



Financial Statements

December 31, 2013

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, 2013. 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 exceeded its liabilities at December 31, 2013 by \$36.6 million dollars. Net position invested in capital assets (net of depreciation and related debt) account for 94% of net position, with a value of \$34.6 million. The remaining net position may be used to meet the government's ongoing obligations to citizens and creditors, without restrictions.
- Business-type activities reported net position at December 31, 2013 of \$8.8 million. Its net position invested in capital assets (net of depreciation and related debt) account for 128% of this amount, with a value of \$11.3 million. Of the remaining net position (\$2.4) million is available without restriction. The current assets at year-end were \$13 thousand, with total short-term liabilities of \$3.0 million. Long-term debt obligations at December 31, 2013 were \$3.0 million.

- As of December 31, 2013, the City's governmental activities reported an ending net position balance of \$27.8 million. The amount available for spending at the government's discretion (unassigned fund balance) totals (\$3.6) million. The remaining \$8.1 million is considered as reserved fund balance and \$23.3 million is considered as an investment in capital assets, net of related debt.
- Total General Fund revenues were \$10.2 million for year 2013. General property tax receipts were \$6.6 million. Other local taxes, consisting of earned income, mercantile, business privilege, deed transfer, amusement, parking lot, and beverage taxes totaled \$3.3 million for year 2013. 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 \$300 thousand of General Fund revenues.
- Total General Fund (including capital) expenditures totaled \$10.7 million for year 2013. Looking at the annual expenditure totals, they were spent in the following manner: \$1.5 million for General government, \$7.0 million for Public Safety, \$94 thousand for Community Development, \$1.9 million for Public Works, and \$293 thousand for Culture & Recreation.

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 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 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 activity of the City of Johnstown is Renaissance operations.

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 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 2013, 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, 2013.

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 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 whose assets, liabilities, revenues or expenditures comprise 1) at least 10% of the total dollar amount of the same category within either all governmental or all enterprise funds, as appropriate, and 2) at least 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 Intermodal Parking Fund and Parking 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 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 total \$36,661,521 at December 31, 2013. 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>	
	2013	2012	2013	2012	2013	2012
Current & Other Assets	\$ 14,044,203	\$ 11,160,486	\$ 13,027	\$ 95,574	\$ 14,057,230	\$ 11,256,060
Non-Current Assets	43,565,356	36,464,862	14,577,480	15,609,206	58,142,836	52,074,068
Deferred Outflows	<u>228,953</u>	<u>-</u>	<u>314,799</u>	<u>-</u>	<u>543,752</u>	<u>-</u>
Total Assets	<u>\$ 57,838,512</u>	<u>\$ 47,625,348</u>	<u>\$ 14,905,306</u>	<u>\$ 15,704,780</u>	<u>\$ 72,743,818</u>	<u>\$ 63,330,128</u>
Current Liabilities	\$ 1,053,904	\$ 1,621,243	\$ 3,047,991	\$ 3,175,675	\$ 4,101,895	\$ 4,796,920
Non-Current Liabilities	22,083,962	18,925,378	3,045,000	3,605,000	25,128,962	22,530,378
Deferred Inflows	<u>6,851,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,851,440</u>	<u>-</u>
Total Liabilities	<u>\$ 29,989,306</u>	<u>\$ 20,546,621</u>	<u>\$ 6,092,991</u>	<u>\$ 6,780,675</u>	<u>\$ 36,082,297</u>	<u>\$ 27,327,298</u>
Net Position:						
Invested in Capital Assets, net of related debt	\$ 23,339,467	\$ 23,205,995	\$ 11,258,317	\$ 11,432,973	\$ 34,597,784	\$ 34,638,968
Restricted	8,125,062	5,507,543	-	-	8,125,062	5,507,543
Unrestricted	<u>(3,615,323)</u>	<u>(1,634,811)</u>	<u>(2,446,002)</u>	<u>(2,508,868)</u>	<u>(6,061,325)</u>	<u>(4,143,679)</u>
Total Net Position	<u>\$ 27,849,206</u>	<u>\$ 27,078,727</u>	<u>\$ 8,812,315</u>	<u>\$ 8,924,105</u>	<u>\$ 36,661,521</u>	<u>\$ 36,002,832</u>

The City of Johnstown's total assets were over \$72.7 million as of December 31, 2013. Of this amount, \$53.8 million represents fixed assets.

Of the remaining City assets, approximately \$7.4 million is accounted for in cash, cash equivalents, and pooled investments, \$6.6 million in accounts and notes receivable, due from other governments with the remainder spread among miscellaneous assets.

At December 31, 2013, the City had outstanding liabilities of \$29.2 million, with slightly over \$19.4 million in bonds payable and notes payable. 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 \$34.6 million or 94.3% of net position. An additional portion of the City's net position represents resources that are designated for subsequent years' capital projects. In the current fiscal year, this represented \$8.1 million or 22.2% of net position. The remaining, (\$6.1) million or (16.5%) of net assets comprise the City's ongoing obligations to its citizens and creditors for all activities.

Statement of Activities – Changes in Net Assets

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 Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2013	2012	2013	2012	2013	2012
Program Revenues:						
Charges for services	\$ 6,860,915	\$ 7,508,217	\$ 754,254	\$ 758,865	\$ 7,615,169	\$ 8,267,082
Operating grants & contributions	5,397,050	5,882,685	-	-	5,397,050	5,882,685
Capital grants & Contributions	658,827	649,090	-	-	658,827	649,090
General Revenues:						
Property taxes	6,621,162	6,623,317	-	-	6,621,162	6,623,317
Other local taxes	3,288,213	3,195,514	-	-	3,288,213	3,195,514
Other	<u>1,279,190</u>	<u>965,044</u>	<u>367,943</u>	<u>67</u>	<u>1,647,133</u>	<u>965,111</u>
Total Revenues	<u>\$ 24,105,357</u>	<u>\$ 24,823,867</u>	<u>\$ 1,122,197</u>	<u>\$ 758,932</u>	<u>\$25,227,554</u>	<u>\$25,582,799</u>

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2013	2012	2013	2012	2013	2012
Expenses:						
General government	\$ 2,279,854	\$ 2,104,337	-	-	\$ 2,279,854	\$ 2,104,337
Public Safety	9,290,009	8,864,268	-	-	9,290,009	8,864,268
Community						
Development	3,105,967	3,529,788	-	-	3,105,967	3,529,788
Public Works	2,302,170	2,202,278	-	-	2,302,170	2,202,278
Human Services	393,741	226,369	-	-	393,741	226,369
Culture and						
Recreation	500,438	504,000	-	-	500,438	504,000
Capital Maintenance	2,316,516	808,512	-	-	2,316,516	808,512
Debt Service	318,193	284,446	-	-	318,193	284,446
Sanitation						
Expenditures	1,498,864	1,493,354	-	-	1,498,864	1,493,354
Unallocated						
Depreciation	1,384,822	1,332,468	-	-	1,384,822	1,332,468
Parking Revenue	-	-	734,214	705,132	734,214	705,132
Intermodal Parking	-	-	441,042	550,126	441,042	550,126
Total Expenses	<u>\$23,390,574</u>	<u>\$21,349,820</u>	<u>\$ 1,175,256</u>	<u>\$ 1,255,258</u>	<u>\$24,565,830</u>	<u>\$22,605,078</u>
Excess of expenses						
Over revenues	714,783	3,474,047	(53,059)	(496,326)	661,724	2,977,721
Net position -						
beginning	27,078,727	23,604,680	8,924,103	9,420,429	36,002,830	33,025,109
Prior Period						
Adjustment	55,696	-	(58,729)	-	(3,033)	-
Net position – ending	<u>\$27,849,206</u>	<u>\$27,078,727</u>	<u>\$ 8,812,315</u>	<u>\$ 8,924,103</u>	<u>\$36,661,521</u>	<u>\$36,002,830</u>

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, 2013, unassigned fund balance of the General Fund was \$1.0 million. Total assets in the General Fund amounted to \$4.3 million, accounting for 19.6% of total governmental fund assets.

Revenues Classified by Source Governmental Funds

<u>Revenues by Source</u>	<u>December 31, 2013</u>		<u>December 31, 2012</u>		<u>Increase/Decrease</u>
	Amount	Percent of Total	Amount	Percent of Total	Amount
Taxes	\$ 9,825,298	39.7%	\$ 9,780,441	40.3%	\$ 44,857
Intergovernmental revenues	131,000	0.5%	116,000	0.5%	15,000
Charges for services	6,935,542	28.0%	6,580,012	27.1%	355,530
Payment in lieu of taxes	224,536	0.9%	219,860	0.9%	4,676
Licenses and permits	547,605	2.2%	474,650	2.0%	72,955
Fines and forfeits	128,157	0.5%	181,830	0.8%	(53,673)
Grants and joint projects	5,924,877	23.9%	6,107,665	25.3%	(182,788)
Departmental earnings	157,098	0.6%	163,301	0.7%	(6,203)
Interest and investment income	104,378	0.4%	88,765	0.4%	15,613
Other income	<u>768,141</u>	<u>3.1%</u>	<u>474,792</u>	<u>2.0%</u>	<u>293,349</u>
<u>Total Revenues</u>	<u>\$ 24,746,632</u>	<u>100.00%</u>	<u>\$24,187,316</u>	<u>100.00%</u>	<u>\$ 559,316</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 \$9,825,298 for 2013. There have been increased assessments citywide, new construction, and increased collection efforts for delinquent real estate taxes during the year. Unfortunately, they have been unable to keep up with the number of individuals and businesses that have been granted lower assessed values on their real estate taxes. The real estate tax rate was 34.25 cents/\$100 in 2013. The City of Johnstown is facing a 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.
- **Intergovernmental Revenues** - This consists of transfers from other funds and reimbursement of indirect cost allocation. The amount of intergovernmental revenues received for year 2013 was \$131,000. This revenue source is made of transfers from the pension fund and Regional Sewage.
- **Charges for Services** - This category consists largely of Sanitation and Capital Projects. The amount of charges for services received for year 2013 was \$6,935,542.
- **Payment in Lieu of Taxes** - Payments received in 2013 in lieu of taxes amounted to \$224,536 in the General Fund, which resulted from the City signing an agreement with Conemaugh Valley Memorial Hospital and Conemaugh Health Systems.
- **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:

2012 2013

Non-resident of the City of Johnstown that work within City limits	.10%	.10%
All residents of the City of Johnstown	.30%	.30%

- **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 \$547,605 in 2013.

