

CITY OF WILLIAMSPORT, PENNSYLVANIA

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
&
INDEPENDENT AUDITORS' REPORT
&
ADDITIONAL INFORMATION
&
SINGLE AUDIT REPORTS**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT.....	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS.....	17
STATEMENT OF ACTIVITIES	18
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET – GOVERNMENTAL FUNDS.....	19
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS	20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	21
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	22
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	23
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS	24
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS	25
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	26
STATEMENT OF FIDUCIARY NET ASSETS.....	27
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS	28
NOTES TO FINANCIAL STATEMENTS	29

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED):

SCHEDULE OF FUNDING PROGRESS - PENSION TRUST FUNDS	63
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION TRUST FUNDS.....	64
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION TRUST FUNDS.....	65
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	66

ADDITIONAL INFORMATION (UNAUDITED):

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	69
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS	70
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - PENSION TRUST FUNDS	71
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUNDS	72
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - PRIVATE PURPOSE TRUST FUNDS.....	73
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PRIVATE PURPOSE TRUST FUNDS	74
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS.....	75

SINGLE AUDIT REPORTS:

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	76
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	79
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	81
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	85

INDEPENDENT AUDITORS' REPORT

To the Honorable Members of City Council,
City of Williamsport, Pennsylvania:

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Williamsport, Pennsylvania (the "City"), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Municipal Authority of the City of Williamsport (the "Municipal Authority"), which represent 100% of the assets, liabilities, net assets, revenues and expenses of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Municipal Authority, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Williamsport, Pennsylvania as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, the City adopted the retroactive reporting requirement for major general infrastructure assets pursuant to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, in 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2008 on our consideration of the City'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 the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 16, Schedule of Funding Progress - Pension Trust Funds on page 63, Schedule of Employer Contributions - Pension Trust Funds on page 64 and Note to Required Supplementary Information - Pension Trust Funds on page 65 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements of the City. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The combining nonmajor and fiduciary fund financial statements are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor and fiduciary fund financial statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Williamsport, Pennsylvania
July 17, 2008

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

This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the City of Williamsport, Pennsylvania (the "City") for the year ended December 31, 2007. The City's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the City's primary government. Component units, unless otherwise noted, are not included in this discussion.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased by \$950,000. Net assets related to governmental activities increased by \$2,005,000, whereas net assets of the City's business-type activities decreased by \$1,055,000.
- As of December 31, 2007, net assets of the City's governmental activities were \$21,706,000.
- The unreserved, undesignated fund balance of the General Fund was \$1,493,000, or 9.1 percent of total General Fund expenditures and transfers out.
- The excess of revenues and other financing sources over expenditures and other financing uses was \$(14,000) within the City's General Fund for the year ended December 31, 2007. This is in contrast to the \$(958,000) deficit spending that was anticipated in the City's 2007 General Fund budget. The budgetary differences are primarily attributable to a \$241,000 positive budget variance within the taxes revenue line item, a \$65,000 and \$63,000 positive variance within the licenses and permits and interest income revenue line items, respectively, a \$45,000 positive variance within the intergovernmental – local and a \$140,000 positive budget variance within miscellaneous revenue, in addition to positive budget variances within the general government line item, among less significant favorable expenditure budget variances.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The government activities of the City include general government, public works - highways and streets, other public works enterprises, public safety, culture and recreation, and blight elimination. The sole business-type activity of the City is a mass-transit bus system, the Williamsport Bureau of Transportation (d/b/a River Valley Transit).

The government-wide financial statements include not only the City itself (known as the *primary government*) but also a legally separate public finance authority (the Municipal Authority of the City of Williamsport) (the "Municipal Authority") and a redevelopment authority (the Redevelopment Authority of the City of Williamsport) (the "Redevelopment Authority") for which the City is financially accountable. Financial information for the Municipal Authority is reported separately from the financial information presented for the primary government itself, as the Municipal Authority transacts business with other local governments and non-profit organizations. The financial information for the Redevelopment Authority is blended with the primary government (i.e., not presented separately), as the Redevelopment Authority primarily transacts business with the primary government only.

The government-wide financial statements can be found on pages 17-18 of this report.

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 state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Community Development Block Grant ("CDBG"), Community Development HOME ("HOME"), Capital Project and Non-Revenue Escrow Funds, each of which is considered to be a "major" fund. Data from the other four governmental funds are combined into a single, aggregated presentation captioned "other Governmental Funds". Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* located on pages 69-70 of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget, and is presented on page 23.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

Proprietary funds. The City maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for the operations of its mass-transit system, the Williamsport Bureau of Transportation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for City Hall's operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 27-28 of this report. Individual fund data for each of the individual funds that comprise the City's various fiduciary fund types is provided in the form of *combining statements* located on pages 71-75 in this report.

Notes to the financial statements. The notes provide additional information that is essential to gain 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 29-62 of this report.

Other information. The combining statements referred to earlier in connection with governmental and fiduciary fund types are presented on pages 69-75.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities at December 31, 2007 and 2006 by approximately \$40,051,000 and \$34,061,000, respectively.

The City's net assets reflected an investment in capital assets (e.g. land, buildings and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The City's investment in its capital assets reported net of related debt as related to its governmental activities was \$18,374,000 and \$12,945,000 at December 31, 2007 and 2006, respectively. (The reason for the increase is primarily attributable to the City's implementation of phase II of GASB 34, wherein infrastructure assets acquired between 1980 and 2003, whose value was determined by an independent appraisal firm, were added to the City's statement of net assets for its governmental activities during 2007). The City's investment in its capital assets reported net of related debt as related to its business-type activities was \$16,980,000 and \$17,875,000 December 31, 2007 and 2006, respectively.

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

**CONDENSED STATEMENT OF NET ASSETS
DECEMBER 31, 2007 AND 2006
(IN THOUSANDS)**

	TOTAL GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		TOTAL	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 8,237	\$ 6,928	\$ 5,535	\$ 5,703	\$13,772	\$12,631
Capital assets	<u>20,850</u>	<u>14,709</u>	<u>13,972</u>	<u>14,776</u>	<u>34,822</u>	<u>29,485</u>
Total assets	<u>29,087</u>	<u>21,637</u>	<u>19,507</u>	<u>20,479</u>	<u>48,594</u>	<u>42,116</u>
Other liabilities	3,801	2,188	917	829	4,718	3,017
Long-term liabilities outstanding	<u>3,580</u>	<u>4,788</u>	<u>245</u>	<u>250</u>	<u>3,825</u>	<u>5,038</u>
Total liabilities	<u>7,381</u>	<u>6,976</u>	<u>1,162</u>	<u>1,079</u>	<u>8,543</u>	<u>8,055</u>
Invested in capital assets, net of related debt	18,374	12,945	16,975	17,875	35,349	30,820
Restricted	2,071	2,019	533	752	2,604	2,771
Unrestricted	<u>1,261</u>	<u>(303)</u>	<u>837</u>	<u>773</u>	<u>2,098</u>	<u>470</u>
Total net assets	<u>\$21,706</u>	<u>\$14,661</u>	<u>\$18,345</u>	<u>\$19,400</u>	<u>\$40,051</u>	<u>\$34,061</u>

The restricted portion of the City's net assets, \$2,604,000 and \$2,771,000 at December 31, 2007 and 2006, respectively, represent resources that are subject to external restrictions on how they may be used.

At the end of 2007 and 2006, the City is able to report positive balances in net assets, for the government as a whole, as well as for its business-type activity. The City's overall financial position improved in both 2007 and 2006 as reflected in the \$5,990,000 and \$2,855,000 increase in total net assets for the years ended December 31, 2007 and 2006, respectively. As previously mentioned, the majority of the increase in 2007 is attributable to the City's retroactive reporting of its major general infrastructure assets acquired, significantly reconstructed, or significantly improved from January 1, 1980 through January 1, 2003 (the point at which the City began to prospectively report its infrastructure), pursuant to GASB 34.

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

**CONDENSED STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(IN THOUSANDS)**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2007	2006	2007	2006	2007	2006
REVENUES:						
Program:						
Charges for services	\$ 1,058	\$ 977	\$ 1,022	\$ 1,003	\$ 2,080	\$ 1,980
Operating grants and contributions	1,746	2,096	3,471	4,143	5,217	6,239
Capital grants and contributions	1,941	1,392			1,941	1,392
General:						
Taxes	13,678	13,084			13,678	13,084
Grants and charges - unrestricted	1,676	3,252			1,676	3,252
Unrestricted investment income	277	255	58	64	335	319
Miscellaneous	474	422	-	-	474	422
Total revenues	<u>20,850</u>	<u>21,478</u>	<u>4,551</u>	<u>5,210</u>	<u>25,401</u>	<u>26,688</u>
EXPENSES:						
General government	1,611	2,850			1,611	2,850
Public works - highways and streets	2,176	2,100			2,176	2,100
Other public works enterprises	523	218			523	218
Public safety	11,836	10,937			11,836	10,937
Culture and recreation	1,703	554			1,703	554
Revolving loans and grants	456	943			456	943
Capital outlay (elimination of blight)	132	234			132	234
Interest on long-term debt	140	193			140	193
Loss on disposal of assets	11				11	
Williamsport Bureau of Transportation	-	-	5,897	5,540	5,897	5,540
Total expenses	<u>18,588</u>	<u>18,029</u>	<u>5,897</u>	<u>5,540</u>	<u>24,485</u>	<u>23,569</u>
INCREASE (DECREASE) IN NET ASSETS						
BEFORE TRANSFERS	2,262	3,449	(1,346)	(330)	916	3,119
TRANSFERS	<u>(256)</u>	<u>(1,413)</u>	<u>291</u>	<u>1,149</u>	<u>35</u>	<u>(264)</u>
CHANGE IN NET ASSETS	<u>2,006</u>	<u>2,036</u>	<u>(1,055)</u>	<u>819</u>	<u>951</u>	<u>2,855</u>
NET ASSETS, JANUARY 1, as previously reported	14,661	12,625	19,400	18,581	34,061	31,206
RESTATEMENT	<u>5,039</u>	-	-	-	<u>5,039</u>	-
NET ASSETS, JANUARY 1, as restated	<u>19,700</u>	<u>12,625</u>	<u>19,400</u>	<u>18,581</u>	<u>39,100</u>	<u>31,206</u>
NET ASSETS, DECEMBER 31	<u>\$21,706</u>	<u>\$14,661</u>	<u>\$18,345</u>	<u>\$19,400</u>	<u>\$40,051</u>	<u>\$34,061</u>

Governmental Activities. Governmental activities increased the City's net assets by \$2,006,000 and \$2,036,000 for the years ended December 31, 2007 and 2006, respectively. The majority of this increase relates to the City's investment in its capital assets, including infrastructure, which was funded in large part by grants from other governments. While the grant revenue is recognized in the year spent, the related assets are "capitalized" and are being depreciated over their estimated useful lives. The total dollar value of assets capitalized relating to governmental activities amounted to \$2,651,000 in 2007 and \$3,481,000 in 2006, while the depreciation on all City capital assets used in governmental activities was \$1,538,000 and \$966,000 in 2007 and 2006, respectively.

Business-type activities. The Williamsport Bureau of Transportation (d/b/a "River Valley Transit"), functioning as a business-type activity of the City of Williamsport, experienced an decrease in net assets of \$1,055,000 and an increase of \$819,000 for the years ended December 31, 2007 and 2006, respectively. These increases and decreases are due to the fact that user charges (i.e., bus fares) and operating grants either sufficiently or insufficiently covered the cost of operations.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted, 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 spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

On December 31, 2007 and 2006, the City's governmental funds reported combined ending fund balances of \$3,737,000 and \$3,137,000, respectively. The City's unreserved, undesignated fund balance, which is available for spending at the government's discretion, was \$1,666,000 and \$1,118,000 at December 31, 2007 and 2006, respectively. The remainder of the fund balance at December 31, 2007 is reserved to indicate that it is not available for spending because it has already been committed to Liquid Fuels tax purposes, Community Development activities, debt service payments along with other less significant reserves.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the City's Enterprise funds at December 31, 2007 and 2006 amounted to \$837,000 and \$774,000, respectively, and those for the Internal Service funds amounted to \$253,000 and \$199,000, respectively. The total change in net assets for the Enterprise Fund and Internal Service Fund for the years ending December 31, 2007 and

2006 were a reduction of \$1,049,000 and an increase of \$829,000, respectively. Other factors concerning the finances of the Enterprise Funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund expenditure budget for fiscal year 2007 was approximately \$16.7 million; this represents an increase of \$516,000 (3.1%) over 2006. The General Fund expenditure budget for fiscal year 2006 was approximately \$16.2 million.

The General Fund Budget complied with financial policies required by the Third Class City Code of the Commonwealth of Pennsylvania.

FINANCIAL ANALYSIS OF THE MAJOR FUNDS

General Fund

The General Fund is the primary operating fund of the City. On December 31, 2007, the *unreserved fund balance*, *reserved fund balance* and *unreserved, designated fund balance* of the General Fund were \$1,493,000, \$77,000 and \$263,000, respectively. During 2007, the City's General Fund fund balance decreased by \$14,000. As a measure of the General Fund's liquidity, the *unreserved fund balance* represents 9.1 percent of the total General Fund expenditures (including transfers out), or 30.0 days. Industry guidelines recommend maintaining a fund balance reserve of five (5%) to fifteen (15%) percent of the general operating fund's annual budget; as such, the City's General Fund balance at December 31, 2006 was in line with the recommended limits.

Revenues of the General Fund totaled \$16.2 million and \$16.1 million for the years ended December 31, 2007 and 2006, respectively, representing a year-to-year increase of \$15,000 (0.1%). The following represents a summary of General Fund revenue by source.

REVENUES (in thousands)	<u>2007</u>	<u>2006</u>
Taxes	\$13,507	\$13,612
Licenses and permits	443	503
Fines and forfeits	236	236
Interest, rents and royalties	184	178
Intergovernmental	1,188	1,102
Charges for services	149	137
Miscellaneous	<u>448</u>	<u>372</u>
Total revenues	<u>\$16,155</u>	<u>\$16,140</u>

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

The General Fund's operations were also supported by operating transfers in which totaled \$172,000 and \$120,000 during the years ended December 31, 2007 and 2006, respectively. Additional details relating to interfund transfers can be found in Note 7 on page 48.

