

BE IT RESOLVED, by the City Council of The City of Pittston, and it is hereby resolved by the authority of the same,

WHEREAS, the attached required Independent Report on Audit of Financial Statements and the Single Audit Report performed by PA&K, LLP, 209 Pierce Street, Kingston, Pa. for the City of Pittston, for the year ended December 31, 2014 is hereby accepted, received, and available for public examination and disclosure beginning September 17, 2015 as required and in accordance with the provisions of the law.

On Motion of, Michael Lombardo seconded by Kenneth Bangs

Above Resolution Adopted

ROLL CALL

Yeas	- Councilmembers -	Nays
<u> X </u>	ARGO	<u> </u>
<u> X </u>	BANGS	<u> </u>
<u> X </u>	LOMBARDO	<u> </u>
<u> A </u>	MCLEAN	<u> </u>
<u> X </u>	MAYOR KLUSH	<u> </u>

ATTEST

APPROVED


CITY ADMINISTRATOR


MAYOR

CITY OF PITTSBURGH, PENNSYLVANIA

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2014
&
INDEPENDENT AUDITORS' REPORT
&
REQUIRED SUPPLEMENTARY INFORMATION
&
ADDITIONAL INFORMATION**

PA&K, LLP

ACCOUNTANTS & CONSULTANTS

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ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor - and Members of City Council
City of Pittston, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pittston, Pennsylvania, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.,

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 1 to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Management has also not recorded other post-employment benefit obligations in governmental activities. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the City of Pittston, Pennsylvania, as of December 31, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pittston, Pennsylvania, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6–12 and 12–19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pittston, Pennsylvania's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

PA & K LLP

Kingston, Pennsylvania
August 24, 2015

CITY OF PITTSTON, PENNSYLVANIA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Management's discussion and analysis of the City of Pittston's financial performance provides an overview of the City's financial activities for the years ended December 31, 2014 and 2013 for governmental activities and business-type activity.

Pursuant to Article IV of the Pittston City Home Rule Charter (Pittston City Code §C4.04) the City Administrator is responsible for specified budgetary and financial administration and this discussion and analysis has been prepared by the Office of the City Administrator. The Independent Auditor's report is authorized by the Pittston City Council pursuant to the Article X of the Pittston City Home Rule Charter (Pittston City Code §C10.01-§C10.03).

FINANCIAL HIGHLIGHTS

Government-Wide Level

- The City's overall net assets decreased as a result of this year's operations. The net assets of the business-type activity decreased by \$33,647, and net assets of the governmental activities decreased in 2014 by \$216,133.
- During 2014, the City had expenses that were \$2,691,604 greater than the \$6,837,008 generated in tax and other revenues for governmental programs.

Fund Level

- The General Fund reported a deficit of \$4,981,900 at December 31, 2014 and a deficit of \$5,591,673 at December 31, 2013.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 20 and 21) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 22 and tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE CITY AS A WHOLE

"The Statement of Net Position and the Statement of Activities"

Our analysis of the City as a whole begins on page 9. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets-the difference between assets and liabilities-as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads and housing units, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities**-Most of the City's basic services are reported here including the administration, police, fire, public works (includes street, sanitation, recycling, sewer, and recreation functions), community development, and redevelopment authority. Property taxes, earned income and business taxes, franchise fees, licenses, sewage transmission fees, garbage fees, and state and federal grants finance most of these activities.

- **Business-Type activity**-The Pittston Parking Authority is a Municipal Authority entity organized under the laws of the Commonwealth of Pennsylvania (Pittston City Code §18-3). The Authority collects fees from parking spaces.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 22 and provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, City Council establishes many other funds to help it control and manage money for particular purposes (such as the Sewer Maintenance Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds-governmental and proprietary-use different accounting approaches.

- **Governmental funds**-Most of the city's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation on pages 20 and 21.
- **Proprietary fund**-When the City charges customers for the services it provides these services are generally reported in proprietary fund. Proprietary fund is reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activity we report in the government-wide statements, but provide more detail and additional information.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

The City is the Trustee, or fiduciary, for its employees' pension plans (Pittsburgh City Code Chapter 68). It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets on pages 28 and 29. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The pension funds are audited every 2 years by the Commonwealth's Office of the Auditor General and the audit reports are available at city hall and from the auditor general.

THE CITY AS A WHOLE

The City's combined net assets decreased from a year ago to \$4.8 million from \$5 million. Our analysis below focuses on the net assets and changes in net assets of the City's governmental activities.

Net deficit of the City's governmental activities decreased to \$4,981,900 compared to \$5,591,673 in 2013. Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements-changed from a \$6,134,708 deficit at December 31, 2013 to a \$6,186,366 deficit at the end of this year.

The net assets of our business-type activity decreased to \$83,871 compared to \$117,509 in 2013.

The cost of all governmental activities in 2014 and 2013, respectively, was \$9.5 million and \$8 million. However, as shown in the Statement of Activities on page 21, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$3 million in 2014 and \$2.9 million in 2013 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain program with grants and contributions.

CITY OF PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

CITY'S MAJOR FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 22) reported a combined fund balance of \$803,146, which is more than last year's total of \$525,193.

- Principal and interest payments made on long-term debt and capital leases were approximately \$794,983.
- During the current year, the fund balance of the Office of Community Development Program increased by \$34,962.
- Each year, the State provides the City with a portion of the gasoline tax revenues it collects. These funds are deposited into the city's Liquid Fuels Funds, a restricted use special purpose revenue fund subject to separate audit by the office of the Commonwealth's Auditor General. These funds can only be used for certain purposes related to maintenance and improvement of public roads and street lighting and specific equipment directly related to roadway maintenance. The following table shows the amount of Liquid Fuels funds received by the city in the last 3 years:

Fiscal Year	Liquid Fuels Funds Received from the Commonwealth of Pennsylvania
2014	\$ 166,753
2013	154,736
2012	157,283

During Fiscal Year 2014, the City expended \$96,208 of Liquid Fuels Funds on a capital improvement project to repair and resurface John Street and portions of Market and Wharf Streets.

CAPITAL ASSETS

During Fiscal Year 2014, city leadership initiated the planning process to establish a current asset inventory of city owned capital assets which is a required component of the annual Financial Statement. Previous administrations had not maintained the fixed assets inventory. Due to a significant expansion project of the city's public library building; planned renovations to city hall and considerable changes in the city's vehicle fleet and equipment planned for Fiscal Year 2014, it was deemed prudent to delay the start of the capital asset inventory until Fiscal Year 2015. It is noted that the future inclusion of the inventoried capital assets would have a significant positive financial impact on the annual financial statement.

OTHER POST-EMPLOYMENT BENEFITS

Note on Other Post-Employment Benefits (OPEB): When regulations related to reporting Other Post-Employment Benefits costs were changed some time ago, the previous administration did not obtain the necessary OPEB information. The current city leadership implemented a planning process with a goal of appropriating funds for obtaining the city's OPEB calculation during Fiscal Year 2015 in accordance with standard accounting requirements.

Other obligations include accrued vacation pay and sick leave.

2014 ANNUAL BUDGET

The City Council adopted a comprehensive budgetary, financial management and debt management policy (Pittsburgh City Code Chapter 23) and the Fiscal Year 2014 budget was prepared in accordance with the parameters of the policy (§23-2).

During the course of the fiscal year, the City Council proactively amended the General Fund and Liquid Fuels funds budgets to reflect the then most current projections of revenue and expenditures.