- **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 \$128,157 in 2013.

- **Grants and joint projects** - This category represents monies received during 2013 in excess of \$5.9 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 2013, this area generated \$157,098 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, towing fees, and sewer line rentals.

- **Interest and investment income** - Interest earnings for year ended December 31, 2013 were \$104,378. 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 2013 was an increase of \$1,061,414, largely due to the Sewer Upgrade Fund generating excess revenues over expenses of \$1,619,803. The total Fund Balance for the Governmental Funds at December 31, 2013 is \$8,526,024. Of this amount, \$7,127,346 is designated for subsequent years’ capital expenditures and sewer upgrades.

The following table represents expenditures by function:

**Expenses Classified by Source
Governmental Funds**

<u>Expenditures by Source</u>	<u>December 31, 2013</u>		<u>December 31, 2012</u>		<u>Increase/Decrease</u>
	Amount	Percent of Total	Amount	Percent of Total	Amount
General Government	\$2,031,499	6.5%	\$1,651,183	6.9%	\$ 380,316
Public Safety	8,938,439	28.5%	8,338,813	35.0%	599,626
Community Development	3,105,967	9.9%	3,529,788	14.8%	(423,821)
Public Works	2,302,170	7.3%	2,202,278	9.2%	99,892
Human Services	393,741	1.3%	226,369	.9%	167,372
Culture and Recreation	500,438	1.6%	504,000	2.1%	(3,562)
Capital Expenditures	12,006,461	38.3%	5,606,809	23.6%	6,399,652
Debt Service	584,066	1.9%	288,242	1.2%	295,824
Sanitation Expenditures	<u>1,498,864</u>	<u>4.8%</u>	<u>1,493,354</u>	<u>6.3%</u>	<u>5,510</u>
<u>Total Expenditures</u>	<u>\$31,361,645</u>	<u>100.00%</u>	<u>\$23,840,836</u>	<u>100.00%</u>	<u>\$ 7,520,809</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 \$2 million dollars for year 2013:
 - **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. These same functions are also replicated for the Johnstown Redevelopment Authority doubling the daily workload of this department with fewer staff members.

- **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, Capital Investment and Debt Sinking.
- **Public Safety** - This category is made up of several departments that total for \$8.9 million for year 2013:
 - 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 2013 of \$3.1 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 2013 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 \$393 thousand for 2013. 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 2013 were \$500 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, 2013, the City spent \$12 million for various projects, the majority of which were sewage upgrades.
- **Debt Service**- The Debt Service payments for 2013 were \$584 thousand for the year. The expenditures spent under this area were annual payments towards the City's General Obligation Bonds, loans and notes.
- **Sanitation** – The total expenditures for year 2013 were \$1.5 million. This represents fees paid to Gallucci Sanitation to provide up of residential trash and recycling.

Enterprise Funds Revenue/Expense Analysis

The business-type (enterprise funds) for the City of Johnstown are made up of Intermodal Parking Fund and Parking Revenue. These funds for 2013 had operating revenues totaling \$754 thousand.

The Intermodal Parking Garage Fund had income of \$71,871 for the year 2013, but had expenditures totaling \$441,042. The expenditures were related to the depreciation expense of the Frank J. Pasquerilla Conference Center. As result it had a loss of (\$369,171).

The Parking Revenue Fund had revenues for 2013 total \$682,383. The amount of expenditures for 2013 totaled \$599,090. As result it had a profit of \$83,293.

ORIGINAL AND FINAL AMENDED BUDGETS

During 2013, 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, 2013, amounts to \$48.8 Million (net of accumulated depreciation). This investment in fixed assets includes land, buildings, machinery and equipment, recreation and park facilities, and a construction of the Haynes Street Bridge, Hickory Street Bridge, and the Sewer Upgrade Project.

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

Governmental Funds:

- Vehicles and equipment were added to the fleet during the year, at a cost of \$199,695. This included the purchase of new police cruisers and various equipment for general government and public safety departments.
- The City also incurred costs amounting to \$4,835,868 which represent costs associated with the City's sewer upgrade project.

Long-Term Debt

At December 31, 2013, City of Johnstown had total debt outstanding of \$26.3 million. Governmental activities had debt of \$22.7 million, while business-type activities had \$3.6 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 \$8.3 million during FY 2013. The City paid down its 2006 General Obligation Bonds, 2009 General Obligations Bonds and began paying principal on the PENNVEST Phase I Notes. During 2013, the City disbursed an additional \$286,779 to fund the sanitary/storm sewer separation project (Phase I) and disbursed an additional \$5,192,796 to fund the sanitary/storm sewer separation project (Phase II).

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

June 13, 2014

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 City of Johnstown, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise 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, 2013, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statements No. 65 - *Items Previously Reported as Assets and Liabilities* for the year ended December 31, 2013, which represents a change in accounting principle. Our opinion is not modified with respect to that matter.

Prior Period Adjustments

As discussed in the previous paragraph, the City implemented GASB 65 which resulted in a prior period adjustment to the net position of the governmental and business type activities. Also, as discussed in Note 14, management has determined that certain fund's accounts payable balances had been overstated at December 31, 2012. As of January 1, 2013, the respective fund balance and net position for the governmental and business type activity funds were restated to correct this error. Our opinion is not modified with respect to these matters.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages III through XV and 52 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Johnstown's basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2014 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* and should be considered in assessing the results of our audit.

Wessel & Company

WESSEL & COMPANY
Certified Public Accountants

CITY OF JOHNSTOWN
GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents (Note 2)	\$ 7,428,664	\$ 7,700	\$ 7,436,364
Receivables (net of allowance for uncollectibles)			
Accounts (Note 11)	1,973,018	5,327	1,978,345
Taxes (Note 3)	964,761	-	964,761
Other	337,066	-	337,066
Due from other governments (Note 5)	3,310,917	-	3,310,917
Inventory (Note 1k)	29,777	-	29,777
Total Current Assets	14,044,203	13,027	14,057,230
Non-Current Assets:			
Non-current loans and interest receivable	4,298,003	-	4,298,003
Fixed assets (net of accumulated depreciation) (Note 6)	39,267,353	14,577,480	53,844,833
Total Non-Current Assets	43,565,356	14,577,480	58,142,836
Deferred Outflows:			
Deceased loss on bonds, net	73,810	314,799	388,609
Bond insurance, net	61,448	-	61,448
Bond discount (Note 9)	93,695	-	93,695
Total Deferred Outflows	228,953	314,799	543,752
Total Assets & Deferred Outflows	\$ 57,838,512	\$ 14,905,306	\$ 72,743,818
LIABILITIES AND NET POSITION:			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 2,576,977	\$ 24,151	\$ 2,601,128
Accrued wages payable	360,119	-	360,119
Notes payable (Note 9)	92,001	-	92,001
Line of credit (Note 9)	286,359	-	286,359
Bonds payable (Note 9)	50,000	560,000	610,000
Accrued interest	56,148	28,962	85,110
Liability for compensated absences (Note 8 and 9)	67,178	-	67,178
Internal Balances (Note 10)	(2,434,878)	2,434,878	-
Total Current Liabilities	1,053,904	3,047,991	4,101,895
Non-Current Liabilities:			
Net pension obligation (Note 9)	158,181	-	158,181
Compensated absences (Note 8 and 9)	1,400,228	-	1,400,228
OPEB obligation (Note 13)	4,853,222	-	4,853,222
Notes payable (Note 9)	9,087,331	-	9,087,331
Bonds payable (Note 9)	6,585,000	3,045,000	9,630,000
Total Non-Current Liabilities	22,083,962	3,045,000	25,128,962
Deferred Inflows:			
Unearned revenue (Note 7)	6,851,440	-	6,851,440
Total Deferred Inflows	6,851,440	-	6,851,440
Net Position:			
Net investment in capital assets	23,339,467	11,258,317	34,597,784
Net position - unrestricted	(3,615,323)	(2,446,002)	(6,061,325)
Net position - restricted	8,125,062	-	8,125,062
Total Net Position	27,849,206	8,812,315	36,661,521
Total Liabilities and Net Position	\$ 57,838,512	\$ 14,905,306	\$ 72,743,818

CITY OF JOHNSTOWN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:						
Governmental Activities:						
General government	\$ 2,279,854	\$ 1,571,939	\$ -	\$ (520,817)	\$ -	\$ (520,817)
Public safety	9,290,009	-	-	(9,161,852)	-	(9,161,852)
Community development	3,105,967	3,368,834	-	262,867	-	262,867
Public works	2,302,170	448,495	-	(1,853,675)	-	(1,853,675)
Human services	393,741	-	-	(393,741)	-	(393,741)
Culture and recreation	500,438	-	-	(427,727)	-	(427,727)
Capital maintenance	2,316,516	-	658,827	3,293,858	-	3,293,858
Debt service	318,193	-	-	(318,193)	-	(318,193)
Sanitation expenditures	1,498,864	7,782	-	30,320	-	30,320
Unallocated depreciation	1,384,822	-	-	(1,384,822)	-	(1,384,822)
Total Governmental Activities	23,390,574	5,397,050	658,827	(10,473,782)	-	(10,473,782)
Business-type Activities:						
Parking Revenue	734,214	-	-	-	(51,831)	(51,831)
Intermodal Parking	441,042	-	-	-	(369,171)	(369,171)
Total Business-type Activities	1,175,256	-	-	-	(421,002)	(421,002)
Total Primary Government	\$ 24,565,830	\$ 5,397,050	\$ 658,827	\$ (10,473,782)	\$ (421,002)	\$ (10,894,784)
General Revenues:						
Taxes:						
Property taxes, levied for general purposes				\$ 4,605,979	\$ -	\$ 4,605,979
Property taxes, levied for debt retirement				663,253	-	663,253
Property taxes, levied for pension				1,351,930	-	1,351,930
Payments in lieu of taxes				224,536	-	224,536
Other taxes				3,288,213	-	3,288,213
Licenses & permits				547,605	-	547,605
Transfers in/(out)				(365,470)	365,470	-
Unrestricted investment earnings				104,378	45	104,423
Other revenues				768,141	2,428	770,569
(Loss) on disposal of capital assets				-	-	-
Total General Revenues and Transfers				11,188,565	367,943	11,556,508
Change in Net Position				714,783	(53,059)	661,724
Net Position - Beginning of Year, as originally stated				27,078,727	8,924,103	36,002,830
Prior Period Adjustment (Note 14)				55,696	(58,729)	(3,033)
Net Position - Beginning of Year				27,134,423	8,865,374	35,999,797
Net Position - End of Year				\$ 27,849,206	\$ 8,812,315	\$ 36,661,521

