City of Williamsport, Pennsylvania

Basic Financial Statements
and Supplementary Information

December 31, 2010

City of Williamsport, Pennsylvania

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ParenteBeard

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 units, 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, 2010, 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 that 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 units, each major fund and the aggregate remaining fund information of the City of Williamsport, Pennsylvania as of December 31, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2011 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 14, Schedule of Funding Progress - Pension Trust Funds on page 62 and Schedule of Employer Contributions - Pension Trust Funds on page 63-64 and the Schedule of Funding Progress – Post Employment Benefits on page 65 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor and fiduciary fund financial statements presented on pages 66-70 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 71-73 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.

ParenteBeard LLC

Philadelphia, Pennsylvania
September 28, 2011

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, 2010. The City's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the City's primary government. Component units, unless otherwise noted, are not included in this discussion.

Financial Highlights

- The City's total net assets increased by $12,482,000. Net assets related to governmental activities decreased by $171,000, whereas net assets of the City's business-type activity increased by $12,653,000 due to Federal grants for capital.
- As of December 31, 2010, net assets of the City's governmental activities were $16,163,000.
- The unreserved, undesignated fund balance of the General Fund was $2,273,000, or 13.6 percent of total General Fund expenditures and transfers out.
- The excess of revenues and other financing sources over expenditures and other financing uses was $522,000 within the City's General Fund for the year ended December 31, 2010. This is in contrast to the $1,259,000 deficit spending that was anticipated in the City's 2010 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"), a redevelopment authority (the Redevelopment Authority of the City of Williamsport) (the "Redevelopment Authority") and a parking authority (the Williamsport Parking Authority) (the "Parking 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. Financial information for the Parking Authority is reported separately from the financial information presented for the primary government itself, as the Parking Authority transacts business to acquire, hold, construct, improve, maintain, and operate on and off street parking facilities for the general public. 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 15-16 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 eleven 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, Non-Revenue Escrow and Debt Service 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 66-67 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 21.

The basic governmental fund financial statements can be found on pages 17-20 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 22-24 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 25-26 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 68-70 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 27-61 of this report.

Other information. The combining statements referred to earlier in connection with governmental and fiduciary fund types are presented on pages 66-70.

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, 2010 and 2009 by approximately $49,958,000 and $37,476,000, 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 $22,236,000 and $19,539,000 at December 31, 2010 and 2009, respectively. The City's investment in its capital assets reported net of related debt as related to its business-type activities was $29,199,000 and $19,405,000 December 31, 2010 and 2009, respectively.

Condensed Statement of Net Assets
December 31, 2010 And 2009
(In Thousands)

	Total Governmental Activities		Business-Type Activity Enterprise Funds		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$12,362	$11,361	$11,447	$ 6,707	$23,809	$18,068
Capital assets, net	29,086	25,386	30,143	16,597	59,229	41,983
Total assets	41,448	36,747	41,590	23,304	83,038	60,051
Other liabilities	6,503	5,778	3,900	1,917	10,403	7,695
Long-term liabilities outstanding	18,782	14,635	3,895	245	22,677	14,880
Total liabilities	25,285	20,413	7,795	2,162	33,080	22,575
Invested in capital assets, net of related debt	22,236	19,539	29,199	19,405	51,435	38,944
Restricted	2,026	1,780	-	-	2,026	1,780
Unrestricted	(8,099)	(4,985)	4,596	1,737	(3,503)	(3,248)
Total net assets	$16,163	$16,334	$33,795	$21,142	$49,958	$37,476

The restricted portion of the City's net assets, $2,026,000 and $1,780,000 at December 31, 2010 and 2009, respectively, represent resources that are subject to external restrictions on how they may be used.

At the end of 2010 and 2009 the City is able to report positive balances in net assets, for the government as a whole, as well as for its business-type activity. The City's overall financial position improved in 2010 reflected in the $12,482,000 change in total net assets for the year ended December 31, 2010.

Condensed Statement of Activities
December 31, 2010 And 2009
(In Thousands)

	Governmental Activities		Business-Type Activity		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program:						
Charges for services	$ 1,287	$ 1,255	$ 1,091	$ 1,212	$ 2,378	$ 2,467
Operating grants and contributions	2,699	3,509	15,885	6,299	18,584	9,808
Capital grants and contributions	3,278	614	3,374	235	6,652	849
General:						
Taxes	14,168	14,150	-	-	14,168	14,150
Grants and charges - unrestricted	2,102	2,501	-	-	2,102	2,501
Unrestricted investment income	59	69	3	5	62	74
Gain on disposal of assets	83	-	-	-	83	-
Miscellaneous	449	540	-	-	449	540
Total revenues	24,125	22,638	20,353	7,751	44,478	30,389
Expenses:						
General government	3,177	3,278	-	-	3,177	3,278
Public works - highways and streets	1,879	1,362	-	-	1,879	1,362
Other public works enterprises	1,999	2,349	-	-	1,999	2,349
Public safety	15,049	15,571	-	-	15,049	15,571
Culture and recreation	771	500	-	-	771	500
Revolving loans and grants	517	920	-	-	517	920
Capital outlay (elimination of blight)	167	48	-	-	167	48
Interest on long-term debt	277	179	-	-	277	179
Williamsport Bureau of Transportation	-	-	8,154	6,237	8,154	6,237
Total expenses	23,836	24,207	8,154	6,237	31,990	30,444
Increase (Decrease) In Net Assets Before Transfers	289	(1,569)	12,199	1,515	12,488	(55)
Transfers	(460)	(728)	454	723	(6)	4
Change In Net Assets	(171)	(2,297)	12,653	2,238	12,482	(59)
Net Assets, January 1	16,334	18,631	21,142	18,904	37,476	37,535
Net Assets, December 31	$16,163	$16,334	$33,795	$21,142	$49,958	$37,476

Governmental Activities. Governmental activities decreased the City's net assets by $171,000 and $2,297,000 for the years ended December 31, 2010 and 2009, respectively. The decrease in net assets for 2010 was minimal. The 2009 decrease of $2,296,873 relates primarily to expenses for public works enterprises, public safety and culture and recreation.

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 $12,653,000 and $2,237,000 for the years ended December 31, 2010 and 2009, respectively. These increases are due to the fact that user charges (i.e., bus fares) and operating grants sufficiently covered the cost of operations, and in 2010 the majority of the increase related to the Federal grants for the Garage and Office Expansion Project and Church Street Transportation Center Project.

