

CITY OF JEANNETTE
FINANCIAL STATEMENTS – CASH BASIS

Year ended December 31, 2012

DELUZIO & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

CITY OF JEANNETTE

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent auditors' report.....	1-3
Management's discussion and analysis.....	4-9
Governmental funds balance sheet/statement of net position – cash basis.....	10
Statement of activities – cash basis.....	11
Statement of revenues, expenditures and changes in fund balance – cash basis.....	12
Statements of fiduciary net position.....	13
Notes to the financial statements.....	14-27
 Required Supplementary Information	
Schedules of funding progress.....	28
Schedule of contributions from employers and other contributing entities.....	29
Note to supplementary pension schedules.....	30
Statement of revenues, expenditures and changes in fund balance – cash basis – budget and actual general fund.....	31



351 Harvey Avenue, Suite A
Greensburg, PA 15601-1911
724 838 8322
www.DeluzioCPA.com

Charles A. Deluzio, CPA
Jeffrey P. Anzovino, CPA, MSA
Joseph E. Petrillo, CPA
Stacey A. Sanders, CPA, CSEP

INDEPENDENT AUDITORS' REPORT

To: City Council and Mayor
City of Jeannette

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Jeannette, as of and for the year ended December 31, 2012, and the related notes to the financial statements which collectively comprise the City of Jeannette's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Jeannette's management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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.

(continued)

INDEPENDENT AUDITORS' REPORT

(continued)

Auditors' Responsibility (continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Jeannette as of December 31, 2012 and the respective changes in financial position, thereof for the year then ended in accordance with the cash basis of accounting.

The accompanying financial statements have been prepared assuming the City of Jeannette will continue as a going concern. As discussed in Note 11 to the financial statements, there is uncertainty as to whether the City will have the funds available to pay significant expenditures it is expected to incur toward the end of 2013. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles require that the management's discussion and analysis on pages 4-9, the budgetary comparison information page 31 and the pension information on pages 28-30 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.

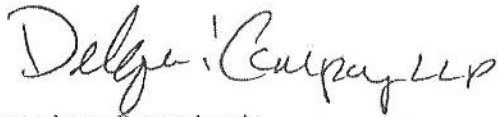
(continued)

INDEPENDENT AUDITORS' REPORT

(continued)

Other Reporting Required by *Government Auditing Standard*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2013 on our consideration of the City of Jeannette's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Jeannette's internal control over financial reporting and compliance.



Greensburg, Pennsylvania
November 19, 2013

CITY OF JEANNETTE

MANAGEMENT'S DISCUSSION AND ANALYSIS **YEAR ENDED DECEMBER 31, 2012**

As management of the City of Jeannette (City), we offer our residents, elected officials, employees and other interested parties this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012. For purposes of this discussion and analysis, "City" refers to the primary government only. The goal of this Management's Discussion and Analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in financial position, (4) identify any material deviations from the approved budget, and (5) identify individual fund issues or concerns.

City management encourages all readers to consider the information presented here in conjunction with the financial statements that we have furnished and the accompanying notes that follow in order to obtain a thorough understanding of the City's financial condition at December 31, 2012.

FINANCIAL HIGHLIGHTS

- As described in the notes to the primary government financial statements (financial statements), the City prepares its financial statements on the cash basis of accounting.
- The City's net position decreased \$419,599 during fiscal year 2012 or 18%.
- Unrestricted net position was \$129,151 at December 31, 2012. These assets may be used to meet the City's ongoing obligations to residents and creditors.
- The City's real estate property tax rate for fiscal year 2012 is 32.62 mills.
- At December 31, 2012, the City had \$3,828,562 of general obligation debt outstanding. This represents a decrease of \$334,778 from the previous fiscal year.
- The total fund balance of the General Fund on December 31, 2012 was \$129,151. This fund balance is unreserved and is available for spending at the City's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. The City's financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary and other supplementary information in addition to the basic financial statements themselves.

The basic financial statements present two different views of the City through the use of government-wide financial statements and fund financial statements.

CITY OF JEANNETTE

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2012

OVERVIEW OF FINANCIAL STATEMENTS (continued)

- (1) Government-Wide Financial Statements – The government-wide financial statements are designed to provide all interested parties with a broad overview of the City in a manner similar to a private-sector business.
- Statement of Net Position – This report presents information on all of the City's cash, cash equivalents and its cash-basis net position. As described in the notes to the basic financial statements, the City's financial statements are on the cash basis of accounting. 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.
 - Statement of Activities – This report presents information showing how the government's net position changed during the most recent fiscal year. This shows cash-basis expenses by functions/programs related to operating grants and how the deficit from each function/program is funded with general cash-basis revenues.

The Statement of Activities 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. The governmental activities of the City include general government, public safety, public works, culture and recreation, community development and debt service.

The government-wide financial statements can be found on pages 10 and 11 of this report.

- (2) Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other governmental agencies, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into governmental funds and fiduciary funds.

The fund financial statements can be found on pages 10, 12 and 13 of this report.

- Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

The City maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance for the General Fund, Capital Projects and the Community Development Fund, which are considered major funds, and the Liquid Fuels Fund, a nonmajor fund.

The City adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to determine compliance with actual revenues/expenditures to budgeted amounts.

CITY OF JEANNETTE

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012

OVERVIEW OF FINANCIAL STATEMENTS (continued)

- (3) Notes to the Primary Government Financial Statements – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 14 through 27 of this report.

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

This required supplementary information can be found on pages 28 through 31 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, net position on the cash basis of accounting was \$1,945,194 as of December 31, 2012, a decrease of \$419,599 from 2011.

STATEMENT OF NET POSITION

CASH BASIS

December 31, 2012

Assets:

Cash and cash equivalents	\$ <u>1,945,194</u>
---------------------------	---------------------

Net position:

Restricted	1,816,043
Spendable - Unrestricted	<u>129,151</u>
	\$ <u>1,945,194</u>

The balance of unrestricted net position as of December 31, 2012 was \$129,151 and may be used to meet the government's ongoing obligations to its citizens and creditors. This was an increase of \$91,154 from 2011. At the end of the current year, the City is able to report a positive balance in net position. The same situation held true for the prior fiscal year.

CITY OF JEANNETTE

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Governmental Activities – Governmental activities decreased the net position by \$419,599.

Details of these decreases for the governmental activities are as follows:

**CHANGES IN NET POSITION
CASH BASIS
NET (EXPENSES) REVENUES**

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expenses) Revenues</u>
Primary Government:			
Government Activities:			
General government	\$ 1,146,256	\$ 286,084	\$ (860,172)
Public safety	1,944,564	203,954	(1,740,610)
Public works:			
Highways and streets	912,358	416,639	(495,719)
Sanitation	736,763	818,426	81,663
Culture and recreation	20,000	-	(20,000)
Community development	711,702	368,312	(343,390)
Debt principal and interest	844,249	-	(844,249)
Total government activities	\$ <u>6,315,892</u>	\$ <u>2,093,415</u>	<u>(4,222,477)</u>
General Revenues:			
Taxes:			
Real estate			2,033,130
Earned income			889,367
Other			226,035
Franchise fees			162,609
Interest			849
Payments in lieu of taxes			5,031
Loan proceeds			350,000
Miscellaneous			135,857
Total general revenues			<u>3,802,878</u>
Change in net position			(419,599)
Net position - beginning of year			2,364,793
Net position - end of year			\$ <u><u>1,945,194</u></u>

CITY OF JEANNETTE

MANAGEMENT'S DISCUSSION AND ANALYSIS **YEAR ENDED DECEMBER 31, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The City continues to have significant challenges in ensuring it has sufficient revenues to meet its financial demands. City Council continues to assess ways to increase revenues and decrease expenditures.

The beginning of 2012 has brought several new Council members to the decision-making responsibilities for the City. Discussions have started with Council and the City Clerk with the main priority being the financial condition of the City. The Mayor, Council and the City Clerk have recognized that this is an uphill battle. The City is determined to look at all finances on a monthly basis, with the thought that decisions will be made to maintain the City of Jeannette in a positive position.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of available resources. Such information is useful in assessing the City's financial requirements. In particular, the 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. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$129,151. Fund balances in the Capital Projects Fund, Community Development Fund and Liquid Fuels Fund were \$297,453, \$1,476,609 and \$41,981, respectively. These amounts represent a decrease in fund balance in the Community Development Fund and Liquid Fuels Fund of \$409,635 and \$102,919, respectively and an increase in the Capital Projects Fund of \$1,801. These amounts represent funds available that may be used for activities within the scope of each fund. On the statement of net position, these amounts are shown as restricted net position, because, in terms of the government as a whole, they are restricted by bond covenants (Capital Projects Funds) and grantors (Community Development Fund and Liquid Fuels Fund).

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the General Fund budget and the actual revenues/expenditures included an excess of \$331,056 in cash-basis revenues and a shortfall of \$237,647 in cash-basis expenditures and \$2,255 in other financing sources. The net of these differences resulted in an excess of revenues over expenditures in the amount of \$91,154.

CITY OF JEANNETTE

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012

DEBT

In 2012 the City paid their 2011 tax anticipation note of \$350,000 and entered into a new agreement with First Niagra Bank for an additional tax anticipation note in the amount of \$350,000. As of December 31, 2012 the 2012 tax anticipation note was not paid.

At the end of the current fiscal year, the City had outstanding total long-term debt of \$3,478,562. Of this amount, \$2,301,035 is comprised of General Obligation Bonds and Notes, \$307,527 relates to equipment loans obtained during prior years and \$870,000 relates to a loan the Community Development Fund has with the Commonwealth of Pennsylvania.

