CITY OF WILLIAMSPORT, PENNSYLVANIA

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
&
INDEPENDENT AUDITORS' REPORT
&
SUPPLEMENTARY INFORMATION
&
SINGLE AUDIT REPORTS

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PARENTERANDOLPH

The Power of Ideas

INDEPENDENT AUDITORS' REPORT

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, 2008, 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 another auditor 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 auditor.

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 auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of another auditor, 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, 2008, 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 disclosed in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2009 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 65, Schedule of Employer Contributions - Pension Trust Funds on page 66 and Note to Required Supplementary Information - Pension Trust Funds on page 67 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 combining nonmajor and fiduciary fund financial statements presented on pages 71–77 are 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. The accompanying Schedule of Expenditures of Federal Awards presented on pages 68-70 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.

Garrett Randolph, LLC

Williamsport, Pennsylvania
July 22, 2009

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, 2008. 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 decreased by $2,515,000. Net assets related to governmental activities decreased by $3,075,000, whereas net assets of the City's business-type activity increased by $560,000.

- As of December 31, 2008, net assets of the City's governmental activities were $18,631,000.

- The unreserved, undesignated fund balance of the General Fund was $963,000, or 5.7 percent of total General Fund expenditures and transfers out.

- The excess of revenues and other financing sources over expenditures and other financing uses was $(870,000) within the City's General Fund for the year ended December 31, 2008. This is in contrast to the $(1,368,000) deficit spending that was anticipated in the City's 2008 General Fund original budget.

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 Projects 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 71-72 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 73-77 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 29-64 of this report.

Other information. The combining statements referred to earlier in connection with governmental and fiduciary fund types are presented on pages 71-77.

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, 2008 and 2007 by approximately $37,535,000 and $40,051,000, 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 $19,780,000 and $18,374,000 at December 31, 2008 and 2007, respectively. The City's investment in its capital assets reported net of related debt as related to its business-type activities was $17,955,000 and $16,975,000 December 31, 2008 and 2007, respectively.

CONDENSED STATEMENT OF NET ASSETS
DECEMBER 31, 2008 AND 2007
(IN THOUSANDS)

	TOTAL GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITY ENTERPRISE FUNDS		TOTAL	
	2008	2007	2008	2007	2008	2007
Current and other assets	$ 7,515	$ 8,237	$ 6,030	$ 5,535	$ 13,545	$13,772
Capital assets, net	22,850	20,850	15,050	13,972	37,900	34,822
Total assets	30,365	29,087	21,080	19,507	51,445	48,594
Other liabilities	3,716	3,801	1,925	917	5,641	4,718
Long-term liabilities outstanding	8,018	3,580	250	245	8,268	3,825
Total liabilities	11,734	7,381	2,175	1,162	13,909	8,543
Invested in capital assets, net of related debt	19,780	18,374	17,955	16,975	37,734	35,349
Restricted	1,673	2,071	-	533	1,673	2,604
Unrestricted	(2,822)	1,261	950	837	(1,872)	2,098
Total net assets	$ 18,631	$21,706	$ 18,905	$18,345	$ 37,535	$40,051

The restricted portion of the City's net assets, $1,673,000 and $2,604,000 at December 31, 2008 and 2007, respectively, represent resources that are subject to external restrictions on how they may be used.

At the end of 2008 and 2007 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 weakened in 2008 and improved 2007 as reflected in the $(2,515,000) and $5,990,000 change in total net assets for the years ended December 31, 2008 and 2007, respectively. The majority of the decrease in 2008 is attributable to the City's reporting of its net other postemployment benefit obligation of $(3,706,059), pursuant to GASB Statement No. 45. 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 during the period from January 1, 1980 through January 1, 2003 (the date at which the City began to prospectively report its infrastructure), pursuant to GASB Statement No. 34.

CONDENSED STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(IN THOUSANDS)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITY		TOTAL	
	2008	2007	2008	2007	2008	2007
REVENUES:						
Program:						
Charges for services	$ 896	$ 1,058	$ 1,065	$ 1,022	$ 1,961	$ 2,080
Operating grants and contributions	2,166	1,746	5,280	3,471	7,446	5,217
Capital grants and contributions	2,700	1,941			2,700	1,941
General:						
Taxes	13,223	13,678			13,223	13,678
Grants and charges - unrestricted	1,951	1,676			1,951	1,676
Unrestricted investment income	163	277	30	58	193	335
Miscellaneous	342	474	-	-	342	474
Total revenues	21,441	20,850	6,375	4,551	27,816	25,401
EXPENSES:						
General government	3,176	1,611			3,176	1,611
Public works - highways and streets	1,650	2,176			1,650	2,176
Other public works enterprises	2,731	523			2,731	523
Public safety	15,120	11,836			15,120	11,836
Culture and recreation	917	1,703			917	1,703
Revolving loans and grants	213	456			213	456
Capital outlay (elimination of blight)	21	132			21	132
Interest on long-term debt	132	140			132	140
Loss on disposal of assets	67	11			67	11
Williamsport Bureau of Transportation	-	-	6,288	5,897	6,288	5,897
Total expenses	24,027	18,588	6,288	5,897	30,315	24,485
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS	(2,586)	2,262	87	(1,346)	(2,499)	916
TRANSFERS	(489)	(256)	473	291	(16)	35
CHANGE IN NET ASSETS	(3,075)	2,006	560	(1,055)	(2,515)	951
NET ASSETS, JANUARY 1, as previously reported	21,706	14,661	18,345	19,400	40,051	34,061
RESTATEMENT	-	5,039	-	-	-	5,039
NET ASSETS, JANUARY 1, as restated	21,706	19,700	18,345	19,400	40,051	39,100
NET ASSETS, DECEMBER 31	$ 18,631	$21,706	$ 18,905	$18,345	$37,536	$40,051

Governmental Activities. Governmental activities decreased the City's net assets by $(3,075,000) and increased the net assets by $2,006,000 for the years ended December 31, 2008 and 2007, respectively. The majority of the 2008 decrease ($3,706,059) relates to the City's reporting of its net postemployment benefit other than pensions obligation pursuant to GASB No. 45. The majority of the 2007 increase relates to the City's investment in capital assets, including infrastructure, which was funded in large part by grants from other governments.

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 increase in net assets of $560,000 and a decrease in net assets of $1,055,000 for the years ended December 31, 2008 and 2007, 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, 2008 and 2007, the City's governmental funds reported combined ending fund balances of $2,696,000 and $3,737,000, respectively. The City's unreserved, undesignated fund balance, which is available for spending at the government's discretion, was $1,024,000 and $1,666,000 at December 31, 2008 and 2007, respectively. The remainder of the fund balance at December 31, 2008 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, 2008 and 2007 amounted to $949,000 and $837,000, respectively, and those for the Internal Service funds amounted to $301,000 and $253,000, respectively. The total change in net assets for the Enterprise Fund and Internal Service Fund for the years ending December 31, 2008 and 2007 were an increase of $557,000 and a reduction of $1,049,000, 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 2008 was approximately $17.1 million; this represents an increase of $440,000 (2.6%) over 2007. The General Fund expenditure budget for fiscal year 2007 was approximately $16.7 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, 2008, the *unreserved fund balance* of the General Fund $963,000. During 2008, the City's General Fund balance decreased by $870,000. As a measure of the General Fund's liquidity, the *unreserved fund balance* represents 5.5 percent of the total General Fund expenditures (including transfers out). 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, 2008 was in line with the recommended limits.

Revenues of the General Fund totaled $15.6 million and $16.2 million for the years ended December 31, 2008 and 2007, respectively, representing a year-to-year decrease of $561,000 (3.5%). The following represents a summary of General Fund revenue by source.

REVENUES (in thousands)	2008	2007
Taxes	$13,017	$13,507
Licenses and permits	580	443
Fines and forfeits	240	236
Interest, rents and royalties	82	184
Intergovernmental	1,235	1,188
Charges for services	120	149
Miscellaneous	320	448
Total revenues	$15,594	$16,155

The General Fund's operations were also supported by operating transfers in which totaled $80,000 and $172,000 during the years ended December 31, 2008 and 2007, respectively. Additional details relating to interfund transfers can be found in Note 7 on page 48.