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, 2010 and 2009, the City's governmental funds reported combined ending fund balances of $4,804,000 and $4,331,000, respectively. The City's unreserved, undesignated fund balance, which is available for spending at the government's discretion, was $2,844,000 and $2,552,000 at December 31, 2010 and 2009, respectively. The remainder of the fund balance at December 31, 2010 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, 2010 and 2009 amounted to $4,595,000 and $1,737,000 respectively, and those for the Internal Service funds amounted to $403,000 and $387,000, respectively. The total change in net assets for the Enterprise Fund and Internal Service Fund amounted to an increase of $12,653,000 and $2,285,000 for the years ending December 31, 2010 and 2009, 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 2010 was approximately $18.1 million; this represents an increase of $1,701,000 (10.3%) from 2009. The General Fund expenditure budget for fiscal year 2009 was approximately $16.5 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, 2010, the *unreserved fund balance* of the General Fund was $2,273,000. During 2010, the City's General Fund balance increased by $522,061. As a measure of the General Fund's liquidity, the *unreserved fund balance* represents 13.6 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, 2010 was in line with the recommended limits.

Revenues of the General Fund totaled $16.8 million and $16.9 million for the years ended December 31, 2010 and 2009, respectively, representing a year-to-year decrease of 84,000 (0.4%). The following represents a summary of General Fund revenue by source.

Revenues (In Thousands)	**2010**	**2009**
Taxes	$14,142	$14,033
Licenses and permits	699	922
Fines and forfeits	245	232
Interest, rents and royalties	12	21
Intergovernmental	1,272	1,223
Charges for services	130	121
Miscellaneous	334	366
Total revenues	$16,834	$16,918

The General Fund's operations were also supported by operating transfers in which totaled $42,500 and $86,000 during the years ended December 31, 2010 and 2009, respectively. Additional details relating to interfund transfers can be found in Note 8 on page 44.

General Fund expenditures totaled $15,946,000 and $15,346,000 for the years ended December 31, 2010 and 2009, respectively, which represents an increase of $600,000 (3.9%). The following represents a summary of General Fund expenditures for the years ended December 31, 2010 and 2009, by source:

Expenditures (In Thousands)	**2010**	**2009**
General government	$ 1,507	$ 1,636
Public works - highways and streets	1,471	1,549
Other public works enterprises	240	218
Public safety	12,081	11,326
Culture and recreation	641	609
Debt service	6	8
Total expenditures	$15,946	$15,346

In addition, the General Fund made operating transfers out to other governmental, proprietary and fiduciary funds in the amount of $706,000 and $574,000 during the years ended December 31, 2010 and 2009.

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 $8,000 and $33,000 for the years ended December 31, 2010 and 2009. The CDBG Fund's fund balance of $45,000 and $37,000 at December 31, 2010 and 2009, 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 17-20 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, 2010, the City expended $3,844,000 for such projects. The major capital projects in 2010 consisted of work on the William Street Redevelopment Project and other Williamsport Central Business District projects. The fund balance of the Capital Projects Fund at December 31, 2010 totaled $526,000.

Other Governmental – Special Revenue Funds

The City maintains nine Special Revenue funds. Five 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
CDBG-R	Maintenance of Streets
Homeless Prevention & Rapid Rehousing Program	Housing

Operating revenues over expenditures totaled ($62,000) and $37,000 for 2010 and 2009, respectively, after operating transfers. The nonmajor financial statements can be found on pages 66-67.

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 $59,551,000 and $55,174,000 at December 31, 2010 and 2009, respectively, representing a year-to-year increase of $4,377,000 or 7.9 percent. The City transferred from the General Fund the Annual Required Contribution of $1,993,695 to the Pension Trust Fund. Additional information on the employee pension funds can be found in Note 11 on page 49 of this report.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2010 and 2009 were $59,229,000 and $43,730,000 respectively (net of accumulated depreciation) (Business-Type Activity capital assets, as presented below, include certain property held under capital lease, see Note 7 for additional details).

	Governmental Activities		Business-Type Activity		Total	
	2010	2009	2010	2009	2010	2009
Land & improvements	$ 5,883,163	$ 4,131,864	$ 1,400,408	$ 1,431,046	$ 7,283,571	$ 5,562,910
Infrastructure	16,627,356	16,550,455	-	-	16,627,356	16,550,455
Buildings	2,148,720	1,317,900	6,549,719	8,669,520	8,698,439	9,987,420
Construction in process	1,827,364	1,757,190	17,300,124	2,722,505	19,127,488	4,479,695
Furniture & equipment	977,145	1,000,261	-	-	977,145	1,000,261
Museum exhibits	-	-	536,099	536,099	536,099	536,099
Vehicles	1,622,075	628,240	4,357,049	4,984,649	5,979,124	5,612,889
Total	$29,085,823	$25,385,910	$30,143,399	$18,343,819	$59,229,222	$43,729,729

Long-Term Debt

Changes in the City's notes payable for the years ended December 31, 2010 and 2009 were as follows (in thousands):

	Governmental	Business-Type	Total
Notes/lease rentals payable at January 1, 2009	$2,824,930	$ 250,000	$ 3,074,930
Additions	$2,936,769	$ -	$ 2,936,769
Payments	(11,699)	-	(11,699)
Notes/lease rentals payable at December 31, 2009	$5,750,000	$ 250,000	$ 6,000,000
Additions	$ 680,003	$3,655,553	$ 4,335,556
Payments	(121,562)	(5,286)	(126,848)
Notes/lease rentals payable December 31, 2010	$6,308,441	$3,900,267	$10,208,708

Additional information on the City's long-term debt can be found at Note 9 on page 45 of this report.

Economic Condition

Unemployment (as per the U.S. Department of Labor, Bureau of Labor Statistics) in the Williamsport area was 9.0 percent at the end of 2010, which is a decrease compared with 9.9 percent at the end of 2009. The 2010 rate is higher than Pennsylvania's overall unemployment rate (not seasonally adjusted) of 8.7 percent. The City is in a period of economic uncertainty; however, the general economic outlook is positive with major construction occurring in the Central Business District.