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

CITY OF JOHNSTOWN
(INCLUDING THE RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES)
DECEMBER 31, 2013
Major Funds

	General	Community Development Fund	UDAG	State Grant	Pension Fund	Sanitation Fund	Home Loan Fund	Sewage Upgrade Fund	Other Nonmajor Governmental Funds	Totals
ASSETS:										
Assets:										
Cash and cash equivalents	\$ 257,360	\$ 2,625	\$ 209,710	\$ 1,215,283	\$ 930	\$ 4,780	\$ 561	\$ 5,733,381	\$ 4,034	\$ 7,428,664
Receivables (net of allowance for uncollectibles)										
Accounts	1,308	-	-	-	-	532,047	-	-	7,653	541,008
Taxes	964,761	-	-	-	-	-	-	-	-	964,761
Other accounts receivable	6,713	-	-	-	-	-	-	-	330,353	337,066
Due from other governments	392,836	-	10,505	-	-	-	-	2,734,089	-	3,137,430
Due from other funds	2,640,118	175,504	907,738	22,283	-	-	392	-	1,382,172	5,128,207
Inventory - gas and oil	29,777	-	-	-	-	-	-	-	-	29,777
Non-current loans and interest receivable	-	-	797,484	1,332,305	-	-	2,168,214	-	-	4,298,003
Total Assets	\$ 4,292,873	\$ 178,129	\$ 1,925,437	\$ 2,569,871	\$ 930	\$ 536,827	\$ 2,169,167	\$ 8,467,470	\$ 1,724,212	\$ 21,864,916
LIABILITIES AND FUND BALANCE:										
Liabilities:										
Accounts payable	\$ 507,609	\$ 45,524	\$ -	\$ 282,678	\$ -	\$ 7,745	\$ 15,093	\$ 1,311,720	\$ 406,610	\$ 2,576,979
Accrued wages payable	360,108	-	-	-	-	-	11	-	-	360,119
Liability for compensated absences	67,178	-	-	-	-	-	-	-	-	67,178
Due to other funds	1,342,427	129,556	-	50,349	741,629	154,346	-	28,404	73,129	2,519,840
Total Liabilities	2,277,322	175,080	-	333,027	741,629	162,091	15,104	1,340,124	479,739	5,524,116
Deferred Inflows										
Unavailable revenue - property taxes	963,336	-	-	-	-	-	-	-	-	963,336
Unearned revenue	-	3,049	1,925,437	2,236,844	-	532,047	2,154,063	-	-	6,851,440
	963,336	3,049	1,925,437	2,236,844	-	532,047	2,154,063	-	-	7,814,776
Fund Balance:										
Restricted	-	-	-	-	-	-	-	7,127,346	-	7,127,346
Assigned	-	-	-	-	-	-	-	-	1,325,491	1,325,491
Unassigned	1,052,215	-	-	-	(740,699)	(157,311)	-	-	(81,018)	73,187
Total Fund Balance	1,052,215	-	-	-	(740,699)	(157,311)	-	7,127,346	1,244,473	8,526,024
Total Liabilities and Fund Balance	\$ 4,292,873	\$ 178,129	\$ 1,925,437	\$ 2,569,871	\$ 930	\$ 536,827	\$ 2,169,167	\$ 8,467,470	\$ 1,724,212	\$ 21,864,916

Amounts reported for governmental activities in the statement of net position are different because:
Long-term liabilities, including bonds payable, accrued interest on bonds, 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

(22,437,270)
2,493,099
39,267,353
\$ 27,849,206

CITY OF JOHNSTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Major Funds										Totals
	General	Community Development Fund	UDAG	State Grant	Pension Fund	Sanitation Fund	Home Loan Fund	Sewage Upgrade Fund	Other Nonmajor Governmental Funds		
Revenues											
Taxes	\$ 7,810,115	\$ -	\$ -	\$ -	\$ 1,351,930	\$ -	\$ -	\$ -	\$ 663,253	\$ 9,825,298	
Intergovernmental revenues	131,000	-	-	-	-	-	-	-	-	131,000	
Charges for services	30,000	-	-	-	-	-	-	-	-	6,935,542	
Payments in lieu of taxes	224,536	-	-	-	1,496,752	-	5,336,079	-	72,711	224,536	
Licenses and permits	547,605	-	-	-	-	-	-	-	-	547,605	
Fines and forfeits	128,157	-	-	-	-	-	-	-	-	128,157	
Grants and joint projects	532,232	1,257,361	53,140	1,665,579	908,707	7,782	392,754	-	1,107,322	5,924,877	
Departmental earnings	157,098	-	-	-	343	787	-	-	-	157,098	
Interest and investment income	23,785	-	13,882	21,691	98,907	935	42,786	-	1,104	104,378	
Other income	642,183	-	-	-	2,359,887	1,506,256	987	-	25,129	768,141	
Total Revenues	<u>10,226,711</u>	<u>1,257,361</u>	<u>67,022</u>	<u>1,687,270</u>	<u>2,359,887</u>	<u>1,506,256</u>	<u>393,741</u>	<u>5,378,865</u>	<u>1,869,519</u>	<u>24,746,632</u>	
Expenditures											
General government	1,514,787	-	-	-	516,712	-	-	-	-	2,031,499	
Public safety	6,980,257	-	-	-	1,958,182	-	-	-	-	8,938,439	
Community development	94,314	1,257,361	67,022	1,687,270	-	-	-	-	-	3,105,967	
Public works	1,859,471	-	-	-	-	-	393,741	-	442,699	2,302,170	
Human services	-	-	-	-	-	-	-	-	-	393,741	
Culture and recreation	293,140	-	-	-	-	-	-	-	207,298	500,438	
Capital expenditures	-	-	-	-	-	-	10,903,112	-	1,103,349	12,006,461	
Debt service	-	-	-	-	-	-	-	-	584,066	584,066	
Sanitation expenditures	-	-	-	-	-	1,498,864	-	-	-	1,498,864	
Total Expenditures	<u>10,741,969</u>	<u>1,257,361</u>	<u>67,022</u>	<u>1,687,270</u>	<u>2,474,894</u>	<u>1,498,864</u>	<u>393,741</u>	<u>10,903,112</u>	<u>2,337,412</u>	<u>31,361,645</u>	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(515,258)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,007)</u>	<u>7,392</u>	<u>-</u>	<u>(5,524,247)</u>	<u>(467,893)</u>	<u>(6,615,013)</u>	
Other Financing Sources/(Uses)											
Operating transfers in	30,111	-	-	-	-	-	-	-	1,025,087	1,055,198	
Operating transfers (out)	(271,451)	-	-	-	-	(332)	-	-	(1,148,885)	(1,420,668)	
Proceeds from Pennvest Loan	-	-	-	-	-	-	7,144,050	-	-	7,144,050	
Line of credit proceeds	-	-	-	-	-	-	-	-	337,601	337,601	
Bond proceeds	-	-	-	-	-	-	-	-	6,710,000	6,710,000	
Bond discount	-	-	-	-	-	-	-	-	(94,754)	(94,754)	
Bonds redeemed	-	-	-	-	-	-	-	-	(6,055,000)	(6,055,000)	
Total Other Financing Sources/(Uses)	<u>(241,340)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(332)</u>	<u>-</u>	<u>7,144,050</u>	<u>774,049</u>	<u>7,676,427</u>	
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>(756,598)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,007)</u>	<u>7,060</u>	<u>-</u>	<u>1,619,803</u>	<u>306,156</u>	<u>1,061,414</u>	
Fund Balance/(Deficit) - Beginning of Year as originally stated	1,644,269	-	-	-	(625,692)	(164,371)	-	5,507,543	938,317	7,300,066	
Prior Period Adjustment (Note 14)	164,544	-	-	-	-	-	-	-	-	164,544	
Fund Balance/(Deficit) - Beginning of Year, restated	<u>1,808,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(625,692)</u>	<u>(164,371)</u>	<u>-</u>	<u>5,507,543</u>	<u>938,317</u>	<u>7,464,610</u>	
Fund Balance/(Deficit) - End of Year	<u>\$ 1,052,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (740,699)</u>	<u>\$ (157,311)</u>	<u>\$ -</u>	<u>\$ 7,127,346</u>	<u>\$ 1,244,473</u>	<u>\$ 8,526,024</u>	

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, 2013

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

Net change in fund balance - total governmental funds (page 7)	\$	1,061,414
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.		(599,925)
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.		(8,062,803)
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.		10,974
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>8,305,123</u>
Change in net position of governmental activities (page 5)	\$	<u><u>714,783</u></u>

CITY OF JOHNSTOWN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds		
	Intermodal Parking Fund	Parking Fund	Total Current Year
Current Assets			
Cash and cash equivalents	\$ 5,400	\$ 2,300	\$ 7,700
Accounts receivable	3,952	1,375	5,327
Due from other funds	371,193	266,241	637,434
Total Current Assets	<u>380,545</u>	<u>269,916</u>	<u>650,461</u>
Non-Current Assets			
Fixed assets (net of accumulated depreciation and amortization)	11,075,644	3,501,836	14,577,480
Total Assets	<u>11,456,189</u>	<u>3,771,752</u>	<u>15,227,941</u>
Deferred Outflows			
Deferred Loss on Defeasement, net	-	314,799	314,799
Total Assets and Deferred Outflows	<u>\$ 11,456,189</u>	<u>\$ 4,086,551</u>	<u>\$ 15,542,740</u>
Current Liabilities			
Accounts payable and accrued liabilities	\$ 3,976	\$ 20,175	\$ 24,151
Accrued interest	-	28,962	28,962
Bonds payable	-	560,000	560,000
Due to other funds	118,591	2,953,721	3,072,312
Total Current Liabilities	<u>122,567</u>	<u>3,562,858</u>	<u>3,685,425</u>
Non-Current Liabilities			
Bonds payable	-	3,045,000	3,045,000
Total Liabilities	<u>122,567</u>	<u>6,607,858</u>	<u>6,730,425</u>
Net Position			
Net investment in capital assets	11,075,644	182,673	11,258,317
Unrestricted	257,978	(2,703,980)	(2,446,002)
Total Net Position	<u>11,333,622</u>	<u>(2,521,307)</u>	<u>8,812,315</u>
Total Liabilities and Net Position	<u>\$ 11,456,189</u>	<u>\$ 4,086,551</u>	<u>\$ 15,542,740</u>