The following table shows the total annual budget for each appropriated fund for Fiscal Year 2014:

Fund Name	Approved FY 2014 Budget	Revised FY 2014 Budget
General Fund	\$ 4,797,699	\$ 4,809,332
Sewer Maintenance Fund	1,097,050	No revision
Liquid Fuels Fund	273,000	No revision*

*The budget amendment internally reallocated line item appropriations without changing the total appropriation amount.

Please note that during Fiscal Year 2014, the city established capital projects funds for the expansion of the city library, renovation of city hall, Downtown Streetscape Phase IV and received additional funds from PENNVEST for repairs and renovation of sewer lines (PENNVEST Sewer Capital Improvement Fund). Authority to establish, receive, and expend these funds was appropriated in specific Resolutions adopted by the City Council during fiscal year.

Despite an increase in the earned income tax in 2013, the City still continues to be challenged forthright by its ability to generate sufficient revenues and maintain its financial capacity to afford a level of services that our residents are accustomed and in fact, have come to expect. In 2015 the Administration will continue to strive to improve the City's finances and maintain control of department-wide expenditures.

FINANCIAL NOTES TO 2014 BUDGET

REVENUE ACCOUNTS

The City's overall General Fund revenue over the past three years is as follows:

Fiscal Year	Total General Fund Revenue
2014	\$ 4,399,536
2013	4,534,611
2012	3,956,047

While there was a decrease in overall revenue from Fiscal Year 2013 to Fiscal Year 2014, this is largely attributed to one time grant revenue received by the General Fund in Fiscal Year 2013.

The City's two primary revenue sources are earned income tax and real estate tax (property tax). Following adoption of the City's new Home Rule Charter in Fiscal Year 2013, and to offset the cost of a new property tax deduction for homeowners required by the City's new Home Rule Charter, the earned income tax was increased to generate sufficient operating revenue for enhanced city services. Earned income tax collections over the past three years are as follows:

Fiscal Year	Earned Income Tax
2014	\$ 1,059,403
2013	1,054,270
2012	585,939

Like many jurisdictions in the area, the City was adversely affected by the bankruptcy and liquidation of its former earned income tax collector, Don Wilkinson Agency. During FY 2010-FY 2012, the earned income tax collection and reliability of cash flow were hindered. The City is an active member of the Luzerne County Act 32 Tax Collection Committee and carefully and proactively participated in the selection of a new Act 511 tax collection agency,

CITY OF PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Berkheimer Associates, and since Berkheimer became the collection agency, the City has seen improved earned income tax collections. The City's Administration Department communicated regularly with the collection agency for alignment of the City's Budget to forecasted earned income tax revenue.

Real estate taxes represent the City's largest single source of revenue. Collections of current year real estate taxes in the in last three years are as follows:

Fiscal Year	Current Year Real Estate Tax
2014	\$ 1,414,527
2013	1,362,631
2012	1,513,222

The City's new Home Rule Charter required the establishment of a "Homestead Deduction" for the assessment amounts of owner-occupied residential homes. Pittston City Code Section §436-42(A) set the amount of the deduction at \$15,000. This resulted in a reduction of approximately \$220,000 in annual property tax revenue beginning in FY 2013. Since that time, real estate tax revenue has increased annually due primarily to commercial building construction and improvements in the downtown as well as some residential structure improvements. Luzerne County Government is responsible for collection of delinquent real estate taxes and enhanced administration of delinquent property tax revenue has also contributed to more current year tax revenue being received as property owners seek to avoid the fees and costs associated when taxes go delinquent.

Although representing less than 2% of the City's total revenue, a source of uncertainty in revenue has been the "Local Services Tax" (Pittston City Code Section 436 Title V). This is also due to the bankruptcy of the Don Wilkinson Agency as previously noted. However, the new collection agency, Berkheimer Associates, determined that the City has been incorrectly receiving revenue from businesses not located in the city and the resulting adjustments has significantly decreased total annual revenue from this source. The City believes this revenue source will stabilize at about \$90,000 annually in FY 2015.

The City has also modernized and improved collections of various fees and licenses issued by its building inspection, code enforcement, and zoning offices.

Overall, the City's revenue is expected to continue to increase at slightly more than the rate of inflation. Downtown business district improvements will result in several new commercial building coming into the property tax stream in the near future. A home revitalization project

CITY OF PITTSTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

and new downtown condominium building will serve as catalysts for improvements in the earned income tax revenue system. At the same time, however, it will be a challenge for the City's revenue growth to match pace with anticipated expenditures.

EXPENSE ACCOUNTS

The City adopted a comprehensive budgetary, financial, and debt service management policy in FY 2013 (Pittsburgh City Code Chapter 23) that significantly improved the accuracy of the City's annual budget and resulted in proactive monthly budget to actual reporting by the office of the city administrator with monitoring by the elected officials.

The improvements in the budgetary and financial reporting have made department heads more aware of and involved in administering their budgets and understanding the city's overall financial condition and this has resulted in a significant improvement in department spending being at or below budget appropriations. The office of the city administrator also proposes mid-year budget amendments to the mayor and city council as needed to adopt the budget to changing financial circumstances within the fiscal year.

Consequently, overall General Fund expenditures of \$4,535,619 in FY 2014 was \$273,712 below the budget level. Within the budget, significant overspending was limited to just a few areas that included: winter operations over the severe winter of 2013-2014; operating transfers to the PENNVEST Sewer Improvement Capital Project Fund and Sewer Maintenance Fund; downtown business district maintenance and programming and police personnel costs, all of which were proactively identified and monitored during the fiscal year.

Despite the resulting budget pressures, the administration committed to necessary snow and ice abatement, plowing and removal operations during the severe winter to preserve residential safety and the operation of commercial businesses. Unbudgeted operating transfers to the two sewer funds were deemed prudent by the city administrator to address cash flow needs of the funds with restricted revenue sources. Despite an increase in the appropriation, city leadership did not anticipate a significant expansion of the popularity and success of the downtown revitalization programs, which have brought thousands of people and additional business activity to the downtown but which represented increased downtown operation costs and it was determined to continue those programs. The administration also determined to enhance police operations with additional personnel beyond the budget level to sustain the City's progress.

All of these areas of FY 2014 overspending were monitored throughout the year and addressed during FY 2015 budget formation.

While departments did an excellent job of administering their budgets, the city continued to face significant spending pressures, particularly in the area of the required employer contribution to the defined benefit pension plans, increased debt service required to sustain capital improvements; increased lease costs to replenish the vehicle fleet and increased insurance costs.

CITY OF PITTSBURGH, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The City is required by state law to provide certain defined benefit pension plans to several classes of full time employees. Decisions made by previous administrations, combined with the effects of the 2008 global recession have greatly increased the cost of these pension plans to the city taxpayers. Even after "state aid" was applied to the pension plans in FY 2014, an obligation in excess of \$295,000, to the police pension plan, remained to the city. Due to cash flow in the fourth quarter, the city was unable to meet this obligation and it was moved to a liability on the General Fund balance sheet for FY 2015. City leadership plans to aggressively address this liability during the FY 2015 budget and financial administration process but state-level reform of municipal pensions is the only way the city and many other jurisdictions can stabilize and afford this liability.

For many years, the city deferred maintenance and improvement of its infrastructure. The present administration has invested heavily in repairs, maintenance, and improvement of city wide infrastructure and public property. However, this investment comes at a cost of increased debt service. The City fully budgets for anticipated debt service, but future capital improvements may be constrained by the limits of the borrowing base as determined by state law, and the ability to budget the resulting debt service.