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, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activity	Total	Municipal Authority	Parking Authority
Assets:					
Cash and cash equivalents	$ 3,471,349	$ 2,419,682	$ 5,891,031	$ 20,934	$ 167,380
Restricted cash	662,433	-	662,433	-	-
Receivables (net of allowance for uncollectibles):					
Taxes	1,366,367	-	1,366,367	-	-
Loans	3,636,986	-	3,636,986	-	-
Other	554,058	24,432	578,490	36,117	46,389
Internal balances	31,332	(31,332)	-	-	-
Due from Agency Fund	144,459	8	144,467	-	-
Due from other governments	2,312,905	5,653,556	7,966,461	5,873,152	-
Inventories, at cost	85,191	359,667	444,858	-	-
Prepaid expenses	66,725	63,862	130,587	-	5,483
Capital assets, net of accumulated depreciation:					
Land, land improvements and monuments	5,883,163	1,400,408	7,283,571	-	1,062,351
Infrastructure	16,627,356	-	16,627,356	-	-
Buildings and improvements	2,148,720	6,549,719	8,698,439	-	3,612,037
Vehicles and equipment	2,599,220	4,893,148	7,492,368	-	57,846
Construction in process	1,827,364	17,300,124	19,127,488	-	-
Property held under capital lease, net	-	1,702,381	1,702,381	-	-
Net investment in direct financing leases	-	1,253,980	1,253,980	-	-
Deferred financing costs	30,469	-	30,469	-	-
Total assets	41,448,097	41,589,635	83,037,732	5,930,203	4,951,486
Liabilities:					
Accounts payable and accrued expenses	1,703,554	3,182,137	4,885,691	-	139,003
Accrued liabilities	133,033	50,598	183,631	37,284	10,047
Compensated absences	81,519	378,206	459,725	-	-
Due to other governments	32,098	-	32,098	-	-
Due to private purpose trust fund	1,093	-	1,093		
Deferred revenues	4,142,404	284,013	4,426,417	-	1,600
Noncurrent liabilities:					
Portion due or payable within one year:					
Capital leases payable	281,776	-	281,776	-	-
Notes payable	127,571	5,547	133,118	133,117	145,020
Portion due or payable after one year:					
Compensated absences payable	1,579,013	-	1,579,013	-	-
Capital leases payable	259,173	-	259,173	-	-
Notes payable	6,180,870	3,894,720	10,075,590	5,740,035	2,498,176
Unearned lease income, net					91,338
Other postemployment benefits	10,762,610	-	10,762,610	-	-
Total liabilities	25,284,714	7,795,221	33,079,935	5,910,436	2,885,184
Net Assets:					
Invested in capital assets, net of related debt	22,236,433	29,199,493	51,435,926	-	2,089,038
Restricted for:					
Liquid fuels tax purposes	169,833	-	169,833	-	-
HOME activities	23,912	-	23,912	-	-
Home rehabilitation purposes	39,203	-	39,203	-	-
Debt Service	414,459	-	414,459		
Redevelopment activities	6,354	-	6,354	-	-
Reserved for grant purposes	1,074,650	-	1,074,650	-	-
Reserved for encumbrances	297,300		297,300		
Unrestricted, undesignated	(8,098,761)	4,594,921	(3,503,840)	19,767	(22,736)
Total net assets	$ 16,163,383	$ 33,794,414	$ 49,957,797	$ 19,767	$ 2,066,302

See notes to financial statements

City of Williamsport, Pennsylvania

Statement Of Activities
Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenue: Changes For Services	Program Revenue: Operating Grants And Contributions	Program Revenue: Capital Grants And Contributions	Net (Expense) Revenue And Changes In Net Assets — Primary Government: Governmental Activities	Primary Government: Business-Type Activity	Primary Government: Total	Component Units: Muncipal Authority	Component Units: Parking Authority
Primary Government:									
Governmental activities:									
General government	$ 3,177,175	$ 846,797	$ 85,155	$ -	$ (2,245,223)		$ (2,245,223)		
Public works - highways and streets	1,878,832	20,275	684,030	3,091,775	1,917,248		1,917,248		
Other public works enterprises	1,999,010	-	1,009,058	23,553	(966,399)		(966,399)		
Public safety	15,048,673	250,194	895,684	-	(13,902,795)		(13,902,795)		
Culture and recreation	770,763	-	25,203	-	(745,560)		(745,560)		
Revolving loans and grants	516,513	169,523	-	152,263	(194,727)		(194,727)		
Capital outlay (elimination of blight)	166,986	-	-	-	(166,986)		(166,986)		
Interest on Long-term debt	277,355	-	-	10,234	(267,121)		(267,121)		
Total governmental activities	23,835,307	1,286,789	2,699,130	3,277,825	(16,571,563)		(16,571,563)		
Business-Type Activity,									
River Valley Transit	8,154,011	1,091,059	15,884,517	3,373,860		$ 12,195,425	12,195,425		
Total primary government	$ 31,989,318	$ 2,377,848	$ 18,583,647	$ 6,651,685	(16,571,563)	12,195,425	(4,376,138)		
Component Units:									
Municipal Authority	$ 8,814	$ 5,800	$ -	$ -				$ (3,014)	$ -
Parking Authority	2,638,842	925,660	-	-				-	(1,713,182)
Total component units	$ 2,647,656	$ 931,460	$ -	$ -				(3,014)	(1,713,182)
General Revenues:									
Taxes					14,168,390	-	14,168,390	-	-
Grants and charges not restricted to specific programs					2,101,708	-	2,101,708	-	-
Unrestricted investment earnings					59,339	2,562	61,901	312	4,128
Miscellaneous					442,929	-	442,929	-	2,320
Gain on disposal of assets					83,318	-	83,318	-	1,067,603
Transfers among governmental/business type activities					(453,164)	457,960	4,796	-	-
Payments to fiduciary funds					(1,525)	(3,271)	(4,796)	-	-
Total general revenues and transfers					16,400,995	457,251	16,858,246	312	1,074,051
Change In Net Assets					(170,568)	12,652,676	12,482,108	(2,702)	(639,131)
Net Assets, Beginning					16,333,951	21,141,738	37,475,689	22,469	2,705,433
Net Assets, Ending					$ 16,163,383	$ 33,794,414	$ 49,957,797	$ 19,767	$ 2,066,302