CITY OF JOHNSTOWN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Intermodal Parking Fund</u>	<u>Parking Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for service	\$ 71,871	\$ 682,383	\$ 754,254
Total Operating Revenues	<u>71,871</u>	<u>682,383</u>	<u>754,254</u>
Operating Expenses:	<u>441,042</u>	<u>599,090</u>	<u>1,040,132</u>
Total Operating Expenses	<u>441,042</u>	<u>599,090</u>	<u>1,040,132</u>
Operating Income/(Loss)	<u>(369,171)</u>	<u>83,293</u>	<u>(285,878)</u>
Non-Operating Revenues/(Expenses):			
Interest income	7	38	45
Interest expense	-	(135,124)	(135,124)
Insurance proceeds	-	2,428	2,428
Total Non-Operating Revenues/(Expenses)	<u>7</u>	<u>(132,658)</u>	<u>(132,651)</u>
Income/(Loss) Before Transfers	<u>(369,164)</u>	<u>(49,365)</u>	<u>(418,529)</u>
Other Financing Sources/(Uses):			
Operating transfers in	-	365,470	365,470
Operating transfers (out)	-	-	-
Total Other Financing Sources/(Uses)	<u>-</u>	<u>365,470</u>	<u>365,470</u>
Change in Net Position	<u>(369,164)</u>	<u>316,105</u>	<u>(53,059)</u>
Net Assets - Beginning of Year, as originally stated	11,702,786	(2,778,683)	8,924,103
Prior Period Adjustment (Note 14)	-	(58,729)	(58,729)
Net Position - Beginning of Year	<u>11,702,786</u>	<u>(2,837,412)</u>	<u>8,865,374</u>
Net Position - End of Year	<u>\$ 11,333,622</u>	<u>\$ (2,521,307)</u>	<u>\$ 8,812,315</u>

CITY OF JOHNSTOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds		
	Intermodal Parking Fund	Parking Revenue Fund	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 67,919	\$ 682,383	\$ 750,302
Internal activity - payments from/(to) other funds	(69,107)	(53,901)	(123,008)
Cash payments to employees	-	(229,660)	(229,660)
Cash payments to suppliers for goods and services	(34,917)	(139,764)	(174,681)
Net Cash Provided By Operating Activities	(36,105)	259,058	222,953
Cash Flows From Non-Capital Financing Activities			
Transfers in from other funds	-	365,470	365,470
Net Cash Provided By Non-Capital Financing Activities	-	365,470	365,470
Cash Flows From Capital and Related Financing Activities			
Payment on debt	-	(550,000)	(550,000)
Interest paid	-	(127,395)	(127,395)
Net Cash (Used For) Capital and Related Financing Activities	-	(677,395)	(677,395)
Cash Flows From Investing Activities			
Interest on cash equivalents	7	38	45
Insurance proceeds	-	2,428	2,428
Net Cash Provided By Investing Activities	7	2,466	2,473
Net Change in Cash and Cash Equivalents	(36,098)	(50,401)	(86,499)
Cash and Cash Equivalents - Beginning of Year	41,498	52,701	94,199
Cash and Cash Equivalents - End of Year	\$ 5,400	\$ 2,300	\$ 7,700

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

CITY OF JOHNSTOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds		
	Intermodal Parking Fund	Parking Revenue Fund	Total
Reconciliation of operating income/(loss) to net cash			
Operating Income/(Loss)	\$ (369,171)	\$ 83,293	\$ (285,878)
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities:			
Depreciation and amortization	402,191	212,541	614,732
Impairment of fixed assets	-	-	-
Changes in assets and liabilities:			
Accounts receivable	(3,952)	-	(3,952)
Due from other funds	(69,120)	(266,241)	(335,361)
Accounts payable and other liabilities	3,934	17,125	21,059
Due to other funds	13	212,340	212,353
Total Adjustments	333,066	175,765	508,831
 Net Cash Provided by Operating Activities	 \$ (36,105)	 \$ 259,058	 \$ 222,953

CITY OF JOHNSTOWN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2013

	<u>Workmen's Compensation Trust Fund</u>	<u>457 Deferred Compensation Fund</u>	<u>Rehabilitation Loan Fund</u>
<u>ASSETS</u>			
Assets:			
Cash and cash equivalents	\$ -	\$ -	\$ 26,354
Investments	-	-	-
Non-current loans and Interest receivable	-	-	4,067,042
Property and rights under Deferred compensation plan	-	1,870,124	-
Total Assets	<u>\$ -</u>	<u>\$ 1,870,124</u>	<u>\$ 4,093,396</u>
<u>LIABILITIES AND NET POSITION</u>			
Liabilities:			
Payroll taxes payable	\$ -	\$ -	\$ -
Grantee deposits	-	-	26,354
Unearned revenues	-	-	4,067,042
Due to other funds	-	-	-
Due to other governments	-	-	-
Obligation to employees under deferred compensation plan	-	1,870,124	-
Total Liabilities	<u>-</u>	<u>1,870,124</u>	<u>4,093,396</u>
Net Position:			
Reserved for self-insurance	-	-	-
Held in trust for pension benefits	-	-	-
Total Net Position	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ -</u>	<u>\$ 1,870,124</u>	<u>\$ 4,093,396</u>

CITY OF JOHNSTOWN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2013

	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	\$ 37,861	\$ 165,698	\$ 3,454,484	\$ -	\$ 3,684,397
Investments	-	-	20,836,455	-	20,836,455
Non-current loans and Interest receivable	-	311,865	-	-	4,378,907
Due from other funds	-	-	-	26,683	26,683
Property and rights under Deferred compensation plan	-	-	-	-	1,870,124
Total Assets	\$ 37,861	\$ 477,563	\$ 24,290,939	\$ 26,683	\$ 30,796,566
<u>LIABILITIES AND NET POSITION</u>					
Liabilities:					
Payroll taxes payable	\$ -	\$ -	\$ -	\$ 26,683	\$ 26,683
Grantee deposits	-	-	-	-	26,354
Deferred revenues	-	311,865	-	-	4,378,907
Due to other funds	37,861	162,309	-	-	200,170
Due to other governments	-	3,389	-	-	3,389
Obligation to employees under Deferred compensation plan	-	-	-	-	1,870,124
Total Liabilities	37,861	477,563	-	26,683	6,505,627
Net Position:					
Reserved for self-insurance	-	-	-	-	-
Held in trust for pension benefits	-	-	24,290,939	-	24,290,939
Total Net Position	-	-	24,290,939	-	24,290,939
Total Liabilities and Net Position	\$ 37,861	\$ 477,563	\$ 24,290,939	\$ 26,683	\$ 30,796,566

CITY OF JOHNSTOWN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Workmen's Compensation Trust Fund
Revenues:	
Interest	\$ 610
Total Revenues	610
Operating expenses	4,529
Excess/(Deficiency) of Revenues Over Expenditures Before Other Financing Sources/(Uses)	(3,919)
Other Financing Sources/(Uses): Operating transfers (out)	(82,573)
Excess/(Deficiency) of Revenues Over Expenditures and Other Financing Sources/(Uses)	(86,492)
Net Position - Beginning of Year	86,492
Net Position - End of Year	\$ -

CITY OF JOHNSTOWN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Pension Trust Fund</u>
<u>Additions</u>	
Contributions:	
Employee	\$ 236,096
Employer	2,474,020
	<hr/>
Total Contributions	2,710,116
	<hr/>
Investment Income (Loss):	
Interest and dividends	149,770
Net appreciation in fair value of investments	3,190,916
	<hr/>
Total Investment Income	3,340,686
	<hr/>
Total Additions	6,050,802
	<hr/>
<u>Deductions</u>	
Benefits	3,418,206
Administrative expenses	220,120
	<hr/>
Total Deductions	3,638,326
	<hr/>
Change in Net Position	2,412,476
Net Position Held in Trust for Employee Pension Benefits:	
Beginning of Year	<hr/> 21,878,463
End of Year	<hr/> <hr/> \$ 24,290,939

**CITY OF JOHNSTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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. Distressed status was extended in 2010 through 2014. 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 liabilities 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.

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.

Sanitation Fund

The Sanitation Fund is used to account for the revenues and expenditures of providing the sanitation service to the City of Johnstown.

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.

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 projects are approved by the City Council at public meetings.

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, 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 are the City's major proprietary funds:

Intermodal Parking

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.

Parking

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.

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 and liabilities (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 current liabilities 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 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
 - Community Development
 - UDAG
 - State Grant
 - Pension Fund
 - Sanitation Fund
 - Home Loan Fund
 - Sewer Upgrade 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 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 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

Impairment of Long-Lived Assets

The Organization reviewed its investment in real estate and buildings for impairment. Certain events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Since the real estate and buildings were considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property.

Parking Fund

The fair market value of real estate and buildings was determined using the assessed value per an independent appraisal.

j. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the budgetary funds. Generally accepted accounting principles (GAAP) require encumbrances outstanding at year-end to be disclosed.

k. 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, 2013, City personnel estimated that inventories of highway anti-skid material, fuel and lubricants, and vehicle repair parts amounted to approximately \$29,777 at cost.

l. 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, 2013 the gross amounts receivable and the allowances were as follows:

	<u>Governmental Activities</u> Sanitation, Sewer Fees & Other <u>Receivables</u>	<u>Business-type Activities</u> Parking <u>Receivables</u>
Total receivables	\$ 3,455,061	\$ 5,327
Less allowance for uncollectible accounts	(1,482,043)	<u>---</u>
Net receivables	\$ <u>1,973,018</u>	\$ <u>5,327</u>

m. 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."

n. **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, 2013 was as follows:

Fair market value at December 31, 2012	\$ 1,626,725
Contributions	139,437
Distributions	(169,819)
Service fees	(4,663)
Gain/(Loss on investments)	291,305
Transfer Out	(<u>12,861</u>)
Fair market value at December 31, 2013	\$ <u>1,870,124</u>

o. **Earned Income 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>2012</u>	<u>2013</u>
Non-resident of the City of Johnstown that work within City limits	.10%	.10%
All residents of the City of Johnstown	.30%	.30%

p. **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”.

q. **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 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 fund balance of \$7,127,346 derived from the sanitary sewer upgrade surcharge held for the purpose of future upgrades to the sewer collection system (See Note 12). Due to the recognition of long-term receivables, \$8,125,062 is restricted on the Government-Wide Statement of Net Position related to sewer upgrade activities.

r. New GASB Pronouncement

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for financial statements for periods beginning after December 15, 2012. This statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The City has implemented this statement in the year ended December 31, 2013. As a result, prior year “deferred charges” of \$108,848 have been expensed in the prior period adjustment explained in Note 14. In addition, \$388,609, representing the difference between the reacquisition price and the net carrying amount of old debt on the current year’s and previous refundings, has been reported as “deferred outflows of resources” and will be recognized as a component of interest expense over the remaining life of the refunded debt, which is shorter than the life of the new debt issued.