Many city vehicles were deteriorated to the point that annual maintenance costs equaled or exceeded replacement costs. The city has invested heavily in modernizing its public works and police fleets but with a resulting increase in debt lease payments. This increase is partially offset by decreased maintenance costs and as the leases are paid off the city anticipates lease costs again decreasing.

Changes in state law to workers compensation for paid firefighters a few years ago left the City and many other jurisdictions unable to obtain workers compensation insurance from private insurers and the city had to obtain insurance from a state entity, the State Workers Compensation Fund (SWIF) resulting in a significant spike in the cost of this insurance, particularly in the fire departments. The City currently pays the workers compensation insurance for its two volunteer fire companies which represents a significant strain on the General Fund in the face of the tremendously increased cost of such coverage.

Given the need to years of deferred capital maintenance, and increased personnel costs largely due to the state collective bargaining and pension laws, the City can anticipate a continued challenge in holding the line on expenditures to the anticipated growth in revenue.

COMMENTS ON NON-GENERAL FUNDS

The City maintains a number of special purpose revenue funds. These funds have specific sources of revenue and their expenditures are limited to purposes defined in their authorizing legislation.

The City's primary special purpose revenue fund is the Sewer Maintenance Fund. This fund receives revenue from an annual sewer maintenance fee established pursuant to Chapter 386 Article IV of the Pittsburgh City Code. Expenditures from this fund are limited to debt service on the PENNVEST sewer improvement loan and repairs and maintenance of the City's sanitary and stormwater sewer system. The existing debt service of approximately \$525,000 annually uses up the majority of this fund's annual budget. However, approximately 60% of the City's sewer system has yet to be renovated and is 80 to more than 100 years old. The City regularly is faced with emergency sewer repairs that challenge this fund's finances and which may require future revenue enhancement.

The City has been a prudent steward of its Liquid Fuels Fund for road repairs. Unlike many jurisdictions the City does not charge any personnel costs to this fund, and regularly uses this fund for paygo capital improvements to roads and for road maintenance equipment. In FY 2014, the City repaved John Street and parts of Market and Wharf Streets using this fund.

During FY 2014, the City established several new capital project funds for the expansion of the public library, planned renovations to city hall and expansion of the downtown streetscape. The City has implemented careful and prudent budgeting and accounting to successfully manage these capital projects on a budgetary basis.

The Office of the City Treasurer also holds escrow funds for fire damaged properties under the City's fire escrow ordinance (Pittsburgh City Code Chapter 255) and for certain condemned buildings pursuant to the City Condemned Building Ordinance (Pittsburgh City Code Chapter 186). These funds are also monitored by the City Controller and Office of the City Administrator.

FLOODPLAIN MANAGEMENT

Parts of the City are in areas subject to federal floodplain regulations pertaining to the National Flood Insurance Program (NFIP). In 2012, the City adopted the most current federal floodplain regulations as required by NFIP (Pittsburgh City Code Section 270) to assure NFIP insurance availability.

CITY OF PITTSTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

REQUEST FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Pittston- City Hall, 35 Broad Street, Pittston, PA 18640.

CITY OF PITTSTON

STATEMENT OF NET POSITION
DECEMBER 31, 2014

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITY	TOTAL
CURRENT ASSETS:			
Cash	\$ 143,434	\$ 32,270	\$ 175,704
Restricted cash	1,514,613	-	1,514,613
Accounts receivable, net	595,572	-	595,572
Taxes receivable	240,161	-	240,161
Current portion of loans receivable	6,948	-	6,948
Total current assets	2,500,728	32,270	2,532,998
LOANS RECEIVABLE, Net of current portion and allowance for doubtful accounts	70,161	-	70,161
MORTGAGES RECEIVABLE	2,129,750	-	2,129,750
CAPITAL ASSETS, Net	-	51,785	51,785
TOTAL	\$ 4,700,639	\$ 84,055	\$ 4,784,694
CURRENT LIABILITIES:			
Notes payable	2,388,250	-	2,388,250
Capital lease obligations	80,977	-	80,977
Compensated absences	124,967	-	124,967
Accounts payable	623,777	-	623,777
Accrued expenses	9,967	184	10,151
Total current liabilities	3,227,938	184	3,228,122
NONCURRENT LIABILITIES:			
Notes payable	6,015,469	-	6,015,469
Capital lease obligations	251,681	-	251,681
Compensated absences	187,451	-	187,451
Total liabilities	9,682,539	184	9,682,723
NET POSITION:			
Invested in capital assets, net of related debt		51,785	51,785
Restricted	1,152,808	-	1,152,808
Unrestricted	(6,134,708)	32,086	(6,102,622)
Total net position	(4,981,900)	83,871	(4,898,029)
TOTAL	\$ 4,700,638	\$ 84,055	\$ 4,784,694

See Notes to Financial Statements

CITY OF PITTSBURGH

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	PROGRAM REVENUES			NET EXPENSES AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITY
FUNCTIONS/PROGRAMS						
Governmental activities:						
Community development	\$ 4,363,091			3,819,055	\$ (544,036)	\$ (544,036)
Public safety	1,972,935	38,143	8,160	-	(1,926,632)	(1,926,632)
Public works	1,935,670	593,664	170,573	447,044	(724,389)	(724,389)
General government - administrative	1,001,443	886,709	57,518	816,142	758,925	758,925
Interest on long-term debt	184,812				(184,812)	(184,812)
Culture and recreation	70,660	-	-	-	(70,660)	(70,660)
Total governmental activities	\$ 9,528,612	\$ 1,518,516	\$ 236,251	\$ 5,082,241	\$ (2,691,604)	\$ (2,691,587)
Business-type activity, Pittston Parking Authority	83,706	69,051	-	-	-	(14,655)
TOTAL	\$ 9,612,318	\$ 1,587,567	\$ 236,251	\$ 5,082,241	\$ (2,691,604)	\$ (2,706,242)
General revenues:						
Property and other taxes					3,046,384	3,046,384
Unrestricted investment earnings					20,466	20,466
Miscellaneous					606,074	606,074
Total general revenues					3,672,924	3,672,924
Change in net position					981,320	966,682
Prior period adjustment					(186,035)	(186,035)
Net position-beginning					(5,591,673)	(5,474,164)
Net position (deficit)-ending					\$ (4,796,388)	\$ (4,693,517)

See Notes to Financial Statements

CITY OF PITTSBURGH

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2014

	GENERAL FUND	COMMUNITY DEVELOPMENT FUND	SEWER MAINTENANCE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash	\$ 84,007	\$ 11,943	\$ 47,484	\$ 1,092,976	\$ 147,617	\$ 143,434
Restricted cash	-	274,020	-	-	-	1,514,613
Accounts receivable, net	228,692	-	366,879	-	-	595,572
Taxes receivable	240,161	-	-	-	-	240,161
Due from other funds	63,198	-	-	50,000	-	113,198
Total assets	\$ 616,059	\$ 285,963	\$ 414,363	\$ 1,142,976	\$ 147,617	\$ 2,606,978
LIABILITIES:						
Accounts payable	141,336	\$ 82,416	\$ 44,878	\$ 345,077	\$ 10,070	\$ 623,777
Due to other funds	295,864	-	50,698	-	62,500	409,062
Accrued liabilities	9,967	-	-	-	-	9,967
Total liabilities	447,167	82,416	95,576	345,077	72,570	1,042,806
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue:						
Property taxes	228,692	-	-	-	-	228,692
Refuse fees	175,184	-	-	-	-	175,184
Sewer fees	-	-	106,358	-	-	106,358
Total deferred inflows	403,876	-	106,358	-	-	510,234
(DEFICIT) FUND BALANCES:						
Unassigned fund balances	(234,984)	203,547	212,429	797,899	136,114	(98,870)
Restricted fund balances	-	-	-	-	(61,067)	1,152,808
Total fund balances (deficit)	(234,984)	203,547	212,429	797,899	75,047	1,053,938
Total liabilities and fund balances	\$ 616,059	\$ 285,963	\$ 414,363	\$ 1,142,976	\$ 147,617	\$ 2,606,978