See notes to financial statements

City of Williamsport, Pennsylvania

Balance Sheet
Governmental Funds
December 31, 2010

	General Fund	CDBG	HOME	Capital Projects	Non-Revenue Escrow	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:								
Cash and cash equivalents	$ 521,877	$ 55,132	$ 44,411	$ 23,613	$ 1,706,544	$ 428,401	$ 267,314	$ 3,047,292
Restricted cash	662,433	-	-	-	-	-	-	662,433
Receivables:								
Taxes	1,366,367	-			-	-	-	1,366,367
Loans	-	731,507	1,693,809	-	1,198,742	-	12,928	3,636,986
Other	447,119	1,259	-	77,821	27,371	-	438	554,008
Due from other funds	1,377,244	7,532	7,185	34,714	15,751	20,772	-	1,463,198
Due from other governments	-	290,066	35,050	1,929,597	-	-	58,192	2,312,905
Inventories, at cost	85,191	-	-	-	-	-	-	85,191
Prepaid expenses	62,225	3,499	-	-	500	-	-	66,224
Total	$ 4,522,456	$ 1,088,995	$ 1,780,455	$ 2,065,745	$ 2,948,908	$ 449,173	$ 338,872	$ 13,194,604
Liabilities And Fund Balances:								
Liabilities:								
Vouchers payable	$ 705,198	$ 280,380	$ 35,050	$ 535,121	$ 31,087	$ -	$ 104,763	$ 1,691,599
Accrued liabilities	120,947	5,800	-	-	542	-	-	127,289
Compensated absences	77,633	3,886	-	-	-	-	-	81,519
Matured bonds payable	5,000	-	-	-	-	-	-	5,000
Due to other funds	2,832	22,339	517	1,004,552	208,780	34,714	5,791	1,279,525
Due to other goverments	-	-	-	-	32,098	-	-	32,098
Deferred revenue	1,040,893	731,506	1,693,809	-	1,694,164	-	12,928	5,173,300
Total liabilities	1,952,503	1,043,911	1,729,376	1,539,673	1,966,671	34,714	123,482	8,390,330
Fund balances:								
Reserved for:								
Liquid fuels tax purposes	-	-	-	-	-	-	169,833	169,833
HOME activities	-	-	51,079	-	-	-	-	51,079
Home rehabilitation	-	-	-	-	-	-	39,203	39,203
Redevelopment activities	-	-	-	-	-	-	6,354	6,354
Debt service	-	-	-	-		414,459	-	414,459
Encumbrances	297,300	-	-	-	-	-	-	297,300
Other reserves	-	-	-	-	982,237		-	982,237
Unreserved, undesignated	2,272,653	45,084	-	526,072	-	-	-	2,843,809
Total fund balances	2,569,953	45,084	51,079	526,072	982,237	414,459	215,390	4,804,274
Total	$ 4,522,456	$ 1,088,995	$ 1,780,455	$ 2,065,745	$ 2,948,908	$ 449,173	$ 338,872	$ 13,194,604

See notes to financial statements

Reconciliation Of The Balance Sheet Of The Governmental Funds
To The Statement Of Net Assets
December 31, 2010

Total Fund Balance, Governmental Funds		$ 4,804,274
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 $46,000,589 and the accumulated depreciation is ($16,914,766).		29,085,823
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	$ (6,308,441)	
Capital lease payable	(540,949)	
Compensated absences (long-term)	(1,579,013)	
Other postemployment benefits	(10,762,610)	
		(19,191,013)
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 $37,144, and the accumulated amortization is ($6,675).		30,469
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.		1,030,897
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.		402,933
Net Assets Of Governmental Activities In The Statement Of Net Assets		$ 16,163,383

See notes to financial statements

City of Williamsport, Pennsylvania
Statement Of Revenues, Expenditures, And Changes In Fund Balances
Governmental Funds
Year Ended December 31, 2010

	General Fund	CDBG	HOME	Capital Projects	Non-Revenue Escrow	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:								
Taxes	$ 14,142,292	$ -	$ -	$ -	$ -	$ -	$ -	$ 14,142,292
Licenses and permits	699,189	-	-	-	-	-	-	699,189
Fines and forfeits	244,689	-	-	-	-	-	-	244,689
Interest, rents and royalties	12,147	-	66	-	51,446	1,661	831	66,151
Intergovernmental:								
Federal	-	1,302,078	262,249	-	-	-	636,082	2,200,409
State	890,865	-	-	1,892,097	706,714	-	777,050	4,266,726
Local	380,694	-	-	1,199,678	-	-	22,917	1,603,289
Charges for services	130,361	-	-	-	44,489	-	-	174,850
Collection on loans	-	15,962	99,165	-	46,253	-	-	161,380
Miscellaneous	333,881	-	-	36,169	26,846	-	104,481	501,377
Total revenues	16,834,118	1,318,040	361,480	3,127,944	875,748	1,661	1,541,361	24,060,352
Expenditures:								
Current:								
General government	1,506,974	431,118	81,843	177,969	592,813	-	29,438	2,820,155
Public works	1,470,745	409,023	-	3,623,114	-	-	1,198,375	6,701,257
Other public works enterprises	240,433	-	-	-	182,327	-	-	422,760
Public safety	12,081,412	253,014	-	15,614	36,161	-	-	12,386,201
Culture and recreation	641,314	-	-	26,912	6,260	-	-	674,486
Revolving loans and grants	-	10,017	252,472	-	-	-	264,551	527,040
Capital outlay	-	166,985	-	-	-	-	-	166,985
Total expenditures	15,940,878	1,270,157	334,315	3,843,609	817,561	-	1,492,364	23,698,884
Excess (deficiency) of revenues over expenditures	893,240	47,883	27,165	(715,665)	58,187	1,661	48,997	361,468
Other Financing Sources (Uses):								
Proceeds from draws on note payable/capital lease obligations	-	-	-	-	-	680,003	-	680,003
Proceeds from the sale of capital assets	297,980	-	-	-	-	-	-	297,980
Debt service	(5,618)	-	-	-	-	(398,210)	-	(403,828)
Transfers in	42,500	-	-	879,806	-	440,587	-	1,362,893
Transfers out	(706,041)	(40,000)	-	(143,500)	(150,600)	(674,805)	(110,736)	(1,825,682)
Total other financing sources (uses)	(371,179)	(40,000)	-	736,306	(150,600)	47,575	(110,736)	111,366
Net Change In Fund Balances	522,061	7,883	27,165	20,641	(92,413)	49,236	(61,739)	472,834
Fund Balances - Beginning	2,047,892	37,201	23,914	505,431	1,074,650	365,223	277,129	4,331,440
Fund Balances - Ending	$ 2,569,953	$ 45,084	$ 51,079	$ 526,072	$ 982,237	$ 414,459	$ 215,390	$ 4,804,274

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
Year Ended December 31, 2010

Net Change In Fund Balances - Total Governmental Funds:	$ 472,834
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.	3,914,575
Capital outlays and depreciation expense related to the City's Internal Service Fund (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)	26,118
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.	(297,980)
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 2010.	354,185
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, 2010.	(42,555)
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.	(3,332,104)
Internal service funds are used by management to charge the operating costs of City Hall to individual funds. The operating income of the internal service fund (City Hall Operating Fund) is reported within the governmental activities.	(10,472)
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 2010.	121,562
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.	
Reconciling items relating to long-term debt activites are as follows:	
Issuance of bonds	(680,003)
Current year debt issuance costs	15,144
Amortization of debt issuance costs	(2,600)
Capital leases are considered long-term and are not reported as liabilities within the funds.	(798,599)
Gain on the disposal of capital assets.	83,318
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.	6,009
Change In Net Assets Of Governmental Activities	$ (170,568)