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, 2013 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 7,436,364
Fiduciary funds:	
Cash and investments	<u>24,520,852</u>
Total Cash and Investments	<u>\$ 31,957,216</u>

Cash and investments as of December 31, 2013 consist of the following:

Cash on hand	\$ 9,775
Deposits with financial institutions	11,110,986
Investments	<u>20,836,455</u>
Total Cash and Investments	<u>\$ 31,957,216</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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018+</u>
U.S. Treasury	\$ -	\$ 92,520	\$ 65	\$ 96,090	\$ 189,511
U.S. Agency	-	-	-	-	12,674
Corporate Bonds	<u>16,208</u>	<u>29,642</u>	<u>153,591</u>	<u>331,336</u>	<u>561,968</u>
Totals	<u>\$ 16,208</u>	<u>\$ 122,162</u>	<u>\$ 153,656</u>	<u>\$ 427,426</u>	<u>\$ 764,153</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	\$ 737,172
AA	106,456
AA-	74,330
A	338,544
A-	200,232
BBB+	<u>26,871</u>
Total	<u>\$ 1,483,605</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 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, 2013. 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	\$ 24,290,939

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.	\$ 12,674

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 2013, the City levied 36.25 mills per dollar for general revenue purposes. Other combined tax levies, totaling 16.23 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 \$7,024,224 of property tax revenue based upon the total taxable assessed valuation of property within the City of \$133,840,370. The property tax levy for 2013 was passed on December 27, 2012.

The following is a summary of the tax calendar for the year ended December 31, 2013:

- Mailing Date – March 30, 2013
- Discount Period at 2% -- May 1, 2013 to June 30, 2013
- Face Period -- July 1, 2013 to August 31, 2013
- Penalty Period at 10% -- September 1, 2013 to December 31, 2013

Sale of Delinquent Property Taxes Receivable

During 2013, the City sold delinquent property tax receivables from the 2012 tax year totaling \$1,497,353. The cash proceeds, net of fees, totaled \$879,259. 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, which reduced the net gain from the sales, amounted to \$57,325.

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

Long-Term Taxes Receivable as of	
January 1, 2013	\$ 879,259
Net Proceeds from 2013 Sale	<u>(879,259)</u>
Gain/(Loss) from Sale of Taxes Receivable	\$ <u> -</u>

Taxes Receivable

Fund Financial Statement

Taxes receivable in the amount of \$1,425, as stated on the Governmental Funds Balance Sheet, are actual collections of the sale of uncollected real estate taxes and collections of lien properties for the 2013 fiscal year, which were collected in January and February by the City.

Additionally, subsequent to year end, the City sold delinquent property tax receivables from the 2013 tax year totaling \$1,420,521. The cash proceeds received, net of fees, totaled \$963,336. 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 2014 fiscal year.

NOTE 4 - PAYMENTS IN LIEU OF TAXES

Payments received in 2013 in lieu of taxes amounted to \$224,536 in the General Fund, which resulted from the City's agreements with Conemaugh Valley Memorial Hospital, Conemaugh Health Systems and the Johnstown Housing Authority.

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, 2013. 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, 2013.

NOTE 6 - FIXED ASSETS

Fixed asset activity for the year ended December 31, 2013 was as follows:

	Balance <u>December 31, 2012</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>December 31, 2013</u>
Government activities:				
Fixed assets not being depreciated:				
Land	\$ 3,734,275	\$ ---	\$ ---	\$ 3,734,275
Construction-in-progress	<u>413,824</u>	<u>6,295,444</u>	(<u>302,256</u>)	<u>6,407,012</u>
Total fixed assets not being depreciated	<u>4,148,099</u>	<u>6,295,444</u>	(<u>302,256</u>)	<u>10,141,287</u>
Other fixed assets:				
Site improvements	2,814,954	166,000	---	2,980,954
Building and permanent fixtures	14,003,880	340,009	---	14,343,889
Infrastructure	19,161,143	2,991,053	---	22,152,196
General equipment	3,446,659	---	---	3,446,659
Vehicles	<u>5,747,728</u>	<u>199,695</u>	(<u>115,854</u>)	<u>5,831,569</u>
Total other fixed assets, at cost	<u>45,174,364</u>	<u>3,696,757</u>	(<u>115,854</u>)	<u>48,755,267</u>
Less accumulated depreciation for:				
Site improvements	961,632	119,929	---	1,081,561
Building and permanent fixtures	4,070,956	390,237	---	4,461,193
Infrastructure	5,832,417	528,515	---	6,360,932
General equipment	2,629,652	98,126	---	2,727,778
Vehicles	<u>4,865,576</u>	<u>248,015</u>	(<u>115,854</u>)	<u>4,997,737</u>
Total accumulated depreciation	<u>18,360,233</u>	<u>1,384,822</u>	(<u>115,854</u>)	<u>19,629,201</u>
Governmental activities fixed assets, net	<u>\$ 30,962,230</u>	<u>\$ 8,607,379</u>	(<u>\$ 302,256</u>)	<u>\$ 39,267,353</u>

Business-type activities:

Fixed assets not being depreciated:

Land	\$ 979,350	\$ ---	\$ ---	\$ 979,350
Construction-in-Progress	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total fixed assets not being depreciated	<u>979,350</u>	<u>---</u>	<u>---</u>	<u>979,350</u>

Other fixed assets:

Buildings and permanent fixtures	21,445,976	---	---	21,445,976
Machinery & equipment	1,582,190	---	---	1,582,190
Furniture & equipment	<u>127,789</u>	<u>---</u>	<u>---</u>	<u>127,789</u>
Total other fixed assets, at cost	<u>23,155,955</u>	<u>---</u>	<u>---</u>	<u>23,155,955</u>

Less accumulated depreciation for:

Buildings and permanent fixtures	7,658,849	521,568	---	8,180,417
Machinery & equipment	1,269,015	33,571	---	1,302,586
Furniture & fixtures	<u>67,696</u>	<u>7,126</u>	<u>---</u>	<u>74,822</u>
Total accumulated depreciation	<u>8,995,560</u>	<u>562,265</u>	<u>---</u>	<u>9,557,825</u>

Business-type activities fixed assets, net	<u>\$ 15,139,745</u>	<u>(\$ 562,265)</u>	<u>\$ ---</u>	<u>\$ 14,577,480</u>
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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, 2013. 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, 2013, but were levied to finance 2013 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 (Accumulation is unlimited)	Payment		
		Right to Receive Payment for Accumulation of Days	Maximum Number of Days	Rate
Police	13	Termination, death, retirement, or resignation	105	2013 Daily Rate
Fire	15	Termination, death, retirement, or resignation	105	2013 Daily Rate
Non-Uniform	18	Retirement	75	2013 Daily Rate
Bureau of Sewage	9	Retirement	75	Rate in effect when earned

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, 2013, in the amount of \$67,178. 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 \$1,400,228.

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Balance 12/31/12	Additions	Reductions	Balance 12/31/13	Amounts Due Within One Year
Governmental Activities:					
2006 General Obligation Bonds	\$ 6,055,000	\$ ---	(\$6,055,000)	\$ ---	\$ ---
2013 General Obligation Bonds	---	6,710,000	(75,000)	6,635,000	50,000
Pennvest Loan (#79372)	1,712,302	286,779	(91,167)	1,907,914	92,001
Pennvest Loan (#71390)	127,368	5,192,796	---	5,320,164	---

Pennvest Loan (#71397)	---	1,951,254	---	1,951,254	---
Compensated Absences Liability	1,361,180	106,226	---	1,467,406	67,178
OPEB Obligation	4,396,655	1,671,983	(1,215,416)	4,853,222	---
Net Pension Obligation	176,824	18,643	---	195,467	---
First Summit Line of Credit	---	337,601	(51,242)	286,359	286,359
TAN Loan	---	<u>1,950,000</u>	(<u>1,950,000</u>)	---	---
Governmental Activities Long-term Liabilities	<u>\$ 13,829,329</u>	<u>\$18,320,036</u>	(<u>\$9,438,884</u>)	<u>\$ 22,710,481</u>	<u>\$ 495,538</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amounts</u>
	<u>12/31/12</u>			<u>12/31/13</u>	<u>Due Within</u>
					<u>One Year</u>
Business-type Activities:					
2009 General Obligation Bonds	<u>\$ 4,155,000</u>	<u>\$ ---</u>	(<u>\$ 550,000</u>)	<u>\$ 3,605,000</u>	<u>\$ 560,000</u>
Business-type Activities Long-term Liabilities	<u>\$4,155,000</u>	<u>\$ ---</u>	(<u>\$ 550,000</u>)	<u>\$ 3,605,000</u>	<u>\$ 560,000</u>

Description of Debt

Pertinent information regarding general obligation debt outstanding is presented below:

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.

The difference between the cash flows required to service the old debt and the cash flows required to service the new debt amounts to \$500,170. The economic gain resulting from the transaction amounts to \$400,839.

General Obligation Bond, Series of 2009:

The City issued \$5,640,000 in general obligation bonds in 2009, with an average interest rate of 3.19% to currently refund the outstanding 2004 Series General Obligation Bonds. The security for the bonds is the City's full faith credit and taxing power, including unlimited ad valorem taxes on all real property within the City. By issuing the general obligation bonds, Series of 2009, the City has retired the 2004 general obligation bonds.