General Fund expenditures totaled \$15,383,000 and \$14,534,000 for the years ended December 31, 2007 and 2006, respectively, which represents an increase of \$849,000 (5.5%). The following represents a summary of General Fund expenditures for the years ended December 31, 2007 and 2006, by source:

EXPENDITURES (in thousands):	<u>2007</u>	<u>2006</u>
General government	\$ 1,497	\$ 1,515
Public works - highways and streets	1,644	1,478
Other public works enterprises	193	193
Public safety	11,379	10,774
Culture and recreation	658	522
Debt service	<u>12</u>	<u>52</u>
Total expenditures	<u>\$15,383</u>	<u>\$14,534</u>

In addition, the General Fund made operating transfers out to other governmental, proprietary and fiduciary funds in the amount of \$957,000 and \$1,154,000 during the years ended December 31, 2007 and 2006.

Community Development Block Grant Fund ("CDBG")

The Community Development Block Grant ("CDBG") Fund's revenues are derived from specific sources and are designated for specific uses. Such funds, primarily federal grants, are restricted by law or other formal action to expenditures for specific purposes.

The CDBG Fund had a combined excess of revenues and other financing sources over expenditures and other financing uses of \$41,000 and \$(126,000) years ended December 31, 2007 and 2006. The CDBG Fund's deficit fund balance of \$(2,000) and \$(43,000) at December 31, 2007 and 2006, respectively, represents expenditures incurred in connection with the CDBG program that the City will liquidate through future grant draw-downs. This fund's financial statements are included with the statements on pages 19-22 of this report.

Community Development HOME Fund ("HOME")

The Community Development HOME ("HOME") Fund's revenues are derived from specific sources and are designated for specific uses. Such funds, primarily federal grants, are restricted by law or other formal action to expenditures for specific purposes.

Capital Projects Fund

The City's Capital Project fund accounts for financial resources expended to acquire or construct property and capital assets. During the year ended December 31, 2007, the City expended \$2,150,000 for such projects. The major capital projects in 2007 consisted of work on the Williamsport Cultural District project (the Williamsport Cinema Complex), the Streetscape Project, and the Herdic Railcar Project. The fund balance of the Capital Projects Fund at December 31, 2007 totaled \$175,000.

Other Governmental – Special Revenue Funds

The City maintains six Special Revenue funds. Three of these funds have been designated as *nonmajor funds*, which contain the following activities:

<u>Fund</u>	<u>Activities</u>
Community Development Home Rehab	Housing
Liquid Fuels	Maintenance of streets
Redevelopment Authority	Housing

Operating revenues over expenditures totaled \$193,000 and \$175,000 for 2007 and 2006, respectively, after operating transfers. The nonmajor financial statements can be found on pages 69-70.

PENSION TRUST FUNDS

The City maintains three single employer defined benefit pension trust funds (Police, Fire and Officers & Employees). These funds are used to account for the Employee Retirement Plan contributions of the City and its employees, related benefit payments and other plan costs. The net assets held for pension benefits were \$59,699,000 and \$57,395,000 at December 31, 2007 and 2006, respectively, representing a year-to-year increase of \$2,304,000 or 4.0 percent. The City transferred from the General Fund the Annual Required Contribution of \$2,125,116 to the Pension Trust Fund. Additional information on the employee pension funds can be found in Note 9 on page 52 of this report.

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

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2007 and 2006 were \$36,660,000 and \$31,368,000 respectively (net of accumulated depreciation).

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITY			
	2007	2006	2007	2006	2007	2006
Land & improvements	\$ 2,997,712	\$ 2,514,823	\$ 1,311,826	\$ 1,333,503	\$ 4,309,538	\$ 3,848,326
Infrastructure	14,495,547	9,082,038	-	-	14,495,547	9,082,038
Buildings	1,211,029	1,173,074	9,270,991	9,687,485	10,482,020	10,860,559
Construction in process	441,274	-	317,931	616,239	759,205	616,239
Furniture & equipment	604,012	686,511	-	-	604,012	686,511
Museum exhibits	-	-	525,599	-	525,599	-
Vehicles	<u>1,100,487</u>	<u>1,252,860</u>	<u>4,383,173</u>	<u>5,021,003</u>	<u>5,483,660</u>	<u>6,273,863</u>
Total	<u>\$20,850,061</u>	<u>\$14,709,306</u>	<u>\$15,809,520</u>	<u>\$16,658,230</u>	<u>\$36,659,581</u>	<u>\$31,367,536</u>

LONG-TERM DEBT

Changes in the City's notes payable for the years ended December 31, 2007 and 2006 were as follows (in thousands):

	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
Notes/lease rentals payable at January 1, 2006	\$2,578,965	\$250,000	\$2,828,965
Additions	159,929	-	159,929
Payments	<u>(390,322)</u>	<u>-</u>	<u>(390,322)</u>
Notes/lease rentals payable at December 31, 2006	2,348,572	250,000	2,598,572
Additions	275,872	-	275,872
Payments	<u>(390,222)</u>	<u>-</u>	<u>(390,222)</u>
Notes/lease rentals payable at December 31, 2007	<u>\$2,234,222</u>	<u>\$250,000</u>	<u>\$2,484,222</u>

Additional information on the City's long-term debt can be found at Note 8 on page 49 of this report.

ECONOMIC CONDITION

The local economy remains relatively insulated from periods of national recession. Unemployment (as per the U.S. Department of Labor, Bureau of Labor Statistics) in the greater Williamsport area (unemployment statistics for the City itself are unavailable) was 4.9 percent at the end of 2007, which is an improvement compared with 5.2 percent at the end of 2006. The 2007 rate is slightly higher than Pennsylvania's overall unemployment rate (not seasonally adjusted) of 4.4 percent. The City is in a period of economic uncertainty; however, the general economic outlook is positive with slower than average growth.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information as related to the primary government and its component units should be addressed to the Budget and Fiscal Officer, City of Williamsport, City Hall, 245 West Fourth Street, Williamsport, PA 17701.

CITY OF WILLIAMSPORT, PENNSYLVANIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
ASSETS:				
Cash and cash equivalents	\$ 4,184,450	\$ 1,371,205	\$ 5,555,655	\$ 23,332
Receivables (net of allowance for uncollectibles):				
Taxes	921,133	-	921,133	-
Loans	1,701,427	-	1,701,427	-
Other	233,766	21,331	255,097	508
Internal balances	(234,505)	234,505	-	-
Due from Agency Fund	141,399	-	141,399	-
Due from other governments	1,148,527	296,789	1,445,316	2,460,523
Inventories, at cost	88,777	296,225	385,002	-
Prepaid expenses	12,819	61,867	74,686	400
Capital assets, net of accumulated depreciation:				
Land, land improvements and monuments	2,997,712	1,311,826	4,309,538	-
Infrastructure	14,495,547	-	14,495,547	-
Buildings and improvements	1,211,029	7,433,916	8,644,945	-
Vehicles and equipment	1,704,499	4,908,772	6,613,271	-
Construction in process	441,274	317,931	759,205	-
Property held under capital lease, net	-	1,837,075	1,837,075	-
Net Investment in direct financing leases	-	1,415,224	1,415,224	-
Deferred financing costs	39,645	-	39,645	-
Total assets	29,087,499	19,506,866	48,594,165	2,484,763
LIABILITIES:				
Accounts payable and accrued expenses	1,332,548	281,626	1,614,174	-
Accrued liabilities	344,076	98,431	442,507	-
Compensated absences	76,915	260,438	337,353	-
Matured bonds payable	5,000	-	5,000	-
Due to private purpose trust fund	10,496	-	10,496	-
Deferred revenues	1,701,427	271,336	1,972,763	600
Noncurrent liabilities:				
Portion due or payable within one year:				
Capital leases payable	146,845	-	146,845	-
Notes payable	184,116	5,329	189,445	213,691
Portion due or payable after one year:				
Compensated absences payable	1,434,747	-	1,434,747	-
Capital leases payable	95,691	-	95,691	-
Notes payable	2,050,106	244,671	2,294,777	2,246,832
Total liabilities	7,381,767	1,161,831	8,543,598	2,461,123
NET ASSETS:				
Invested in capital assets, net of related debt	18,373,503	16,974,744	35,348,247	-
Restricted for:				
Liquid fuels tax purposes	294,678	-	294,678	-
HOME activities	44,025	-	44,025	-
Home rehabilitation purposes	39,579	-	39,579	-
Debt Service	447,888	-	447,888	-
Redevelopment activities	6,179	-	6,179	-
Workers' compensation	100	-	100	-
Reserved for grant purposes	1,161,713	533,206	1,694,919	-
Reserved for encumbrances	76,894	-	76,894	-
Unrestricted, undesignated	1,261,173	836,885	2,098,058	23,640
Total net assets	\$ 21,705,732	\$ 18,344,835	\$ 40,050,567	\$ 23,640

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2007

FUNCTIONS/PROGRAMS	PROGRAM REVENUE					NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		COMPONENT UNIT
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
PRIMARY GOVERNMENT:								
Governmental activities:								
General Government	\$ 1,610,575	\$ 420,537	\$ 178,707	\$ -	\$ (1,011,331)		\$ (1,011,331)	
Public works - highways and streets	2,175,760	15,780	642,502	717,224	(800,254)		(800,254)	
Other public works enterprises	522,764	-	-	-	(522,764)		(522,764)	
Public Safety	11,836,062	240,156	903,880	-	(10,692,026)		(10,692,026)	
Culture and Recreation	1,703,285	-	20,870	1,223,915	(458,500)		(458,500)	
Revolving loans and grants	456,077	381,748	-	-	(74,329)		(74,329)	
Capital Outlay (elimination of blight)	132,855	-	-	-	(132,855)		(132,855)	
Interest on Long-term debt	139,504	-	-	-	(139,504)		(139,504)	
Total governmental activities	18,576,882	1,058,221	1,745,959	1,941,139	(13,831,563)		(13,831,563)	
BUSINESS-TYPE ACTIVITIES:								
River Valley Transit	5,897,084	1,021,593	3,470,711	-	(1,404,780)		(1,404,780)	
Total primary government	\$ 24,473,966	\$ 2,079,814	\$ 5,216,670	\$ 1,941,139	(13,831,563)		(15,236,343)	
COMPONENT UNIT:								
Municipal Authority of the City of Williamsport	\$ 505,582	\$ 504,418	\$ -	\$ -			\$ (1,164)	
GENERAL REVENUES:								
Taxes					13,678,027		13,678,027	
Grants and charges not restricted to specific programs					1,675,871		1,675,871	
Unrestricted investment earnings					276,831	58,397	335,228	1,100
Miscellaneous					474,040	-	474,040	
Loss on disposal of assets					(11,255)	-	(11,255)	
Transfers from governmental activities					(292,476)	292,476	292,476	
Transfers to business-type activities					36,046	(1,426)	34,620	
Transfers to fiduciary funds								
Total general revenues and transfers					15,837,084	349,447	16,186,531	1,100
CHANGE IN NET ASSETS					2,005,521	(1,055,333)	950,188	(64)
NET ASSETS, as previously reported					14,661,148	19,400,168	34,061,316	23,704
RESTATEMENT					5,039,063	-	5,039,063	-
NET ASSETS, as restated					19,700,211	19,400,168	39,100,379	23,704
NET ASSETS, ending					\$ 21,705,732	\$ 18,344,835	\$ 40,050,567	\$ 23,640

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	GENERAL FUND	CDBG	HOME	CAPITAL PROJECTS	NON-REVENUE ESCROW	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:							
Cash and cash equivalents	\$ 1,746,303	\$ 75,524	\$ 31,073	\$ 185,639	\$ 1,256,192	\$ 615,476	\$ 3,910,207
Receivables:							
Taxes	921,133	-	-	-	-	-	921,133
Loans	-	443,926	765,282	-	449,965	42,253	1,701,426
Other	212,831	150	-	-	693	20,091	233,765
Due from other funds	435,803	-	12,952	-	114,480	185,166	748,401
Due from other governments	13,811	99,748	2,169	1,004,443	-	28,356	1,148,527
Inventories, at cost	88,777	-	-	-	-	-	88,777
Prepaid expenses	12,819	-	-	-	-	-	12,819
TOTAL	\$ 3,431,477	\$ 619,348	\$ 811,476	\$ 1,190,082	\$ 1,821,330	\$ 891,342	\$ 8,765,055
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Vouchers payable	\$ 299,991	\$ 85,646	\$ 2,169	\$ 871,943	\$ 9,030	\$ 47,248	\$ 1,316,027
Accrued liabilities	332,699	10,554	-	-	-	-	343,253
Compensated absences	73,367	3,548	-	-	-	-	76,915
Matured bonds payable	5,000	-	-	-	-	-	5,000
Due to other funds	150,496	77,389	-	143,463	200,622	276,239	848,209
Deferred revenue	736,921	443,926	765,282	-	449,965	42,253	2,438,347
Total liabilities	1,598,474	621,063	767,451	1,015,406	659,617	365,740	5,027,751
Fund balances (deficit):							
Reserved for:							
Liquid fuels tax purposes	-	-	-	-	-	294,678	294,678
HOME activities	-	-	44,025	-	-	-	44,025
Home rehabilitation	-	-	-	-	-	39,579	39,579
Redevelopment activities	-	-	-	-	-	6,179	6,179
Debt service	-	-	-	-	-	185,166	185,166
Workers' compensation	100	-	-	-	-	-	100
Encumbrances	76,894	-	-	-	-	-	76,894
Other reserves	-	-	-	-	1,161,713	-	1,161,713
Unreserved, designated for:							
Debt service	262,722	-	-	-	-	-	262,722
Unreserved, undesignated	1,493,287	(1,715)	-	174,676	-	-	1,666,248
Total fund balances (deficit)	1,833,003	(1,715)	44,025	174,676	1,161,713	525,602	3,737,304
TOTAL	\$ 3,431,477	\$ 619,348	\$ 811,476	\$ 1,190,082	\$ 1,821,330	\$ 891,342	\$ 8,765,055