See notes to financial statements

City of Williamsport, Pennsylvania

Statement Of Revenues, Expenditures, And Changes In Fund Balance
Budget And Actual - General Fund
Year Ended December 31, 2010

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance With Final Budget - Positive (Negative)
Revenues:				
Taxes	$ 13,890,736	$ 13,890,736	$ 14,142,292	$ 251,556
Licenses and permits	748,000	748,000	699,189	(48,811)
Fines and forfeits	238,000	238,000	244,689	6,689
Interest, rents, royalties and investment gains	15,750	15,750	12,147	(3,603)
Intergovernmental:				
State	878,000	878,000	890,865	12,865
Local	309,300	337,800	380,694	42,894
Charges for services	126,200	126,200	130,361	4,161
Miscellaneous	358,600	358,600	333,881	(24,719)
Total revenues	16,564,586	16,593,086	16,834,118	241,032
Expenditures:				
Current:				
General government	1,618,652	1,609,852	1,506,974	102,878
Public works - highways and streets	1,850,121	1,878,621	1,470,745	407,876
Other public works enterprises	250,162	250,162	240,433	9,729
Public safety	12,457,439	12,486,239	12,081,412	404,827
Culture and recreation	676,427	676,427	641,314	35,113
Debt service	10,000	10,000	5,618	4,382
Total expenditures	16,862,801	16,911,301	15,946,496	964,805
(Deficit) Excess Of Revenues Over Expenditures	(298,215)	(318,215)	887,622	1,205,837
Other Financing Sources (Uses):				
Proceeds from the sale of capital assets	271,000	271,000	297,980	26,980
Transfers in	42,600	42,600	42,500	(100)
Transfers out	(1,274,000)	(1,274,000)	(706,041)	567,959
Total other financing uses	(960,400)	(960,400)	(365,561)	594,839
Net Change In Fund Balances	(1,258,615)	(1,278,615)	522,061	1,800,676
Fund Balances, Beginning	1,363,116	1,363,116	2,047,892	684,776
Fund Balances, Ending	$ 104,501	$ 84,501	$ 2,569,953	$ 2,485,452

See notes to financial statements

City of Williamsport, Pennsylvania

Statement Of Net Assets
Proprietary Funds
December 31, 2010

	Business-Type Activity (RVT)	Internal Service Fund (CHO)
Assets:		
Current assets:		
Cash and cash equivalents	$ 2,419,682	$ 424,057
Other accounts receivable	24,432	50
Due from other funds	8,481	-
Due from other governments	5,653,556	-
Inventories, at cost	359,667	-
Prepaid expenses	63,862	500
Total current assets	8,529,680	424,607
Capital assets:		
Land and improvements	1,525,878	1
Buildings and improvements	11,288,615	1,381,036
Equipment	14,350,300	115,482
Construction in progress	17,300,124	-
Less accumulated depreciation	(14,321,518)	(1,021,359)
Net capital assets	30,143,399	475,160
Net investment in direct financing leases	1,253,980	-
Property held under capital lease, net	1,702,381	-
Total	$ 41,629,440	$ 899,767
Liabilities And Net Assets:		
Current liabilities:		
Current portion of notes payable	$ 5,547	$ -
Vouchers payable	3,182,137	11,956
Accrued liabilities	50,598	745
Compensated absences	378,206	-
Due to other funds	39,805	8,973
Deferred revenue	284,013	-
Total current liabilities	3,940,306	21,674
Non-current liability,		
Long-term portion of notes payable	3,894,720	-
Net assets:		
Invested in capital assets, net of related debt	29,199,493	475,160
Unrestricted	4,594,921	402,933
Total net assets	33,794,414	878,093
Total	$ 41,629,440	$ 899,767

See notes to financial statements

City of Williamsport, Pennsylvania

Statement Of Revenues, Expenses, And Changes In Fund Net Assets
Proprietary Funds
Year Ended December 31, 2010

	Business-Type Activity (RVT)	Internal Service Fund (CHO)
Operating Revenues,		
Charges for services	$ 1,091,059	$ 279,740
Operating Expenses:		
Wages and salaries	2,858,096	22,604
Depreciation	1,333,951	40,655
Employee benefits	832,169	10,649
Administrative expense	496,200	-
Materials and supplies	796,796	156,438
Maintenance	358,789	24,866
Insurance	168,552	-
Bad debt expense	250	-
Total operating expenses	6,844,803	255,212
Operating (Loss) Income	(5,753,744)	24,528
Nonoperating Revenues (expenses):		
Subsidies from other governments:		
State	8,718,708	-
Federal	10,376,069	-
Local	163,600	-
Net acquisition cost	(1,309,208)	
Interest income	2,562	-
Interest expense	(38,304)	-
Total nonoperating revenues (expenses)	17,913,427	-
Income Before Other Financing Sources (Uses)	12,159,683	24,528
Other Financing Sources (Uses):		
Operating transfers in	496,264	-
Operating transfers out	(3,271)	(35,000)
Total other financing sources, net	492,993	(35,000)
Net Income	12,652,676	(10,472)
Net Assets, Beginning	21,141,738	888,565
Net Assets, Ending	$ 33,794,414	$ 878,093

See notes to financial statements

City of Williamsport, Pennsylvania

Statement Of Cash Flows
Proprietary Funds
Year Ended December 31, 2010

	Business-Type Activity (RVT)	Internal Service Fund (CHO)
Cash Flows From Operating Activities:		
Cash received from users	$ 1,106,028	$ 280,510
Cash payments to employees for services	(3,599,620)	(33,152)
Cash paid to suppliers for goods and services	26,883	(179,483)
Internal activity - receipts from other funds	68,416	4,249
Net cash (used in) provided by operating activities	(2,398,293)	72,124
Cash Flows From Non-Capital Financing Activities,		
Operating subsidies and transfers from (to) other funds	4,455,693	(35,000)
Cash Flows Provided By Investing Activities,		
Earnings on investments	2,563	-
Cash Flows From Capital And Related Financing Activities:		
Subsidies received from other governments	11,542,708	-
Payments for capital acquisitions	(16,145,463)	(14,537)
Principal payments on long-term debt	(5,285)	-
Interest payments on long-term debt	(38,304)	
Proceeds from long-term debt	3,655,553	-
Disposal of assets	343	-
Payments received under direct financing leases	56,793	-
Net cash used in capital and related financing activities	(933,655)	(14,537)
Increase In Cash And Cash Equivalents	1,126,308	22,587
Cash And Cash Equivalents, Beginning	1,293,374	401,470
Cash And Cash Equivalents, Ending	$ 2,419,682	$ 424,057
Reconciliation Of Operating Loss To Net Cash (Used In) Provided By Operating Activities:		
Operating (loss) income	$ (5,753,744)	$ 24,528
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Depreciation	1,333,951	40,655
Changes in assets and liabilities:		
Other accounts receivable	2,998	770
Due to/from other funds, net	68,416	4,249
Prepaids	12,648	-
Inventories	(45,857)	-
Vouchers payable	1,880,679	1,821
Other operating liabilities	102,616	101
Net Cash (Used In) Provided By Operating Activities	$ (2,398,293)	$ 72,124