General Fund expenditures totaled $15,617,000 and $15,383,000 for the years ended December 31, 2008 and 2007, respectively, which represents an increase of $234,000 (1.5%). The following represents a summary of General Fund expenditures for the years ended December 31, 2008 and 2007, by source:

EXPENDITURES (in thousands):	2008	2007
General government	$ 1,693	$ 1,497
Public works - highways and streets	1,783	1,644
Other public works enterprises	214	193
Public safety	11,335	11,379
Culture and recreation	589	658
Debt service	3	12
Total expenditures	$15,617	$15,383

In addition, the General Fund made operating transfers out to other governmental, proprietary and fiduciary funds in the amount of $927,000 and $957,000 during the years ended December 31, 2008 and 2007.

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 $6,000 and $41,000 years ended December 31, 2008 and 2007. The CDBG Fund's fund balance of $5,000 and $(2,000) at December 31, 2008 and 2007, 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 Projects fund accounts for financial resources expended to acquire or construct property and capital assets. During the year ended December 31, 2008, the City expended $2,082,000 for such projects. The major capital projects in 2008 consisted of work on the Williamsport Cultural District project (the Williamsport Cinema Complex), Streetscape Projects, renovations and improvements to Historic Bowman Field and Phase I of the Reach Road reconstruction project. The fund balance of the Capital Projects Fund at December 31, 2008 totaled $55,000.

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:

Fund	Activities
Community Development Home Rehab	Housing
Liquid Fuels	Maintenance of streets
Redevelopment Authority	Housing

Operating revenues over expenditures totaled $13,000 and $193,000 for 2008 and 2007, respectively, after operating transfers. The nonmajor financial statements can be found on pages 71-72.

Pension Trust Funds

The City maintains three single employer defined benefit pension trust funds (Police, Fire 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 $46,200,000 and $59,699,000 at December 31, 2008 and 2007, respectively, representing a year-to-year decrease of $13,500,000 or 22.6 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.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2008 and 2007 were $39,691,000 and $36,660,000 respectively (net of accumulated depreciation) (Business-Type Activity capital assets, as presented below, include certain property held under capital lease, see Note 6 for additional details).

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITY		TOTAL	
	2008	2007	2008	2007	2008	2007
Land & improvements	$ 3,587,122	$ 2,997,712	$ 1,384,685	$ 1,311,826	$ 4,971,807	$ 4,309,538
Infrastructure	15,422,475	14,495,547	-	-	15,422,475	14,495,547
Buildings	1,407,212	1,211,029	9,090,712	9,270,991	10,497,924	10,482,020
Construction in process	519,506	441,274	925,036	317,931	1,444,542	759,205
Furniture & equipment	990,219	604,012	-	-	990,219	604,012
Museum exhibits	-	-	525,599	525,599	525,599	525,599
Vehicles	922,865	1,100,487	4,915,770	4,383,173	5,838,635	5,483,660
Total	$22,849,399	$20,850,061	$16,841,802	$15,809,520	$39,691,201	$36,659,581

LONG-TERM DEBT

Changes in the City's notes payable for the years ended December 31, 2008 and 2007 were as follows (in thousands):

	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
Notes/lease rentals payable at January 1, 2007	$2,348,572	$250,000	$2,598,572
Additions	275,872	-	275,872
Payments	(390,222)	-	(390,222)
Notes/lease rentals payable at December 31, 2007	$2,234,222	$250,000	$2,484,222
Additions	965,430		965,430
Payments	(374,722)	-	(374,722)
Notes/lease rentals payable at December 31, 2008	$2,824,930	$250,000	$3,074,930

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

ECONOMIC CONDITION

Unemployment (as per the U.S. Department of Labor, Bureau of Labor Statistics) in the Williamsport area was 7.8 percent at the end of 2008, which is an increase compared with 5.5 percent at the end of 2007. The 2008 rate is higher than Pennsylvania's overall unemployment rate (not seasonally adjusted) of 6.4 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, 2008

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITY	TOTAL	COMPONENT UNIT
ASSETS:				
Cash and cash equivalents	$ 2,387,208	$ 872,958	$ 3,260,166	$ 23,249
Receivables (net of allowance for uncollectibles):				
Taxes	1,204,699	-	1,204,699	-
Loans	2,450,265	-	2,450,265	-
Other	320,989	73,013	394,002	197
Internal balances	27,977	(27,977)	-	-
Due from Agency Fund	149,371	-	149,371	-
Due from other governments	882,320	1,613,585	2,495,905	3,063,232
Inventories, at cost	56,381	286,662	343,043	-
Prepaid expenses	-	56,364	56,364	-
Capital assets, net of accumulated depreciation:				
Land, land improvements and monuments	3,587,122	1,384,685	4,971,807	-
Infrastructure	15,422,475	-	15,422,475	-
Buildings and improvements	1,407,212	7,298,535	8,705,747	-
Vehicles and equipment	1,913,084	5,441,369	7,354,453	-
Construction in process	519,506	925,036	1,444,542	-
Property held under capital lease, net	-	1,792,177	1,792,177	-
Net Investment in direct financing leases	-	1,363,311	1,363,311	-
Deferred financing costs	35,960	-	35,960	-
Total assets	30,364,569	21,079,718	51,444,287	3,086,678
LIABILITIES:				
Accounts payable and accrued expenses	948,347	1,337,851	2,286,198	-
Accrued liabilities	69,289	26,710	95,999	-
Compensated absences	71,164	289,337	360,501	-
Matured bonds payable	5,000	-	5,000	-
Due to private purpose trust fund	2,680	-	2,680	
Deferred revenues	2,460,266	271,336	2,731,602	-
Noncurrent liabilities:				
Portion due or payable within one year:				
Capital leases payable	147,846	-	147,846	-
Notes payable	11,699	-	11,699	-
Portion due or payable after one year:				
Compensated absences payable	1,401,631	-	1,401,631	-
Capital leases payable	96,534	-	96,534	-
Notes payable	2,813,231	250,000	3,063,231	3,063,232
Other postemployment benefits	3,706,059	-	3,706,059	-
Total liabilities	11,733,746	2,175,234	13,908,980	3,063,232
NET ASSETS:				
Invested in capital assets, net of related debt	19,780,089	17,955,113	37,735,202	-
Restricted for:				
Liquid fuels tax purposes	180,795	-	180,795	-
HOME activities	40,944	-	40,944	-
Home rehabilitation purposes	54,913	-	54,913	-
Debt Service	298,612	-	298,612	
Redevelopment activities	4,088	-	4,088	-
Workers' compensation	100	-	100	-
Reserved for grant purposes	1,093,442	-	1,093,442	-
Unrestricted, undesignated	(2,822,159)	949,371	(1,872,788)	23,446
Total net assets	$ 18,630,824	$ 18,904,484	$ 37,535,308	$ 23,446

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

		PROGRAM REVENUE			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS PRIMARY GOVERNMENT			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITY	TOTAL	COMPONENT UNIT
PRIMARY GOVERNMENT:								
Governmental activities:								
General government	$ 3,175,550	$ 498,173	$ 534,304	$ -	$ (2,143,073)		$ (2,143,073)	
Public works - highways and streets	1,649,619	31,770	731,284	404,069	(482,496)		(482,496)	
Other public works enterprises	2,731,167	-	-	1,980,000	(751,167)		(751,167)	
Public safety	15,120,010	245,556	877,345	-	(13,997,109)		(13,997,109)	
Culture and recreation	917,391	-	23,639	315,896	(577,856)		(577,856)	
Revolving loans and grants	213,271	120,299	-	-	(92,972)		(92,972)	
Capital outlay (elimination of blight)	20,852	-	-	-	(20,852)		(20,852)	
Interest on Long-term debt	131,988	-	-	-	(131,988)		(131,988)	
Total governmental activities	23,959,848	895,798	2,166,572	2,699,965	(18,197,513)		(18,197,513)	
BUSINESS-TYPE ACTIVITY,								
River Valley Transit	6,288,467	1,065,233	5,279,545	-		$ 56,311	56,311	
Total primary government	$ 30,248,315	$ 1,961,031	$ 7,446,117	$ 2,699,965	(18,197,513)	56,311	(18,141,202)	
COMPONENT UNIT,								
Municipal Authority of the City of Williamsport	$ 499,236	$ 498,090	$ -	$ -				$ (1,146)
GENERAL REVENUES:								
Taxes					13,223,421	-	13,223,421	-
Grants and charges not restricted to specific programs					1,950,953	-	1,950,953	-
Unrestricted investment earnings					163,442	30,238	193,680	952
Miscellaneous					341,775	-	341,775	-
Loss on disposal of assets					(67,429)	-	(67,429)	-
Transfers among governmental/business type activities					(473,100)	473,100	-	-
Payments to fiduciary funds					(16,457)	-	(16,457)	-
Total general revenues and transfers					15,122,605	503,338	15,625,943	952
CHANGE IN NET ASSETS					(3,074,908)	559,649	(2,515,259)	(194)
NET ASSETS, beginning					21,705,732	18,344,835	40,050,567	23,640
NET ASSETS, ending					$ 18,630,824	$ 18,904,484	$ 37,535,308	$ 23,446