A breakdown of the City's debt follows:

LONG-TERM DEBT
GENERAL OBLIGATION AND OTHER DEBT

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments/ Retirements</u>	<u>Ending Balance</u>
General Obligation Bonds	\$ 1,995,000	\$ -	\$ (110,000)	\$ 1,885,000
General Obligation Note	458,844	-	(42,809)	416,035
Equipment Loan	441,496	-	(133,969)	307,527
U.S. Department of Housing and Urban Development Loan	918,000	-	(48,000)	870,000
Totals	<u>\$ 3,813,340</u>	<u>\$ -</u>	<u>\$ (334,778)</u>	<u>\$ 3,478,562</u>

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the financial affairs of the City. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Office of the City Clerk, City of Jeannette, 110 South Second Street, Jeannette, PA 15644.

CITY OF JEANNETTE
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION - CASH BASIS
AS OF DECEMBER 31, 2012

Assets	General Fund	Capital Projects Fund	Community Development Fund	Non-Major Liquid Fuels Fund	Total Governmental Funds	Statement of Net Position
Cash and cash equivalents	\$ 129,151	\$ 297,453	\$ 1,476,609	\$ 41,981	\$ 1,945,194	\$ 1,945,194
Fund Balance						
Fund balance:						
Spendable - Unassigned	\$ 129,151	\$ -	\$ -	\$ -	\$ 129,151	
Restricted	-	297,453	1,476,609	41,981	1,816,043	
Total fund balance	\$ 129,151	\$ 297,453	\$ 1,476,609	\$ 41,981	\$ 1,945,194	
Net Position						
Restricted for:						
Capital projects						297,453
Community development						1,476,609
Liquid fuels tax projects						41,981
Unrestricted						129,151
Total net position						\$ 1,945,194

The accompanying notes are an integral part of these financial statements.

CITY OF JEANNETTE
STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 1,146,256	\$ 220,049	\$ 66,035	\$ -	\$ (860,172)
Public safety	1,944,564	103,771	100,183	-	(1,740,610)
Public works - highway and streets	912,358	-	416,639	-	(495,719)
Public works - sanitation	736,763	797,111	21,315	-	81,663
Culture and recreation	20,000	-	-	-	(20,000)
Community development	711,702	77,063	291,249	-	(343,390)
Principal paid on long-term debt	684,778	-	-	-	(684,778)
Interest paid on long-term debt	159,471	-	-	-	(159,471)
Total governmental activities	<u>\$ 6,315,892</u>	<u>\$ 1,197,994</u>	<u>\$ 895,421</u>	<u>\$ -</u>	<u>(4,222,477)</u>
General revenues:					
Taxes:					
Real estate					2,033,130
Earned income					889,367
Emergency and municipal service tax					85,643
Business privilege tax					45,988
Tax collected - county					27,447
Other					66,957
Franchise fees					162,609
Interest					849
Payments in lieu of taxes					5,031
Loan proceeds					350,000
Miscellaneous					135,857
Total general revenues					<u>3,802,878</u>
Change in net position					(419,599)
Net position:					
Beginning of year					<u>2,364,793</u>
End of year					\$ 1,945,194

The accompanying notes are an integral part of these financial statements.

CITY OF JEANNETTE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Capital Projects Fund	Community Development Fund	Nonmajor Liquid Fuels Fund	Total Governmental Funds
Revenues:					
Taxes	\$ 3,148,532	\$ -	\$ -	\$ -	\$ 3,148,532
Licenses, permits and fees	220,496	-	-	-	220,496
Fines, forfeitures and penalties	64,574	-	-	-	64,574
Interest	-	-	801	48	849
Intergovernmental	395,312	-	291,249	213,779	900,340
Charges for services	993,550	-	-	-	993,550
Payments in lieu of taxes	5,031	-	-	-	5,031
Program income	-	-	77,063	-	77,063
Miscellaneous	106,723	3,461	-	25,674	135,858
Total revenues	4,934,218	3,461	369,113	239,501	5,546,293
Expenditures:					
Current:					
General government	938,792	-	-	-	938,792
Public safety	1,944,564	-	-	-	1,944,564
Public works - highways and streets	690,725	-	-	221,633	912,358
Public works - sanitation	736,763	-	-	-	736,763
Culture and recreation	20,000	-	-	-	20,000
Community development	43,166	-	668,536	-	711,702
Insurance	175,374	-	-	-	175,374
Miscellaneous	30,430	-	-	-	30,430
Capital purchases	-	1,660	-	-	1,660
Debt service:					
Principal retirement	636,778	-	48,000	-	684,778
Interest	144,217	-	15,254	-	159,471
Total expenditures	5,360,809	1,660	731,790	221,633	6,315,892
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	426,591	(1,801)	362,677	(17,868)	769,599
Other financing sources (uses):					
Proceeds from loan	350,000	-	-	-	350,000
Interfund transfers, net	167,745	-	(46,958)	(120,787)	-
Total other financing sources (uses)	517,745	-	(46,958)	(120,787)	350,000
Net change in fund balance	91,154	1,801	(409,635)	(102,919)	(419,599)
Fund balance:					
Beginning of year	37,997	295,652	1,886,244	144,900	2,364,793
End of year	\$ 129,151	\$ 297,453	\$ 1,476,609	\$ 41,981	\$ 1,945,194

The accompanying notes are an integral part of these financial statements.