See notes to financial statements

City of Williamsport, Pennsylvania

Statement Of Fiduciary Net Assets
December 31, 2010

	Pension Trust Funds	Private Purpose Trusts	Agency Funds
Assets:			
Cash and cash equivalents	$ 626,230	$ -	$ 553,112
Receivables,			
Other	241,634	-	-
Due from other funds	-	1,083	-
Investments, at fair value:			
U.S. Government securities	16,881,200	-	-
Domestic corporate bonds	9,440,424	-	-
Domestic equity securities	32,061,943	-	-
Mutual funds	299,628	-	-
Total investments	58,683,195	-	-
Total	$ 59,551,059	$ 1,083	$ 553,112
Liabilities:			
Vouchers payable		$ 1,083	$ 158,354
Due to other funds		-	144,459
Due to other taxing units		-	250,299
Total liabilities		1,083	$ 553,112
Net Assets:			
Held in trust for pension benefits	$ 59,551,059	-	
Reserved for workers' compensation	-	-	
Total net assets	59,551,059	-	
Total	$ 59,551,059	$ 1,083	

See notes to financial statements

City of Williamsport, Pennsylvania

Statement Of Changes In Fiduciary Net Assets
Fiduciary Funds
Year Ended December 31, 2010

	Pension Trust Funds	Private Purpose Trusts
Additions:		
Contributions:		
Employer	$ 1,123,523	$ -
Transfers in	-	4,796
Commonwealth of Pennsylvania	870,172	-
Employees	486,783	-
Total contributions	2,480,478	4,796
Investment earnings:		
Interest and dividends	1,450,108	-
Net appreciation in fair value of investments	3,961,142	-
Other investment income	56,592	-
Total investment gains	5,467,842	-
Less Investment Expense	(144,780)	-
Net Investment Income	5,323,062	-
Total additions	7,803,540	4,796
Deductions:		
Benefits	3,382,921	4,796
Administrative	43,791	-
Total deductions	3,426,712	4,796
Change In Net Assets	4,376,828	-
Net Assets, Beginning	55,174,231	-
Net Assets, Ending	$ 59,551,059	$ -

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 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 three 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 all 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. The Williamsport Parking Authority (the "Parking Authority") issues separately audited financial statements, which can be obtained from the Parking Authority Offices at 1500 West Third 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.

Discretely Presented Component Unit	Brief Description of Activities and Relationship to the City
The Parking Authority was formed by the City, with its purpose being to acquire, hold, construct, improve, maintain and operate on and off street parking facilities for the general public.	The Mayor of the City appoints all Authority board members and, through these appointments, the City is able to impose its will on the Authority.

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 was funded in part by federal funds whose use is restricted for the provision of specified home rehabilitation services to eligible City residents.

- The HPRP Fund accounts for the operations of the City's Homeless Prevention and Rapid Re-Housing Program, which is funded by federal American Recovery and Reinvestment Act funding whose use is restricted to providing financial assistance and services to either prevent individuals and families from becoming homeless or to help those who are experiencing homelessness to be quickly re-housed and stabilized.

- The CDBG-R Fund accounts for the operations of the City's Community Development Block Grant - Recovery Program, which is funded by federal American Recovery and Reinvestment Act funding whose use is restricted for the provision of costs associated with infrastructure activities that provide basic services to 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 elsewhere in this section.

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 major 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 Unemployment Compensation Trust Fund is reported within the accompanying financial statements as a private purpose trust fund.

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, 2010 were 91.2% 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 weighted average cost) 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.

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, 2010, the General, CDBG, HOME, Non-Revenue Escrow, Non-major and Enterprise funds had deferred revenues of $1,040,893, $731,506, $1,693,809, $1,694,164, $12,928, and $284,013, respectively.

Pension Plans

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

Use of Estimates

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

2. Budgetary Procedures and Budgetary Accounting

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

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

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

Accounting principles generally accepted in the United States of America require that the City include a combined statement of revenues, expenditures and changes in fund balances - budgeted and actual - for the General Fund and for each major special revenue fund for which *annual* budgets have been legally adopted. A statement of revenues, expenditures and changes in fund balance - budgeted and actual - General Fund is presented on page 21 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, 2010, the City's total deposits were $8,101,186. Of this amount, $367,963 was insured by the FDIC and $630,929 was insured by the SIPC. The remaining deposits of $7,102,294 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, 2010, the City had the following investments:

Investment	Maturities		Fair Value
Corporate bonds	Average of 9 years	$	6,579,658
Government bonds	Average of 11 years		16,869,714
Government asset backed securities	Average of 14 years		11,485
Corp. mortgage/asset backed securities	Average of 9 years		978,559
Taxable municipal bonds	Average of 29 years		318,819
Foreign bonds	Average of 15 years		1,563,388
Investments subject to maturity			26,321,623
Other			32,361,572
Total investments		$	58,683,195

Credit Ratings

The City's investments had the following credit ratings:

Corporate bonds	AAA to BBB+	25.00%
Government bonds	AAA	64.09
Government asset backed securities	AAA	0.04
Corp. mortgage/asset backed securities	A+ to A-	3.72
Taxable municipal bonds	AA	1.21
Foreign bonds	AAA to A-	5.94

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 invest 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, 2010, all of the City's investments were held by Wells Fargo Advisors, 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, 2010 the carrying amount of the Municipal Authority's deposits was $20,934 and the bank balance was $21,334, all of which was covered by federal depository insurance.

Component Unit - Parking Authority

Cash

At December 31, 2010 the carrying amounts of the Parking Authority's deposits were $167,380 and bank balance was $181,578, all of which was covered by federal depository insurance.