See Notes to Financial Statements

CITY OF PITTSTON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2014

TOTAL FUND BALANCE (Page 22) \$ 1,053,938

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

Mortgages and loans receivable are not due and collectible in the
current period and, therefore, are not reported as assets in the
governmental funds. 2,206,859

Unavailable revenue and deferred inflows of resources in the
governmental-fund balance sheet including accounts
receivable balances that were not considered a current
resource. 510,234

Accrued pension liability 295,864

Long-term obligations are not due and payable in the current period and are
not reported as liabilities in the general funds. Long-term obligations
at year end consist of:

Notes payable	(8,403,719)
Compensated absences	(312,418)
Capital lease	<u>(332,658)</u>

Total net position of governmental activities (Page 20) \$ (4,981,900)

See Notes to Financial Statements

CITY OF PITTSBURGH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	GENERAL FUND	COMMUNITY DEVELOPMENT FUND	SEWER MAINTENANCE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES:						
Taxes	\$ 2,655,955	\$ -	\$ -	\$ -	\$ 166,753	\$ 2,822,708
Intergovernmental revenues	384,441	3,756,007	-	826,252	1,000	4,967,700
Charges for services	571,076	-	604,142	-	-	1,175,218
Licenses and permits	315,632	-	-	-	-	315,632
Fines and forfeits	38,143	-	-	-	-	38,143
Investment earnings	19,277	470	75	36	608	20,466
Miscellaneous revenues	92,936	511,633	1,500	5	-	606,074
Total revenues	4,077,461	4,268,110	605,717	826,293	168,361	9,945,941
EXPENDITURES:						
Current:						
Public works	985,903	-	224,363	503,746	221,658	1,935,670
Public safety	1,828,884	-	-	-	25,864	1,854,748
Community development	166,338	4,245,608	-	-	-	4,411,946
General government - administrative	981,687	-	-	-	-	981,687
Culture and recreation	70,660	-	-	-	-	70,660
Miscellaneous	-	-	-	-	-	-
Debt service:						
Principal	330,903	-	-	464,080	-	794,983
Interest	86,836	34,928	-	63,048	-	184,812
Total expenditures	4,451,211	4,280,536	224,363	1,030,874	247,522	10,234,506
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(373,751)	(12,426)	381,354	(204,581)	(79,161)	(288,565)
OTHER FINANCING SOURCES (USES):						
Proceeds from long-term debt	-	-	-	566,517	-	566,517
Proceeds from sale of land and capital assets	-	-	-	-	-	-
Proceeds from issuance of long-term debt	-	-	-	-	-	-
Transfers in	207,131	47,388	75,000	571,055	62,500	963,074
Transfers out	(228,815)	-	(687,055)	(3,681)	(43,523)	(963,074)
Total other financing sources (uses)	(21,684)	47,388	(612,055)	1,133,891	18,977	566,518
NET CHANGE IN FUND BALANCE	(395,435)	34,962	(230,701)	929,310	(60,184)	277,953
(DEFICIT) FUND BALANCE, BEGINNING	160,451	168,585	192,337	(131,411)	135,231	525,193
(DEFICIT) FUND BALANCE, ENDING	\$ (234,984)	\$ 203,547	\$ (38,364)	\$ 797,899	\$ 75,047	\$ 803,146

See Notes to Financial Statements

CITY OF PITTSBURGH

**RECONCILIATION OF CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
WITH CHANGE IN NET POSITION IN THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Change in fund balance (Page 24)	\$ 277,953
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The change in net position reported in the statement of activities is different because:

Payments of long-term obligation principal are considered a use of current financial resources and are reported in the changes in fund balance but not in the statement of activities.	794,983
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Proceeds from long-term debt and capital lease obligations are considered a current financial resource and are reported in the changes in fund balance but not in the statement of activities.	(566,517)
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Net repayment of loans receivable are considered a use of current financial resources and are reported in the changes in fund balance but not in the statement of activities.	53,006
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Payments on capital lease principal are considered a use of current financial resources and are reported in the statement of changes in fund balance but not in the statement of activities.	(42,252)
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Change in compensated absences	(18,631)
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In the statement of net change in fund balance, non-exchange revenue is only recognized when measurable and available. Therefore, any non-exchange balances collected past sixty days of the balance sheet date are not recognized as revenue until the period collected. This amount is the net change in revenue accrued between the prior and the current year.	<u>482,778</u>
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Change in net position of governmental activities	<u>\$ 981,320</u>
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See Notes to Financial Statements

CITY OF PITTSTON

STATEMENT OF NET POSITION-PROPRIETARY FUND
DECEMBER 31, 2014

CURRENT ASSETS:

Cash and cash equivalents	\$ 32,270
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CAPITAL ASSETS, NET	<u>51,785</u>
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TOTAL ASSETS	<u>\$ 84,055</u>
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CURRENT LIABILITIES:

Accrued liabilities	<u>\$ 184</u>
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NET ASSETS:

Unreserved	<u>83,871</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 84,055</u>
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See Notes to Financial Statements

CITY OF PITTSTON

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN NET POSITION-PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

REVENUES

Fees	\$ 69,051
Interest	<u>17</u>

Total revenues	<u>69,068</u>
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EXPENSES

Administration	1,384
Professional services	<u>82,322</u>

Total expenses	<u>83,706</u>
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NET LOSS	(14,638)
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NET ASSETS, BEGINNING OF THE YEAR,	<u>98,509</u>
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NET ASSETS, END OF THE YEAR	<u>\$ 83,871</u>
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See Notes to Financial Statements

CITY OF PITTSTON

STATEMENT OF FIDUCIARY NET POSITION DECEMBER 31, 2014

	<u>PENSION TRUST FUND</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
CASH	\$ 301,678	\$ 70,352
DUE FROM OTHER FUND	295,864	
INVESTMENTS	<u>7,829,495</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 8,427,037</u>	<u>\$ 70,352</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES,		
Due to other governments	\$ -	\$ 25,956
Due to insured party	-	12,262
Due to property owner	<u>-</u>	<u>32,134</u>
Total Liabilities	-	70,352
NET ASSETS,		
Reserved for pension benefits	<u>8,427,037</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,427,037</u>	<u>\$ 70,352</u>

See Notes to Financial Statements

CITY OF PITTSTON

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION-
PENSION TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

ADDITIONS:

Contributions:

Employer	\$ 295,864
Employee	53,193
State aid	201,439
Other service buy back	<u>504</u>

Total contributions	<u>551,000</u>
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Investment earnings:

Net appreciation of fair value of investments	348,121
Interest and dividends	<u>6,474</u>

Total investment earnings	354,595
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Total additions, net	<u>905,595</u>
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DEDUCTIONS:

Benefits paid	475,101
Administrative and other fees	21,147
Refunds of terminated employees	<u>5,927</u>

Total deductions	<u>502,175</u>
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NET INCREASE IN NET ASSETS	403,419
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NET ASSETS, RESERVED FOR EMPLOYEES'

RETIREMENT BENEFITS:

Beginning of year	<u>8,023,618</u>
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End of year	<u>\$ 8,427,037</u>
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See Notes to Financial Statements

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the City of Pittsburgh, Pennsylvania (the "City"), conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The following notes to the financial statements are an integral part of the City's financial statements.