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	GENERAL FUND	CDBG	HOME	CAPITAL PROJECTS	NON-REVENUE ESCROW	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:							
Cash and cash equivalents	$ 320,111	$ 63,498	$ 25,315	$ 22,840	$ 1,322,161	$ 316,816	$ 2,070,741
Receivables:							
Taxes	1,204,699	-			-	-	1,204,699
Loans	-	682,409	1,340,274	-	403,294	24,289	2,450,266
Other	316,299	1,389	-	-	2,350	591	320,629
Due from other funds	783,475	-	15,629	-	113,605	288,292	1,201,001
Due from other governments	6,737	73,391	13,568	788,624	-	-	882,320
Inventories, at cost	56,381	-	-	-	-	-	56,381
TOTAL	$ 2,687,702	$ 820,687	$ 1,394,786	$ 811,464	$ 1,841,410	$ 629,988	$ 8,186,037
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Vouchers payable	$ 359,689	$ 66,501	$ 13,568	$ 311,022	$ 154,094	$ 31,291	$ 936,165
Accrued liabilities	65,507	3,236	-	-	311	-	69,054
Compensated absences	67,509	3,655	-	-	-	-	71,164
Matured bonds payable	5,000	-	-	-	-	-	5,000
Due to other funds	290,972	60,229	-	444,972	190,271	36,000	1,022,444
Deferred revenue	935,549	682,409	1,340,274	-	403,294	24,289	3,385,815
Total liabilities	1,724,226	816,030	1,353,842	755,994	747,970	91,580	5,489,642
Fund balances:							
Reserved for:							
Liquid fuels tax purposes	-	-	-	-	-	180,795	180,795
HOME activities	-	-	40,944	-	-	-	40,944
Home rehabilitation	-	-	-	-	-	54,913	54,913
Redevelopment activities	-	-	-	-	-	4,088	4,088
Debt service	-			-		298,612	298,612
Workers' compensation	100	-	-	-	-	-	100
Other reserves	-	-	-	-	1,093,440	-	1,093,440
Unreserved, undesignated	963,376	4,657	-	55,470	-	-	1,023,503
Total fund balances	963,476	4,657	40,944	55,470	1,093,440	538,408	2,696,395
TOTAL	$ 2,687,702	$ 820,687	$ 1,394,786	$ 811,464	$ 1,841,410	$ 629,988	$ 8,186,037

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, 2008

TOTAL FUND BALANCE, GOVERNMENTAL FUNDS		$ 2,696,395
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 $36,839,027 and the accumulated depreciation is ($13,989,628).		22,849,399
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	$ (2,824,930)	
Capital lease payable	(244,380)	
Compensated absences (long-term)	(1,401,631)	
Other postemployment benefits	(3,706,059)	
		(8,177,000)
Deferred financing cost related to notes payable 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 ($14,740).		35,960
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.		925,549
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.		300,521
NET ASSETS OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS		$ 18,630,824

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, 2008

	GENERAL FUND	CDBG	HOME	CAPITAL PROJECTS	NON-REVENUE ESCROW	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:							
Taxes	$ 13,016,756	$ -	$ -	$ -	$ -	$ -	$ 13,016,756
Licenses and permits	579,732	-	-	-	-	-	579,732
Fines and forfeits	239,821	-	-	-	-	-	239,821
Interest, rents and royalties	82,012	-	196	-	67,275	11,969	161,452
Intergovernmental:							
Federal	28,143	1,265,916	213,548	488,981	-	-	1,996,588
State	879,388	-	-	230,983	2,425,749	674,572	4,210,692
Local	327,007	-	-	-		54,046	381,053
Charges for services	120,235	-	-	-	24,754	-	144,989
Collection on loans	-	54,411	27,519	-	51,091	29,284	162,305
Miscellaneous	321,078	-	-	27,230	55,656	2,636	406,600
Total revenues	15,594,172	1,320,327	241,263	747,194	2,624,525	772,507	21,299,988
EXPENDITURES:							
Current:							
General government	1,692,568	350,609	83,079	112,743	562,798	6,767	2,808,564
Public works	1,782,921	870,590	-	1,183,052	-	727,505	4,564,068
Other public works enterprises	214,230	-	-	-	1,950,000	-	2,164,230
Public safety	11,335,272	6,486	-	20,020	-	-	11,361,778
Culture and recreation	589,023	-	-	766,015	30,000	-	1,385,038
Revolving loans and grants	-	-	161,265	-	-	52,006	213,271
Capital outlay	-	20,770	-	-	-	-	20,770
Debt service	2,487	-	-	-	-	-	2,487
Total expenditures	15,616,501	1,248,455	244,344	2,081,830	2,542,798	786,278	22,520,206
Excess (deficiency) of revenues over expenditures	(22,329)	71,872	(3,081)	(1,334,636)	81,727	(13,771)	(1,220,218)
OTHER FINANCING SOURCES (USES):							
Proceeds from draws on note payable/capital lease obligations	-	-	-	-	-	965,430	965,430
Debt service	-	-	-	-	-	(492,223)	(492,223)
Transfers in	80,000	14,500	-	1,315,430	-	605,669	2,015,599
Transfers out	(927,198)	(80,000)	-	(100,000)	(150,000)	(1,052,299)	(2,309,497)
Total other financing sources (uses)	(847,198)	(65,500)	-	1,215,430	(150,000)	26,577	179,309
NET CHANGE IN FUND BALANCES	(869,527)	6,372	(3,081)	(119,206)	(68,273)	12,806	(1,040,909)
FUND BALANCES - BEGINNING	1,833,003	(1,715)	44,025	174,676	1,161,713	525,602	3,737,304
FUND BALANCES - ENDING	$ 963,476	$ 4,657	$ 40,944	$ 55,470	$ 1,093,440	$ 538,408	$ 2,696,395

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, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS:	$ (1,040,909)
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.	2,321,786
Disposal of capital assets within the Internal Service Fund (included within the City's governmental activities)	(10,676)
Depreciation expense of Internal Service Fund capital assets (included within the City's governmental activities) (also included in net loss of the Internal Service Fund below; amount is segregated here for ease of tie-in to changes in capital assets)	50,262
Capital assets used in governmental activities are not reported as assets in the governmental funds. Thus, upon the sale of a capital asset, the governmental fund records revenue for the gross proceeds of the sale while the statement of activities records reduction of the loss on disposal.	(48,684)
The repayment of principal on capital leases is expended in the funds, however, such payments reduce the capital lease liability within the statement of net assets. This amount represents the dollar value of principal payments made on capital leases payable during 2008.	198,927
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, 2008.	33,116
Other postemployment benefits 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 other postemployment benefits payable as a result of the implementation of GASB 45 for the year ended December 31, 2008.	(3,706,059)
Internal service funds are used by management to charge the operating costs of City Hall to individual funds. The operating loss of the internal service fund (City Hall Operating Fund) is reported within the governmental activities.	(2,849)
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 2008.	374,722
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.	(969,113)
New capital leases	(200,971)
Transfer of capital assets from governmental-type activities to business-type activities are included as a reconciling item.	(195,659)
Loss on the disposal of capital assets.	(67,429)
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.	188,628
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ (3,074,908)