4. Due from Other Governments

The amounts reported in the City's various governmental and proprietary funds at December 31, 2010 as due from other governments is summarized below:

	Federal	State	Local	Total
CDBG Fund	$ 290,066	$ -	$ -	$ 290,066
HOME Fund	35,050	-	-	35,050
Capital Projects	-	1,929,597	-	1,929,597
Non-Major Funds	23,644	-	34,548	58,192
Enterprise Fund	618,821	4,960,069	74,666	5,653,556
Total	$ 967,581	$ 6,889,666	$ 109,214	$ 7,966,461

5. Direct Financing Leases – Business-Type Activity

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, 2010:

Total minimum lease payments to be received	$ 1,267,999
Estimated residual value of leased property	65,327
Unearned income	(79,346)
Net investment	$ 1,253,980

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, 2010 for each of the next five years and thereafter are as follows:

2011	$ 63,062
2012	63,062
2013	63,062
2014	63,463
2015	67,869
2016-2020	345,071
2021-2025	372,078
2026-2030	230,332
Total	$ 1,267,999

6. 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, 2010, upon which the 2010 levy was based, was $950,531,070. The estimated market value was $950,531,070 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, 2010, was $10.18 per $1,000, which means that the City has a tax margin of $14.82 per $1,000.

7. Capital Assets

Primary Government

	Balance January 1, 2010	Acquisitions	Disposals/ Transfers	Balance December 31, 2010
Governmental activities				
Cost				
Land, improvements and monuments	$ 4,355,323	$ 2,072,008	$ (214,662)	$ 6,212,669
Infrastructure	25,829,572	1,317,539	-	27,147,111
Buildings and improvements	3,844,749	179,269	770,242	4,794,260
Furniture and equipment	2,024,970	91,814	(18,378)	2,098,406
Transportation	3,330,918	1,339,608	(749,747)	3,920,779
Construction in progress	1,757,190	846,434	(776,260)	1,827,364
Total cost	41,142,722	5,846,672	(988,805)	46,000,589
Less accumulated depreciation				
Land, improvements and monuments	(223,459)	(106,047)	-	(329,506)
Infrastructure	(9,279,117)	(1,240,638)	-	(10,519,755)
Buildings and improvements	(2,526,849)	(118,691)	-	(2,645,540)
Furniture and equipment	(1,024,709)	(120,948)	24,396	(1,121,261)
Transportation	(2,702,678)	(345,773)	749,747	(2,298,704)
Total accumulated depreciation	(15,756,812)	(1,932,097)	774,143	(16,914,766)
Governmental activities, net	$ 25,385,910	$ 3,914,575	$ (214,662)	$ 29,085,823

	Balance January 1, 2010	Acquisitions	Disposals/ Transfers	Balance December 31, 2010
Business-type activity				
Cost				
Land and land improvements	$ 1,525,878	$ -	-	$1,525,878
Buildings and improvements	11,288,615	-	-	11,288,615
Machinery and equipment	13,589,070	258,636	(33,505)	13,814,201
Museum exhibits	536,099	-	-	536,099
Property held under capital lease	2,277,644	-	-	2,277,644
Construction in progress	2,722,505	14,577,619	-	17,300,124
Total cost	31,939,811	14,836,255	(33,505)	46,742,561
Less accum. depreciation				
Land improvements	(94,832)	(30,638)	-	(125,470)
Buildings and improvements	(4,366,374)	(372,522)	-	(4,738,896)
Machinery and equipment	(8,604,421)	(885,893)	33,162	(9,457,152)
Property held under capital lease	(530,365)	(44,898)	-	(575,263)
Total accumulated depreciation	(13,595,992)	(1,333,951)	33,162	(14,896,781)
Business-type activities capital assets, net	$ 18,343,819	$ 13,502,304	(343)	31,845,780

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, streets equipment and a copier. 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 $80,000 for the year ended December 31, 2010.

Capital Leases	Balance January 1, 2010	Additions	Payments	Balance December 31, 2010	Due Within One Year
Various vehicles and equipment	$96,535	$798,599	$354,185	$540,949	$281,776

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, 2010, as related to the City's governmental activities:

Years ending December 31:	
2011	$ 299,311
2012	265,752
2013	1,728
Total minimum lease payments	566,791
Less amounts representing interest	(25,842)
Present value of net minimum lease payments	540,949
Less current portion	(281,776)
Present value of net minimum lease payments, long term	$ 259,173

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, 2010.

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
Total	2,277,644
Less accumulated amortization	(575,263)
Property held under capital leases, net	$ 1,702,381

Component Unit - Parking Authority

	Balance January 1, 2010	Acquisitions	Disposals/ Transfers	Balance December 31, 2010
Cost				
Land and land improvements	$ 1,483,199	$ 22,062	$ (241,605)	$ 1,263,656
Parking deck/buildings	6,742,159	103,186	(2,163,314)	4,682,031
Machinery and equipment	290,565	6,298	-	296,863
Total cost	8,515,923	131,546	(2,404,919)	6,242,550
Less accumulated depreciation for				
Land and land improvements	(192,385)	(8,920)	-	(201,305)
Parking deck/buildings	(2,622,964)	(219,553)	1,772,523	(1,069,994)
Machinery and equipment	(218,634)	(20,383)	-	(239,017)
Total accumulated depreciation	(3,033,983)	(248,856)	1,772,523	(1,510,316)
Business-type activities capital assets, net	$ 5,481,940	$ (117,310)	$ (632,396)	$ 4,732,234

8. Interfund Balances and Activity

Balances Due to/from Other Funds

Individual fund receivable and payable amounts at December 31, 2010 were as follows:

	Interfund Receivable	Interfund Payable
General Fund	$ 1,377,244	$ (2,832)
Special Revenue Funds		
Community Development Block Grant	7,532	(22,339)
HOME	7,185	(517)
Non-Revenue Escrow	15,751	(208,780)
HPRP	-	(5,791)
CDBG-R	-	-
Debt Service Fund	20,772	(34,714)
Capital Projects Fund	34,714	(1,004,552)
Enterprise Fund	8,481	(39,805)
Internal Service Fund (City Hall Operating)	-	(8,973)
Fiduciary Fund	1,083	-
Agency Funds	-	(144,459)
Total	$ 1,472,762	$ (1,472,762)

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, 2010 were as follows:

	In	Out
General Fund	$ 42,500	$ (706,041)
Special Revenue Funds		
Community Development Block Grant	-	(40,000)
Liquid fuels	-	(110,736)
Capital Projects	879,806	(143,500)
Debt Service	440,587	(674,805)
Non-Revenue Escrow	-	(150,600)
Proprietary Funds		
Enterprise Fund (RVT)	496,264	(3,271)
City Hall Operating	-	(35,000)
Fiduciary Funds		
Unemployment Compensation	4,796	-
Total	$ 1,863,953	$ (1,863,953)

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 Capital Projects and other City infrastructure improvements, as permitted.

