3,451	\$ 2,323	\$ 36,424	\$ 15,762	\$ 57,960
Accounts receivable	-	27,750	91,835	-	119,585
Due from other funds	133,939	-	-	-	133,939
Total Assets	<u>\$ 137,390</u>	<u>\$ 30,073</u>	<u>\$ 128,259</u>	<u>\$ 15,762</u>	<u>\$ 311,484</u>
<u>LIABILITIES:</u>					
Accounts payable	\$ 137,390	\$ 26,381	\$ 17,563	-	\$ 181,334
Due to other funds	-	3,763	21,954	-	25,717
Total Liabilities	<u>137,390</u>	<u>30,144</u>	<u>39,517</u>	<u>-</u>	<u>207,051</u>
<u>DEFERRED INFLOWS</u>					
Unearned Revenue	-	7,762	91,835	-	99,597
Total Deferred Inflows	<u>-</u>	<u>7,762</u>	<u>91,835</u>	<u>-</u>	<u>99,597</u>
<u>FUND BALANCE:</u>					
Assigned	-	-	-	15,762	15,762
Unassigned	-	(7,833)	(3,093)	-	(10,926)
Total Fund Balance/ (Deficit)	<u>-</u>	<u>(7,833)</u>	<u>(3,093)</u>	<u>15,762</u>	<u>4,836</u>
Total Liabilities, Deferred Inflows and Fund Balance/(Deficit)	<u>\$ 137,390</u>	<u>\$ 30,073</u>	<u>\$ 128,259</u>	<u>\$ 15,762</u>	<u>\$ 311,484</u>

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

CITY OF JOHNSTOWN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Liquid Fuels Fund	Recreation Fund	Sanitation Fund	Capital Investment Fund	Total Current Year
Revenues					
Grants	\$ 618,368	\$ -	\$ 8,126	\$ 120,292	\$ 746,786
Charges for services	-	64,419	28,119	-	92,538
Interest and investment income	933	84	2	335	1,354
Other income	-	-	43	-	43
Total Revenues	619,301	64,503	36,290	120,627	840,721
Expenditures					
Public works	548,825	-	-	-	548,825
Culture and recreation	-	198,998	-	-	198,998
Sanitation expenditures	-	-	27,322	-	27,322
Capital expenditures	-	-	-	207,114	207,114
Total Expenditures	548,825	198,998	27,322	207,114	982,259
(Deficiency)/Excess of Revenue Over/(Under) Expenditures	70,476	(134,495)	8,968	(86,487)	(141,538)
Other Financing Sources/(Uses)					
Operating transfers in	139,655	21,000	-	524,007	684,662
Operating transfers (out)	(210,131)	-	-	(408,921)	(619,052)
Total Other Financing Sources/(Uses)	(70,476)	21,000	-	115,086	65,610
(Deficiency)/Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	-	(113,495)	8,968	28,599	(75,928)
Fund Balance/(Deficit) - Beginning of Year as originally stated	-	(95,638)	(27,451)	675,929	552,840
Reclassification of fund balance	-	201,300	15,390	(688,766)	(472,076)
Fund Balance/(Deficit) - Beginning of Year	-	105,662	(12,061)	(12,837)	80,764
Fund Balance/(Deficit) - End of Year	\$ -	\$ (7,833)	\$ (3,093)	\$ 15,762	\$ 4,836

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