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, 2008

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES:				
Taxes	$ 13,128,879	$ 13,128,879	$ 13,016,756	$ (112,123)
Licenses and permits	445,750	445,750	579,732	133,982
Fines and forfeits	245,500	245,500	239,821	(5,679)
Interest, rents, royalties and investment gains	134,000	134,000	82,012	(51,988)
Intergovernmental:				
Federal	40,000	40,000	28,143	(11,857)
State	912,000	912,000	879,388	(32,612)
Local	242,000	242,000	327,007	85,007
Charges for services	119,000	119,000	120,235	1,235
Miscellaneous	328,000	328,000	321,078	(6,922)
Total revenues	15,595,129	15,595,129	15,594,172	(957)
EXPENDITURES:				
Current:				
General government	1,776,364	1,795,364	1,692,568	102,796
Public works - highways and streets	1,752,796	1,749,796	1,782,921	(33,125)
Other public works enterprises	215,868	218,968	214,230	4,738
Public safety	11,809,736	11,794,036	11,335,272	458,764
Culture and recreation	603,924	623,924	589,023	34,901
Debt service	10,000	6,600	2,487	4,113
Total expenditures	16,168,688	16,188,688	15,616,501	572,187
(DEFICIT) EXCESS OF REVENUES OVER EXPENDITURES	(573,559)	(593,559)	(22,329)	571,230
OTHER FINANCING SOURCES (USES):				
Transfers in	80,000	80,000	80,000	-
Transfers out	(874,222)	(954,222)	(927,198)	27,024
Total other financing uses	(794,222)	(874,222)	(847,198)	27,024
NET CHANGE IN FUND BALANCES	(1,367,781)	(1,467,781)	(869,527)	598,254
FUND BALANCES, BEGINNING	1,747,363	1,747,363	1,833,003	85,640
FUND BALANCES, ENDING	$ 379,582	$ 279,582	$ 963,476	$ 683,894

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008

	BUSINESS-TYPE ACTIVITY (RVT)	INTERNAL SERVICE FUND (CHO)
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 872,958	$ 316,467
Other accounts receivable	73,013	360
Due from other funds	3,889	-
Due from other governments	1,613,585	-
Inventories, at cost	286,662	-
Prepaids	56,364	-
Total current assets	2,906,471	316,827
Capital assets:		
Land and improvements	1,450,757	1
Buildings and improvements	11,288,615	1,373,186
Equipment	13,189,148	102,777
Construction in progress	925,036	-
Less accumulated depreciation	(11,803,931)	(936,139)
Net capital assets	15,049,625	539,825
Net investment in direct financing leases	1,363,311	-
Property held under capital lease, net	1,792,177	-
TOTAL	$ 21,111,584	$ 856,652
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Vouchers payable	$ 1,337,851	$ 12,182
Accrued liabilities	26,710	235
Compensated absences	289,337	-
Due to other funds	31,866	3,889
Deferred revenue	271,336	-
Total current liabilities	1,957,100	16,306
Long-term liability,		
Lease rental payable-Municipal Authority	250,000	-
Net assets:		
Invested in capital assets, net of related debt	17,955,113	539,825
Unrestricted	949,371	300,521
Total net assets	18,904,484	840,346
TOTAL	$ 21,111,584	$ 856,652

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, 2008

	BUSINESS-TYPE ACTIVITY (RVT)	INTERNAL SERVICE FUND (CHO)
OPERATING REVENUES,		
Charges for services	$ 1,065,233	$ 238,790
OPERATING EXPENSES:		
Wages and salaries	2,586,689	20,220
Depreciation	1,143,264	50,263
Employee benefits	756,098	16,457
Administrative expense	492,727	-
Materials and supplies	856,793	137,275
Maintenance	276,146	17,424
Insurance	176,750	-
Total operating expenses	6,288,467	241,639
OPERATING LOSS	(5,223,234)	(2,849)
NONOPERATING REVENUES:		
Subsidies from other governments:		
State	3,057,084	-
Federal	1,941,066	-
Local	281,395	-
Interest income	30,238	-
Total nonoperating revenues	5,309,783	-
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)	86,549	(2,849)
OTHER FINANCING SOURCES (USES):		
Transfer from governmental activities	195,659	
Operating transfers in	289,662	-
Operating transfers out	(12,221)	-
Total other financing sources, net	473,100	-
NET INCOME (LOSS)	559,649	(2,849)
NET ASSETS, BEGINNING	18,344,835	843,195
NET ASSETS, ENDING	$ 18,904,484	$ 840,346

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	BUSINESS-TYPE ACTIVITY (RVT)	INTERNAL SERVICE FUND (CHO)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	$ 1,013,551	$238,430
Cash payments to employees for services	(3,385,609)	(37,171)
Cash paid to suppliers for goods and services	(468,643)	(159,038)
Net cash (used in) provided by operating activities	(2,840,701)	42,221
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES,		
Operating subsidies and transfers from other funds	3,805,014	-
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES,		
Earnings on investments	30,238	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Subsidies received from other governments	435,150	-
Payments for capital acquisitions	(1,979,861)	-
Payments received under direct financing leases	51,913	-
Net cash used in capital and related financing activities	(1,492,798)	-
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(498,247)	42,221
CASH AND CASH EQUIVALENTS, BEGINNING	1,371,205	274,246
CASH AND CASH EQUIVALENTS, ENDING	$ 872,958	$316,467
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (5,223,234)	$ (2,849)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Depreciation	1,143,264	50,263
Changes in assets and liabilities:		
Other accounts receivable	(51,682)	(360)
Due from other funds	262,482	94
Prepaids	5,503	
Inventories	9,563	
Vouchers payable	1,056,225	(4,339)
Other operating liabilities	(42,822)	(588)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (2,840,701)	$ 42,221

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2008

	PENSION TRUST FUNDS	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
ASSETS:			
Cash and cash equivalents	$ 72,687	$ 6,039	$ 862,345
Receivables,			
Other	286,180	-	-
Due from other funds	-	2,680	-
Investments, at fair value:			
U.S. Government securities	11,277,516	-	-
Domestic corporate bonds	11,576,642	-	-
Domestic equity securities	22,747,705	-	-
Mutual funds	238,903	-	-
Total investments	45,840,766	-	-
TOTAL	$ 46,199,633	$ 8,719	$ 862,345
LIABILITIES:			
Vouchers payable		$ 2,680	$ 23,661
Accrued liabilities			437,666
Due to other funds		-	149,371
Due to other taxing units		-	251,647
Total liabilities		2,680	$ 862,345
NET ASSETS:			
Held in trust for pension benefits	$ 46,199,633	-	
Reserved for workers' compensation	-	6,039	
Total net assets	46,199,633	6,039	
TOTAL	$ 46,199,633	$ 8,719	

See Notes to Financial Statements

CITY OF WILLIAMSPORT, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	PENSION TRUST FUNDS	PRIVATE PURPOSE TRUSTS
ADDITIONS:		
Contributions:		
Employer	$ 968,403	$ -
Transfers in	-	16,457
Commonwealth of Pennsylvania	866,682	-
Employees	461,797	-
Total contributions	2,296,882	16,457
Investment earnings:		
Interest and dividends	1,721,031	-
Net depreciation in fair value of investments	(14,201,924)	-
Other investment income	222,809	-
Total investment losses	(12,258,084)	-
LESS INVESTMENT EXPENSE	(146,959)	-
NET INVESTMENT LOSSES	(12,405,043)	-
Total additions	(10,108,161)	16,457
DEDUCTIONS:		
Benefits	3,349,709	16,596
Administrative	41,919	1,638
Total deductions	3,391,628	18,234
CHANGE IN NET ASSETS	(13,499,789)	(1,777)
NET ASSETS, BEGINNING	59,699,422	7,816
NET ASSETS, ENDING	$ 46,199,633	$ 6,039

See 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-plus 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	Brief Description of Activities and Relationship to the City
The Municipal Authority functions as a financing medium for various public entities.	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	Brief Description of Activities and Relationship to the City
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.	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 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 uncollectable.

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, 2008 were 91.0% 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 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:

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
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	4 years
Vehicles	5-10 years	5-12 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. Changes for 2008 are as follows:

	1/1/08	NET PAYMENTS	12/31/08
Compensated absences	$1,434,748	$33,117	$1,401,631

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, 2008, the General, CDBG, HOME, Non-Revenue Escrow, Non-major and Enterprise funds had deferred revenues of $935,549, $1,105,439, $1,340,274, $403,294, $24,289, 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.

NEW ACCOUNTING PRINCIPLE

In 2008, the City adopted Statement of Governmental Accounting Standards Board ("GASB"), Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" ("GASB 45"). GASB 45 requires the City to recognize a liability for the actuarial determined net other post-employment benefits obligation "OPEB" in the statement of net assets. The net OPEB liability in the year of adoption is calculated as the annual OPEB cost, less contribution made during the year. This statement also requires calculation and disclosure of the actuarial accrued liability "AAL", the plan assets (if any), and the funded status of the AAL.