FINANCIAL REPORTING ENTITY

The City was incorporated in 1894 under the provisions of the constitution and general statutes of the Commonwealth of Pennsylvania. The City is a third class city, as defined by state statutes. The City has been operating under a Home Rule Charter since January 2, 2013. The City operates under a Mayor/Council form of government and provides a full range of services, including general administration, public safety, health and welfare, sanitation, culture and recreation, community development, and public works to approximately 8,000 residents. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the primary government) and its component unit. The component unit, discussed in Note 2, is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

BASIS OF PRESENTATION

The government-wide 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 and its blended component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING,
AND FINANCIAL STATEMENT PRESENTATION**

The governmental activities in the government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The business-type activity in the government-wide financial statements and the proprietary fund are reported using accounting principles prescribed by the Pennsylvania Department of Transportation.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be *measurable* and *available* only when cash is received by the City.

The City reports the following major governmental funds:

GENERAL FUND-Used to account for all financial transactions applicable to the general operations of the City except for those required to be accounted for in another fund.

COMMUNITY REDEVELOPMENT FUND-Used to account for the grant proceeds received from the state and Federal agencies to fund local development activities such as affordable housing, anti-poverty programs, and infrastructure development.

SEWER MAINTENANCE FUND-Used to account for the sewer usage charges collected from the City residents to fund the sewer improvement project.

CAPITAL PROJECTS FUNDS-Used to account for the financial resources and activity related to the acquisition, construction, or reconstruction of the City's sewer lines, and other public property and city infrastructure. Resources are derived from proceeds of long-term debt and various grants.

LIQUID FUELS FUND-Used to account for the maintenance of city streets. Financing is provided through the City's share of the state gasoline taxes.

The City's Fiduciary Fund accounts for the Pension Trust Fund and Agency Funds. The Pension Trust Fund is used to account for pension benefits for current and retired employees. The principal revenue sources for this fund are employer, employee, and state contributions. The Pension Trust Fund is accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. The Pension Trust Fund accounts for the City's defined benefit pension plans for police, firemen, and non-uniformed employees and retirees. The Agency Funds account for funds held by the City in a custodial or agent function.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board ("GASB"). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected to follow subsequent private-sector guidance, except those that conflict with or contradict GASB pronouncements.

Amounts reported as *program revenues* include charges to customers or applicants for goods, services, or privileges provided and operating grants and contributions.

Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for services. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets acquired with operating assistance grants. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

BUDGETARY ACCOUNTING CONTROL

The City's budget is prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") using the modified accrual basis of accounting. Annual operating budgets are legally adopted for the General Fund, and other funds as required by enacting legislation.

CASH, CASH EQUIVALENTS AND INVESTMENTS

The City's cash is considered to be cash on hand and demand deposits. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values.

INTERNAL BALANCES

Internal balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

FUND BALANCE

The City's fund balance classifications are defined and described as follows:

Restricted: Represents fund balance amounts that are limited by external parties, or by enabling legislation.

MORTGAGES RECEIVABLE

Mortgages receivable represents various notes and mortgages between the Lincoln Heights Corporation ("grantor") and Lincoln Heights Senior Housing, LP ("grantee") for an old school building that was converted to apartments for low income housing. Payment of principal only is due 30 years from the date of the notes, which were signed on various dates in 2005. The premises acts as security for the mortgage. Total mortgages receivable at December 31, 2014 is \$2,129,750.

RECEIVABLES

All accounts receivable are shown net of an allowance for doubtful accounts of \$215,948

The loans receivable are shown net of an allowance for estimated uncollectible loans. The allowance is calculated based on collection history and is approximately \$54,000 at December 31, 2014.

COMPENSATED ABSENCES

Contracts between the City and the three unions representing substantially all police, firemen, and non-uniformed employees provide for various compensated absences for vacation pay and unused sick days.

Vacation time must generally be used in the period earned and there is no accrual for vacation pay included in the City's financial statements.

Sick leave may be accumulated for a maximum number of days as described in each of the respective union contracts. Fifty percent of the accumulated maximum number of days is payable upon death when as the employee retires under the normal retirement provisions of the applicable pension program.

PROPERTY TAXES

The City bills and collects its own property taxes based upon assessed valuations provided by Luzerne County. All uncollected taxes are submitted to Northeast Revenue Service, LLC, agent for the Luzerne County Tax Claim Bureau for collection. For 2014, The City levied 6.85 mills per dollar of assessed valuation for general governmental, debt service, and recreational purposes upon the total taxable

assessed valuation of property within the City of \$214,256,100. The 2014 property tax calendar follows:

Issued date	February 10, 2014
Discount period at 2%	Until April 9, 2014
Face period	April 10, 2014 to June 9, 2014
Penalty period at 10%	June 10 and thereafter

DEFERRED REVENUES

Deferred revenues are those revenues where asset recognition criteria have been met but for which revenue recognition criteria have not been met. Such amounts are measurable but are not available. Deferred revenue may also result from revenues being collected in advance of the fiscal year to which they apply or in advance of their legal due date.

RESTRICTED INVESTMENTS

Restricted investments represent resources set aside for the liquidation of specific obligations.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

INTERFUND TRANSACTIONS

The City had numerous transactions between funds to finance operations, provide services, construct assets, and service debt. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These transactions are classified as transfers-in/out, and due from/to other funds.

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

The operating transfers between funds for the year ending December 31, 2014 are as follows:

	<u>General</u> <u>Fund</u>	<u>Community</u> <u>Development</u> <u>Fund</u>	<u>Sewer</u> <u>Maintenance</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
Transfers in	\$ 207,131	\$ 47,388	\$ 75,000	\$ 571,055	\$ 62,500	\$ 963,074
Transfers out	\$ 228,815	\$ -	\$ 687,055	\$ 3,681	\$ 43,523	\$ 963,074

The following summarizes the receivables and payables between governmental fund for the year ended December 31, 2014:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Pension Fund		\$ 295,894
Other Governmental Funds	\$ 62,500	-
Sewer Maintenance Fund	698	-
Capital Projects Fund	-	175,000
Total General Fund	<u>\$ 63,198</u>	<u>\$ 470,894</u>
Capital Projects Fund:		
General Fund	\$ 175,000	\$ -
Sewer Maintenance Fund	50,000	-
Total Capital Projects Fund	<u>\$ 225,000</u>	<u>\$ -</u>
Sewer Maintenance Fund:		
General Fund	\$ -	\$ 698
Capital Projects Fund	-	50,000
Total Sewer Maintenance Fund	<u>\$ -</u>	<u>\$ 50,698</u>
Other Governmental Funds:		
General Fund	<u>\$ -</u>	<u>\$ 62,500</u>

2. REPORTING ENTITY

In accordance with GASB 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB 14, the City evaluated the following related entities for the possible inclusion in the financial reporting entity:

The Redevelopment Authority of the City of Pittsburgh
Lincoln Heights Corporation
Pittsburgh Parking Authority
Housing Authority of the City of Pittsburgh
Pittsburgh Memorial Library
Lincoln Heights Senior Housing, LP

Based upon its evaluation, the City has included the Redevelopment Authority (the "Authority"), the Pittsburgh Parking Authority (the "Parking Authority"), and the Lincoln Heights Corporation (the "Corporation") each as a blended component unit, whereby the financial data for the Authority is presented in the same manner as that of the City's financial operation. The remaining entities do not meet the GASB criteria and are not included in the reporting entity.