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2007

TOTAL FUND BALANCE, GOVERNMENTAL FUNDS		\$ 3,737,304
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported as assets in governmental funds. The cost of assets is \$33,376,425 and the accumulated depreciation is (\$12,526,364).		20,850,061
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Notes payable	\$ (2,234,222)	
Capital lease payable	(242,336)	
Compensated absences (long-term)	<u>(1,434,747)</u>	
		(3,911,305)
Deferred financing cost related to issuance of debt are deferred and amortized over life of the debt in statement of activities. The cost of deferred financing cost is \$50,700, and the accumulated amortization is (\$11,055).		39,645
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.		736,920
Internal service funds are used by management to charge the operating costs of City Hall to individual funds. The assets and liabilities of the internal service fund ("City Hall Operating Fund") are included in the statement of net assets.		<u>253,107</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS		<u>\$ 21,705,732</u>

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	GENERAL FUND	CDBG	HOME	CAPITAL PROJECTS	NON-REVENUE ESCROW	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:							
Taxes	\$ 13,507,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,507,010
Licenses and permits	442,708	-	-	-	-	-	442,708
Fines and forfeits	235,801	-	-	-	-	-	235,801
Interest, rents and royalties	183,702	-	1,733	-	68,791	21,165	275,391
Intergovernmental:							
Federal	46,058	849,568	387,575	-	-	-	1,283,201
State	897,029	-	-	1,886,140	128,242	612,746	3,524,157
Local	245,185	-	-	55,000	-	47,856	348,041
Charges for services	149,355	-	-	-	23,053	-	172,408
Collection on loans	-	53,182	150,683	-	151,295	26,588	381,748
Miscellaneous	448,046	-	-	23,485	44,833	10,912	527,276
Total revenues	16,154,894	902,750	539,991	1,964,625	416,214	719,267	20,697,741
EXPENDITURES:							
Current:							
General government	1,497,035	323,070	100,116	64,146	218,872	9,062	2,212,301
Public works	1,643,936	323,124	-	767,489	-	517,733	3,252,282
Other public works enterprises	192,725	-	-	-	-	-	192,725
Public safety	11,379,656	6,859	-	16,204	-	-	11,402,719
Culture and recreation	657,838	-	-	1,299,477	-	19,500	1,957,315
Revolving loans and grants	-	-	436,577	-	-	-	436,577
Capital outlay	11,781	132,855	-	2,400	-	-	132,855
Debt service	-	-	-	-	-	-	14,181
Total expenditures	15,382,971	785,908	536,693	2,149,716	218,872	546,295	19,620,455
Excess (deficiency) of revenues over expenditures	771,923	116,842	3,298	(185,091)	197,342	172,972	1,077,286
OTHER FINANCING SOURCES (USES):							
Proceeds from the issuance of long-term debt	-	-	-	-	-	275,872	275,872
Debt service	171,519	44,500	-	375,872	-	(496,312)	(496,312)
Transfers in	(956,996)	(120,000)	-	(11,706)	-	636,312	1,228,203
Transfers out	-	-	-	-	-	(395,931)	(1,484,633)
Total other financing sources (uses)	(785,477)	(75,500)	-	364,166	-	19,941	(476,870)
NET CHANGE IN FUND BALANCES	(13,554)	41,342	3,298	179,075	197,342	192,913	600,416
FUND BALANCES - BEGINNING	1,846,557	(43,057)	40,727	(4,399)	964,371	332,689	3,136,888
FUND BALANCES (DEFICIT) - ENDING	\$ 1,833,003	\$ (1,715)	\$ 44,025	\$ 174,676	\$ 1,161,713	\$ 525,602	\$ 3,737,304

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS:	\$ 600,416
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is for the amount by which capital outlays exceed depreciation in the current period.	1,156,863
The repayment of principal on capital leases is expended in the funds, however, such payments reduce the capital lease payable liability within the statement of net assets. This amount represents the dollar value of principal payments made on capital leases payable during 2007.	138,974
Certain compensated absences payable are considered long-term in nature, are not reported as liabilities within the funds. Such liabilities are, however, reported within the statement of net assets, and changes in these liabilities are reflected within the statement of activities. This amount represents the change in long-term compensated absences payable for the year ended December 31, 2007.	(20,251)
Internal service funds are used by management to charge the operating costs of City Hall to individual funds. The operating income of the internal service fund (City Hall Operating Fund) is reported within the governmental activities.	6,332
The repayment of principal on notes payable is expensed in the funds, however, such payments reduce the notes payable liability within the statement of net assets. This amount represents the dollar value of principal payments made on notes payable during 2007.	390,222
Issuance of long-term debt provides current financial resources to governmental funds. Also, government funds report the effect of issuance costs when debt is first issued, where as these amounts are deferred and amortized in the statement of activities and are included here as a reconciling item.	(275,872)
Issuance of capital leases.	(125,931)
Loss on the disposal of capital assets.	(11,256)
Revenues related to real estate taxes in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	<u>146,024</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,005,521</u>

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2007

	BUDGETED AMOUNTS		ACTUAL AMOUNTS, BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 13,265,670	\$ 13,265,670	\$ 13,507,010	\$ 241,340
Licenses and permits	378,000	378,000	442,708	64,708
Fines and forfeits	248,000	248,000	235,801	(12,199)
Interest, rents, royalties and investment gains	121,000	121,000	183,702	62,702
Intergovernmental:				
Federal	55,000	55,000	46,058	(8,942)
State	895,000	895,000	897,029	2,029
Local	200,000	200,000	245,185	45,185
Charges for services	155,000	155,000	149,355	(5,645)
Miscellaneous	307,700	307,700	448,046	140,346
Total revenues	15,625,370	15,625,370	16,154,894	529,524
EXPENDITURES:				
Current:				
General government	1,715,536	1,701,861	1,497,035	204,826
Public works - highways and streets	1,636,553	1,636,453	1,643,936	(7,483)
Other public works enterprises	195,397	206,397	192,725	13,672
Public safety	11,410,467	11,425,357	11,379,656	45,701
Culture and recreation	582,723	702,782	657,838	44,944
Debt service	280,411	440,411	11,781	428,630
Total expenditures	15,821,087	16,113,261	15,382,971	730,290
(DEFICIT) EXCESS OF REVENUES OVER EXPENDITURES	(195,717)	(487,891)	771,923	1,259,814
OTHER FINANCING SOURCES (USES):				
Transfers in	120,000	120,000	171,519	51,519
Transfers out	(595,000)	(590,000)	(956,996)	(366,996)
Total other financing uses	(475,000)	(470,000)	(785,477)	(315,477)
NET CHANGE IN FUND BALANCES	(670,717)	(957,891)	(13,554)	944,337
FUND BALANCES, BEGINNING	1,315,286	1,315,286	1,846,557	531,271
FUND BALANCES, ENDING	\$ 644,569	\$ 357,395	\$ 1,833,003	\$ 1,475,608

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2007

	BUSINESS- TYPE ACTIVITY (RVT)	INTERNAL SERVICE FUND (CHO)
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,371,205	\$ 274,246
Other accounts receivable (net of allowance)	21,331	-
Due from other funds	244,034	-
Receivables from other governments	296,789	-
Inventories, at cost	296,225	-
Prepays	61,867	-
Total current assets	<u>2,291,451</u>	<u>274,246</u>
Capital assets:		
Land and improvements	1,355,038	1
Buildings and improvements	11,052,914	1,373,186
Equipment	11,952,126	113,453
Construction in Progress	317,931	-
Less accumulated depreciation	<u>(10,705,564)</u>	<u>(896,552)</u>
Net capital assets	<u>13,972,445</u>	<u>590,088</u>
Net investment in direct financing leases	<u>1,415,224</u>	<u>-</u>
Property held under capital lease, net	<u>1,837,075</u>	<u>-</u>
TOTAL	<u>\$ 19,516,195</u>	<u>\$ 864,334</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Vouchers payable	\$ 281,626	\$ 16,521
Accrued liabilities	98,431	823
Compensated absences	260,438	-
Due to other funds	9,529	3,795
Deferred revenue	271,336	-
Lease rental payable-Municipal Authority	5,329	-
Total current liabilities	<u>926,689</u>	<u>21,139</u>
Long-term liabilities,		
Lease rental payable-Municipal Authority	<u>244,671</u>	<u>-</u>
Net assets:		
Invested in capital assets, net of related debt	16,974,744	590,088
Restricted	533,206	-
Unrestricted	<u>836,885</u>	<u>253,107</u>
Total net assets	<u>18,344,835</u>	<u>843,195</u>
TOTAL	<u>\$ 19,516,195</u>	<u>\$ 864,334</u>

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	BUSINESS- TYPE ACTIVITY (RVT)	INTERNAL SERVICE FUND (CHO)
OPERATING REVENUES,		
Charges for services	\$ 1,021,593	\$ 250,240
OPERATING EXPENSES:		
Wages and salaries	2,418,237	20,824
Depreciation	1,163,224	52,722
Employee benefits	669,810	14,515
Administrative expense	458,971	2,059
Materials and supplies	674,996	141,956
Maintenance	324,916	12,063
Insurance	186,930	-
Total operating expenses	<u>5,897,084</u>	<u>244,139</u>
OPERATING INCOME (LOSS)	<u>(4,875,491)</u>	<u>6,101</u>
NON-OPERATING REVENUES (EXPENSES):		
Loss on disposal of equipment	-	(769)
Subsidies from other governments:		
State	2,400,210	-
Federal	777,367	-
Local	293,135	1,000
Interest income	58,397	-
Total non-operating revenue (expense)	<u>3,529,109</u>	<u>231</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(1,346,382)</u>	<u>6,332</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in	304,663	-
Operating transfers out	(13,613)	-
Total other financing sources	<u>291,050</u>	<u>-</u>
NET INCOME (LOSS)	(1,055,332)	6,332
NET ASSETS, BEGINNING	<u>19,400,167</u>	<u>836,863</u>
NET ASSETS, ENDING	<u>\$ 18,344,835</u>	<u>\$ 843,195</u>

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	BUSINESS-TYPE ACTIVITY (RVT)	INTERNAL SERVICE FUND (CHO)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	\$ 1,018,927	\$ 250,240
Cash payments to employees for services	(3,038,077)	(35,854)
Cash paid to suppliers for goods and services	<u>(1,684,216)</u>	<u>(153,072)</u>
Net cash (used in) provided by operating activities	<u>(3,703,366)</u>	<u>61,314</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES,		
Operating subsidies and transfers from other funds	<u>3,697,015</u>	<u>-</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES,		
Earnings on investments	<u>58,397</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Subsidies received from other governments	486,872	1,000
Payments for capital acquisitions	(314,514)	(5,891)
Payments received under direct financing leases	<u>51,641</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>223,999</u>	<u>(4,891)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	276,045	56,423
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,095,160</u>	<u>217,823</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,371,205</u>	<u>\$ 274,246</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss) income	\$ (4,875,491)	\$ 6,101
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:		
Depreciation	1,163,224	52,722
Changes in assets and liabilities:		
Accounts receivable, other	(2,666)	
Due from/to other governments and funds	(152,159)	721
Prepaid expenses	3,325	
Inventories	4,356	
Vouchers payable	106,075	947
Other operating liabilities	<u>49,970</u>	<u>823</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (3,703,366)</u>	<u>\$ 61,314</u>

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2007

	PENSION TRUST FUNDS	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
ASSETS:			
Cash and cash equivalents	\$ 726,963	\$ 7,816	\$ 476,981
Receivables, Other	201,274	-	-
Due from other funds	-	10,497	-
Investments, at fair value:			
U.S. Government securities	21,500,550	-	-
Domestic corporate bonds	5,466,680	-	-
Domestic equity securities	31,373,124	-	-
Mutual funds	430,831	-	-
Total investments	58,771,185	-	-
TOTAL	\$ 59,699,422	\$ 18,313	\$ 476,981
LIABILITIES:			
Vouchers payable		\$ 3,497	\$ 26,097
Due to other funds		-	141,399
Due to other taxing units		-	309,485
Claims Liability		7,000	-
Total liabilities		10,497	\$ 476,981
NET ASSETS:			
Held in trust for pension benefits	\$ 59,699,422	-	
Reserved for workers' compensation	-	7,816	
Total net assets	59,699,422	7,816	
TOTAL	\$ 59,699,422	\$ 18,313	

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	PENSION TRUST FUNDS	PRIVATE PURPOSE TRUSTS
ADDITIONS:		
Contributions:		
Employer	\$ 1,259,390	\$ -
Transfers in	-	16,899
Commonwealth of Pennsylvania	865,726	-
Employees	<u>485,553</u>	<u>-</u>
Total contributions	<u>2,610,669</u>	<u>16,899</u>
Investment earnings:		
Interest and dividends	1,929,168	-
Net appreciation in fair value of investments	964,250	-
Other investment income	<u>137,933</u>	<u>-</u>
Total investment earnings	3,031,352	-
LESS INVESTMENT EXPENSE	<u>(152,307)</u>	<u>-</u>
NET INVESTMENT EARNINGS	<u>2,879,045</u>	<u>-</u>
CLAIMS ADJUSTMENTS	<u>-</u>	<u>54,647</u>
Total additions	<u>5,489,714</u>	<u>71,546</u>
DEDUCTIONS:		
Transfers out	-	51,519
Benefits	3,162,932	16,899
Administrative	<u>21,919</u>	<u>5,691</u>
Total deductions	<u>3,184,851</u>	<u>74,109</u>
CHANGE IN NET ASSETS	2,304,863	(2,563)
NET ASSETS, BEGINNING	<u>57,394,559</u>	<u>10,378</u>
NET ASSETS, ENDING	<u>\$ 59,699,422</u>	<u>\$ 7,816</u>

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

Williamsport is the largest city in north-central Pennsylvania. It is a city of the third class, incorporated on January 15, 1866, and operates under an elected Mayor-Council form of government. The City provides many services to its estimated 30,000 residents, including general government services, public safety (police, fire, emergency management and protective inspection), maintenance of streets and parks, and community enrichment programs.