CITY OF JEANNETTE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF DECEMBER 31, 2012

	<u>Fire Insurance Escrow Fund</u>
Assets	
Cash and cash equivalents	\$ <u>18,209</u>
Total assets	<u>18,209</u>
Liabilities	
Due to third parties	<u>18,209</u>
Total Liabilities	\$ <u>18,209</u>

The accompanying notes are an integral part of these financial statements.

CITY OF JEANNETTE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Jeannette, Pennsylvania (City), was incorporated and adopted its first Charter as a City in 1938. The City operates under a commission form of government and provides the following services as provided by its charter: police and fire, street, public works and sanitation, culture-recreation, health and social services, planning and zoning and general administrative services.

The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The most significant of these accounting policies are as follows:

Reporting Entity

The City, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the City. The financial statements presented herein do not include agencies that have been formed under applicable state laws or separate and distinct units of government apart from the City.

The City has elected to adopt GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, with regards to evaluating component units. Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing body and 1) the City is able to significantly influence the programs or services performed or provided by the organization, 2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization, or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City or that the City approves the budget or the issuance of debt.

Based on the foregoing criteria, the City has determined that no organizations are controlled by or dependent on the City during the year ended December 31, 2012.

Government-Wide and Fund Financial Statements

The government-wide cash basis financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been eliminated from these statements.

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

CITY OF JEANNETTE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting/Measurement Focus

Basis of accounting refers to the timing of the recognition of revenues and expenditures in the accounts and in the financial statements. The City has elected to present its financial statements on the cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, amounts are recognized when received or paid rather than when earned or when obligations are incurred. Inventories, principally supplies, are accounted for as expenditures when purchased. Encumbrance accounting, whereby fund balance is reserved for commitments related to unperformed contracts for goods and services, is not used by the City. Specific items excluded from this report due to the City reporting on the cash basis of accounting that would need to be included if the City's financial statements were in accordance with generally accepted accounting principles include but are not limited to: taxes receivable, other post-employment benefit liabilities, compensated absences, debt obligations, accrued payroll, pension trust funds, and any component units that may exist.

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. The City only uses governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically 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 will be paid.

The City reports the following major governmental funds:

The *General Fund* is the principal operating fund of the City that is used to account for all financial transactions except those required to be accounted for in other funds.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities or acquisitions of equipment.

The *Community Development Fund* is used to account for various grants received from the Department of Community and Economic Development.

Additionally, the City reports the following nonmajor governmental funds:

The *Liquid Fuels Fund* accounts for state aid revenues (liquid fuels taxes) received from the Pennsylvania Department of Transportation for building, improving, lighting and maintaining roads and bridges within the City.

CITY OF JEANNETTE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting/Measurement Focus (continued)

Fiduciary Funds

The *pension trust funds* are used to account for assets held by the City in a trustee capacity for future payment of retirement benefits to employees or former employees. The City has two separate pension plans that have pension trust funds: the Police Plan and the Firefighter Plan. The pension trust funds are not included in the financial statements, as discussed above.

The City maintains a fire insurance escrow fund that accounts for assets held by the City as an agent for third parties to be used for repairs from fire damages. A statement of fiduciary net position has been presented to account for the activity in this agency fund.

Fund Balance

GASB Statement No. 54 establishes accounting and financial standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions as follow:

Non-spendable

The non-spendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or are legally or contractually required to be maintained intact.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party, such as citizens, to use resources created by enabling legislation only for the purposes specified by the legislation.

CITY OF JEANNETTE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance (continued)

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable.

Assigned

Amounts in assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or a City official delegated with that authority.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control in the General Fund of the City. The budget is adopted on the cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The City must adopt the budget for the General Fund by December 31.

Appropriations lapse at the close of the fiscal year to the extent that they have not been expended or encumbered.

CITY OF JEANNETTE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and Investments

The City considers all short-term investments with an original maturity of three months or less to be cash equivalents. Investments are carried at fair value based on quoted market prices.

Compensated Absences

The City allows non-uniformed employees to accumulate unused sick leave to a maximum of 125 days. Upon termination, unused sick leave of non-uniformed employees, up to the maximum, will be paid at the rate of \$80 per day. Police can accumulate one month of sick leave for each year of service. Upon normal retirement, unused sick leave will be paid at the rate of \$10 per day, up to a maximum of 12 weeks. Firemen can accumulate unused sick leave, up to a maximum of 42-24 hour days. Upon termination/retirement, unused sick leave of firemen will be paid at one-half of the shift rate. Earned vacation time is required to be used currently. As of December 31, 2012, the liability for accrued sick leave was \$150,745.

NOTE 2 – CASH AND CASH EQUIVALENTS

Pennsylvania statutes provide for investment of governmental funds (which exclude the Pension Trust Funds) into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. The statutes allow pooling of governmental funds for investment purposes.

The deposit and investment policy of the City adheres to state statutes. 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.

GASB Statement No. 40, "Deposit and Investment Risk Disclosures," requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the City's deposit and investment risks:

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. At December 31, 2012, \$1,386,266 of the City's bank balance of \$1,890,067 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$1,890,067 as of December 31, 2012.