The Authority and the Parking Authority is organized under the State of Pennsylvania Community Redevelopment Law. The Authority participates in low and moderate housing activities including rehabilitation of low and moderate income rental housing projects. The City council appoints the governing board of the Authority.

The Corporation is a 501 (c)3 entity formed in 2003 to oversee and provide funding to Lincoln Heights Senior Housing, LP. Lincoln Heights Senior Housing, LP provides affordable safe housing to low income elderly individuals. The Corporation is governed by the same board as The Authority.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City follows the Home Rule Charter and applicable state law for investment of City funds.

Authorized types of investments for City funds shall be:

- a. United States Treasury bills.
- b. Short-term obligations of the United States government or its agencies or instrumentalities.

- c. Deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund or the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- d. Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- e. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for City funds listed.
- f. Certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund or the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured; however, for any amounts above the insured maximum, such certificates of deposit shall be collateralized by a pledge or assignment of assets of the institution, and such collateral may include loans (including interest in pools of loans) secured by first mortgage liens on real property. Certificates of deposit purchased from commercial banks shall be limited to an amount equal to twenty percent of a bank's total capital and surplus. Certificates of deposit purchased from savings and loan associations or savings banks shall be limited to an amount equal to twenty percent of an institution's assets minus liabilities.
- g. Any investment authorized by 20 Pa. C.S. Ch. 73 (relating to fiduciaries' investments) shall be an authorized investment for any pension or retirement fund.

In making investment of City funds, the City Council shall have authority: To permit assets pledged as collateral under subsection (d)(3), to be pooled in accordance with

the act of August 6, 1971 (P.L. 281, No. 72), relating to pledges of assets to secure deposits of public funds. No custodial credit risk policy for deposits.

Investments of the Pension Fund are held by a fiscal agent under trust agreements that authorize the trustee to invest in any form of property, at its discretion, without restriction to investments authorized for fiduciaries, provided that the investments of the trust shall be kept separate and apart from other City funds.

As of December 31, 2014, the aggregate bank balance of bank deposits was \$1,658,047, of which \$500,000 was covered by federal depository insurance and the uninsured remaining bank deposits of \$1,158,047, were covered by pledged pools of assets maintained in accordance with Act No. 72 of the General Assembly that requires the institution pool collateral for all government deposits. The carrying amount of these bank deposits was \$1,658,047 at December 31, 2014.

INVESTMENTS

As of December 31, 2014, the City had the following Investments:

<u>Pension Trust Fund</u>	<u>Maturities</u>	<u>Fair Value</u>
Managed equity	N/A	\$ 5,658,120
Government bonds	Average of 5-10 years	1,190,265
Corporate bonds	Average of 8 years	568,469
Cash and cash equivalents	N/A	262,072
Real estate investment trust	N/A	<u>150,569</u>
Total		<u>\$ 7,829,495</u>

CREDIT RATINGS

The City's investments had the following credit ratings:

Managed equity	NR	72.27%
Government bonds	Average of AA	15.20%
Corporate bonds	Average of BBB	7.26%
Cash and cash equivalents	NR	3.35%
Real estate investment trust	NR	<u>1.92%</u>
		<u>100.00%</u>

The City has no investment policy that would limit its investment choices to certain credit ratings.

INTEREST RATE RISK

As a means of limiting its exposure to fair value losses arising from interest rates, the City purchases securities with laddered maturities. In line with investment policy guidelines, ladders have maturities of 12 months or less.

4. CAPITAL ASSETS

Capital assets activity for the discretely presented component unit for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 22,320	\$ -	\$ -	\$ 22,320
Capital assets being depreciated:				
Equipment and furniture	\$ 40,139	\$ -	\$ -	\$ 40,139
Less: Accumulated depreciation:				
Equipment and furniture	\$ (7,153)	\$ (3,521)	\$ -	\$ (10,674)
Total capital assets being depreciated, net	\$ 32,986	\$ (3,521)	\$ -	\$ 29,465
Total Capital Assets	\$ 55,306	\$ (3,521)	\$ -	\$ 51,785

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT

At December 31, 2014, Long-Term debt obligations were as follows:

Notes payable:

	<u>Current</u>	<u>1-Jan-14</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>31-Dec-14</u>
City of Pittsburgh:					
2004 General Obligation Note, 3.95% interest, due in monthly installments of \$8,519 including interest through July 2022	\$ 77,106	\$ 745,218	\$ -	\$ 67,364	\$ 677,854
2009 Pennsylvania Infrastructure Investment Authority Note, 1.274% interest, due in 36 monthly installments, 1.274% to 2.55% principal and interest due in 240 monthly installments. Used to finance replacement sanitary & storm sewer mains. Payments financed by City Sewer Maintenance Fee.	470,541	4,955,120	250,793	268,599	4,937,314
2011 General Obligation Note, Series A and B, Series A at 3.65% due in monthly installments of \$9,084 and Series B at 5.525% due in monthly installments of \$1,980	92,099	985,880	-	103,155	882,725
2014 General Obligation Series A Note with interest only at the bank's prime rate (3.25% at December 31, 2014) plus 1%. Proceeds were used for city hall renovations.			- 100,000	100,000	-
2014 General Obligation Series B Note with interest only at the bank's prime rate (3.25% at December 31, 2014) plus 1%. Proceeds were used to pay off Series A note.	54,146	-	200,000	-	200,000
2014 General Obligation Series D Note with interest only at the bank's prime rate (3.25% at December 31, 2014) plus 1%. Proceeds were used to fund Streetscape Phase III	4,256	-	15,724	-	15,724

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

	<u>Current</u>	<u>1-Jan-14</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>31-Dec-14</u>
Redevelopment Authority:					
2006 Guaranteed Lease Revenue Note, payable in monthly payments of \$11,797 including interest at 6.10% through June 2015. Note proceeds were used to purchase property.	84,102	205,272	-	121,170	84,102
2003 General Obligation Note, principal including interest at 3.00% were prepaid through June 2013 when a final balloon payment is due. Note proceeds were used to make renovations to the firehouse. Note satisfied July 15, 2014	-	134,695	-	134,695	-
Note Payable to the County of Luzerne, Pennsylvania, this note is a non-interest bearing note with a deferred repayment of the principal until November 2036. This note will be forgiven in its entirety at the end of its term, contingent upon compliance with the terms of the agreement. Note proceeds were used for the development of a multi-unit residential facility for eligible elderly tenants	250,000	250,000	-	-	250,000
2012 General Obligation Note, with interest payments due monthly and principal due in full in June 2015. Proceeds were used to pay 2012 mortgage note and for community development operations	951,000	951,000	-	-	951,000
2012 Guidance Line-of-Credit with interest payments due monthly and principal due in full in June 2015. Proceeds used to pay \$405,000 note.	<u>405,000</u>	<u>405,000</u>	<u>-</u>	<u>-</u>	<u>405,000</u>
Total notes payable	<u>\$ 2,388,250</u>	<u>\$8,632,185</u>	<u>\$ 566,517</u>	<u>\$ 794,983</u>	<u>\$ 8,403,719</u>

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

Debt service requirements to maturity are as follows:

<u>YEAR ENDING DECEMBER 31:</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015	\$ 2,388,250	\$ 166,230	\$ 2,554,480
2016	714,565	138,785	853,350
2017	736,152	122,082	858,234
2018	726,235	118,678	844,913
2019	714,964	96,728	811,692
2020-2024	<u>3,123,553</u>	<u>142,186</u>	<u>3,265,739</u>
Total	<u>\$ 8,403,719</u>	<u>\$ 784,689</u>	<u>\$ 9,188,408</u>

The following represents changes in long-term liabilities, other than notes and bond payables. The capital leases consist of vehicles and equipment, expiring in 2018.