The financial statements of the City include the accounts of the City's primary government and two component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The City Council and/or the City's Mayor appoints a voting majority to the Board of Directors of both component units. The Municipal Authority of the City of Williamsport (the "Municipal Authority") issues separately audited financial statements, which can be obtained from the Municipal Authority Offices at 245 West Fourth Street, Williamsport, Pennsylvania 17701. Separately issued financial statements of the Redevelopment Authority of the City of Williamsport (the "Redevelopment Authority") can also be obtained from its office, located at 245 West Fourth Street, Williamsport, Pennsylvania 17701.

Discretely Presented Component Unit

The Municipal Authority functions as a financing medium for various public entities.

Brief Description of Activities and Relationship to the City

The City Council appoints a voting majority to the Municipal Authority's board of directors, and the City has guaranteed Municipal Authority debt.

Blended Component Unit

The Redevelopment Authority provides for the acquisition and demolition of properties, economic development and shopsteading loans, and historic rehabilitation and preservation. This assistance is funded primarily through federal grants from the City's Community Development Block Grant ("CDBG") program.

Brief Description of Activities and Relationship to the City

A continuing financial relationship exists between the City and the Redevelopment Authority under the terms of a cooperative agreement between the City and the Redevelopment Authority. According to the terms of this agreement, the Redevelopment Authority will, among other things, provide CDBG and other funding as necessary, prepare loan agreements and mortgages and obtain collateral for loans. In addition, the City's Mayor appoints a voting majority to the Board of Directors of the Redevelopment Authority.

GOVERNMENT – WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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. Likewise, the *primary government* is reported separately from certain legally separate *discretely presented component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and 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.

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 government 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, intergovernmental revenues, charges for services and interest associated with the current fiscal period are all generally 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 government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. 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 not to follow subsequent private-sector guidance.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 for services (primarily bus fares and rental income). Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. 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.

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for within this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid by other funds are paid from the General Fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to specified purposes. The major Special Revenue Funds reported by the City under this generic heading include the Community Development Block Grant ("CDBG") Fund, the HOME Fund and the Non-Revenue Escrow Fund. The CDBG and HOME Funds do not adopt an annual operating budget; rather, the City prepares multi-year budgets that coincide with the federally mandated period of availability of funds. The Non-Revenue Escrow Fund also does not adopt an annual operating budget, as the fund primarily consists of capital escrow funds and grant proceeds, which will be spent over several years.

Other nonmajor Special Revenue funds reported by the City include:

- The Liquid Fuels Fund accounts for state and county aid revenues used for building, improving and maintaining City streets.
- The Home Rehabilitation Fund accounts for the operations of the City's Home Rehabilitation program, which is funded in part by federal funds whose use is restricted for the provision of specified home rehabilitation services to eligible City residents.
- The Redevelopment Authority of the City of Williamsport is a blended component unit of the City. Additional details pertaining to the operations of the Redevelopment Authority may be found in the Reporting Entity section of Note 1.

Capital Projects Fund

The Capital Projects Fund (a major fund) is used to account for financial resources to be used for the acquisition or construction of major capital facilities or assets (other than those financed by proprietary funds and trust funds).

Debt Service Fund

The Debt Service Fund (a nonmajor fund) is used to account for financial resources to be used for the payment of principal and interest on the City's long-term debt obligations.

PROPRIETARY FUNDS

Enterprise Fund - Williamsport Bureau of Transportation (d/b/a River Valley Transit)

Enterprise funds are used to account for operations (a) that are financed primarily through user charges, or (b) where the governing body has decided that determination of net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City's sole enterprise fund accounts for the operations of River Valley Transit, a regional mass transit system.

**Internal Service Fund –
City Hall Operating Fund**

This fund is used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis. The City Hall Operating Fund comprises this fund type. The City Hall Operating Fund is used to allocate the cost of the operations of City Hall among the various departments and programs that occupy the building.

FIDUCIARY FUNDS

Pension Trust Funds

Pension trust funds are used to report the resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans. The City maintains three single-employer defined benefit pension trust funds; the Fire Pension Trust Fund, the Police Pension Trust Fund, and the Officers and Employees Pension Trust Fund.

Private Purpose Trust Fund

Private purpose trust funds are used to report trust arrangements under which the principal and income benefit individuals, private organizations or other governments. The City's Worker's Compensation Trust Fund and Unemployment Compensation Trust Fund are reported within the accompanying financial statements as private purpose trust funds.

Agency Funds

Agency funds are used to report resources held by the City in a purely custodial capacity (i.e., assets = liabilities.) Agency funds reported by the City in the accompanying financial statements include the Tax Collecting Fund, Payroll Revolving Fund, and certain sub-funds the City holds as a fiscal agent that are accounted for within the Non-Revenue Escrow Fund (which are presented separately for financial reporting purposes).

CASH EQUIVALENTS

The City considers highly liquid short-term instruments purchased with a maturity of three months or less (excluding certain short-term instruments which are classified as investments) to be cash equivalents.

INVESTMENTS

Marketable securities are stated at their fair values. Other investments, including cash investment funds and certificates of deposit, are carried at cost, which approximates fair value. Adjustments to reflect increases or decreases in fair value, referred to as unrealized gains and losses, are reported as investment income.

RECEIVABLES

All trade and property tax receivables are shown net of allowance for uncollectibles.

PROPERTY TAX CALENDAR

The City is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the City. Taxes are due in one installment on or before June 30 following the levy date. Taxes not paid or exonerated become delinquent on December 31. The City collects taxes up to December 31 of the same year (payments post-marked by December 31 but received shortly after year-end are considered as having been collected for accounting purposes). Subsequent to year-end, all unpaid property taxes are certified to the Lycoming County Delinquent Tax Office for further collection and possible tax sales over an additional 36-month period. Current tax collections for the year ended December 31, 2007 were 92.0% of the tax levy.

INVENTORY

Inventories in the General Fund consist of gasoline and postage. Inventory is valued at the lower of cost (first-in, first-out) or market.

Inventory of the Enterprise Fund, consisting of bus parts and supplies, is stated at the lower of cost (determined on a basis that approximates the last-in, first-out method) or market. The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed (consumption method).

CAPITAL ASSETS

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Beginning on January 1, 2003, the City began to prospectively capitalize its investment in infrastructure assets pursuant to GASB Statement No. 34. Infrastructure assets include long-lived, immovable capital assets such as road systems, bridges, curbs and gutters, sidewalks, drainage systems and lighting systems. During 2007, the City retroactively reported its major general infrastructure acquired, significantly reconstructed, or significantly improved from January 1, 1980 through December 31, 2002, pursuant to GASB Statement No. 34. As a general rule, infrastructure acquired prior to 1980 is not capitalized.

Normal maintenance and repairs are charged to expense as incurred; major renewals or betterments which extend the life or increase the value of assets are capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>
Buildings and improvements	40 years	40 years
Machinery and equipment	10-20 years	10-20 years
Furniture and fixtures	15-20 years	15-20 years
Office equipment	5-15 years	5-15 years
Computer equipment	5 years	5 years
Vehicles	5-10 years	5-10 years
Streets and roadways	20 years	-
Curbing and sidewalks	20 years	-

LIABILITIES FOR COMPENSATED ABSENCES

City employees are awarded vacations each year based upon the number of years served through December 31st of the preceding year. The City's policy generally provides that employees will be compensated for earned but unused vacation at retirement or termination.

The City's sick leave policy provides sick time to each employee. Employees are permitted unlimited accumulation of sick time. Detail of the sick leave policies in effect for the individual labor contracts are as follows:

- City Firemen are compensated at the rate of 30% of the employee's regular rate at retirement, for all unused sick time accumulated from January 1, 1999 through the date of retirement, not to exceed 120 days. In addition to this, City Firemen are compensated at the rate of one day per three days of sick leave accumulated through December 31, 1998, at the employee's regular rate at that date;
- City Policemen are compensated at the rate of 15% of the employee's regular rate for accumulated sick leave upon retirement, up to a maximum of 120 days;
- Transit employees have an attendance incentive plan whereby an employee with three or less sick occurrences per calendar year will be paid 5% and employees with perfect attendance per calendar year will be paid 10% of their accumulated sick leave at a rate of \$10 for every eight hours accumulated up to a maximum of \$2,000 upon retirement or termination. All other accumulated sick time is forfeited at that time;
- Employees covered under the AFSCME labor contract are compensated \$20 for each three day unit of unused sick time, up to a maximum of 120 three day units (360 days) for a maximum of \$2,400 upon retirement or termination. All other accumulated sick time is forfeited at that time, and;
- Non-contract RVT employees follow the sick leave policy of the Transit Employees, all other non-contract employees utilize the same plan as the employees covered under the AFSCME contract.

Under the Fair Labor Standards Act, employees are permitted to accrue up to 240 hours (480 hours for police and firemen) of compensatory ("Comp") time for hours worked beyond 40 hours in any one week. Comp time is awarded at the premium rate of time and one-half for hours worked over a 40 hour period. Upon termination of employment, any accumulated Comp time will be paid at a rate not less than the average regular rate of pay over the employee's last three years of employment or the final regular rate, whichever is higher.

DEFERRED REVENUE

Deferred revenue consists of receivables not collected within 60 days subsequent to the City's year-end (fund-perspective financial statements), advance billings by the River Valley Transit for each local municipality's share of its budgeted operating deficit, grant revenues received but not yet expended, and loans receivable associated with grant-funded revolving loan pools. It is expected that these items will be included in revenues of future fiscal years.

At December 31, 2007, the General, CDBG, HOME, Non-Revenue Escrow, Non-major and Enterprise funds had deferred revenues of \$736,921, \$443,926, \$765,282, \$449,965, \$42,253, and \$271,336, respectively.

PENSION PLANS

The City provides separate defined benefit pension plans for general employees, Police and Fire department personnel. It is the City's policy to fund its annual required contribution.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. BUDGETARY PROCEDURES AND BUDGETARY ACCOUNTING

The City utilizes the Executive Budget approach to budgetary control. This approach requires the chief executive (i.e., Mayor), together with the Department of Accounts and Finance, to prepare and submit a governing financial plan to the legislative body on an annual basis. The City prepares its budgets for each fund type in accordance with accounting principles generally accepted in the United States of America ("GAAP" basis).

All transfers or supplemental appropriations must be enacted by City Council. During the year, all transfers and appropriations were approved by City Council, in accordance with the Pennsylvania Third Class City Code. Actual expenditures and operating transfers out may not legally exceed "budget" appropriations at the individual fund level. Budgetary control, however, is maintained at the department level.

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

Accounting principles generally accepted in the United States of America require that the City include a combined statement of revenues, expenditures and changes in fund balances - budgeted and actual - for the General Fund and for each major special revenue fund for which *annual* budgets have been legally adopted. A statement of revenues, expenditures and changes in fund balance - budgeted and actual - General Fund is presented on page 23 of the accompanying financial statements. The City does not adopt *annual* budgets for its Community Development Block Grant Fund, HOME Fund and Non-Revenue Escrow Fund, the three major special revenue fund types. Rather, program year budgets are adopted for these funds. These program year budgets, which are in effect through program conclusion (typically a three to five year period), are not required to be presented.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

PRIMARY GOVERNMENT

Pennsylvania statutes provide for the investment of governmental funds in 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 do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for cash management and investment purposes, which the City does. In addition to the investments authorized for governmental funds, pension trust fund investments may be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practices. Act 72 requires all governmental (public funds) deposits not insured by the Federal Depository Insurance Corporation (FDIC) to be collateralized by the financial institution.

The deposit and investment policies of the City adhere to state statutes. Deposits of the governmental funds are either maintained in demand deposits, Pennsylvania Local Government Investment Trust ("PLGIT") or pooled for investment purposes in certificates of deposit. The deposits and investments of the three pension trust funds are administered by trustees and are held separately from those of other City funds.

Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, requires disclosures related to the following deposit and investment risks; credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The following is a description of the City's deposit and investment risks.

DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the City will not recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The City does not have a formal deposit policy for custodial credit risk. As of December 31, 2007, the City's total deposits were \$6,594,257. Of this amount, \$175,572 was insured by the FDIC, \$300,000 was insured by the SIPC and \$478,216 was insured by other providers. The remaining deposits of \$5,640,469 were exposed to custodial credit risk, since the deposits were collateralized with securities held by the pledging financial institutions, but not in the City's name.

INVESTMENTS

Assets in the pension trust funds are stated at fair value. The Police Pension Board, Fire Pension Board and Officers and Employees Pension Board have adopted investment guidelines that summarize the investment philosophy of the Boards, as follows:

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2007, all of the City’s investments were held by Wachovia Securities, LLC, and were insured by SIPC or to the extent that the City’s investments exceed SIPC coverage, are insured up to \$50,000,000 per account.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a credit rating by a nationally recognized rating organization. The City’s investment policy protects against credit risk by limiting investments to the following:

- Only corporate or tax exempt debt issues that meet or exceed a credit rating of A from Standard & Poor’s and/or an A rating from Moody’s may be purchased;
- Preferred stocks must be rated A or better by Moody’s and/or Standard & Poor’s at the time of purchase;
- No issues may be purchased with more than 30 years to maturity.