PENNVEST Loan (#79372)

In January of 2013, the City executed loan documents that provided \$2,006,637 to fund the sanitary/storm sewer separation project Phase I. Total drawdowns amounted to \$1,999,081, which funded the entire project. 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, 2013, the City incurred eligible PENNVEST expenses in the amount of \$5,320,164 principal payments will not begin until the project is fully completed.

PENNVEST Loan (#71397)

In 2013, the City received approval from PennVest in the amount of \$10,459,380 to fund the sanitary/storm sewer separation project Phase III. Interest rate y 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, 2013, the City incurred eligible PENNVEST expenses in the amount of \$1,951,254. Principal payments will not begin until the project is fully completed.

First Summit Line of Credit

In February 2013, the City obtained a \$1,000,000 line of credit from First Summit Bank to fund lighting upgrades in the City parking garage. The outstanding balance is due December 31, 2014. Interest rates vary at 75% of prime, with minimum of 2.175%.

Debt Maturity

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

	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2013 General Obligation Bonds			
<u>Years Ending December 31:</u>			
2014	\$ 50,000	\$ 224,592	\$ 274,592
2015	50,000	223,592	273,592
2016	50,000	222,592	272,592
2017	55,000	221,592	276,592
2018	55,000	220,492	275,492
2019 - 2023	1,280,000	1,048,850	2,328,850
2024 - 2028	1,745,000	825,358	2,570,358
2029 - 2033	2,075,000	499,070	2,574,070
2034 - 2037	<u>1,275,000</u>	<u>96,600</u>	<u>1,371,600</u>
	<u>\$ 6,635,000</u>	<u>\$ 3,582,738</u>	<u>\$10,217,738</u>
To be Retired by:			
Business-Type Activities	\$ ---	\$ ---	\$ ---
Governmental Activities	<u>6,635,000</u>	<u>3,582,738</u>	<u>10,217,738</u>
	<u>\$ 6,635,000</u>	<u>\$ 3,582,738</u>	<u>\$10,217,738</u>
2009 General Obligation Bonds			
<u>Years Ending December 31:</u>			
2014	\$ 560,000	\$ 115,845	\$ 675,845
2015	575,000	101,845	676,845
2016	585,000	85,458	670,458
2017	605,000	67,323	672,323
2018	630,000	47,055	677,055
2019	<u>650,000</u>	<u>24,375</u>	<u>674,375</u>
	<u>\$ 3,605,000</u>	<u>\$ 441,901</u>	<u>\$ 4,046,901</u>
To be Retired by:			
Business-Type Activities	\$ 3,605,000	\$ 441,901	\$ 4,046,901
Governmental Activities	---	---	---
	<u>\$ 3,605,000</u>	<u>\$ 441,901</u>	<u>\$ 4,046,901</u>
PennVest – Phase I			
<u>Years Ending December 31:</u>			
2014	\$ 92,001	\$ 18,735	\$ 110,736
2015	92,926	17,810	110,736
2016	93,859	16,877	110,736
2017	94,802	15,934	110,736
2018	95,754	14,982	110,736
2019-2023	493,396	60,284	553,680
2024-2028	518,682	34,998	553,680
2029-2033	<u>426,494</u>	<u>8,924</u>	<u>435,416</u>
	<u>\$ 1,907,914</u>	<u>\$ 188,542</u>	<u>\$ 2,096,456</u>
To be Retired by:			
Business-Type Activities	\$ ---	\$ ---	\$ ---
Governmental Activities	<u>1,907,914</u>	<u>188,542</u>	<u>2,096,456</u>
	<u>\$ 1,907,914</u>	<u>\$ 188,542</u>	<u>\$ 2,096,456</u>

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, 2013:

Pension Fund	(\$ 740,699)
Sanitation Fund	(\$ 157,311)
Parking Fund	(\$ 2,521,307)
Recreation Fund	(\$ 81,018)

- b) Individual fund interfund receivable and payable balances. Balances at December 31, 2013 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 2,640,118	\$1,342,429
Enterprise and UDAG Loan Fund	---	37,861
Community Development Fund	175,504	129,556
Urban Development Action Grant Fund	907,738	---
State Grant Program Fund	22,283	50,349
Parking Revenue Fund	266,241	2,953,721
Debt Sinking Fund	634,583	---
Home Invest Fund	592	200
Job Development Revolving Loan Fund	13,195	175,504
Intermodal Parking Fund	252,602	---
Pension Fund	---	741,629
Recreation Fund	---	73,129
Sanitation Fund	---	154,346
Commuter Tax Fund	703,111	---
Sewer Upgrade Fund	---	28,404
Payroll Deduction Fund	26,683	---
Liquid Fuels Fund	<u>44,478</u>	<u>---</u>
	<u>\$ 5,687,128</u>	<u>\$ 5,687,128</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

The Plan was established on December 29, 1959 by Ordinance No. 3390. 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 plan covers all full-time members of the Police Department. The members are vested after twelve (12) years and eligible for retirement after twenty (20) years of service, except for employees hired after January 1, 1989, they may retire at the later of age fifty (50) and one day or the completion of twenty (20) 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 Plan experienced an actuarial loss of \$838,439 since January 1, 2011. The primary source of the loss was contributions that were less than actuarially required. The contribution loss was exacerbated by the City electing to reduce the amortization payment as permitted by Act 44 of 2009 for the 2011 and 2012 MMOs. The amount of payroll covered by the plan was approximately \$2,066,063.

Fire Employees

The Plan was established on June 17, 1948 and the plan was amended and restated by Ordinance No. 4441 effective January 1, 1988. The plan covers all paid members of the Fire Department. 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 Plan experienced an actuarial loss of \$1,696,581 since January 1, 2011. The primary source of the loss was contributions that were less than actuarially required. The contribution loss was exacerbated by the City electing to reduce the amortization payment as permitted by Act 44 of 2009 for the 2011 and 2012 MMOs. The amount of payroll covered by the plan was approximately \$1,977,003.

Officers and Non-Uniform Employees

The Plan was established on January 1, 1971 and the plan was amended and restated by Ordinance No. 4440 effective January 1, 1988. The Plan covers all full-time officers and non-uniformed employees. Members are vested after 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 Plan experienced an actuarial loss of \$484,117 since January 1, 2011. The primary source of the loss was contributions that were less than actuarially required. The contribution loss was exacerbated by the City electing to reduce the amortization payment as permitted by Act 44 of 2009 for the 2011 and 2012 MMOs. The amount of payroll covered by the plan was approximately \$1,775,989.

Sewage Employees

The Plan was established on January 1, 1971 and the plan was amended and restated by Ordinance No. 4443 effective January 1, 1988. 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. The Plan experienced an actuarial loss of \$115,291 since January 1, 2011. The primary source of the loss was contributions that were less than actuarially required. The contribution loss was exacerbated by the City electing to reduce the amortization payment as permitted by Act 44 of 2009 for the 2011 and 2012 MMOs. The amount of payroll covered by the plan was approximately \$818,198.

The most recent valuation reports, dated January 1, 2013, reflects the following numbers of participants in the plans:

	<u>Police</u>	<u>Firemen</u>	<u>Non-Uniform</u>	<u>Sewage</u>
Participants:				
Retirees and beneficiaries	87	76	70	12
Deferred vested	4	1	2	2
Active employees	<u>38</u>	<u>34</u>	<u>51</u>	<u>16</u>
	<u>129</u>	<u>111</u>	<u>123</u>	<u>30</u>

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.

Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the System on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

The pension benefit obligation was computed as part of an actuarial valuation performed as of January 1, 2013. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of seven and a half (7.5%) a year compounded annually, (b) projected salary increases of five percent (5%) a year compounded annually, attributable to inflation and additional projected salary increases attributable to seniority/merit, and (c) no post-retirement benefit increases.

Act 205 requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the annual actuarial valuation. The Commonwealth of Pennsylvania (Commonwealth) allocates certain funds to assist in pension funding. Any financial requirement established by the MMO, which exceeds the Commonwealth allocation must be funded by the City and could not include employee contributions.

For 2013, the employee contributions for each plan were \$89,723 for police employees, \$85,008 for the fire employees, \$43,103 for the non-uniform employees and \$15,610 for the sewage employees.

The City contributed the funds necessary to meet the MMO obligations for the policemen's plan, the firemen's plan, the non-uniform plan and the sewage plan in the amounts of \$831,410, \$986,205, \$516,712 and \$139,693, respectively.

See the attached schedules on additional financial statement disclosures, net pension obligations, and trend information, funding progress and employee contributions.

Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/ (Asset)</u>
<u>Police:</u>			
12/31/2013	\$ 1,023,197	100.72%	\$ (51,382)
12/31/2012	913,589	100.39%	(44,025)
12/31/2011	910,751	99.83%	(40,484)
12/31/2010	958,601	99.83%	(42,313)
12/31/2009	975,254	99.83%	(45,611)
<u>Fire:</u>			
12/31/2013	\$ 1,236,224	101.10%	\$ 95,344
12/31/2012	1,125,898	100.70%	108,914
12/31/2011	1,180,231	100.22%	116,806
12/31/2010	977,169	100.48%	122,084
12/31/2009	929,014	100.52%	126,751
<u>Non-Uniform:</u>			
12/31/2013	\$ 621,524	100.82%	\$ 62,830
12/31/2012	460,430	100.67%	67,903
12/31/2011	401,393	100.40%	70,997
12/31/2010	471,546	99.72%	74,205
12/31/2009	478,081	100.58%	72,884
<u>Sewage:</u>			
12/31/2013	\$ 139,624	100.05%	\$ 2,929
12/31/2012	96,626	100.07%	2,998
12/31/2011	91,035	100.07%	3,065
12/31/2010	113,209	100.11%	3,203
12/31/2009	105,116	100.12%	3,326

Additional trend information will be developed on a forward basis.