In addition to the deposits noted above, included in cash and cash equivalents on the statement of net position are investments with the Pennsylvania Local Government Investment Trust (PLGIT) of \$55,127. The fair value of the City's investments with PLGIT, which is an external investment pool, is the same as the value of pooled shares.

CITY OF JEANNETTE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the City's investments. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investments in PLGIT are short-term with maturities of less than one year.

Credit Risk - The City has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. PLGIT has a rating of AAA by Standard & Poor's at December 31, 2012.

The City has no foreign currency risks for any of its funds

NOTE 3 – PROPERTY TAX LEVIES

Taxes are levied on March 1 and are due and payable on or before June 30. All unpaid taxes become delinquent July 1 of the same year. Any taxes still unpaid at December 31 of the same year are turned over to the Westmoreland County Tax Collector. City property tax revenues are recognized when received.

City real estate taxes were levied for general purposes at 32.62 mills on 100% of assessed valuation, excluding exempt properties. The assessed valuation was approximately \$65 million for the 2012 levy.

NOTE 4 – SHORT-TERM DEBT

In January 2011 the City entered into an agreement with First Niagra Bank for a \$350,000 tax anticipation note. The note was paid in 2012. In January 2012, the City entered into a new agreement with First Niagra Bank for an additional \$350,000 tax anticipation note. The 2012 tax anticipation note was due on December 31, 2012 and bears interest at a rate of 3.75%. As of December 31, 2012, the note was not paid.

Changes in the City's short term debt during 2012 were as follows:

	Beginning Balance	Additions	Payments	Ending Balance
Tax Anticipation Note	350,000	\$ 350,000	\$ (350,000)	\$ 350,000
	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ (350,000)</u>	<u>\$ 350,000</u>

CITY OF JEANNETTE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – LONG-TERM DEBT

Changes in Long-Term Debt

Changes in the City's long-term debt during 2012 were as follows:

	Beginning Balance	Additions	Payments	Ending Balance
General Obligation Bonds, 1998	\$ 1,995,000	\$ -	\$ (110,000)	\$ 1,885,000
General Obligation Note, 2010	458,844	-	(42,809)	416,035
Equipment Loans	441,496	-	(133,969)	307,527
U.S. Department of Housing and Urban Development Loan	918,000	-	(48,000)	870,000
	<u>\$ 3,813,340</u>	<u>\$ -</u>	<u>\$ (334,778)</u>	<u>\$ 3,478,562</u>

General Obligation Bond - Series 1998

In March 1998, the City issued a General Obligation Bond – Series 1998 (1998 bonds). The 1998 bond issue was to a) fund various capital projects and b) retire the City's General Obligation Bond – Series 1994 (1994 bonds). The interest rate ranges from 3.9% to 5.0% and is scheduled to mature in 2024. As part of the 1998 bond issue, funds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 bonds. As a result, the 1994 bonds are considered to be defeased; and the liability for those bonds has been removed from the general long-term debt account group. At December 31, 2012, \$1,885,000 of bonds considered defeased are outstanding.

The debt service requirements are as follows for the City's outstanding bonds:

Year	Principal	Interest	Total
2013	\$ 120,000	\$ 91,130	\$ 211,130
2014	120,000	85,250	205,250
2015	130,000	79,000	209,000
2016	135,000	72,375	207,375
2017	145,000	65,375	210,375
2018-2024	<u>1,235,000</u>	<u>228,125</u>	<u>1,463,125</u>
	<u>\$ 1,885,000</u>	<u>\$ 621,255</u>	<u>\$ 2,506,255</u>

CITY OF JEANNETTE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – LONG-TERM DEBT (continued)

General Obligation Note- 2010

In December 2010, the City issued a General Obligation Note, Series 2010. The note was sold to First Niagara Bank N.A. in accordance with its proposal to purchase the note. The 2010 note was issued to fund unfunded debt of the City that has accumulated as a result of performed and contracted services. Principal and interest payments of approximately \$15,409 are due quarterly for a total of forty payments beginning in March 2011 and continuing thereafter until the maturity date of December 2020. Interest on the note is at a fixed rate of 4.25% per annum on a tax-exempt fully bank-qualified basis until the maturity date.

The debt service requirements are as follows for the City's outstanding note:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 44,657	\$ 16,979	\$ 61,636
2014	46,586	15,050	61,636
2015	48,598	13,038	61,636
2016	50,696	10,940	61,636
2017	52,886	8,750	61,636
2018-2020	172,612	12,155	184,767
	<u>\$ 416,035</u>	<u>\$ 76,912</u>	<u>\$ 492,947</u>

Equipment Loans

In prior years, the City entered into several loan agreements with local financial institutions to purchase various equipment to be used in the general operations of the City. Annual payments of varying amounts are due monthly/annually through 2013-2018. Interest will be due at rates of 2.88% - 5.13% per annum. The total principal balance on these loans as of December 31, 2012 is \$307,526.