As of December 31, 2007, the City’s credit quality distribution of securities as a percentage of total investments is as follows:

**Credit Quality Distribution of Securities
 With Credit Exposure as a Percentage of Total Investments**

Corporate bonds	AAA	2.07%
Corporate bonds	AA	2.94%
Corporate bonds	A	4.17%
Foreign bonds	AAA	4.16%
Foreign bonds	AA	1.84%
Mortgaged backed securities	AA	0.52%
Mortgaged backed securities	A	0.71%
Freddie Mac	AAA	0.43%
Federal Home Loan Mortgage Corp	AAA	9.47%

CITY OF WILLIAMSPORT, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

Federal National Mortgage Association	AAA	7.40%
Federal Home Loan Bank	AAA	4.29%
Certificate of Deposit	AAA	2.13%
Certificate of Deposit	AA	0.56%
Certificate of Deposit	A	0.42%

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. The City places limits on the amounts that may be invested in any one issuer. For all investments, the City may not invest more than 5% of the investment group’s portfolio market value in one individual issuer/security (with the exception of the U.S. Government and its agencies). As of December 31, 2007, investments that exceeded 5% of the total portfolio’s market value are as follows:

<u>SECURITY</u>	<u>% OF MARKET VALUE</u>
Federal Home Loan Bank Mortgage Corp	9.47%
Federal National Mortgage Association	7.37%

Interest Rate Risk – Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair-value losses arising from interest rates, the City’s investment policy allows the investment manager to invest the fixed income component of the portfolio so as to prevent the returns for the fixed income portfolio from under performing the fixed income index by more than 3% in any quarter.

Information about the sensitivity of the fair values of the City’s investments to market interest rate fluctuations is provided by the following table, which provides a distribution of the City’s investments by maturity at December 31, 2007:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Corporate bonds	2008	\$ 90,857
Corporate bonds	2010	223,848
Corporate bonds	2011	145,843
Corporate bonds	2013	821,037
Corporate bonds	2014	1,290,823
Corporate bonds	2016	612,441
Corporate bonds	2017	523,474
Corporate bonds	2023	281,000
Corporate bonds	2027	269,298
Corporate bonds	2029	282,463

CITY OF WILLIAMSPORT, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

Corporate bonds	2035	696,444
Corporate bonds	2037	229,153
Foreign bonds	2012	316,640
Foreign bonds	2014	1,404,787
Foreign bonds	2016	579,500
Foreign bonds	2017	240,113
Foreign bonds	2018	127,925
Foreign bonds	2022	902,961
Federal Home Loan Mortgage Corporation	2013	2,828,180
Federal Home Loan Bank	2013	495,924
US Treasury Notes	2015	1,109,696
Federal National Mortgage Association	2015	3,626,181
Federal National Mortgage Association	2017	541,364
Federal Home Loan Mortgage Association	2019	1,404,713
Federal Home Loan Bank	2019	247,300
Federal Home Loan Bank	2020	1,812,797
Federal National Mortgage Association	2022	220,000
US Treasury Notes	2025	1,375,253
Freddie Mac	2028	255,980
Federal Home Loan Mortgage Corporation	2028	1,404,858
FNMA Government Asset Backed Securities	2013	7,333
FHLMC Government Asset Backed Securities	2026	2,620
GNMA Government Asset Backed Securities	2028	1,610
FNMA Government Asset Backed Securities	2030	9,555
Mortgaged Back Securities	2018	422,876
Mortgaged Back Securities	2024	309,974
Certificate of Deposit	2009	1,054,935
Certificate of Deposit	2011	211,623
Certificate of Deposit	2014	250,413
Certificate of Deposit	2015	335,442

Foreign Currency Risk – Foreign currency risk is the risk that changes in the foreign exchange rate will adversely affect the fair value of an investment. The investment policy of the City does not allow for the investment in securities exchanged in foreign denominations.

COMPONENT UNIT - MUNICIPAL AUTHORITY

CASH

At December 31, 2007 the carrying amount and bank balance of the Municipal Authority's deposits were \$23,332, all of which was covered by federal depository insurance.

4. DIRECT FINANCING LEASES

The City's direct financing lease activities consist of long-term office space rentals in a building owned by the River Valley Transit (the "RVT"). Such leases expire in 2029.

Following is a summary of the components of the RVT's net investment in direct financing leases at December 31, 2007:

Total minimum lease payments to be received	\$1,448,812
Estimated residual value of leased property	65,327
Unearned income	<u>(98,915)</u>
 Net investment	 <u>\$1,415,224</u>

Unearned income is amortized using the straight-line method over the lease term, 29 years.

Minimum lease payments to be received as of December 31, 2007 for each of the next five years are as follows:

2008	\$ 58,693
2009	59,057
2010	63,062
2011	63,062
2012	63,062
2013-2017	315,310
2018-2022	315,310
2023-2027	315,310
Thereafter	<u>195,946</u>
 Total	 <u>\$1,448,812</u>

5. PROPERTY TAXES

The City's property tax is levied each January 1 on the assessed values as of the date of levy for all taxable real property located in the City. The assessed value at January 1, 2007, upon which the 2007 levy was based, was \$947,161,370. The estimated market value was \$947,161,370 making the assessed value 100% of the estimated market value.

The City is permitted by state law to levy taxes up to \$25 per \$1,000 of assessed valuation for general governmental services. The tax rate to finance general governmental services for the year ended December 31, 2007, was \$9.18 per \$1,000, which means that the City has a tax margin of \$15.82 per \$1,000.

6. CAPITAL ASSETS

	BALANCE JANUARY 1, 2007	RETROACTIVE INFRASTRUCTURE ADJUSTMENT	ACQUISITIONS	DISPOSALS/ TRANSFERS	BALANCE DECEMBER 31, 2007
Gov't activities:					
Cost:					
Land, impr. and monuments	\$ 2,562,638		\$ 512,624	\$ (1)	\$ 3,075,261
Infrastructure	9,840,041	\$10,388,901	1,338,671		21,567,613
Buildings and improvements	3,443,146		113,255		3,556,401
Furniture and equipment	1,507,092		27,411	(56,335)	1,478,168
Transportation	3,242,631		220,014	(204,937)	3,257,708
Construction in process	-	-	441,274	-	441,274
Total cost	<u>20,595,548</u>	<u>10,388,901</u>	<u>2,653,249</u>	<u>(261,273)</u>	<u>33,376,425</u>
Less accum. depreciation:					
Land impr. and monuments	(47,815)		(29,734)		(77,549)
Infrastructure	(758,003)	(5,349,838)	(964,225)		(7,072,066)
Buildings and improvements	(2,270,072)		(75,300)		(2,345,372)
Furniture and equipment	(820,581)		(108,991)	55,416	(874,156)
Transportation	<u>(1,989,771)</u>	-	<u>(361,282)</u>	<u>193,832</u>	<u>(2,157,221)</u>
Total	<u>(5,886,242)</u>	<u>(5,349,838)</u>	<u>\$(1,539,532)</u>	<u>\$ 249,248</u>	<u>\$(12,526,364)</u>
Governmental activities, net	<u>\$14,709,306</u>	<u>\$5,039,063</u>	<u>\$1,113,717</u>	<u>\$ (12,025)</u>	<u>\$20,850,061</u>

CITY OF WILLIAMSPORT, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

**Business – type
activity:**

	BALANCE JANUARY 1, 2007	ACQUISITIONS	DISPOSALS/ TRANSFERS	BALANCE DECEMBER 31, 2007
Cost:				
Land & land improvements	\$ 1,355,038			\$ 1,355,038
Buildings and improvements	11,052,914			11,052,914
Machinery and equipment	12,243,956	\$ 87,223	\$(904,652)	11,426,527
Museum exhibits	-		525,599	525,599
Property held under capital lease	2,277,644			2,277,644
Construction in process	<u>616,239</u>	<u>227,291</u>	<u>(525,599)</u>	<u>317,931</u>
Total cost	<u>27,545,791</u>	<u>314,514</u>	<u>(904,652)</u>	<u>26,955,653</u>
Less accumulated depreciation for:				
Land improvements	(21,535)	(21,677)		(43,212)
Buildings and improvements	(3,247,402)	(371,596)		(3,618,998)
Machinery and equipment	(7,222,953)	(725,053)	904,652	(7,043,354)
Property held under capital lease	<u>(395,671)</u>	<u>(44,898)</u>	<u>-</u>	<u>(440,569)</u>
Total accumulated depreciation	<u>(10,887,561)</u>	<u>(1,163,224)</u>	<u>904,652</u>	<u>(11,146,133)</u>
Business-type activities capital assets, net	<u>\$ 16,658,230</u>	<u>\$ (848,710)</u>	<u>\$ -</u>	<u>\$ 15,809,520</u>

**PROPERTY HELD UNDER CAPITAL LEASE -
 GOVERNMENTAL ACTIVITIES**

The City has entered into several agreements that have been accounted for as capital leases. These agreements cover vehicles, computer equipment, fire equipment and a radio system. These assets are being amortized over their respective lease terms, which approximate their estimated productive lives. Amortization of assets under capital leases related to governmental activities amounted to approximately \$134,000 for the year ended December 31, 2007.

The following is a schedule, by year, of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2007, as related to the City's governmental activities:

YEAR ENDING DECEMBER 31

2008	\$ 162,443
2009	101,085
2010	<u>938</u>
Total minimum lease payments	264,466
Less amounts representing interest	<u>(22,130)</u>
Present value of net minimum lease payments	242,336
Less: current portion	<u>(146,645)</u>
Present value of net minimum lease payments, long-term	<u>\$ 95,691</u>

**PROPERTY HELD UNDER CAPITAL LEASE -
 BUSINESS-TYPE ACTIVITIES**

During December 1999, River Valley Transit (the "RVT") became the lessee of a portion of a new parking deck (consisting of 150 parking spaces and an enclosed area for the exclusive use of its "Park and Ride" passenger program) under a capital lease agreement with the Williamsport Parking Authority. This lease term expires in 2029, with two bargain renewal options, which extend the term to 2049. Under the terms of this capital lease agreement, RVT was required to make the full lease payment upon commencement of the lease.

CITY OF WILLIAMSPORT, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

These assets are being amortized over their respective lease terms, which approximate their estimated productive lives. Amortization of assets under capital leases amounted to \$44,898 for the year ended December 31, 2007.

Following is a summary of property held under capital lease as related to the City's business-type activities:

150 parking spaces	\$ 2,100,000
Enclosed waiting area for "Park & Ride" Program	100,000
Radio system	<u>77,644</u>
Less: Accumulated amortization	<u>(440,569)</u>
Property held under capital leases, net	<u>\$ 1,837,075</u>

7. INTERFUND BALANCES AND ACTIVITY

BALANCES DUE TO/FROM OTHER FUNDS

Individual fund receivable and payable amounts at December 31, 2007 were as follows:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 435,803	\$ (150,496)
Special Revenue Funds:		
Community Development Block Grant		(77,389)
HOME	12,952	
Non-Revenue Escrow	114,480	(200,622)
Liquid Fuels		(276,239)
Debt Service Fund	185,166	
Capital Projects Fund		(143,463)
Enterprise Fund	244,034	(9,529)
Internal Service Fund (City Hall Operating)		(3,795)
Fiduciary Fund	10,497	
Agency Fund	<u>-</u>	<u>(141,399)</u>
Total	<u>\$1,002,932</u>	<u>\$(1,002,932)</u>

Balances due to/from other funds primarily represent interfund borrowings for ongoing capital projects and amounts due between funds for salary reimbursements and other cost allocations.

TRANSFERS TO/FROM OTHER FUNDS

Interfund transfers for the year ended December 31, 2007 were as follows:

	<u>IN</u>	<u>OUT</u>
General Fund	\$ 171,519	\$ (956,996)
Special Revenue Funds:		
Community Development Block Grant	44,500	(120,000)
Home Rehab		(44,500)
Capital Projects	375,872	(11,706)
Liquid Fuels		(75,559)
Debt Service	636,312	(275,872)
Proprietary Funds,		
Enterprise Fund (RVT)	304,663	(13,613)
Fiduciary Funds:		
Unemployment compensation	16,899	
Workers' Compensation	<u>-</u>	<u>(51,519)</u>
 Total	 <u>\$1,549,765</u>	 <u>\$(1,549,765)</u>

The General Fund made interfund transfers in support of Debt Service, Capital Projects and Enterprise Fund operations, as well as its share of the activity within the Unemployment Compensation Fund. CDBG activity is intra-program in nature.

8. LONG-TERM DEBT

PRIMARY GOVERNMENT

A summary of changes in long-term debt for 2007 is as follows:

<u>NOTE PAYABLE</u>	<u>BALANCE</u> <u>1/1/07</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>BALANCE</u> <u>12/31/07</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
Series of 2005 – Capital projects (C&N Bank)	\$1,821,929	\$275,872		\$2,097,801	\$ 66,246
Series B of 2004 – Pension costs (First National Bank)	631,311		\$368,589	262,722	111,199
Series C of 2004 – Capital projects (M&T Bank)	100,000			100,000	
Community Foundation	35,699		12,000	23,699	12,000
Tractor purchase	<u>9,633</u>	<u> </u>	<u>9,633</u>	<u> </u>	<u>-</u>
Total	<u>\$2,598,572</u>	<u>\$275,872</u>	<u>\$390,222</u>	<u>\$2,484,222</u>	<u>\$189,445</u>

The following table presents the same information provided above, however, illustrates how such activity relates to the City's governmental and business-type activity for the year December 31, 2007:

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITY</u>	<u>TOTAL</u>
Notes payable, January 1, 2007	\$2,348,572	\$250,000	\$2,598,572
Additions	275,872	-	275,872
Payments	<u>(390,222)</u>	<u>-</u>	<u>(390,222)</u>
Notes payable, December 31, 2007	2,234,222	250,000	2,484,222
Less: current portion	<u>(184,116)</u>	<u>(5,329)</u>	<u>(189,445)</u>
Notes payable, long-term	<u>\$2,050,106</u>	<u>\$244,671</u>	<u>\$2,294,777</u>

Additional information regarding the City's long-term debt obligations is as follows:

GOVERNMENTAL ACTIVITIES

**\$6,000,000 GUARANTEED NOTE,
SERIES OF 2005 (C&N BANK)**

In February 2005, the City entered into a lease rental agreement with the Municipal Authority in the amount of \$6,000,000 to finance a variety of capital projects, including: a street resurfacing and rehabilitation project; improvements to City storm sewer and fire hydrant systems; improvements to and furnishing of City Hall; purchasing street lights and other capital equipment; paying capitalized interest on the note, and; paying the costs of financing the note. Proceeds of the 2005 note are available to the City as a non-revolving line of credit from the bank. The note bears interest at the rate of 4.875% per annum; interest payments are due semi-annually on May 15 and November 15 of each year. Principal payments commence on May 15, 2008, and continue through and including May 15, 2032. The outstanding principal balance on this note was \$1,847,801 at December 31, 2007.