	<u>JANUARY 1, 2014</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>DECEMBER 31, 2014</u>
Capital leases	<u>\$ 381,758</u>	<u>\$ 36,755</u>	<u>\$ 93,921</u>	<u>\$ 324,592</u>
Compensated absences	<u>\$ 293,787</u>	<u>\$ 211,002</u>	<u>\$ 192,371</u>	<u>\$ 312,418</u>

CITY OF PITTSBURGH, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2014:

<u>YEAR ENDING:</u>	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
2015	\$ 95,936
2016	95,937
2017	92,242
2018	<u>70,468</u>
Total commitment under capital lease	354,583
Less amounts representing interest	<u>29,991</u>
Present value of future minimum lease payments	<u>\$ 324,592</u>

The city has adopted a debt management policy for both short and long-term debt as provided in Section 23-3 of the Pittsburgh City Code.

6. PENSION PLANS

The City has three single-employer defined benefit pension plans covering Police, Firemen and Officers and Employees personnel. The Police and Firemen plans provide for retirement, late retirement, disability, and death benefits to plan members and their beneficiaries. The Officers and Employees retirement plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Refer to Pittsburgh City Code Chapter 68 for additional information on the City pension plans.

STATEMENT OF FIDUCIARY NET ASSETS

	<u>POLICE PENSION FUND</u>	<u>FIREMEN PENSION FUND</u>	<u>OFFICERS AND EMPLOYEES PENSION FUND</u>
ASSETS:			
Cash	\$100,559	\$ 100,559	\$ 100,559
Due from other fund	295,864	-	-
Investments	<u>2,430,400</u>	<u>2,558,327</u>	<u>2,840,768</u>
 TOTAL ASSETS	 <u>\$ 2,826,823</u>	 <u>\$ 2,658,886</u>	 <u>\$ 2,941,327</u>
LIABILITIES AND NET ASSETS:			
Due to other funds	\$ -	\$ -	\$ -
Net assets,			
Reserved for employees' retirement benefits	<u>2,826,823</u>	<u>2,658,886</u>	<u>2,941,327</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,826,823</u>	 <u>\$ 2,658,886</u>	 <u>\$ 2,941,327</u>

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

	POLICE PENSION FUND	FIREMEN'S PENSION FUND	OFFICERS AND EMPLOYEES PENSION FUND
ADDITIONS:			
Contributions:			
State Aid	\$ 38,786	\$ 76,285	\$ 86,368
Employees	9,096	3,753	40,343
Other Service buy back	-		504
Total contributions	47,882	80,038	127,215
Investment earnings:			
Net appreciation in fair value of investments	91,988	124,050	132,081
Interest and dividends	2,158	2,158	2,158
Total investment gain	94,146	126,208	134,239
Total additions	\$ 142,028	\$ 206,246	\$ 261,454
DEDUCTIONS:			
Benefits paid to recipients	\$ 241,406	\$ 96,286	\$ 137,410
Administrative and other fees	6,944	6,296	7,906
Refunds of terminated employees	-	-	5,927
Total deductions	\$ 248,350	\$ 102,582	\$ 151,243
NET INCREASE IN NET ASSETS	\$ (106,322)	\$ 103,664	\$ 110,211
NET ASSETS, RESERVED FOR EMPLOYEES' RETIREMENT	\$ 2,826,823	\$ 2,658,886	\$ 2,941,327

The following table provides information concerning types of covered employees and benefit provisions for each of the plans. Benefit provisions and their amendments are authorized by the separate pension boards:

	Police Pension Plan	Firemen Pension Plan	Officers and Employees Plan
Active plan members	8	7	23
Retirees and beneficiaries currently receiving benefits	10	5	16
Terminated employees entitled to deferred benefits	1	1	2

CONTRIBUTIONS

Pennsylvania Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act of the Commonwealth of Pennsylvania (as amended) (Act 205) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the plan's annual actuarial valuation. The MMO includes the normal cost estimated administrative expenses and an amortization of the unfunded actuarial accrued liability less estimated member contributions. The Commonwealth provides an allocation of funds which must be used for pension funding. Any financial requirements established by the MMO which exceeds Commonwealth and member contribution must be funded by the employer.

In 2009, the Governor of Pennsylvania signed into law Act 44 of 2009 (Act 44). Act 44 clarifies the limitations on the uses of the special municipal taxing authority currently provided under the Act, and in the case of a municipality utilizing the proceeds from the special tax to fund other post-employment benefits (OPEBs), requires the inclusion of OPEB liabilities in the actuarial valuation report filed with the Commission and in the calculation of the municipality's Minimum Municipal Obligation (MMO), and became effective January 1, 2010.

Police, Firemen and Non-Uniformed employees are required to contribute 2%, 1%, and 5% of covered payroll, respectively. These contributions are governed by the Plans governing documents and collective bargaining agreements. Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plans and funded through the MMO and/or investment earnings. The City did not fully fund its MMO for the Police Fund by December 31, 2014. The outstanding balance due is approximately \$295,000.

ANNUAL PENSION COST

State aid contributions amounted to \$38,786 for the police pension, \$76,285 for the firemen pension, and \$86,368 for the officers and employees pension in 2014.

7. OTHER POSTEMPLOYMENT BENEFITS

PLAN DESCRIPTION

The City provides post-employment health care benefits, in accordance with the collective bargaining agreement with the Pittsburgh City Police Association, to all uniformed police officers who retire from the City or become disabled or injured. Currently, three participating retirees of the City meet these requirements. In addition, the City provides paid Blue Cross/Blue Shield and major medical or equivalent plan to the former employees until they reach age 65. The cost of retirees' health care benefits is recognized as an expenditure when the premiums are paid. For 2014, those costs totaled \$19,924.

In addition, the City provides post-employment health care benefits, in accordance with the collective bargaining agreement with the Pittsburgh City Fire Fighters Local 840, to all uniformed firefighters who retire from the City or become disabled or injured. Currently, no participating retirees of the City meet these requirements and are participating. In addition, the City provides paid Blue Cross/Blue Shield and major medical or equivalent plan to the former employees until they reach age 65. The cost of retirees' health care benefits is recognized as an expenditure when the premiums are paid. For 2014, no costs were incurred.

FUNDING POLICY

Contribution requirements for the Police Pension Plan and the Firemen's Pension Plan require contributions of 2% and 1% of compensation, respectively, plus \$1 per month by members. Contribution requirements for the joint coverage members of the Officers and Employees Retirement Plan require contributions of 3.5% of

compensation taxed for Social Security and 5% of compensation in excess of that taxed for Social Security. Contribution requirements for the dual coverage members of the Officers and Employees Retirement Plan require contributions of 5.0% of compensation. This is established by the Police and Firemen's Pension Plans governing ordinances and collective bargaining agreements. The City paid premiums of \$782,683 for the year ended December 31, 2014.

For the January 1, 2013 actuarial valuation, the Entry Age Normal Cost Method was used. The actuarial assumptions included a 7% investment rate of return, which is the expected rate to be earned on the City's deposits. The Unfunded Actuarial Accrued Liability is being amortized using the level dollar open method of projected payroll. Projected salary increase includes 4% per year for wage and merit increases. The actuarial value of the Plans' assets was determined using a five-year, smoothed-value method.

8. COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

LITIGATION

The City is involved in several claims and lawsuits relative to its operations. In the opinion of the City and legal counsel, the ultimate resolution of these matters is either unknown, or will not have a material adverse effect on the financial portion of the City.

FEDERAL AND STATE GRANTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2014, significant amounts of grant expenditures have not been audited by the grantor government, but the City believes that disallowed expenditures, if any, based on subsequent audits, will not have a material effect on the financial position of the City.

CONSTRUCTION COMMITMENTS

The Community Development Fund has entered into several agreements with local contractors totaling \$4,017,875 for redevelopment projects for the City. The community development fund has paid \$2,401,733 on these agreements through December 31, 2014 while the remainder of \$1,616,142 remains committed.

CITY OF PITTSBURGH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

	General Fund		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
REVENUES:				
Taxes	\$ 2,916,100	\$ 2,953,200	\$ 2,655,955	\$ (297,245)
Intergovernment revenue	436,905	451,327	384,441	(66,886)
Charges for services	590,112	601,112	571,076	(30,036)
Interest received	14,000	14,000	315,632	301,632
Licenses and permits	241,240	333,240	38,143	(295,097)
Fines and forfeitures	53,000	53,500	19,277	(34,223)
Miscellaneous revenues	246,412	103,052	92,936	(10,116)
Total revenues	4,487,769	4,509,431	4,077,461	(431,970)
EXPENDITURES:				
Current:				
Public safety	1,996,180	1,999,022	985,903	\$ (1,013,119)
General government - administrative	1,064,942	1,063,537	1,828,984	765,347
Public works	1,097,005	1,110,755	166,338	(944,417)
Community development	166,292	168,167	981,687	813,520
Culture and recreation	79,250	70,850	70,660	(190)
Debt service:				
Principal	295,000	305,000	330,903	25,903
Interest	99,000	92,000	86,836	(5,164)
Total expenditures	4,797,669	4,809,331	4,451,211	(358,120)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(299,900)	(299,900)	(373,751)	(790,090)
OTHER FINANCING SOURCES (USES):				
Proceeds from short-term debt				
Proceeds from sale of land and capital assets				
Transfers in	299,900	299,900	267,279	-
Proceeds from issuance of long-term debt				
Transfers out			(123,112)	-
Total other financing sources (uses)	299,900	299,900	144,167	-
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES			(229,584)	(229,584)
FUND BALANCE (DEFICIT), BEGINNING			160,451	
FUND BALANCE (DEFICIT), ENDING	\$ -	\$ -	\$ (69,133)	\$ (229,584)

See Notes to Financial Statements

CITY OF PITTSBURGH

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
(UNAUDITED)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCURUED LIABILITIES (AAL) (b)	UNFUNDED AAL (UALL) (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS A PERCENTAGE OF COVERED PAYROLL {b-a}/{c}}
Police Pension Plan						
1/1/1997	2,152,042	1,421,004	(731,038)	151.40 %	190,084	-384.6 %
1/1/1999	2,564,259	1,657,527	(906,732)	154.70 %	306,739	(295.6) %
1/1/2001	2,587,714	2,258,390	(329,324)	114.60 %	349,586	(94.2) %
1/1/2003	1,984,784	2,887,525	902,741	68.70 %	430,670	209.6 %
1/1/2005	2,453,306	3,011,695	558,389	81.50 %	445,794	125.3 %
1/1/2007	2,833,383	3,879,817	1,046,434	73.00 %	435,688	240.2 %
1/1/2009	2,503,410	4,616,681	2,113,271	54.20 %	434,886	614.5 %
1/1/2001	2,250,423	4,625,273	2,374,850	48.70 %	350,221	678.1 %
1/1/2013	2,330,256	4,955,153	2,624,897	47.00 %	334,180	785.5 %
Firemen Pension Plan						
1/1/1997	1,635,729	1,323,882	(311,847)	123.60 %	218,447	-142.8 %
1/1/1999	1,863,941	1,487,813	(376,128)	125.30 %	214,272	(175.5) %
1/1/2001	1,976,874	1,651,852	(325,022)	119.70 %	229,859	(141.4) %
1/1/2003	1,668,272	1,989,768	321,496	83.80 %	231,499	138.9 %
1/1/2005	1,997,638	2,136,756	139,118	93.50 %	262,283	53.0 %
1/1/2007	2,200,572	2,355,840	155,268	93.40 %	284,948	54.5 %
1/1/2009	2,115,707	2,487,791	372,084	85.00 %	298,180	124.8 %
1/1/2001	2,025,334	2,434,230	408,896	83.20 %	322,106	126.9 %
1/1/2013	2,168,417	2,534,642	366,225	85.60 %	297,251	123.2 %
Nonuniformed Pension Plan						
1/1/1997	\$ 1,312,361	\$ 1,189,702	\$ (122,659)	110.3 %	723,783	-16.9 %
1/1/1999	1,723,664	1,731,198	7,534	99.6 %	676,856	1.1 %
1/1/2001	1,922,055	2,019,339	97,284	95.2 %	696,455	14.0 %
1/1/2003	1,759,287	2,142,450	383,163	82.1 %	681,717	56.2 %
1/1/2005	2,264,916	2,350,581	85,665	96.4 %	567,848	15.1 %
1/1/2007	2,496,607	2,286,961	(209,646)	109.2 %	570,631	(36.7) %
1/1/2009	2,520,764	2,491,828	(28,936)	101.2 %	561,334	(5.2) %
1/1/2001	2,391,218	2,715,680	324,462	88.1 %	570,670	56.9 %
1/1/2013	2,467,963	2,956,349	488,386	83.5 %	614,907	0.8 %

See Notes to Required Supplementary Information

CITY OF PITTSTON

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(UNAUDITED)

	YEAR ENDED DECEMBER 31,	ANNUAL REQUIRED CONTRIBUTION	CONTRIBUTION FROM EMPLOYER	STATE AID	PERCENTAGE CONTRIBUTED
Police Pension Plan					
	2010	185,877	185,877		100%
	2011	257,000	257,000		100%
	2012	245,511	245,511		100%
	2013	313,765	313,765		100%
	2014	334,650	40,158		12%
Firemen Pension Plan					
	2010	71,594	71,594		100%
	2011	86,658	86,658		100%
	2012	87,896	87,896		100%
	2013	76,361	76,361		100%
	2014	76,255	76,255		100%
Nonuniformed Pension Plan					
	2010	48,046	48,046		100%
	2011	55,674	55,674		100%
	2012	60,061	60,061		100%
	2013	77,992	77,992		100%
	2014	86,368	86,368		100%

See Notes to Required Supplementary Information

CITY OF PITTSTON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
POLICE, FIREMEN, AND OFFICERS AND EMPLOYEES RETIREMENT PENSION PLANS
DECEMBER 31, 2014
(UNAUDITED)

	POLICE PENSION PLAN	FIREMEN PENSION PLAN	NONUNIFORMED PENSION PLAN
VALUATION DATE	1/1/2013	1/1/2013	1/1/2013
ACTUARIAL COST METHOD	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost
AMORTIZATION METHOD	Level Dollar	Level Dollar	Level Dollar
REMAINING AMORTIZATION PERIOD	11 years	13 years	14 years
ASSET VALUATION METHOD	Fair Value	Fair Value	Fair Value
ACTUARIAL ASSUMPTIONS:			
Investment rate of return	7.00%	7.00%	7.00%
Projected salary increases	4.00%	4.00%	4.00%
Includes inflation at cost-of-living Adjustments	N/A	N/A	N/A