Future debt service requirements for these loans are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 137,934	\$ 12,449	\$ 150,383
2014	79,453	7,223	86,676
2015	47,492	4,335	51,827
2016	12,310	2,435	14,745
2017	13,074	1,672	14,746
2018	17,263	861	18,124
	<u>\$ 307,526</u>	<u>\$ 28,975</u>	<u>\$ 336,501</u>

CITY OF JEANNETTE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – LONG-TERM DEBT (continued)

U.S. Department of Housing and Urban Development Loan

In June 2010, the City entered into a loan agreement in the amount of \$966,000 with the Commonwealth of Pennsylvania and the Secretary of Housing and Urban Development. Principal payments of \$48,000 are due annually and interest payments of varying amounts are due semi-annually until the maturity date in 2030. Interest on the note is at a fixed rate agreed upon and detailed in the amortization schedule provided by the Commonwealth of Pennsylvania.

The debt service requirements are as follows for the City's outstanding note:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 48,000	\$ 30,096	\$ 78,096
2014	48,000	29,453	77,453
2015	48,000	28,589	76,589
2016	48,000	27,533	75,533
2017	48,000	26,256	74,256
2018-2022	240,000	108,510	348,510
2023-2027	240,000	63,176	303,176
2028-2030	150,000	13,575	163,575
	<u>\$ 870,000</u>	<u>\$ 327,188</u>	<u>\$ 1,197,188</u>

NOTE 6 – RISK MANAGEMENT

The risk of losses is covered by commercial insurance for the following areas: property and liability, workers' compensation and dishonesty. For insured areas, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year.

On December 31, 1996, City Council authorized the City's participation, beginning in 1997, in the Penn Prime Workers' Compensation Trust, which is a group workers' compensation pool, established through the intergovernmental cooperation of Pennsylvania municipalities under the authority of the Pennsylvania Workers' Compensation Act and the Pennsylvania Intergovernmental Cooperation Law. The City's participation in this pool is deemed to control workers' compensation insurance costs and reduce annual premiums.

NOTE 7 – PENSION PLAN

Plan Descriptions

The City administers three defined benefit pension plans covering full-time employees: the Non-Uniformed Pension Plan, the Police Pension Plan and the Firemen Pension Plan (Plans). The Plans operate under the authority of various City ordinances and provide retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living allowances are provided at the discretion of the Plans. The Non-Uniformed Pension Plan is an agent multiple-employer plan. The Police Pension Plan and the Firemen Pension Plan are single-employer plans.

CITY OF JEANNETTE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – PENSION PLAN (continued)

Plan Descriptions (continued)

Plan provisions are established by City ordinance with the authority for City contributions required by Act 205 of the Commonwealth of Pennsylvania (Act 205).

All Plans receive bi-annual actuarial valuations. The Non-Uniformed Pension Plan is administered by the Pennsylvania Municipal Retirement System (PMRS) which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent. The PMRS issues a separate Comprehensive Annual Financial Report. That report may be obtained by writing to the Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165. Neither single-employer plan issues separate audited financial statements.

As of the date of the most recent actuarial valuations, participants in the pension plans were as follows:

<u>Participants</u>	<u>Non-Uniformed</u>	<u>Police</u>	<u>Fireman</u>
Active members	22	13	3
Retirees and beneficiaries receiving benefits	25	22	4
Terminated plan members with vested or deferred benefits	2	-	-

Contributions and Funding Policy

Act 205 requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. Employees are not required to contribute under Act 205; such contributions are subject to collective bargaining. The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirement established by the MMO that exceeds the Commonwealth of Pennsylvania allocation must be funded by the City.

In accordance with the Plan's governing resolution, members are required to contribute five percent of their compensation to the plan. An additional contribution of \$1 per month is required by the Police and Firemen Plans.

The Plans may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the City in accordance with Act 205. Administrative costs, including the investment manager, trustee and actuarial services, are charged to the plan and funded through investment earnings.

	<u>Non-Uniformed</u>	<u>Police</u>	<u>Fireman</u>
Annual pension cost	\$ 162,059	\$ 414,406	\$ 54,476
Contributions made	\$ 162,059	\$ -	\$ 54,476

CITY OF JEANNETTE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – PENSION PLAN (continued)Historical Trend Information

Historical trend information designed to provide information about the City's progress made in accumulating sufficient assets to pay benefits when due is presented below:

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
Non-uniformed	12/31/2005	\$ 153,489	100%	\$ -
	12/31/2006	151,405	100%	-
	12/31/2007	160,377	100%	-
	12/30/2008	160,015	100%	-
	12/30/2009	155,976	100%	-
	12/31/2010	150,994	100%	-
	12/31/2011	165,947	100%	-
	12/31/2012	162,059	100%	-
Police	12/31/2005	\$ 113,968	100%	\$ -
	12/31/2006	129,377	100%	-
	12/31/2007	213,493	100%	-
	12/30/2008	217,836	100%	-
	12/30/2009	254,809	100%	-
	12/31/2010	255,258	100%	-
	12/31/2011	347,276	100%	-
	12/31/2012	414,406	0%	414,406
Firemen	12/31/2005	\$ 19,942	100%	\$ -
	12/31/2006	20,489	100%	-
	12/31/2007	24,103	100%	-
	12/30/2008	24,145	100%	-
	12/30/2009	42,543	100%	-
	12/31/2010	41,144	100%	-
	12/31/2011	55,146	100%	-
	12/31/2012	54,476	100%	-