**\$1,000,000 GUARANTEED REVENUE NOTE,
SERIES B OF 2004 (FEDERALLY TAXABLE) (FIRST NATIONAL BANK)**

In December 2004, the City entered into a lease rental agreement with the Municipal Authority in the amount of \$1,000,000 to finance a portion of the City's annual pension cost (minimum municipal obligation). Lease rental interest only payments began in 2005 at a rate of 5.46% through May 15, 2012 and then the rate shall float at Prime minus .60% (not to exceed 8%) until maturity. Under the original terms of this note, principal payments were deferred until 2006, and would have been required through May 2015; however, the City is currently is making advance payments on this note, and anticipates that this note will be paid in full in 2008. The outstanding principal balance on this note was \$262,722 at December 31, 2007.

**\$1,000,000 GUARANTEED REVENUE NOTE,
SERIES C OF 2004 (FEDERALLY TAXABLE) (M&T BANK)**

In December 2004, the City entered into a lease rental agreement with the Municipal Authority in the amount of \$1,000,000 to finance costs associated with approved projects that are awaiting reimbursement from grant funds. Lease rental interest only payments begin January 2005. Monthly interest payments are required on the 15th of each month, at a variable rate not to exceed 8%, through May 2009, with principal payments required on an annual basis through May 2009. The outstanding principal balance on this note was \$100,000 at December 31, 2007.

**\$100,000 NOTE PAYABLE,
 FIRST COMMUNITY FOUNDATION OF PENNSYLVANIA**

In February 1997, the City entered into a non-interest bearing note payable agreement with the First Community Foundation of Pennsylvania (formerly the Williamsport-Lycoming Foundation) (the "Foundation") in the amount of \$100,000 for the purpose of renovating the playing surface at Bowman Field. Under the terms of the original agreement, the City was required to pay this note in full by February 2002. In 2002, a new agreement was negotiated with the Foundation to extend the payment terms of the note. This unsecured note is now payable in monthly installments of \$1,000, with final payment due in March 2009. The outstanding principal on this note was \$23,699 at December 31, 2007.

The following is a schedule, by year, of the future minimum principal and interest payments required under the note payable and lease rental agreements as of December 31, 2007:

<u>YEAR ENDING DECEMBER 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 184,116	\$ 71,206	\$ 255,322
2009	174,531	102,836	277,367
2010	171,156	93,914	265,070
2011	44,341	84,972	129,313
2012	46,552	82,761	129,313
2013-2017	269,973	376,594	646,567
2018-2022	344,322	302,245	646,567
2023-2027	439,146	207,421	646,567
2028-2032	<u>560,085</u>	<u>86,482</u>	<u>646,567</u>
Total	<u>\$2,234,222</u>	<u>\$1,408,431</u>	<u>\$3,642,653</u>

BUSINESS-TYPE ACTIVITIES

In December 1998, RVT entered into a lease rental agreement with the Municipal Authority in the amount of \$3,000,000 to finance a construction project. Lease rental payments were deferred until January 2000, at which time monthly payments began. Monthly payments of \$12,500 plus accrued interest at 3.93% were required through December 31, 2005, with a final payment of all unpaid principal and interest due on January 1, 2006. During 2005, this note was paid by the City and RVT is repaying the note to the City according to the terms of the City's Guaranteed Note, Series of 2005 (C&N Bank) as described above. The outstanding principal on this note was \$250,000 at December 31, 2007.

Under the terms of this agreement, RVT is required to make the following payments, which correspond to the Municipal Authority's debt repayment schedule:

<u>YEAR ENDING DECEMBER 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 5,329	\$ 12,188	\$ 17,517
2009	5,589	11,928	17,517
2010	5,861	11,656	17,517
2011	6,147	11,370	17,517
2012	6,447	11,070	17,517
2013-2017	37,265	50,317	87,582
2018-2022	47,279	40,303	87,582
2023-2027	59,983	27,599	87,582
2028-2033	<u>76,100</u>	<u>11,482</u>	<u>87,582</u>
Total	<u>\$250,000</u>	<u>\$187,913</u>	<u>\$437,913</u>

9. EMPLOYEE PENSION FUNDS

PLAN DESCRIPTIONS

The Williamsport Officers' and Employees' Pension Fund ("O&E"), Williamsport Firemen's Pension Fund ("Fire") and Williamsport Police Pension Fund ("Police") (collectively, the "Plans") are single-employer defined benefit pension plans administered by the City. The Plans were established effective May 23, 1945. The City is the only participating employer in the Plans. Stand-alone financial statements are not issued for the Plans, nor are the Plans included in the report of any public employee retirement system or other entity.

Additional information related to each of the plans is as follows:

	<u>Officers' and Employees' Pension Fund</u>	<u>Firemen's Pension Fund</u>	<u>Police Pension Fund</u>
Employee groups covered	Any elected or appointed official, or any person employed by the City on a permanent basis	Any person employed on a full-time basis by the City as a firefighter	Any person employed on a full-time basis by the City as a police officer
Legislative body governing plan and responsible for management of plan assets	Officers' and Employees' Retirement Board	Firemen's Pension Board	Council of the City of Williamsport

CITY OF WILLIAMSPORT, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

	<u>Officers' and Employees' Pension Fund</u>	<u>Firemen's Pension Fund</u>	<u>Police Pension Fund</u>
Normal retirement age	60	50	50
Years of service requirement prior to retirement	20	20	20
Monthly retirement benefits	Fifty percent of the higher of: (1) monthly rate of compensation at date of severance; or (2) compensation averaged over the final sixty month period prior to termination	Fifty percent of the higher of: (1) compensation averaged over the twelve month period prior to termination; or (2) compensation averaged over any five year period prior to termination	Fifty percent of the compensation averaged over the last 12 month period prior to termination
Monthly service increment benefit	None	Equal to one-fortieth of the pension benefit for each completed year of service in excess of twenty years, up to a maximum of \$100; service after age sixty-five shall not be included	Equal to one-fortieth of the pension benefit for each completed year of service in excess of twenty years, up to a maximum of \$100; service after age sixty-five shall not be included
Reduction in monthly retirement benefit	None	None	None
Disability benefits: Eligibility	Upon total and permanent disablement which occurs following the completion of fifteen years of service	Upon total and permanent disablement for service related injuries, regardless of length of service; and upon total and permanent disablement which occurs after five years of service for non-service related injuries	Upon total and permanent disablement which occurs while performing duties of a police officer for the City of Williamsport

CITY OF WILLIAMSPORT, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

	<u>Officers' and Employees' Pension Fund</u>	<u>Firemen's Pension Fund</u>	<u>Police Pension Fund</u>
Monthly disability benefits	Same as monthly retirement benefit, but no reduction for social security benefits	Equal to the accrued benefit based upon average monthly compensation and years of service at the date of disablement	Same as monthly retirement benefit calculated at date of disablement
Death benefits - Spouse			
Before retirement	Refund of contributions if any, without interest	Monthly benefit equal to fifty percent of the accrued benefit until death or remarriage for non-service related death; monthly benefit equal to one hundred percent of accrued benefit until death or remarriage for service-related death	Refund of contributions without interest if participant had less than twenty years of service; if after twenty years of service, receives same benefit as if death occurred after retirement
After retirement	Excess of participant's accumulated contributions over the total payment received shall be paid to participant's estate	Monthly benefit equal to 100% of pension participant was receiving or entitled to receive on day of participant's death is payable to spouse until death or remarriage. In the event of the death of the spouse, each of the participant's dependent children will receive an equal share of benefit until their 18 th birthday	Monthly benefit equal to 100% of the pension participant was receiving or entitled to receive on the day of participant's death is payable to spouse

Membership of the Plans consisted of the following at January 1, 2007, the date of the latest actuarial valuation:

	<u>Officers' and Employees' Pension Fund</u>	<u>Firemen's Pension Fund</u>	<u>Police Pension Fund</u>
Retirees and beneficiaries receiving benefits	31	81	65
Terminated members entitled to but not yet receiving benefits	3	3	3
Active plan members	<u>114</u>	<u>35</u>	<u>49</u>
Total	<u>148</u>	<u>119</u>	<u>117</u>

FUNDING POLICY

The contribution requirements of plan members are established and may be amended by the respective legislative bodies governing each of the plans (see Plan Descriptions). Employees are required to contribute five percent of compensation to the respective plans. Participants in the Police and Fire plans are required to contribute an additional \$1 per month until age sixty-five.

The contribution requirements of the City are determined in accordance with the Commonwealth of Pennsylvania's Municipal Pension Plan Funding and Recovery Act (Act 205 of 1984, [the "Act"]). The Act requires that annual contributions be based on a Minimum Municipal Obligation ("MMO"), as determined in connection with the Plans' biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions and a credit equal to ten percent of the excess (if any) of the actuarial present value of assets over the actuarial accrued liability.

The Commonwealth of Pennsylvania provides an allocation of funds that must be used for pension funding. The City must fund any financial requirement established by the MMO that exceeds state/member contributions. For the year ended December 31, 2007, the combined City/Commonwealth contributions to the Fire, Police and O&E plans were \$1,164,880, \$774,111, and \$186,125, respectively, each of which was equal to the related MMO.

ANNUAL PENSION COST AND NET PENSION ASSET

The City's annual pension cost and net pension asset for the current year were calculated as follows:

	<u>OFFICERS' AND EMPLOYEES' PENSION FUND</u>	<u>FIREMEN'S PENSION FUND</u>	<u>POLICE PENSION FUND</u>
Annual required contribution	\$ 179,496	\$1,236,659	\$805,191
Interest on net pension asset	(17,894)	(2,726)	(11,950)
Adjustment to annual required contribution	<u>22,862</u>	<u>94</u>	<u>16,993</u>
Annual pension cost	184,464	1,234,027	810,234
Contributions made	<u>179,496</u>	<u>1,236,659</u>	<u>805,191</u>
Increase (decrease) in net pension asset	4,968	(2,632)	5,043
Net pension asset, beginning of year	<u>(223,673)</u>	<u>(36,340)</u>	<u>(149,372)</u>
Net pension asset, end of year	<u>\$ (218,705)</u>	<u>\$ (38,972)</u>	<u>\$ (144,329)</u>

The annual required contribution ("ARC") for the current year was determined as part of the January 1, 2007 actuarial valuation, which used the following assumptions:

<u>ACTUARIAL ASSUMPTION</u>	<u>OFFICERS' AND EMPLOYEES' PENSION FUND</u>	<u>FIREMEN'S PENSION FUND</u>	<u>POLICE PENSION FUND</u>
Actuarial cost method	Entry age normal cost method	Entry age normal cost method	Entry age normal cost method
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Investment rate of return	8%	7.5%	8%

CITY OF WILLIAMSPORT, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

<u>ACTUARIAL ASSUMPTION</u>	<u>OFFICERS' AND EMPLOYEES' PENSION FUND</u>	<u>FIREMEN'S PENSION FUND</u>	<u>POLICE PENSION FUND</u>
Projected salary increase	5%	5%	5%
Consumer price index	3%	3%	3%
Asset valuation method	Fair value	Fair value	Fair value
Remaining amortization period	8 years	7 years	11 years

TREND INFORMATION

<u>Plan and Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
Officers' and Employees' Pension Fund			
12/31/07	\$ 184,464	97.3%	\$(218,705)
12/31/06	161,236	111.0%	(246,508)
12/31/05	226,413	105.0%	(223,673)
12/31/04	223,090	107.0%	(211,341)
12/31/03	7,658	289.0%	(195,686)
Firemen's Pension Fund			
12/31/07	\$1,234,027	100.3%	\$(38,972)
12/31/06	1,239,673	99.8%	(33,326)
12/31/05	1,211,724	100.0%	(36,340)
12/31/04	1,239,497	100.0%	(39,628)
12/31/03	990,493	99.0%	(43,212)
Police Pension Fund			
12/31/07	\$810,234	99.4%	\$(144,329)
12/31/06	793,241	102.0%	(161,322)
12/31/05	817,717	101%	(149,372)
12/31/04	804,855	101%	(138,307)
12/31/03	450,696	102%	(128,062)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are made. Employer contributions to each Plan are recognized when made. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

METHOD USED TO VALUE INVESTMENTS

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments.

CONTRIBUTIONS

Employee contributions are governed by the Plans' respective governing ordinances and collective bargaining. (See Funding Policy above).

Employer contributions are determined pursuant to the Commonwealth of Pennsylvania's Municipal Pension Funding and Recovery Act (Act 205 of 1984, [see Funding Policy above]).

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 Plan earnings.

10. DEFINED CONTRIBUTION (SECTION 457) PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, known as the United States Conference of Mayors Deferred Compensation Program, is administered by Nationwide Retirement Solutions. The Plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency, as defined.

11. OTHER POSTRETIREMENT BENEFITS

In addition to the pension benefits described in Note 9, the City provides other postretirement benefits, consisting of health-care benefits and life insurance for retired employees who are participants in the City Firemen's and Police pension plans and their dependents, and life insurance for retired employees who are participants in the City Officers' and Employees' pension plan. Currently, 141 retirees plus their dependents meet those eligibility requirements. Such benefits are provided in accordance with various union contracts. All costs in relation to these benefits are absorbed by the City.

Expenditures for postretirement benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2007, expenditures of approximately \$970,003 were recognized for these health insurance and life insurance benefits.

12. WORKERS' COMPENSATION

During the period from 1994 through June 1997, the City established and maintained a workers' compensation trust fund. The purpose of this fund was to provide and maintain reserves for liabilities incurred under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act. During this time, the City retained the risk arising from liabilities related to Workers' Compensation. As of December 31, 2007, known Workers' Compensation claims did not exceed amounts held in reserve for such claims.

During June 1997, the City changed its approach to Workers' Compensation risk management from self-insurance to an indemnity plan and negotiated a commercial insurance contract to cover this risk.