Changes to the net OPEB will be recognized through a change in unrestricted net assets based on the annual OPEB cost, interest on the net OPEB, and adjustments to the ARC. The annual OPEB cost includes amortization of the unfunded AAL, which is being amortized using level dollar method over a 30 year period, beginning January 1, 2008.

The City has implemented the recognition and disclosure requirements of GASB No. 45 as of December 31, 2008. The incremental effects of adopting GASB No. 45 on individual line items in the accompanying statement of net assets were to increase non-current liabilities and total liabilities and to decrease unrestricted net assets by $3,706,059.

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, 2008, the City's total deposits were $4,432,988. Of this amount, $327,002 was insured by the FDIC and $131,124 was insured by the SIPC. The remaining deposits of $3,974,862 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

As of December 31, 2008, the City had the following investments:

INVESTMENT	MATURITIES	FAIR VALUE
Corporate bonds	Average of 9 years	$11,576,642
Government bonds	Average of 9 years	8,316,056
Government asset backed securities	Average of 16 years	17,771
Corp. mortgage/asset backed securities	Average of 16 years	1,525,628
Certificates of deposit	Average of 8 years	794,586
Foreign bonds	Average of 5 years	623,420

CREDIT RATINGS

The City's investments had the following credit ratings:

Corporate bonds	BBB to AAA	50.65%
Government bonds	AAA	36.39
Government asset backed securities	AAA	0.08
Corp. mortgage/asset backed securities	A- to AAA	6.68
Certificates of deposit	A- to AA	3.48
Foreign bonds	A- to AA	2.72

The City's investment policy limits investments as follows:

- 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 stock must be rated A or better by Standard & Poor's and or Moody's at the time of purchase;
- No issues may be purchased with more than 30 years to maturity.

INTEREST RATE RISK

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 the fixed income components 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.

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, 2008, 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.

COMPONENT UNIT - MUNICIPAL AUTHORITY

CASH

At December 31, 2008 the carrying amount and bank balance of the Municipal Authority's deposits were $23,249, 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 2028.

Following is a summary of the components of the RVT's net investment in direct financing leases at December 31, 2008:

Total minimum lease payments to be received	$1,390,119
Estimated residual value of leased property	65,327
Unearned income	(92,135)
Net investment	$1,363,311

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, 2008 for each of the next five years are as follows:

2009	$ 59,057
2010	63,062
2011	63,062
2012	63,062
2013	63,062
2014-2018	334,938
2019-2023	360,931
2024-2028	382,945
Total	$1,390,119

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, 2008, upon which the 2008 levy was based, was $950,324,400. The estimated market value was $950,324,400 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, 2008, 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, 2008	ACQUISITIONS	DISPOSALS/ TRANSFERS	BALANCE DECEMBER 31, 2008
Gov't activities:				
Cost:				
Land, improvements and monuments	$ 3,075,261	$ 514,155	$ 130,286	$ 3,719,702
Infrastructure	21,567,613	1,948,397	24,879	23,540,889
Buildings and improvements	3,556,401	283,252		3,839,653
Furniture and equipment	1,478,168	504,273	(69,271)	1,913,170
Transportation	3,257,708	170,645	(122,246)	3,306,107
Construction in process	441,274	540,898	(462,666)	519,506
Total cost	33,376,425	3,961,620	(499,018)	36,839,027
Less accum. depreciation:				
Land, improvements. and monuments	(77,549)	(55,031)		(132,580)
Infrastructure	(7,072,066)	(1,046,348)		(8,118,414)
Buildings and improvements	(2,345,372)	(87,069)		(2,432,441)
Furniture and equipment	(874,156)	(106,976)	58,181	(922,951)
Transportation	(2,157,221)	(344,410)	118,389	(2,383,242)
Total	(12,526,364)	(1,639,834)	176,570	(13,989,628)
Governmental activities, net	$ 20,850,061	$ 2,321,786	$ (322,448)	$ 22,849,399

Business – type activity:

	BALANCE JANUARY 1, 2008	ACQUISITIONS	DISPOSALS/ TRANSFERS	BALANCE DECEMBER 31, 2008
Cost:				
Land & land improvements	$ 1,355,038	$ 10,883	$ 84,836	$ 1,450,757
Buildings and improvements	11,052,914	1,360	234,341	11,288,615
Machinery and equipment	11,426,527	1,222,919	14,103	12,663,549
Museum exhibits	525,599		-	525,599
Property held under capital lease	2,277,644			2,277,644
Construction in process	317,931	744,699	(137,594)	925,036
Total cost	26,955,653	1,979,861	195,686	29,131,200
Less accumulated depreciation for:				
Land improvements	(43,212)	(22,860)		(66,072)
Buildings and improvements	(3,618,998)	(371,082)		(3,990,080)
Machinery and equipment	(7,043,354)	(704,425)	-	(7,747,779)
Property held under capital lease	(440,569)	(44,898)	-	(485,467)
Total accumulated depreciation	(11,146,133)	(1,143,265)	-	(12,289,398)
Business-type activities capital assets, net	$ 15,809,520	$ 836,596	$ 195,686	$ 16,841,802

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 $119,000 for the year ended December 31, 2008.

CAPITAL LEASES	BALANCE 1/1/08	ADDITIONS	PAYMENTS	BALANCE 12/31/08	DUE WITHIN ONE YEAR
Various vehicles and equipment	$242,336	$ 200,971	$198,927	$244,380	$147,846

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, 2008, as related to the City's governmental activities:

YEAR ENDING DECEMBER 31	
2009	$ 161,308
2010	61,158
2011	37,014
2012	3,456
2013	1,728
Total minimum lease payments	264,664
Less amounts representing interest	(20,284)
Present value of net minimum lease payments	244,380
Less: current portion	(147,846)
Present value of net minimum lease payments, long-term	$ 96,534

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.

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, 2008.

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	77,644
Less: Accumulated amortization	(485,467)
Property held under capital leases, net	$ 1,792,177

7. INTERFUND BALANCES AND ACTIVITY

BALANCES DUE TO/FROM OTHER FUNDS

Individual fund receivable and payable amounts at December 31, 2008 were as follows:

	INTERFUND RECEIVABLE	INTERFUND PAYABLE
General Fund	$ 783,475	$ (290,972)
Special Revenue Funds:		
Community Development Block Grant		(60,229)
HOME	15,629	
Non-Revenue Escrow	113,605	(190,271)
Liquid Fuels		(36,000)
Debt Service Fund	288,292	
Capital Projects Fund		(444,972)
Enterprise Fund	3,889	(31,866)

Internal Service Fund (City Hall Operating)		(3,889)
Fiduciary Fund	2,680	
Agency Fund	-	(149,371)
Total	$ 1,207,570	$(1,207,570)

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

TRANSFERS TO/FROM OTHER FUNDS

Interfund transfers for the year ended December 31, 2008 were as follows:

	IN	OUT
General Fund	$ 80,000	$ (927,198)
Special Revenue Funds:		
Community Development Block Grant	14,500	(80,000)
Non-Revenue Escrow		(150,000)
Home Rehab		(14,500)
Capital Projects	1,315,430	(100,000)
Liquid Fuels		(72,369)
Debt Service	605,669	(965,430)
Proprietary Funds,		
Enterprise Fund (RVT)	289,662	(12,221)
Fiduciary Funds:		
Unemployment compensation	16,457	-
Total	$2,321,718	$ (2,321,718)

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. Community Development Block Grant activity is intra-program in nature. The Debt Service Fund made interfund transfers in support of the Central Business District revitalization project and other City infrastructure improvements, as permitted.