CITY OF JEANNETTE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – PENSION PLAN (continued)

Funded Status

The City's funded status and related information as of the latest actuarial valuation date, January 1, 2011, is as follows:

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
Non-Uniformed	\$ 2,647,624	\$ 3,547,169	\$ (899,545)	74.64%	\$ 888,731	(101.22%)
Police	5,796,039	9,847,389	(4,051,347)	58.86%	1,014,282	(399.43%)
Firemen	678,227	1,166,618	(488,391)	58.14%	180,563	(270.48%)

NOTE 8 – POST-EMPLOYMENT HEALTH CARE

In addition to the pension benefits described above, the City provided health care benefits to Teamster and Police retirees in full until Medicare benefits begin. The employer's contributions are financed on a pay-as-you-go basis. As of December 31, 2012, eight retirees benefited under this plan, and \$44,109 in premiums were paid on their behalf. All other retirees must reimburse the City 100% of the premiums paid on their behalf.

NOTE 9 – LOAN RECEIVABLE

The City's Community Development fund provides low interest loans to proprietors that use Jeannette as their place of business. These funds are repaid to the City at interest rates that range between 2% and 5% over various amortization periods.

CITY OF JEANNETTE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – LOAN RECEIVABLE (continued)

The following represents the loan activity for the year ended December 31, 2012:

	Balance at January 1, 2012	Additions	Payments	Balance at December 31, 2012
Loan #1	\$ 1,331	\$ -	\$ -	\$ 1,331
Loan #2	74,950	-	-	74,950
Loan #3	12,188	-	(6,000)	6,188
Loan #4	4,337	-	(2,883)	1,454
Loan #5	58,568	-	(53,846)	4,722
Loan #6	-	16,203	(2,569)	13,634
Loan #7	7,883	-	(2,150)	5,733
Loan #8	36,933	-	(4,000)	32,933
Loan #9	13,331	-	(1,425)	11,906
Loan #10	14,225	-	(1,500)	12,725
Loan #11	11,334	-	(833)	10,501
Loan #12	-	10,000	(180)	9,820
	<u>\$ 235,080</u>	<u>\$ 26,203</u>	<u>\$ (75,386)</u>	<u>\$ 185,897</u>

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The City is currently engaged in a lawsuit with a local citizen. The City reports on the cash basis of accounting, therefore, the financial statements do not reflect if any provisions were made due to the ultimate resolution of a lawsuit not being reasonably estimable. In the opinion of management and legal counsel, such matters are not material to the financial statements, either individually or in the aggregate, since the claim would essentially be covered by insurance; and the only cost to the City would be the payment of the insurance deductible.

A legal case previously mentioned in the 2011 audit report was settled and paid subsequent to December 31, 2012.

Certain revenues provided to the City by the federal government are subject to audit by respective grantor agencies. Potential reimbursements may be required as a result of such audits. No provision would have been made for potential reimbursements in the financial statements as material amounts are considered to be unlikely.

CITY OF JEANNETTE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – GOING CONCERN

During 2012, the City experienced an increase in its general fund balance of \$91,154, leading to an ending general fund balance of \$129,151 as of December 31, 2012. However, the 2012 police pension payment in the amount of \$414,406 was not paid as of December 31, 2012. As of the date of this report, the City has repaid \$100,000 of the 2013 tax anticipation note and \$254,406 of the total 2012 pension obligation. Per discussion with management, the remaining balances of \$250,000 on the 2013 tax anticipation note and \$160,000 on the 2012 pension obligation will be paid at the end of November 2013. Further, during 2013, the City settled and paid a court ordered judgment of approximately \$172,000. The judgment included future payments of \$25,000 in 2014, 2015 and 2016. The 2013 pension obligation of approximately \$536,000 will be paid in 2014. The information above has contributed to uncertainty as to whether the City will have the necessary funds to pay significant expenditures it has incurred and is expected to incur in 2013. The City's plans in response to this situation have included cost reductions enacted during the year as well as increased monitoring of the City's cash flows on an ongoing basis. The City had layoffs and retirements during 2013 that included two higher paid employees that according the management were not replaced. Furthermore, the City is proposing an amendment to the earned income tax rate ordinance to increase revenue. Management has estimated an additional \$450,000 of tax revenue to assist in funding the pension liability. Through discussions with management and legal counsel they are not aware of any other lawsuits that would require payments, except as previously noted, above and beyond their insurance deductible.