13. RELATED ORGANIZATIONS

The City's officials are responsible for appointing certain members of the governing boards of other organizations; but the City's accountability for these organizations during 2007 did not extend beyond making the appointments. A majority of the boards of the following organizations are either appointed by City Council or recommended and nominated by the Mayor and approved by City Council:

- Williamsport Municipal Water Authority
- Williamsport Sanitary Authority
- Williamsport Parking Authority

During the year ended December 31, 2007, the Williamsport Parking Authority purchased certain management services from River Valley Transit (an enterprise fund operation of the City) amounting to \$40,000.

14. COMMITMENTS AND CONTINGENT LIABILITIES

LITIGATION

The City has been named as a defendant in various lawsuits which relate to the day-to-day operations of City government. In the opinion of management and legal counsel, the resolution of these lawsuits will not have a material adverse effect on the City's financial position or results of operations.

In addition, the City participates in a variety of other federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City is potentially liable for any expenditure that may be disallowed pursuant to the terms of these grant programs.

TAX REVENUE ANTICIPATION NOTE - 2008

In December 2007, City Council approved a resolution authorizing City Officials to enter into a Tax and Revenue Anticipation Note, Series I of 2008, dated January 1, 2008, in the amount of \$2,000,000, bearing interest at a variable rate based upon 65% of the one-month LIBOR Rate plus a margin of 1.5%, not to exceed 8.91%, maturing on December 31, 2008.

ENVIRONMENTAL

The City maintains a fuel storage facility. The City is potentially liable for any expenditures associated with compliance to mandated regulations and any assessments by regulatory authorities related to this facility or other similarly situated facilities.

15. RESTATEMENT

During the year ended December 31, 2007, the City implemented the retrospective infrastructure reporting requirement of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* ("GASB 34"). Pursuant to GASB 34, the City was required to report its general governmental infrastructure assets acquired or significantly reconstructed/improved during the period from January 1, 1980 through December 31, 2002 effective January 1, 2007 (the City began prospectively reporting its general governmental infrastructure assets beginning with its January 1, 2003 implementation of GASB 34). The effect of the restatement was to increase the previously reported nets assets of the City's governmental activities by \$5,039,063.

16. PENDING CHANGES IN ACCOUNTING PRINCIPLES

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*. Other post-employment benefits (OPEB) include health insurance and life insurance. This statement establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities (assets) in the financial statements of state and local governments. The City will be required to adopt Statement No. 45 for its calendar year 2008 financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. GASB 49 is effective for the City's calendar year 2008 financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures - An Amendment of GASB Statements No. 25 and No. 27*. GASB 50 amends the note disclosure and required supplementary information (RSI) standards of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 27, *Accounting for Pensions by State and Local Governmental Employers* to conform with applicable changes adopted in Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 50 is effective for the City's calendar year 2008 financial statements.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. GASB 51 is effective for the City's calendar year 2010 financial statements.

In November 2007, the GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. GASB 52 is effective for the City's calendar year 2009 financial statements.

City management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the financial reporting process.

CITY OF WILLIAMSPORT, PENNSYLVANIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS - PENSION TRUST FUNDS
 (UNAUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2007

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Total Unfunded Actuarial Liability (Asset)	Funded Ratio (a)/(b)	Annual Covered Payroll	Ratio of Unfunded Liability to Annual Covered Payroll
<u>POLICE PENSION FUND</u>						
January 1, 2007	\$ 26,657,363	\$ 24,508,446	\$ (2,148,917)	108.77%	\$ 3,211,951	N/A
January 1, 2005	23,025,939	21,760,869	(1,265,070)	105.81%	3,280,897	N/A
January 1, 2003	20,397,776	22,806,903	2,409,127	89.44%	3,052,756	78.92%
January 1, 2001	19,523,424	19,181,587	(341,837)	101.78%	2,834,560	N/A
January 1, 1999	19,070,275	16,381,194	(2,689,081)	116.42%	2,602,332	N/A
January 1, 1997	15,333,032	13,405,949	(1,927,083)	114.37%	2,396,964	N/A
<u>FIREMEN'S PENSION FUND</u>						
January 1, 2007	\$ 18,329,072	\$ 20,922,513	\$ 2,593,441	87.60%	\$ 1,630,363	159.07%
January 1, 2005	15,576,933	19,449,427	3,872,494	80.09%	1,696,453	228.27%
January 1, 2003	13,174,201	19,940,005	6,765,804	66.07%	1,557,749	434.33%
January 1, 2001	12,339,737	17,862,197	5,522,460	69.08%	1,720,660	320.95%
January 1, 1999	11,882,081	16,589,739	4,707,658	71.62%	1,517,956	310.13%
January 1, 1997	9,388,005	14,776,857	5,388,852	63.53%	1,469,314	366.76%
<u>OFFICERS' AND EMPLOYEES' PENSION PLAN</u>						
January 1, 2007	\$ 12,290,852	\$ 9,973,285	\$ (2,317,567)	123.24%	\$ 3,883,791	N/A
January 1, 2005	10,441,771	8,673,065	(1,768,706)	120.39%	3,726,549	N/A
January 1, 2003	9,014,865	9,716,550	701,685	92.78%	3,539,914	19.82%
January 1, 2001	8,244,863	7,451,727	(793,136)	110.64%	2,288,980	N/A
January 1, 1999	8,089,429	6,223,592	(1,865,837)	129.98%	2,986,571	N/A
January 1, 1997	6,585,508	5,694,798	(890,710)	115.64%	2,636,203	N/A

Note: The January 1, 2005 actuarial valuation recognized two assumption changes. (1) The actuarial value of assets was changed from a smoothing method whereby one-third of market value gains and losses were recognized at each valuation date and the remaining two-thirds were deferred to future biennial valuations to a market value method. (2) The salary scale assumption was lowered from 5.5% to 5% for the Police and Fire Plans.

Note: As permitted by GASB No. 25, the City has elected to value these plans on a biennial basis.

See Note to Required Supplementary Information - Pension Trust Funds

CITY OF WILLIAMSPORT, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION TRUST FUNDS
 (UNAUDITED)
 FOR THE YEAR ENDED DECEMBER 31, 2007

YEAR ENDED DECEMBER 31,	POLICE PENSION FUND		FIREMEN'S PENSION FUND		OFFICERS' AND EMPLOYEES' PENSION FUND	
	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED
2007	\$ 774,111	100%	\$ 1,164,880	100%	\$ 186,125	100%
2006	805,191	100%	1,236,659	100%	179,496	100%
2005	828,782	100%	1,208,437	100%	243,320	100%
2004	815,100	100%	1,235,913	100%	238,745	100%
2003	460,182	100%	986,585	100%	22,153	100%
2002	220,316	100%	782,740	100%	-	N/A
2001	192,049	100%	723,253	100%	-	N/A
2000	167,750	100%	720,013	100%	-	N/A
1999	128,121	100%	736,322	100%	29,142	100%
1998	126,600	100%	771,555	100%	20,657	100%
1997	478,565	100%	966,993	100%	107,098	100%

See Note to Required Supplementary Information - Pension Trust Funds

CITY OF WILLIAMSPORT, PENNSYLVANIA

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION TRUST FUNDS
DECEMBER 31, 2007
(UNAUDITED)**

ACTUARIAL ASSUMPTIONS

The following actuarial assumptions were used in the January 1, 2007 actuarial valuation, the most recent actuarial valuation:

<u>ACTUARIAL ASSUMPTION</u>	<u>OFFICERS' AND EMPLOYEES' PENSION FUND</u>	<u>FIREMEN'S PENSION FUND</u>	<u>POLICE PENSION FUND</u>
Actuarial cost method	Entry Age Normal Actuarial Cost Method	Entry Age Normal Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Amortization method	Level dollar, closed	Level dollar, closed	Level dollar, closed
Investment rate of return	8%	7.5%	8%
Projected salary increase	5%	5%	5%
Consumer Price Index	3% per annum	3% per annum	3% per annum
Asset valuation method	Fair value	Fair value	Fair value
Remaining amortization period	8 Years	7 years	11 Years

CITY OF WILLIAMSPORT, PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PROGRAM AMOUNT	TOTAL RECEIVED FOR THE YEAR	ACCRUED (DEFERRED) REVENUE JANUARY 1, 2007	ADJUSTMENTS RECOGNIZED	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE DECEMBER 31, 2007
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u> Community Development Block Grant Entitlement Grants	14.218	\$ 1,299,000	\$ 961,104	\$ 211,284	\$ -	\$ 849,568	\$ 849,568 *	\$ 99,748
Community Development Block Grant Entitlement Grants	14.218	1,295,649	-	-	-	-	-	-
Community Development Block Grant	14.218	N/A	56,339	-	-	56,339	56,339 *	-
Entitlement Grants-Program Income	14.239	1,886,942	460,035	25,413	47,675 a.)	389,116	389,116 *	2,169
Community Planning and Development - HOME Program	14.239	N/A	147,574	(61,282)	61,282 a.)	147,574	147,574 *	-
Community Planning and Development - HOME Program - Program Income	N/A	250,000	-	-	-	-	-	-
EDI-Special Project No. B-02-SP-PA-0614			1,625,052	175,415	108,957	1,442,597	1,442,597	101,917
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	15.904	5,492	214	214	-	-	-	-
<u>U.S. DEPARTMENT OF INTERIOR, NATIONAL PARK SERVICE:</u> Passed through Pennsylvania Historical and Museum Commission, Historical Preservation Fund Grants-In-Aid	16.579	65,000	10,946	(13,810)	-	24,756	24,756	-
Edward Byrne Memorial Formula Grant Program	16.579	42,118	10,530	-	-	21,504	21,504	10,974
Edward Byrne Memorial Formula Grant Program	16.000	15,608	15,608	-	-	15,608	15,608	-
Asset Forfeiture and Money Laundering Federal Sharing Funds			37,084	(13,810)	-	61,868	61,868	10,974
TOTAL U.S. DEPARTMENT OF JUSTICE			9,000	8,417	-	583	583	-
<u>U.S. DEPARTMENT OF AGRICULTURE:</u> Urban and Community Forestry (Title I)	10.664	19,000	-	(9,500)	-	19,000	19,000	9,500
Urban and Community Forestry (Title II)			9,000	(1,083)	-	19,583	19,583	9,500
TOTAL U.S. DEPARTMENT OF AGRICULTURE			9,000	(1,083)	-	19,583	19,583	9,500

CITY OF WILLIAMSPORT, PENNSYLVANIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2007

GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PROGRAM AMOUNT	TOTAL RECEIVED FOR THE YEAR	ACCRUED (DEFERRED) REVENUE JANUARY 1, 2007	ADJUSTMENTS	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE DECEMBER 31, 2007
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>								
Federal Transit Administration Capital Improvement Grant	20.500	3,210,228	-	-	-	-	-	-
Federal Transit Administration Capital Improvement Grant	20.500	1,457,667	66,878	65,358	-	1,520	1,520	-
Federal Transit Administration Capital Improvement Grant	20.500	1,213,592	-	-	-	-	-	-
Federal Transit Administration Capital and Operating Assistance Grant	20.507	250,000	-	-	-	-	-	-
Federal Transit Administration Capital and Operating Assistance Grant	20.507	650,878	-	-	-	719	719	719
Federal Transit Administration Capital and Operating Assistance Grant	20.507	712,502	-	-	-	-	-	-
Federal Transit Administration Capital and Operating Assistance Grant	20.507	1,477,416	917,605	477,605	-	440,000	440,000	-
Federal Transit Administration Capital and Operating Assistance Grant	20.507	245,000	245,000	-	-	245,000	245,000	-
Federal Transit Administration Capital and Operating Assistance Grant	20.507	1,443,009	-	-	-	212,628	212,628	212,628
Passed through Pennsylvania Department of Transportation: Highway Planning and Construction	20.205	79,072	49,732	-	-	70,458	70,458	20,726
Highway Planning and Construction	20.205	195,784	91,082	-	-	116,597	116,597	25,515
Highway Planning and Construction	20.205	738,784	508,131	-	-	646,237	646,237	138,106
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>1,878,428</u>	<u>542,963</u>	-	<u>1,733,159</u>	<u>1,733,159</u>	<u>397,694</u>

CITY OF WILLIAMSPORT, PENNSYLVANIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2007

GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PROGRAM AMOUNT	TOTAL RECEIVED FOR THE YEAR	ACCRUED (DEFERRED) REVENUE JANUARY 1, 2007	ADJUSTMENTS	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE DECEMBER 31, 2007
U.S. DEPARTMENT OF HEALTH RESOURCES AND SERVICES ADMINISTRATION:								
Passed through the Pennsylvania Department of Health, Health Care and Other Facilities								
	93.887	2,999	2,999	-	-	2,999	2,999	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 3,552,777</u>	<u>\$ 703,699</u>	<u>\$ 108,957</u>	<u>\$ 3,260,206</u>	<u>\$ 3,260,206</u>	<u>\$ 520,085</u>

* Tested as a "major" program.

a.) Adjustment of over deferral/under accrual relates to expenditures incurred in prior years not reported on the schedule of expenditures of federal awards

Notes: This schedule includes the federal award activity of the City of Williamsport, PA, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts may differ from amounts presented in, or used in the preparation of the financial statements.