8. LONG-TERM DEBT

PRIMARY GOVERNMENT

A summary of changes in long-term debt for 2008 is as follows:

NOTE PAYABLE	BALANCE 1/1/08	ADDITIONS	PAYMENTS	BALANCE 12/31/08	DUE WITHIN ONE YEAR
Series of 2005 – Capital projects (C&N Bank)	$2,097,801	$ 965,430		$3,063,231	$ -
Series B of 2004 – Pension costs (First National Bank)	262,722		$ 262,722	-	-
Series C of 2004 – Capital projects (M&T Bank)	100,000		100,000	-	-
Community Foundation	23,699	-	12,000	11,699	11,699
Total	$2,484,222	$ 965,430	$ 374,722	$3,074,930	$ 11,699

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, 2008:

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITY	TOTAL
Notes payable, January 1, 2008	$2,234,222	$250,000	$2,484,222
Additions	965,430	-	965,430
Payments	(374,722)	-	(374,722)
Notes payable, December 31, 2008	2,824,930	250,000	3,074,930
Less: current portion	(11,699)	-	(11,699)
Notes payable, long-term	$2,813,231	$250,000	$3,063,231

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, 2010, and continue through and including May 15, 2034. The outstanding principal balance on this note was $3,063,231 at December 31, 2008.

$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 paid this note in full in 2008.

$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 awaiting reimbursement from grant funds. Lease rental interest only payments began January 2005. Under the original terms of this note, monthly interest payments were required on the 15th of each month, at a variable rate not to exceed 8%, through May 2009. Principal payments are made at the discretion of the City, with any outstanding balance to be repaid at the time of maturity. At December 31, 2008, there was no outstanding balance under this arrangement.

$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 $11,699 at December 31, 2008.

The following is a schedule, by year, of the future minimum principal and interest payments required under the note payable agreements of the City's governmental activities as of December 31, 2008:

YEAR ENDING DECEMBER 31	Principal	Interest	Total
2009	$ 11,699	$ 137,145	$ 148,844
2010	83,029	135,121	218,150
2011	85,053	131,024	216,077
2012	87,126	126,827	213,953
2013	89,249	122,528	211,777
2014-2018	479,959	544,395	1,024,354
2019-2023	541,376	420,064	961,440
2024-2028	610,652	279,824	890,476
2029-2033	688,793	121,637	810,430
2024-2038	147,994	3,607	151,601
Total	$2,824,930	$2,022,172	$4,847,102

BUSINESS-TYPE ACTIVITY

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, 2008.

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

YEAR ENDING DECEMBER 31	Principal	Interest	Total
2009	$ -	$ 12,188	$ 12,188
2010	5,329	12,188	17,517
2011	5,589	11,928	17,517
2012	5,861	11,656	17,517
2013	6,147	11,370	17,517
2014-2018	35,533	52,050	87,583
2019-2023	45,081	42,502	87,583
2024-2028	57,195	30,388	87,583
2029-2033	72,563	15,020	87,583
2034-2038	16,702	814	17,516
Total	$250,000	$200,104	$450,104

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:

	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund
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

	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund
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) compensation averaged over the twelve month period prior to termination; 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

	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund
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 18th 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:

	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund
Retirees and beneficiaries receiving benefits	31	81	65
Terminated members entitled to but not yet receiving benefits	3	3	3
Active plan members	114	36	49
Total	148	120	117

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, 2008, the combined City/Commonwealth contributions to the Fire, Police and O&E plans were $1,006,779, $616,341, and $211,965, 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 prior years (2006; most recent year prior to the January 1, 2007 valuation date) were calculated as follows:

	OFFICERS' AND EMPLOYEES' PENSION FUND	FIREMEN'S PENSION FUND	POLICE PENSION FUND
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	22,862	94	16,993
Annual pension cost	184,464	1,234,027	810,234
Contributions made	179,496	1,236,659	805,191
Increase (decrease) in net pension asset	4,968	(2,632)	5,043
Net pension asset, beginning of year	(223,673)	(36,340)	(149,372)
Net pension asset, end of year	$ (218,705)	$ (38,972)	$(144,329)

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:

ACTUARIAL ASSUMPTION	OFFICERS' AND EMPLOYEES' PENSION FUND	FIREMEN'S PENSION FUND	POLICE PENSION FUND
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%

ACTUARIAL ASSUMPTION	OFFICERS' AND EMPLOYEES' PENSION FUND	FIREMEN'S PENSION FUND	POLICE PENSION FUND
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

Plan and Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Officers' and Employees' Pension Fund			
12/31/07	$191,491	97.2%	(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	$1,162,051	86.6%	(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	$779,558	79.1%	(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)

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of January 1, 2007, the most recent actuarial valuation date, was as follows:

	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Total Unfunded Actuarial Liability (Asset) (c)	Funded Ration (a)/(b)	Annual Covered Payroll (c)	Ratio of Unfunded Liability to Annual Covered Payroll ((b-a)/c)
Police Pension Fund	$26,657,363	$24,508,446	$(2,148,917)	108.77%	$3,211,951	N/A
Fireman's Pension Fund	18,329,972	20,922,513	2,593,441	87.60%	1,630,363	159.07%
O & E Pension Plan	12,290,852	9,973,285	(2,317,567)	123.24%	3,883,791	N/A

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs' for benefits.

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 is administered by The Hartford Group. 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. POSTEMPLOYMENT BENEFITS

PLAN DESCRIPTION

The City provides postretirement healthcare benefits for fire and police employees who retire with at least 12 years of service with their respective department and have attained the age of 50 and life insurance benefits to all employees who retire with at least 12 years of service and have attained the age of 50 for fire and police employees and age 60 for all other employees. The cost of such medical, vision and life insurance coverage for retirees and spouses are primarily funded through annual appropriations from the City's General Fund. These benefits are accounted for in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Retired employees who are ineligible under the above requirements and choose to participate in the medical plan must pay 100% of the composite rate cost of such coverage. While no formal plan document currently exists, GASB No. 45 requires the valuation to consider the "substantive plan," meaning the plan terms as understood by the City and plan members, as described in various current and historical employment and union contracts, including any plan changes that have been made and communicated to employees. The plan is an unfunded single employer plan and no financial report is prepared. Stand-alone financial statements are not issued for the plan.

FUNDING POLICY

The contribution requirements of plan members and the City are established and may be amended through negotiations between the City and the respective unions. The plan is funded on a pay-as-you-go basis, i.e., premiums are paid annually to fund the health care benefits provided to current retirees. Retirees are currently not required to contribute to the plan. The City paid premiums of approximately $1,183,948 for the year ended December 31, 2008.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following show the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	$1,593,203
Interest on net OPEB obligation	
Adjustment to annual required contribution	3,296,804
Annual OPEB cost (expense)	4,890,007
Contributions made	(1,183,948)
Increase in net OPEB obligation	3,706,059
Net OPEB obligation at January 1, 2008	-
Net OPEB obligation at December 31, 2008	$3,706,059

The net OPEB obligation is recorded as a benefit expense within the accompanying schedule of activities, primarily within the Public Safety function.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for December 31, 2008 were as follows:

YEAR ENDED	ANNUAL OPEB COST	PERCENTAGE OF ANNUAL OPEB COST CONTRIBUTED	NET OPEB OBLIGATION
December 31, 2008	$4,890,007	24.2%	$3,706,059

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of January 1, 2008, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability	$53,701,303
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$53,701,303
Funded ratio (actuarial value of plan assets/UAAL)	0%
Covered payroll	$4,842,314
UAAL as a percentage of covered payroll	9.0%

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

ACTUARIAL METHODS AND ASSUMPTIONS

The calculations are based on the types of benefits provided at the time of the valuation based upon the substantive plan (the plan as understood by the employer and the plan members). The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the efforts of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008, actuarial valuation, the Entry Age Normal Method was used. Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

The actuarial assumptions included a 4.5% investment rate of return, which is the expected rate to be earned on the City's deposits and investments, an annual healthcare cost trend rate of 12.0% for 2008, 10% for 2009, with the rate decreasing by 1% each year thereafter to an ultimate rate of 5.0% in 2014 and later, and a constant 5% increase per year for Medicare Part B and vision premiums. The UAAL is being amortized as a level dollar over a thirty year open period.

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, 2008, all known Workers' Compensation claims were settled; the City closed the fund effective June 5, 2009.

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 2008 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, 2008, the Williamsport Parking Authority purchased certain management services from River Valley Transit (an enterprise fund operation of the City) amounting to $30,000.

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 2008, City Council approved a resolution authorizing City Officials to enter into a Tax and Revenue Anticipation Note, Series I of 2009, dated January 1, 2009, in the amount of $2,500,000, bearing interest at a variable rate based upon the one-month LIBOR Rate plus a margin of 260 basis points, not to exceed 8.00%, maturing on December 31, 2009.