The ability of the City to continue as a going concern is dependent upon its ability to maintain the necessary funds to pay the significant expenditures expected to be incurred toward the end of 2013. The financial statements do not include any adjustments that might be necessary if the City is unable to continue as a going concern.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JEANNETTE
SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Assets		Funded Ratio	Covered Payroll	Excess as a Percentage of Covered Payroll
			Over (Under) AAL				
Non-Uniformed							
1/1/1999	\$	\$	777,870	\$ (152,079)	80.45%	\$ 800,914	(18.99%)
1/1/2001			1,876,088	(923,602)	50.77%	918,171	(100.59%)
1/1/2003			2,093,204	(1,025,456)	51.01%	883,697	(116.04%)
1/1/2005			2,696,911	(969,477)	64.05%	886,696	(109.34%)
1/1/2007			2,771,420	(779,305)	71.88%	834,758	(93.36%)
1/1/2009			3,131,895	(708,031)	77.39%	1,005,179	(70.44%)
1/1/2011			3,547,169	(899,545)	74.64%	888,731	(101.22%)
Police							
1/1/1999	\$	\$	5,919,392	\$ 630,364	110.65%	\$ 838,660	75.16%
1/1/2001			6,475,586	1,002,825	115.49%	905,213	110.78%
1/1/2003			6,749,081	(275,636)	95.92%	1,006,360	(27.39%)
1/1/2005			7,341,592	(1,088,238)	85.18%	861,259	(126.35%)
1/1/2007			7,709,913	(1,377,691)	82.13%	893,985	(154.11%)
1/1/2009			8,739,050	(2,944,339)	66.31%	1,042,985	(282.30%)
1/1/2011			9,847,386	(4,051,347)	58.86%	1,014,282	(399.43%)
Firemen							
1/1/1999	\$	\$	718,475	\$ 168,183	123.41%	\$ 114,976	146.28%
1/1/2001			752,271	188,544	125.06%	138,029	136.60%
1/1/2003			820,610	(18,459)	97.75%	181,887	(10.15%)
1/1/2005			773,224	(16,910)	97.81%	178,089	(9.50%)
1/1/2007			938,845	(164,672)	82.46%	150,393	(109.49%)
1/1/2009			1,029,109	(333,649)	67.58%	176,661	(188.86%)
1/1/2011			1,166,618	(488,391)	58.14%	180,563	(270.48%)

See Independent Auditors' Report

CITY OF JEANNETTE
SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

Calendar Year	Non-Uniformed		Police		Firemen	
	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed
2002	\$ 22,610	100%	\$ 33,922	100%	\$ 7,825	100%
2003	134,401	100%	33,033	100%	6,189	100%
2004	131,113	100%	-	N/A	5,327	100%
2005	153,489	100%	113,968	100%	19,942	100%
2006	151,405	100%	129,377	100%	20,489	100%
2007	160,377	100%	213,493	100%	24,103	100%
2008	160,015	100%	217,836	100%	24,145	100%
2009	155,976	100%	254,809	100%	42,543	100%
2010	150,994	100%	255,258	100%	41,144	100%
2011	165,947	100%	347,276	100%	55,146	100%
2012	162,059	100%	414,406	0%	54,476	100%

Note: Contributions include state pension aid

CITY OF JEANNETTE

NOTE TO SUPPLEMENTARY PENSION SCHEDULES

The information presented in the required supplementary pension schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>Non-uniform</u>	<u>Police</u>	<u>Firemen</u>
Actuarial valuation date	1/1/2011	1/1/2011	1/1/2011
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Closed	Level Dollar Closed
Asset valuation method	Fair Value	4-Year Smoothing	4-Year Smoothing
Remaining amortization period	5.99 Years	18 Years (aggregate)	22 Years
Actuarial assumptions			
Investment rate of return	6.00%	7.00%	7.00%
Projected salary increases	5.20%	5.00%	5.00%
Underlying inflation rate	n/a	3.00%	3.00%
Cost of living adjustment, if applicable	n/a	n/a	n/a

n/a = not applicable

CITY OF JEANNETTE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
CASH BASIS – BUDGET AND ACTUAL GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget	Actual	Variance
Revenues:			
Taxes	\$ 3,032,200	\$ 3,148,532	\$ 116,332
Licenses, permits and fees	151,500	220,496	68,996
Fines, forfeitures and penalties	89,700	64,574	(25,126)
Intergovernmental	274,093	395,312	121,219
Charges for service	885,669	993,550	107,881
Payments in lieu of taxes	10,000	5,031	(4,969)
Miscellaneous	160,000	106,723	(53,277)
Total revenues	4,603,162	4,934,218	331,056
Expenditures:			
General government	810,954	938,792	(127,838)
Public safety	2,344,693	1,944,564	400,129
Public works - highways and streets	437,377	690,725	(253,348)
Public works - sanitation	742,242	736,763	5,479
Culture and recreation	30,000	20,000	10,000
Community development	125,637	43,166	82,471
Insurance	-	175,374	(175,374)
Miscellaneous	10,800	30,430	(19,630)
Debt service:			
Principal retirement	621,459	636,778	(15,319)
Interest	-	144,217	(144,217)
Total expenditures	5,123,162	5,360,809	(237,647)
Other financing sources (uses):			
Proceeds from loan	350,000	350,000	-
Interfund transfers, net	170,000	167,745	(2,255)
Total other financing sources (uses)	520,000	517,745	(2,255)
Net change in fund balance	\$ -	\$ 91,154	\$ 91,154

See Independent Auditors' Report