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007
(UNAUDITED)

	LIQUID FUELS	HOME REHAB	REDEV. AUTHORITY	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 569,718	\$ 39,579	\$ 6,179	\$ -	\$ 615,476
Receivables:					
Loans	-	42,253	-	-	42,253
Other	591	-	19,500	-	20,091
Due from other funds	-	-	-	185,166	185,166
Due from other governments	28,356	-	-	-	28,356
TOTAL	\$ 598,665	\$ 81,832	\$ 25,679	\$ 185,166	\$ 891,342
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Vouchers payable	\$ 27,748	-	\$ 19,500	-	\$ 47,248
Due to other funds	276,239	-	-	-	276,239
Deferred revenue	-	42,253	-	-	42,253
Total liabilities	303,987	42,253	19,500	-	365,740
Fund balances:					
Reserved for:					
Liquid fuels tax purposes	294,678	-	-	-	294,678
Home rehabilitation	-	39,579	-	-	39,579
Redevelopment activities	-	-	6,179	-	6,179
Debt service	-	-	-	185,166	185,166
Unreserved, undesignated	-	-	-	-	-
Total fund balances	294,678	39,579	6,179	185,166	525,602
TOTAL	\$ 598,665	\$ 81,832	\$ 25,679	\$ 185,166	\$ 891,342

CITY OF WILLIAMSPORT, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (UNAUDITED)

	LIQUID FUELS	HOME REHAB	REDEV. AUTHORITY	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:					
Interest, rents, royalties	\$ 20,814	\$ 351	\$ -	\$ -	\$ 21,165
Intergovernmental					
State	612,746	-	-	-	612,746
Local	28,356	-	19,500	-	47,856
Collections on loans	-	26,588	-	-	26,588
Miscellaneous	1,400	-	9,512	-	10,912
Total revenues	<u>663,316</u>	<u>26,939</u>	<u>29,012</u>	<u>-</u>	<u>719,267</u>
EXPENDITURES:					
Current:					
General government	-	-	9,062	-	9,062
Public works	517,733	-	-	-	517,733
Revolving loans and grants	-	-	19,500	-	19,500
Total expenditures	<u>517,733</u>	<u>-</u>	<u>28,562</u>	<u>-</u>	<u>546,295</u>
Excess of revenues over expenditures	<u>145,583</u>	<u>26,939</u>	<u>450</u>	<u>-</u>	<u>172,972</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from the issuance of long-term debt	-	-	-	275,872	275,872
Debt service	-	-	-	(496,312)	(496,312)
Transfers in	-	-	-	636,312	636,312
Transfers out	(75,559)	(44,500)	-	(275,872)	(395,931)
Total other financing sources (uses)	<u>(75,559)</u>	<u>(44,500)</u>	<u>-</u>	<u>140,000</u>	<u>19,941</u>
Net change in fund balances	70,024	(17,561)	450	140,000	192,913
Fund balances - beginning	<u>224,654</u>	<u>57,140</u>	<u>5,729</u>	<u>45,166</u>	<u>332,689</u>
Fund balances - ending	<u>\$ 294,678</u>	<u>\$ 39,579</u>	<u>\$ 6,179</u>	<u>\$ 185,166</u>	<u>\$ 525,602</u>

CITY OF WILLIAMSPORT, PENNSYLVANIA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PENSION TRUST FUNDS
 DECEMBER 31, 2007
 (UNAUDITED)

	FIREMEN'S PENSION	POLICE PENSION	O&E PENSION	TOTAL
ASSETS:				
Cash and cash equivalents	\$ 235,566	\$ 310,610	\$ 180,787	\$ 726,963
Receivables, Other	<u>67,092</u>	<u>91,594</u>	<u>42,588</u>	<u>201,274</u>
Investments, at fair value:				
U.S. Government securities	7,250,685	9,726,755	4,523,110	21,500,550
Domestic corporate bonds	1,781,809	2,497,762	1,187,109	5,466,680
Domestic equity securities	9,675,303	14,856,212	6,841,609	31,373,124
Mutual funds	<u>162,181</u>	<u>201,797</u>	<u>66,853</u>	<u>430,831</u>
Total investments	<u>18,869,978</u>	<u>27,282,526</u>	<u>12,618,681</u>	<u>58,771,185</u>
TOTAL	<u>\$ 19,172,636</u>	<u>\$ 27,684,730</u>	<u>\$ 12,842,056</u>	<u>\$ 59,699,422</u>
NET ASSETS,				
Held in trust for benefits and other purposes	<u>\$ 19,172,636</u>	<u>\$ 27,684,730</u>	<u>\$ 12,842,056</u>	<u>\$ 59,699,422</u>

CITY OF WILLIAMSPORT, PENNSYLVANIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)

	FIREMEN'S PENSION	POLICE PENSION	O&E PENSION	TOTAL
ADDITIONS:				
Contributions:				
Employer	\$ 690,333	\$ 458,755	\$ 110,302	\$ 1,259,390
Commonwealth of Pennsylvania	474,547	315,356	75,823	865,726
Employees	<u>96,039</u>	<u>187,105</u>	<u>202,409</u>	<u>485,553</u>
Total contributions	<u>1,260,920</u>	<u>961,216</u>	<u>388,534</u>	<u>2,610,669</u>
Investment earnings:				
Interest and dividends	630,792	879,365	419,011	1,929,168
Net appreciation in fair value of investments	328,607	421,339	214,304	964,250
Other investment income	<u>48,397</u>	<u>65,279</u>	<u>24,257</u>	<u>137,933</u>
Total investment earnings	<u>1,007,796</u>	<u>1,365,984</u>	<u>657,572</u>	<u>3,031,352</u>
Less investment expense (advisory fees)	<u>(48,510)</u>	<u>(70,826)</u>	<u>(32,971)</u>	<u>(152,307)</u>
Net investment earnings	<u>959,286</u>	<u>1,295,158</u>	<u>624,601</u>	<u>2,879,045</u>
Total additions	<u>2,220,206</u>	<u>2,256,374</u>	<u>1,013,135</u>	<u>5,489,714</u>
DEDUCTIONS:				
Benefits and refunds of contributions	1,487,008	1,221,822	454,102	3,162,932
Administrative	<u>6,905</u>	<u>7,185</u>	<u>7,829</u>	<u>21,919</u>
Total deductions	<u>1,493,913</u>	<u>1,229,007</u>	<u>461,931</u>	<u>3,184,851</u>
CHANGE IN NET ASSETS	726,292	1,027,367	551,204	2,304,863
NET ASSETS, BEGINNING	<u>18,446,344</u>	<u>26,657,363</u>	<u>12,290,852</u>	<u>57,394,559</u>
NET ASSETS, ENDING	<u>\$ 19,172,636</u>	<u>\$ 27,684,730</u>	<u>\$ 12,842,056</u>	<u>\$ 59,699,422</u>

CITY OF WILLIAMSPORT, PENNSYLVANIA

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS**

DECEMBER 31, 2007

(UNAUDITED)

	Workers' Compensation	Unemployment Compensation	Total
ASSETS:			
Cash and cash equivalents	\$ 7,816	\$ -	\$ 7,816
Due from other funds	<u>7,000</u>	<u>3,497</u>	<u>10,497</u>
TOTAL	<u>\$ 14,816</u>	<u>\$ 3,497</u>	<u>\$ 18,313</u>
LIABILITIES:			
Vouchers payable	\$ -	\$ 3,497	\$ 3,497
Claims liability	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Total liabilities	<u>7,000</u>	<u>3,497</u>	<u>10,497</u>
NET ASSETS,			
Reserved for workers' compensation	<u>7,816</u>	<u>-</u>	<u>7,816</u>
Total net assets	<u>7,816</u>	<u>-</u>	<u>7,816</u>
TOTAL	<u>\$ 14,816</u>	<u>\$ 3,497</u>	<u>\$ 18,313</u>

CITY OF WILLIAMSPORT, PENNSYLVANIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (UNAUDITED)

	WORKERS' COMPENSATION	UNEMPLOYMENT COMPENSATION	TOTAL
DEDUCTIONS:			
Benefits	\$ -	\$ 16,899	\$ 16,899
Administrative	<u>5,691</u>	<u>-</u>	<u>5,691</u>
Total deductions	5,691	16,899	22,590
OTHER FINANCING SOURCES (USES):			
Claims adjustments	54,647	-	54,647
Operating transfers in	-	16,899	16,899
Operating transfers out	<u>(51,519)</u>	<u>-</u>	<u>(51,519)</u>
Total other financing sources	<u>3,128</u>	<u>16,899</u>	<u>20,027</u>
CHANGE IN NET ASSETS	(2,563)	-	(2,563)
NET ASSETS, Beginning	<u>10,378</u>	<u>-</u>	<u>10,378</u>
NET ASSETS, Ending	<u>\$ 7,816</u>	<u>\$ -</u>	<u>\$ 7,816</u>

CITY OF WILLIAMSPORT, PENNSYLVANIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 DECEMBER 31, 2007
 (UNAUDITED)

	TAX COLLECTING	PAYROLL REVOLVING	NONREVENUE ESCROW	TOTAL
ASSETS,				
Cash and cash equivalents	<u>\$ 440,884</u>	<u>\$ 2,027</u>	<u>\$ 34,070</u>	<u>\$ 476,981</u>
LIABILITIES:				
Vouchers payable	\$ -	\$ 2,027	\$ 24,070	\$ 26,097
Due to other funds	131,399	-	10,000	141,399
Due to other taxing units	<u>309,485</u>	<u>-</u>	<u>-</u>	<u>309,485</u>
Total liabilities	<u>\$ 440,884</u>	<u>\$ 2,027</u>	<u>\$ 34,070</u>	<u>\$ 476,981</u>

**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of City Council,
City of Williamsport, Pennsylvania:

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Williamsport, Pennsylvania (the "City"), as of and for the year ended December 31, 2007, and have issued our report thereon dated July 17, 2008. We did not audit the financial statements of the Municipal Authority of the City of Williamsport (the "Municipal Authority"), which is presented in the component unit section. Those financial statements were audited by other auditors whose report has been furnished to us, and our report on the City's financial statements, insofar as it relates to the amounts included for the Municipal Authority, was based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above as item 2007-1 is a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City in a separate letter dated July 17, 2008.

This report is intended solely for the information and use of the Finance Committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Garrett Randolph, LLC

Williamsport, Pennsylvania
July 17, 2008

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Members of City Council,
City of Williamsport, Pennsylvania:

COMPLIANCE

We have audited the compliance of the City of Williamsport, Pennsylvania (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Finance Committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Williamsport, Pennsylvania
July 17, 2008

CITY OF WILLIAMSPORT, PENNSYLVANIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: UNQUALIFIED

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported

Type of auditors' report issued on compliance for major programs: UNQUALIFIED

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant Entitlement Grant
14.239	Community Planning and Development – HOME Program
20.205	Highway Planning & Construction

Dollar threshold used to distinguish Between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

CITY OF WILLIAMSPORT, PENNSYLVANIA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING NO.	FINDING/NONCOMPLIANCE	QUESTIONED COSTS
2007-1	<p>INTERNAL CONTROL OVER FINANCIAL REPORTING –CITY PENSION FUNDS</p> <p>CRITERIA: The City maintains three single employer defined benefit pension plans for its Police, Fire and Non-uniformed Officers and Employees (the "Pension Funds"). The Pension Funds employ an investment advisor, CS McKee; whereas investment activity is transacted by a separate securities brokerage firm, Wachovia Securities, which also holds the related pension assets in safekeeping.</p> <p>At December 31, 2007, the three City pension funds collectively held over \$59,000,000 in cash and investments, with each fund having significant activity for the year then ended.</p> <p>CONDITION: While sophisticated investment policies are in place, and the respective pension boards meet periodically with CS McKee and Wachovia to review investment performance, the City does not maintain its Pension Funds on its general ledger system, nor is the activity within these funds reconciled on a monthly basis by an appropriate individual within City Hall. As such, existing internal control is limited with regard to these funds.</p> <p>CAUSE: Management considers its external professionals (broker/safekeeper, external auditor) to be a part of its internal control over financial reporting as related to its Pension Funds.</p> <p>EFFECT: City management cannot be assured that its pension funds have been properly valued, credited for investment earnings and that pension fund disbursements are limited to authorized benefit payments and administrative charges.</p>	N/A

CITY OF WILLIAMSPORT, PENNSYLVANIA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2007

FINDING NO.	FINDING/NONCOMPLIANCE	QUESTIONED COSTS
RECOMMENDATION:	<p>City management should establish separate pension trust funds on its American Fundware general ledger system, and put in place monthly reconciliation procedures whereby investment activity is tracked, recorded and reconciled by an appropriate individual with adequate training in accounting for investments (e.g., recalculation of interest earned on debt securities, verification of dividends paid on equity securities, recalculation of realized gains and losses on sales, recalculation of investment advisory fees, reconciliation of monthly benefits paid to underlying support, etc.).</p>	
MANAGEMENT RESPONSE:	<p>See corrective action plan.</p>	

CITY OF WILLIAMSPORT, PENNSYLVANIA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2007**

FINDING NO.	FINDING/NONCOMPLIANCE	QUESTIONED COSTS
2006-1	INTERNAL CONTROL OVER FINANCIAL REPORTING – CITY PENSION FUNDS	
	Prior year finding 2006-1 is repeated as current year finding 2007-1.	
2006-2	CFDA No. 14.218, CDBG ENTITLEMENT GRANTS	
	CRITERIA: Non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Contactors and all subrecipients must certify that the organization and its principals are not suspended or debarred for individual awards of \$100,000 or more.	
	CONDITION: The City has not implemented policies or procedures to ensure that no contractors awarded individual contracts of \$100,000 or more are suspended or debarred.	
	CAUSE: Management was unaware of this requirement.	
	EFFECT: Management cannot be assured that contractors paid with federal funds are not suspended or debarred.	N/A
	RESOLUTION: Verification of contractor and subcontractors is now being accomplished by checking the “Excluded Parties List System” (“EPLS”) maintained by the General Services Administration (GSA), collecting certifications from the vendor as well as adding a clause or condition to the covered transaction with that entity/vendor.	

CITY OF WILLIAMSPORT, PENNSYLVANIA
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED DECEMBER 31, 2007

FINDING NO.	FINDING/NONCOMPLIANCE	QUESTIONED COSTS
2006-3	CFDA No. 14.218, CDBG ENTITLEMENT GRANTS	
	CRITERIA: A physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records.	
	CONDITION: The City has not performed a physical inventory of equipment purchased with federal funds; moreover, an appropriate control system has not been implemented to safeguard equipment.	
	CAUSE: Management was unaware of this requirement.	
	EFFECT: The City cannot be assured that equipment with federal funds is being properly maintained and adequately accounted for.	N/A
	RESOLUTION: A physical inventory of equipment purchased with federal funds has since been performed.	