ENVIRONMENTAL

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

15. DUE FROM OTHER GOVERNMENTS

The amounts reported in the City's various governmental and proprietary funds at December 31, 2008 as due from other governments is summarized below:

	FEDERAL	STATE	LOCAL	TOTAL
General Fund	$ 3,900	$ -	$ 2,837	$ 6,737
CDBG Fund	73,391	-	-	73,391
HOME Fund	13,568	-	-	13,568
Capital Projects	226,244	501,380	61,000	788,624
RVT	1,209,306	269,275	135,004	1,613,585
Total	$1,526,409	$770,655	$198,841	$2,495,905

16. PENDING CHANGES IN ACCOUNTING PRINCIPLES

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement 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.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. GASB 53 is effective for the City's calendar year 2010 financial statements.

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The City is required to adopt Statement No. 54 for its calendar year 2011 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, 2008

	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
POLICE PENSION FUND							
	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
FIREMEN'S PENSION FUND							
	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%
OFFICERS' AND EMPLOYEES' PENSION PLAN							
	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, 2008

	POLICE PENSION FUND		FIREMEN'S PENSION FUND		OFFICERS' AND EMPLOYEES' PENSION FUND	
YEAR ENDED DECEMBER 31,	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED
2008	$616,341	100%	$1,006,779	100%	$211,965	100%
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

ACTUARIAL ASSUMPTIONS

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

ACTUARIAL ASSUMPTION	OFFICERS' AND EMPLOYEES' PENSION FUND	FIREMEN'S PENSION FUND	POLICE PENSION FUND
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, 2008

GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PROGRAM AMOUNT	TOTAL RECEIVED FOR THE YEAR	ACCRUED (DEFERRED) REVENUE JANUARY 1, 2008	ADJUSTMENTS	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE DECEMBER 31, 2008
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:								
Community Development Block Grant Entitlement Grants	14.218	$ 1,299,000	$ 321,731	$ 99,748	$ -	$ 221,983	$ 221,983 *	$ -
Community Development Block Grant Entitlement Grants	14.218	1,295,649	970,542	-	-	1,043,933	1,043,933 *	73,391
Community Development Block Grant Entitlement Grants	14.218	1,249,314	-	-	-	-	- *	-
Community Development Block Grant Entitlement Grants-Program Income	14.218	N/A	62,539	-	-	62,539	62,539 *	-
Community Planning and Development - HOME Program	14.239	1,434,620	202,149	2,169	-	213,548	213,548	13,568
Community Planning and Development - HOME Program - Program Income	14.239	N/A	30,796	-	-	30,796	30,796	-
EDI-Special Project No. B-02-SP-PA-0614	N/A	250,000	-	-	-	6,514	6,514	6,514
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			1,587,757	101,917	-	1,579,313	1,579,313	93,473
U.S. DEPARTMENT OF JUSTICE:								
Edward Byrne Memorial Formula Grant Program	16.579	42,118	29,771	10,974	-	18,797	18,797	-
Edward Byrne Memorial Formula Grant Program	16.579	21,786	5,447	-	-	9,347	9,347	3,900
Bulletproof Vest Partnership Program	16.607	4,594	4,594	-	-	4,594	4,594	-
TOTAL U.S. DEPARTMENT OF JUSTICE			39,812	10,974	-	32,738	32,738	3,900
U.S. DEPARTMENT OF AGRICULTURE,								
Urban and Community Forestry (Title II)	10.664	19,000	9,500	9,500	-	-	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			9,500	9,500	-	-	-	-

CITY OF WILLIAMSPORT, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PROGRAM AMOUNT	TOTAL RECEIVED FOR THE YEAR	ACCRUED (DEFERRED) REVENUE JANUARY 1, 2008	ADJUSTMENTS	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE DECEMBER 31, 2008
U.S. DEPARTMENT OF TRANSPORTATION:								
Federal Transit Administration Capital Improvement Grant	20.500	3,210,228	-	-	-	-	- *	-
Federal Transit Administration Capital Improvement Grant	20.500	1,457,667	115,012	-	-	115,012	115,012 *	-
Federal Transit Administration Capital Improvement Grant	20.500	1,213,592	-	-	-	-	- *	-
Federal Transit Administration Capital and Operating Assistance Grant	20.507	250,000	216,866	-	-	250,000	250,000 *	33,134
Federal Transit Administration Capital and Operating Assistance Grant	20.507	650,878	64,408	719	-	165,657	165,657 *	101,968
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	-	-	-	-	- *	-
Federal Transit Administration Capital and Operating Assistance Grant	20.507	1,443,009	423,822	212,628	-	1,160,397	1,160,397 *	949,203
Federal Transit Administration Capital and Operating Assistance Grant	20.507	1,527,025	125,000	-	-	250,000	250,000 *	125,000
Passed through Pennsylvania Department of Transportation:								
Highway Planning and Construction	20.205	79,072	42,510	20,726	-	21,784	21,784	-
Highway Planning and Construction	20.205	195,784	104,597	25,515	-	79,082	79,082	-
Highway Planning and Construction	20.205	738,784	294,675	138,106	-	156,569	156,569	-
Highway Planning and Construction	20.205	433,796	-	-	-	226,244	226,244	226,244
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			1,386,890	397,694	-	2,424,745	2,424,745	1,435,549

CITY OF WILLIAMSPORT, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PROGRAM AMOUNT	TOTAL RECEIVED FOR THE YEAR	ACCRUED (DEFERRED) REVENUE JANUARY 1, 2008	ADJUSTMENTS	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE DECEMBER 31, 2008
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)
U.S. DEPARTMENT OF HOMELAND SECURITY, Assistance to Firefighters Grant Program	97.044	81,000	81,000	-	-	81,000	81,000	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 3,107,958	$ 520,085	$ -	$ 4,117,796	$ 4,117,796	$ 1,529,923

* Tested as a "major" program.

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, 2008
(UNAUDITED)

	LIQUID FUELS	HOME REHAB	REDEVELOP-MENT AUTHORITY	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	$ 235,754	$ 54,913	$ 15,829	$ 10,320	$ 316,816
Receivables:					
Loans	-	24,289	-	-	24,289
Other	591	-	-	-	591
Due from other funds	-	-	-	288,292	288,292
Due from other governments	-	-	-	-	-
TOTAL	$ 236,345	$ 79,202	$ 15,829	$ 298,612	$ 629,988
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Vouchers payable	$ 19,550	$ -	$ 11,741	$ -	$ 31,291
Due to other funds	36,000	-	-	-	36,000
Deferred revenue	-	24,289	-	-	24,289
Total liabilities	55,550	24,289	11,741	-	91,580
Fund balances:					
Reserved for:					
Liquid fuels tax purposes	180,795	-	-	-	180,795
Home rehabilitation	-	54,913	-	-	54,913
Redevelopment activities	-	-	4,088	-	4,088
Debt service	-	-	-	298,612	298,612
Unreserved, undesignated	-	-	-	-	-
Total fund balances	180,795	54,913	4,088	298,612	538,408
TOTAL	$ 236,345	$ 79,202	$ 15,829	$ 298,612	$ 629,988

CITY OF WILLIAMSPORT, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)

	LIQUID FUELS	HOME REHAB	REDEVELOP-MENT AUTHORITY	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:					
Interest, rents, royalties	$ 11,419	$ 550			$ 11,969
Intergovernmental					
State	674,572	-			674,572
Local	-	-	$ 54,046		54,046
Collections on loans	-	29,284	-		29,284
Miscellaneous	-	-	2,636		2,636
Total revenues	685,991	29,834	56,682		772,507
EXPENDITURES:					
Current:					
General government	-	-	6,767		6,767
Public works	727,505	-	-		727,505
Revolving loans and grants	-	-	52,006		52,006
Total expenditures	727,505	-	58,773		786,278
Excess of revenues over expenditures	(41,514)	29,834	(2,091)		(13,771)
OTHER FINANCING SOURCES (USES):					
Proceeds from draws on note payable	-	-	-	$ 965,430	965,430
Debt service	-	-	-	(492,223)	(492,223)
Transfers in	-	-	-	605,669	605,669
Transfers out	(72,369)	(14,500)	-	(965,430)	(1,052,299)
Total other financing sources (uses)	(72,369)	(14,500)	-	113,446	26,577
Net change in fund balances	(113,883)	15,334	(2,091)	113,446	12,806
Fund balances - beginning	294,678	39,579	6,179	185,166	525,602
Fund balances - ending	$ 180,795	$ 54,913	$ 4,088	$ 298,612	$ 538,408