The City's annual pension cost and related information for each plan is as follows:

	<u>Police Employees</u>	<u>Fire Employees</u>	<u>Officers and Non-Uniform Employees</u>	<u>Sewage Employees</u>
Annual pension cost	\$ 1,023,197	\$ 1,236,224	\$ 621,524	\$ 139,624
Contributions made	\$ 1,030,554	\$ 1,249,794	\$ 626,597	\$ 139,693
Actuarial valuation date	1-1-13	1-1-13	1-1-13	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	16 years	15 years	20 years	18 years
Asset valuation method	4 Year Smoothing	4 Year Smoothing	4 Year Smoothing	4 Year Smoothing
Financial statement basis of accounting	Accrual	Accrual	Accrual	Accrual

The City has a net pension obligation (NPO) as of December 31, 2013 calculated as follows:

	<u>Police Employees</u>	<u>Fire Employees</u>	<u>Officers and Non-Uniform Employees</u>	<u>Sewage Employees</u>
Annual required contribution (ARC)	\$ 1,030,554	\$ 1,249,794	\$ 626,597	\$ 139,693
Interest on NPO	23,896	44,073	16,477	225
Adjustment to the ARC	<u>(31,253)</u>	<u>(57,643)</u>	<u>(21,550)</u>	<u>(294)</u>
Annual pension cost	1,023,197	1,236,224	621,524	139,624
Contributions made	<u>1,030,554</u>	<u>1,249,794</u>	<u>626,597</u>	<u>139,693</u>
Change in NPO	(7,357)	(13,570)	(5,073)	(69)
NPO, December 31, 2012 (Asset)/Liability	<u>(44,025)</u>	<u>108,914</u>	<u>67,903</u>	<u>2,998</u>
NPO, December 31, 2013 (Asset)/Liability	<u>\$ (51,382)</u>	<u>\$ 95,344</u>	<u>\$ 62,830</u>	<u>\$ 2,929</u>

The net pension obligation for each plan has been recorded in the Statement of Net Position as of December 31, 2013.

**CITY OF JOHNSTOWN
SCHEDULE OF FUNDING PROGRESS
FOR THE YEARS 2013, 2011 and 2009**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
<u>Police:</u>						
01/01/2013	\$ 8,914,258	\$ 17,344,042	\$ (8,429,784)	51.4%	\$ 2,066,063	408.0%
01/01/2011	8,932,609	17,128,946	(8,196,337)	52.1%	1,932,255	424.2%
01/01/2009	8,476,376	15,637,754	(7,161,378)	54.2%	2,286,757	313.2%
<u>Fire:</u>						
01/01/2013	\$ 5,182,741	\$ 16,422,546	\$ (11,239,805)	31.6%	\$ 1,977,003	568.5%
01/01/2011	5,283,656	15,686,268	(10,402,612)	33.7%	1,935,422	537.5%
01/01/2009	4,804,658	13,982,728	(9,178,070)	34.4%	1,969,482	466.0%
<u>Non-Uniform:</u>						
01/01/2013	\$ 6,132,396	\$ 11,333,536	\$ (5,201,140)	54.1%	\$ 1,775,989	292.9%
01/01/2011	6,415,222	11,266,453	(4,851,231)	56.9%	1,594,905	304.2%
01/01/2009	6,415,808	10,271,309	(3,855,501)	62.5%	1,927,105	200.1%
<u>Sewage:</u>						
01/01/2013	\$ 1,285,460	\$ 2,322,851	\$ (1,037,391)	55.3%	\$ 818,198	126.8%
01/01/2011	1,282,825	2,227,223	(944,398)	57.6%	802,316	117.7%
01/01/2009	1,275,978	1,985,789	(709,811)	64.3%	692,720	102.5%

Note: Actuarial valuations are performed every other year.

**CITY OF JOHNSTOWN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEARS ENDED 2013, 2012, 2011, 2010, 2009, AND 2008**

<u>Year Ending</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
<u>Police:</u>		
12/31/2013	1,030,554	100.0%
12/31/2012	916,630	100.0%
12/31/2011	909,847	100.0%
12/31/2010	895,678	100.0%
12/31/2009	956,983	100.0%
12/31/2008	973,574	100.0%
<u>Firemen:</u>		
12/31/2013	1,249,794	100.0%
12/31/2012	1,133,790	100.0%
12/31/2011	1,182,841	100.0%
12/31/2010	1,154,902	100.0%
12/31/2009	981,837	100.0%
12/31/2008	933,861	100.0%
<u>Officers and Non-Uniform Employees:</u>		
12/31/2013	626,597	100.0%
12/31/2012	463,524	100.0%
12/31/2011	402,979	100.0%
12/31/2010	465,121	99.2%
12/31/2009	474,230	100.0%
12/31/2008	480,867	100.0%
<u>Sewage:</u>		
12/31/2013	139,693	100.0%
12/31/2012	96,693	100.0%
12/31/2011	91,103	100.0%
12/31/2010	92,149	100.0%
12/31/2009	113,332	100.0%
12/31/2008	105,244	100.0%

NOTE 12 - COMMITMENTS AND CONTINGENCIES

a. Self-Insurance

The City maintains a self-insurance program for workmen's compensation and has established a self-insurance trust fund to provide for claims. At December 31, 2013, the assets of the trust fund totaled \$-, which are placed into an irrevocable trust agreement. There were several claims outstanding against the fund at December 31, 2013, valued at \$9,350. It has not been determined whether these claims will be allowed against the fund.

b. 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.

c. 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.

d. 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.

e. 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 years. There were no significant reductions in insurance coverage from coverage in the prior year.

f. Golf Course Lease

The City entered into a Golf Course Agreement and Operation Agreement with an Independent Operator (Operator) on February 15, 2005, effective January 1, 2005. The initial terms of the agreement was for five (5) years and has been extended for an additional five (5) years.

The City leases to the Operator the premises together with all buildings and equipment. For the year ended December 31, 2013, the City recognized revenue related to the Golf Course Agreement in the amount of \$30,000.

The Operator shall charge a five percent (5%) surcharge on all permits and a fifty cent (.50) surcharge on all greens fees for City approved capital projects.

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.

g. 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 shall pay a civil penalty of \$75,000 in settlement of the PA DEP's claim for civil penalties for the violations described in the Consent Order. Payments of \$25,000 shall be made on July 31, 2015 and July 31, 2017, respectively. Additional penalties could also be assessed by the PA DEP.

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 2013, the expenditures of \$1,215,416 were recognized for post employment benefits. The post employment benefits reimburse 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 50 with at least 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 20 years of service to retire and receive the post employment health care benefits. The City reimburses 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 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 50 with at least 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 20 years of service to retire and receive the post employment health care benefits. The City reimburses 85% 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 at the age of 62. The City reimburses \$250 per month for the employee and/or their dependents.

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 55 with at least 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 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 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	\$ 1,744,051
Interest on Net OPEB Obligation	197,849
Adjustment to Annual Required Contribution	(<u>269,917</u>)
Annual OPEB Cost (Expense)	1,671,983
Contributions Made or Accrued	(<u>1,215,416</u>)
Increase in Net Obligation	456,567
Net OPEB Obligation 1/1/13	<u>4,396,655</u>
Net OPEB Obligation 12/31/13	<u>\$ 4,853,222</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost</u>	<u>Net OPEB Obligation</u>
12/31/13	\$1,671,983	34.5%	\$4,853,222

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial date, the plan was 0% funded. The actuarial accrued liability for benefits was \$18,193,353 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$18,193,353.

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 - PRIOR PERIOD ADJUSTMENTS

The City has restated beginning fund balance/net assets as of January 1, 2013 to a) reflect the effects of implementing GASB 65 (see Note 1r) that requires bond issuance costs to be shown as current-period outflows of resources (expenses) and b) correct trade payable balances for amounts that should have been reversed in prior periods.

	<u>Governmental Activities</u>
Fund balance, January 1 (as previously reported)	\$ 7,300,066
Restated for	
a) GASB 65 effect	---
b) Trade Payables	<u>164,544</u>
Fund balance, January 1 (as restated)	<u>\$ 7,464,610</u>

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Net Position, January 1 (as previously reported)	\$ 27,078,727	\$ 8,924,103
Restated for		
a) GASB 65 effect	(108,848)	(102,195)
b) Trade Payables	<u>164,544</u>	<u>43,466</u>
Net Position, January 1 (as restated)	<u>\$ 27,134,423</u>	<u>\$ 8,865,374</u>

NOTE 15 - SUBSEQUENT EVENTS

Tax Anticipation Loan

In January of 2014, the City borrowed \$2,500,000 on a tax anticipation note. The note bears interest at 65% of the bank's prime rate (with a minimum rate of 2.65%) and is due on December 31, 2014.

Subsequent events were evaluated through June 13, 2014, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JOHNSTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 7,650,923	\$ 7,650,923	\$ 7,810,115	\$ 159,192
Payments in lieu of taxes	220,500	220,500	224,536	4,036
Charges for service	28,000	28,000	30,000	2,000
Licenses and permits	472,250	472,250	547,605	75,355
Fines and forfeits	160,750	160,750	128,157	(32,593)
Grants and joint projects	477,752	477,752	532,232	54,480
Departmental earnings	159,225	159,225	157,098	(2,127)
Interfund charges and reimbursements	363,605	363,605	131,000	(232,605)
Interest	35,000	35,000	23,785	(11,215)
Miscellaneous	663,454	663,454	642,183	(21,271)
Total Revenues	<u>10,231,459</u>	<u>10,231,459</u>	<u>10,226,711</u>	<u>(4,748)</u>
Expenditures				
General government	202,116	202,116	293,377	(91,261)
Finance	1,046,913	1,046,913	1,221,410	(174,497)
Fire	3,146,460	3,146,460	3,441,480	(295,020)
Police	3,394,727	3,394,727	3,538,777	(144,050)
Community development	111,804	111,804	94,314	17,490
Culture and recreation	283,766	283,766	293,140	(9,374)
Public works	1,882,584	1,882,584	1,859,471	23,113
Total Expenditures	<u>10,068,370</u>	<u>10,068,370</u>	<u>10,741,969</u>	<u>(673,599)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>163,089</u>	<u>163,089</u>	<u>(515,258)</u>	<u>(678,347)</u>
Other Financing Sources/(Uses)				
Operating transfers in	-	-	30,111	30,111
Operating transfers (out)	(163,089)	(163,089)	(271,451)	(108,362)
Total Other Financing Sources/(Uses)	<u>(163,089)</u>	<u>(163,089)</u>	<u>(241,340)</u>	<u>(78,251)</u>
(Deficiency)/Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>(756,598)</u>	<u>\$ (756,598)</u>
Fund Balance/(Deficit) - Beginning of Year			<u>1,808,813</u>	
Fund Balances - End of Year			<u>\$ 1,052,215</u>	