CITY OF WILLIAMSPORT, PENNSYLVANIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
DECEMBER 31, 2008
(UNAUDITED)

	FIREMEN'S PENSION	POLICE PENSION	O&E PENSION	TOTAL
ASSETS:				
Cash and cash equivalents	$ 31,912	$ 52,496	$ (11,721)	$ 72,687
Receivables,				
Other	92,220	133,946	60,014	286,180
Investments, at fair value:				
U.S. Government securities	3,784,285	5,058,199	2,435,032	11,277,516
Domestic corporate bonds	3,554,588	5,526,126	2,495,928	11,576,642
Domestic equity securities	7,240,371	10,463,771	5,043,563	22,747,705
Mutual funds	89,932	111,900	37,071	238,903
Total investments	14,669,176	21,159,996	10,011,594	45,840,766
TOTAL	$ 14,793,308	$ 21,346,438	$ 10,059,887	$ 46,199,633
NET ASSETS,				
Held in trust for benefits and other purposes	$ 14,793,308	$ 21,346,438	$ 10,059,887	$ 46,199,633

CITY OF WILLIAMSPORT, PENNSYLVANIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)

	FIREMEN'S PENSION	POLICE PENSION	O&E PENSION	TOTAL
ADDITIONS:				
Contributions:				
Employer	$ 657,950	$ 310,453	$ -	$ 968,403
Commonwealth of Pennsylvania	348,829	305,888	211,965	866,682
Employees	93,331	158,381	210,085	461,797
Total contributions	1,100,110	774,722	422,050	2,296,882
Investment earnings:				
Interest and dividends	549,502	798,769	372,760	1,721,031
Net depreciation in fair value of investments	(4,481,342)	(6,668,477)	(3,052,105)	(14,201,924)
Other investment income	74,166	101,854	46,789	222,809
Total investment earnings (losses)	(3,857,674)	(5,767,854)	(2,632,556)	(12,258,084)
Less investment expense (advisory fees)	(46,750)	(68,260)	(31,949)	(146,959)
Net investment earnings	(3,904,424)	(5,836,114)	(2,664,505)	(12,405,043)
Total additions	(2,804,314)	(5,061,392)	(2,242,455)	(10,108,161)
DEDUCTIONS:				
Benefits and refunds of contributions	1,558,790	1,264,479	526,440	3,349,709
Administrative	16,224	12,421	13,274	41,919
Total deductions	1,575,014	1,276,900	539,714	3,391,628
CHANGE IN NET ASSETS	(4,379,328)	(6,338,292)	(2,782,169)	(13,499,789)
NET ASSETS, BEGINNING	19,172,636	27,684,730	12,842,056	59,699,422
NET ASSETS, ENDING	$ 14,793,308	$ 21,346,438	$ 10,059,887	$ 46,199,633

CITY OF WILLIAMSPORT, PENNSYLVANIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
DECEMBER 31, 2008
(UNAUDITED)

	Workers' Compensation	Unemployment Compensation	Total
ASSETS:			
Cash and cash equivalents	$ 6,039	$ -	$ 6,039
Due from other funds	-	2,680	2,680
TOTAL	$ 6,039	$ 2,680	$ 8,719
LIABILITIES:			
Vouchers payable	$ -	$ 2,680	$ 2,680
NET ASSETS,			
Reserved for workers' compensation	6,039	-	6,039
TOTAL	$ 6,039	$ 2,680	$ 8,719

CITY OF WILLIAMSPORT, PENNSYLVANIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)

	WORKERS' COMPENSATION	UNEMPLOYMENT COMPENSATION	TOTAL
DEDUCTIONS:			
Benefits	$ 139	$ 16,457	$ 16,596
Administrative	1,638	-	1,638
Total deductions	1,777	16,457	18,234
OTHER FINANCING SOURCES,			
Operating transfers in	-	16,457	16,457
CHANGE IN NET ASSETS	(1,777)	-	(1,777)
NET ASSETS, Beginning	7,816	-	7,816
NET ASSETS, Ending	$ 6,039	$ -	$ 6,039

CITY OF WILLIAMSPORT, PENNSYLVANIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2008
(UNAUDITED)

	TAX COLLECTING	PAYROLL REVOLVING	NONREVENUE ESCROW	TOTAL
ASSETS,				
Cash and cash equivalents	$ 391,018	$ 439,084	$ 32,243	$ 862,345
LIABILITIES:				
Vouchers payable	$ -	$ 1,418	$ 22,243	$ 23,661
Accrued liabilities	-	437,666	-	437,666
Due to other funds	139,371	-	10,000	149,371
Due to other taxing units	251,647	-	-	251,647
Total liabilities	$ 391,018	$ 439,084	$ 32,243	$ 862,345

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The Power of Ideas

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*

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, 2008, and have issued our report thereon dated July 22, 2009. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the Municipal Authority of the City of Williamsport (the "Municipal Authority"), as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2 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 2008-1 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 also noted certain matters that we reported to the management of the City in a separate letter dated July 22, 2009.

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.

Parente Randolph, LLC

Williamsport, Pennsylvania
July 22, 2009

PARENTERANDOLPH

The Power of Ideas

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

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 *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. 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, 2008.

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.

Parente Randolph, LLC

Williamsport, Pennsylvania
July 22, 2009

CITY OF WILLIAMSPORT, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant Entitlement Grant
20.500, 20.507	Federal Transit Cluster

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

Auditee qualified as low-risk auditee? ____ yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING NO.	FINDING/NONCOMPLIANCE	QUESTIONED COSTS
2008-1	**INTERNAL CONTROL OVER FINANCIAL REPORTING –CITY PENSION FUNDS**	
	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. At December 31, 2008, the three City pension funds collectively held approximately $50,000,000 in cash and investments, with each fund having significant activity for the year then ended.	
	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.	
	CAUSE: Management considers its external professionals (broker/safe keeper, external auditor) to be a part of its internal control over financial reporting as related to its Pension Funds.	
	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 authorize benefit payments and administrative charges.	N/A

FINDING NO.	FINDING/NONCOMPLIANCE	QUESTIONED COSTS
RECOMMENDATION:	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.).	
MANAGEMENT RESPONSE:	See corrective action plan.	

2008-2 INTERNAL CONTROL OVER FINANCIAL REPORTING – SEGREGATION OF DUTIES

CRITERIA: Adequate segregation of duties between accounting functions is essential to good internal control. The absence of segregation of duties and responsibilities generally precludes meaningful internal accounting controls.

CONDITION: The responsibility for the performance of accounting duties surrounding the cash receipts cycle is vested in a limited number of employees.

CAUSE: The City employs a limited number of accounting personnel.

EFFECT: Without proper segregation of accounting functions, errors or fraud could occur and go undetected. N/A

RECOMMENDATION: While it is advisable to have adequate segregation of duties among employees, the cost of such implementation must be weighed against the benefits to be derived. The cost which would result from increasing the number of employees to more fully segregate duties in your organization may exceed any internal control benefits to be derived. We feel that this internal control weakness is somewhat mitigated by the active involvement of the Budget and Fiscal Officer and Controller in the City's operational activities. You must, however, be aware of the possible impact of the internal control weaknesses which exist and continue to involve these individuals in financial accounting matters.

MANAGEMENT RESPONSE: See corrective action plan.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

CITY OF WILLIAMSPORT, PENNSYLVANIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

FINDING NO.	FINDING/NONCOMPLIANCE	QUESTIONED COSTS
2007-1	**INTERNAL CONTROL OVER FINANCIAL REPORTING – CITY PENSION FUNDS** Prior year finding 2007-1 is repeated as current year finding 2008-1.	
2007-2	**INTERNAL CONTROL OVER FINANCIAL REPORTING – PAYROLL**	
	CONDITION: City pay rate adjustments for 2008 were not reviewed or approved by an authorized individual prior to being entered into the payroll system.	
	RECOMMENDATION: We recommend that an appropriate level of management review and approve rate changes, as well as the resulting new rates. This review/approval should be documented in writing. In addition, City management should perform periodic verifications by reviewing the payroll master file and comparing pay rates contained therein to the authorized rates, in order to determine that the current rates being paid are appropriate.	
	CURRENT STATUS: No such matters noted in connection with the 2008 audit.	