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Federal grants and program income	\$ 2,291,425	\$ 2,291,425	\$ 1,257,361	\$ 1,034,064
Total Revenues	<u>2,291,425</u>	<u>2,291,425</u>	<u>1,257,361</u>	<u>1,034,064</u>
Expenditures				
Demolition	206,373	206,373	196,668	9,705
Economic development	292,456	292,456	199,452	93,004
Rehabilitation - contractors	511,349	511,349	189,829	321,520
Rehabilitation - delivery	77,307	77,307	83,998	(6,691)
Administration	368,138	368,138	193,956	174,182
Planning	72,584	72,584	24,703	47,881
Public improvements	413,495	413,495	111,557	301,938
Fair Housing	13,000	13,000	6,480	6,520
Redevelopment	-	-	-	-
Special enforcement	211,723	211,723	162,232	49,491
Code enforcement	125,000	125,000	88,486	36,514
Total Expenditures	<u>2,291,425</u>	<u>2,291,425</u>	<u>1,257,361</u>	<u>1,034,064</u>
Other Financing Sources/(Uses)				
Operating Transfer In	-	-	-	-
Operating Transfer (Out)	-	-	-	-
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(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>	

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Urban Development				
Loan Repayments	\$ 120,000	\$ 120,000	\$ 39,354	\$ 80,646
PA DOT Reimbursement	90,032	90,032	13,786	76,246
Invest Interest Income	300	300	13,882	(13,582)
Total Revenues	<u>210,332</u>	<u>210,332</u>	<u>67,022</u>	<u>143,310</u>
Expenditures				
Project costs	<u>210,332</u>	<u>210,332</u>	<u>67,022</u>	<u>143,310</u>
Total Expenditures	<u>210,332</u>	<u>210,332</u>	<u>67,022</u>	<u>143,310</u>
Other Financing Sources/(Uses)				
Operating Transfer In	-	-	-	-
Operating Transfer (Out)	-	-	-	-
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(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 - STATE GRANT PROGRAMS FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
Revenues				
State grants	\$ 1,094,500	\$ 1,094,500	\$ 1,665,579	\$ 571,079
Interest	7,584	7,584	21,691	14,107
Total Revenues	<u>1,102,084</u>	<u>1,102,084</u>	<u>1,687,270</u>	<u>585,186</u>
Expenditures				
Project costs	<u>1,094,500</u>	<u>1,094,500</u>	<u>1,687,270</u>	<u>(592,770)</u>
Total Expenditures	<u>1,094,500</u>	<u>1,094,500</u>	<u>1,687,270</u>	<u>(592,770)</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>\$ 7,584</u>	<u>\$ 7,584</u>	-	<u>\$ (7,584)</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 1,355,165	\$ 1,355,165	\$ 1,351,930	\$ (3,235)
State grants	737,000	737,000	908,707	171,707
Interest	30	30	343	313
Other income	242,132	242,132	98,907	(143,225)
Total Revenues	<u>2,334,327</u>	<u>2,334,327</u>	<u>2,359,887</u>	<u>25,560</u>
Expenditures				
General government	2,474,020	2,474,020	2,474,894	(874)
Total Expenditures	<u>2,474,020</u>	<u>2,474,020</u>	<u>2,474,894</u>	<u>(874)</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(139,693)</u>	<u>(139,693)</u>	<u>(115,007)</u>	<u>24,686</u>
Other Financing Sources/(Uses):				
Operating transfers in	139,693	139,693	-	(139,693)
Operating transfers (out)	-	-	-	-
Total Other Financing Sources/(Uses)	<u>139,693</u>	<u>139,693</u>	<u>-</u>	<u>(139,693)</u>
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>(115,007)</u>	<u>\$ (115,007)</u>
Fund Balance - Beginning of Year			<u>(625,692)</u>	
Fund Balance - End of Year			<u>\$ (740,699)</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 - SANITATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
Revenues:				
Charges for services	\$ 1,490,061	\$ 1,490,061	\$ 1,496,752	\$ 6,691
State grants	13,640	13,640	7,782	(5,858)
Interest income	1,200	1,200	787	(413)
Miscellaneous	1,000	1,000	935	(65)
Total Revenues	<u>1,505,901</u>	<u>1,505,901</u>	<u>1,506,256</u>	<u>355</u>
Expenditures				
Sanitation expenditures	<u>1,502,901</u>	<u>1,502,901</u>	<u>1,498,864</u>	<u>4,037</u>
Total Expenditures	<u>1,502,901</u>	<u>1,502,901</u>	<u>1,498,864</u>	<u>4,037</u>
(Deficiency) of Revenues (Under) Expenditures	<u>3,000</u>	<u>3,000</u>	<u>7,392</u>	<u>4,392</u>
Other Financing Sources/(Uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>(332)</u>	<u>(332)</u>
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>(332)</u>	<u>(332)</u>
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	<u>\$ 3,000</u>	<u>\$ 3,000</u>	7,060	<u>\$ 4,060</u>
Fund Balance - Beginning of Year			<u>(164,371)</u>	
Fund Balance - End of Year			<u>\$ (157,311)</u>	

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Accompanying Notes to Financial Statements

CITY OF JOHNSTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - HOME LOAN FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grant revenue	\$ 180,812	\$ 180,812	\$ 392,754	\$ 211,942
Other income	-	-	987	987
Total Revenues	<u>180,812</u>	<u>180,812</u>	<u>393,741</u>	<u>212,929</u>
Expenditures:				
Human services	<u>180,812</u>	<u>180,812</u>	<u>393,741</u>	<u>(212,929)</u>
Total Expenditures	<u>180,812</u>	<u>180,812</u>	<u>393,741</u>	<u>(212,929)</u>
(Deficiency) of Revenues (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources/(Uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance - Beginning of Year			<u>-</u>	
Fund Balance - End of Year			<u>\$ -</u>	

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CITY OF JOHNSTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SEWER UPGRADE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
Revenues:				
Charges for Services	\$ 4,000,000	\$ 4,000,000	\$ 5,336,079	\$ 1,336,079
Interest Income	32,000	32,000	42,786	10,786
Total Revenues	<u>4,032,000</u>	<u>4,032,000</u>	<u>5,378,865</u>	<u>1,346,865</u>
Expenditures:				
Capital Expenditures	8,113,500	8,113,500	10,903,112	(2,789,612)
Total Expenditures	<u>8,113,500</u>	<u>8,113,500</u>	<u>10,903,112</u>	<u>(2,789,612)</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(4,081,500)</u>	<u>(4,081,500)</u>	<u>(5,524,247)</u>	<u>(1,442,747)</u>
Other Financing Sources/(Uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Proceeds from Pennvest Loan	-	-	7,144,050	7,144,050
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>7,144,050</u>	<u>7,144,050</u>
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	<u>\$ (4,081,500)</u>	<u>\$ (4,081,500)</u>	1,619,803	<u>\$ 5,701,303</u>
Fund Balance - Beginning of Year			<u>5,507,543</u>	
Fund Balance - End of Year			<u>\$ 7,127,346</u>	

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SUPPLEMENTARY INFORMATION

**CITY OF JOHNSTOWN
NONMAJOR FUNDS**

The following are the City's nonmajor funds, for the year ending December 31, 2013:

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.

CAPITAL INVESTMENT FUND – To account for resources accumulated that are assigned to future capital projects or investments in capital assets.

DEBT SINKING FUND: 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.

CITY OF JOHNSTOWN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2013

	Liquid Fuels Fund	Recreation Fund	Capital Investment Fund	Debt Sinking Fund	Total Current Year
<u>ASSETS:</u>					
Cash	\$ 1,571	\$ 1,833	\$ 567	\$ 63	\$ 4,034
Accounts receivable	-	7,653	-	-	7,653
Due from other governments	-	-	330,353	-	330,353
Due from other funds	44,478	-	703,111	634,583	1,382,172
Total Assets	\$ 46,049	\$ 9,486	\$ 1,034,031	\$ 634,646	\$ 1,724,212
<u>LIABILITIES:</u>					
Accounts payable	\$ 46,049	\$ 17,375	\$ 343,186	\$ -	\$ 406,610
Due to other funds	-	73,129	-	-	73,129
Total Liabilities	46,049	90,504	343,186	-	479,739
<u>FUND BALANCE:</u>					
Assigned	-	-	690,845	634,646	1,325,491
Unassigned	-	(81,018)	-	-	(81,018)
Total Fund Balance/ (Deficit)	-	(81,018)	690,845	634,646	1,244,473
Total Liabilities and Fund Balance/(Deficit)	\$ 46,049	\$ 9,486	\$ 1,034,031	\$ 634,646	\$ 1,724,212

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, 2013

	Liquid Fuels Fund	Recreation Fund	Capital Investment Fund	Debt Sinking Fund	Total Current Year
Revenues					
Grants	\$ 448,495	\$ -	\$ 658,827	\$ -	\$ 1,107,322
Charges for services	-	72,711	-	-	72,711
Taxes	-	-	-	663,253	663,253
Interest and investment income	786	107	199	12	1,104
Other income	-	1,600	23,529	-	25,129
Total Revenues	449,281	74,418	682,555	663,265	1,869,519
Expenditures					
Public works	442,699	-	-	-	442,699
Culture and recreation	-	207,298	-	-	207,298
Capital expenditures	-	-	1,103,349	-	1,103,349
Debt service	-	-	-	584,066	584,066
Total Expenditures	442,699	207,298	1,103,349	584,066	2,337,412
(Deficiency)/Excess of Revenue Over/(Under) Expenditures	6,582	(132,880)	(420,794)	79,199	(467,893)
Other Financing Sources/(Uses)					
Operating transfers in	-	133,867	891,220	-	1,025,087
Operating transfers (out)	(6,582)	-	(23,529)	(1,118,774)	(1,148,885)
Line of credit proceeds	-	-	-	337,601	337,601
Bond proceeds	-	-	-	6,710,000	6,710,000
Bond discount	-	-	-	(94,754)	(94,754)
Bonds redeemed	-	-	-	(6,055,000)	(6,055,000)
Total Other Financing Sources/(Uses)	(6,582)	133,867	867,691	(220,927)	774,049
(Deficiency)/Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	-	987	446,897	(141,728)	306,156
Fund Balance - Beginning of Year	-	(82,005)	243,948	776,374	938,317
Fund Balance - End of Year	\$ -	\$ (81,018)	\$ 690,845	\$ 634,646	\$ 1,244,473

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 Accompanying Notes to Financial Statements