9. Long-Term Debt

Primary Government

A summary of changes in long-term debt for 2010 is as follows:

Note Payable	Balance 1/1/10	Additions	Payments	Balance 12/31/10	Due Within One Year
Series of 2005 – Capital projects (C&N Bank)	$6,000,000		$(126,848)	$5,873,152	$ -
Series of 2010 – Capital projects (M&T Bank)	-	$1,433,003		1,433,003	133,118
Series B of 2010 – Capital projects (M&T Bank)	-	2,902,553	-	2,902,553	-
Total	$6,000,000	$4,335,556	$(126,848)	$10,208,708	$133,118

The following table summarizes the City's long term debt by activity for the year ended December 31, 2010:

	Governmental Activities	Business-Type Activity	Total
Notes payable, January 1, 2010	$5,750,000	$ 250,000	$ 6,000,000
Additions	680,003	3,655,553	4,335,556
Payments	(121,562)	(5,286)	(126,848)
Notes payable, December 31, 2010	6,308,441	3,900,267	10,208,708
Less: current portion	(127,571)	(5,547)	(133,118)
Notes payable, long-term	$6,180,870	$3,894,720	$10,075,590

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 were 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 commenced on May 15, 2010, and continue through and including May 15, 2034. The outstanding principal balance on this note was $5,628,438 at December 31, 2010.

$3,000,000 General Obligation Note, Series B of 2010 (M&T Bank)

In September 2010, the City issued its general obligation Note, Series B of 2010 in the maximum principal amount of $3,000,000 to provide interim financing for reimbursable costs associated with approved Central Business District projects. Proceeds of the note are available to the City on a revolving, line of credit basis, until maturity. The note bears interest at a variable rate equal to 65% of the sum of the one-month LIBOR rate plus 3% per annum. Interest payments are due quarterly on February 1, May 1, August 1, and November 1 of each year. Relating to governmental activities principal is due in one lump sum on May 2013. The outstanding principal balance on this note was $680,003 at December 31, 2010. Refer to business type activity section for other information on this note.

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, 2010:

Year Ending December 31	Principal	Interest	Total
2011	$ 127,571	$ 290,348	$ 417,919
2012	133,131	284,649	417,780
2013	820,460	269,476	1,089,936
2014	147,399	254,696	402,095
2015	154,684	247,229	401,913
2016-2020	894,568	1,111,982	2,006,550
2021-2025	1,139,511	860,937	2,000,448
2026-2030	1,450,503	542,196	1,992,699
2031-2035	1,440,614	146,563	1,587,177
Total	$ 6,308,441	$ 4,008,076	$ 10,316,517

Business-Type Activity

Lease Rental Payable – Municipal Authority

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 $244,714 at December 31, 2010.

$5,000,000 General Obligation Note, Series of 2010 (M&T Bank)

In May 2010, the City issued its general obligation Note, Series of 2010 in the maximum principal amount of $5,000,000 to acquire, construct, and improve the Church Street Transportation Center. Trade and Transit Center expansion, and other approved Central Business District projects, and to pay related costs and expenses. Proceeds of the note are available to the city on a draw down, line of credit basis for three years from the date of issuance. The note bears interest at a variable rate equal to 6.5% of the sum of the 5-year constant maturity treasury rate, plus 3%. Interest payments are due quarterly during the drawdown period on February 1, May 1, August 1, and November 1 of each year and semi-annually on November 1 and May 1 thereafter. Principal payments commence on November 1, 2013, and continue through and including May 1, 2028. The outstanding principal balance on this note was $1,433,003 at December 31, 2010.

$3,000,000 General Obligation Note, Series B of 2010 (M&T Bank)

Refer to the "Governmental Activities" section of this note for information on the terms of this borrowing. The outstanding business-type activity principal balance on this note was $2,222,550 at December 31, 2010.

The following is a schedule by year of the future minimum principal and interest payments required under note payable agreements of the City' business-type activity as of December 31, 2010:

Year Ending December 31	Principal	Interest	Total
2011	$ 5,547	$ 92,968	$ 98,515
2012	5,789	92,720	98,509
2013	2,269,349	67,385	2,336,734
2014	89,118	40,742	129,860
2015	91,233	38,618	129,851
2016-2020	489,811	159,317	649,128
2021-2025	551,665	97,198	648,863
2026-2030	335,120	32,463	367,583
2031-2035	62,635	6,372	69,007
Total	$ 3,900,267	$ 627,783	$ 4,528,050

Component Unit - Parking Authority

The following is a summary of changes in long-term debt for the year ended December 31, 2010.

	Balance January 1, 2010	Additions	Payments	Balance December 31, 2010
Note payable, Series of 1999	$ 2,793,324	$ -	$ (150,128)	$ 2,643,196
Mortgage payable	146,316	-	(146,316)	-
Total	$ 2,939,640	$ -	$ (296,444)	$ 2,643,196

As of December 31, 2010 long-term debt consisted of the following:

Note payable, Series of 1999, due in monthly payments of $21,620 including principal and interest at 4.79% per annum through May 12, 2009; thereafter monthly payment of $17,910 including principal and interest at 2.21% per annum adjusted annually through May 12, 2025. Secured by a perfected security interest in all revenues and receipts (excluding Midtown Parking Deck), accounts, documents, and general intangibles of the Authority.	$ 2,643,196
Less current maturities	(145,020)
Long-term debt	$ 2,498,176

The annual requirements to amortize the note payable as of December 31, 2010 are as follows:

Year Ending December 31	Principal	Interest	Total
2011	$ 145,020	$ 69,323	$ 214,343
2012	148,971	61,316	210,287
2013	153,027	57,149	210,176
2014	157,195	52,867	210,062
2015	161,476	48,470	209,946
2016-2020	875,788	195,927	1,071,715
2021-2025	1,001,719	69,996	1,071,715
Total	$ 2,643,196	$ 555,048	$ 3,198,244

10. Compensated Absences

The liability for compensated absences recorded in the governmental activities column on the statement of net assets, was $1,660,502 at December 31, 2010. The liability for compensated absences for business-type activities amounted to $378,206 at December 31, 2010. The changes in the City's compensated absences in 2010 are summarized as follows:

	Governmental Activities	Business-Type Activities
Balance January 1, 2010	$ 1,615,615	$ 300,110
Increase	1,597,313	250,238
Decrease	(1,552,396)	(172,142)
Balance December 31, 2010	$ 1,660,532	$ 378,206

11. 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.

Combining Statement of Fiduciary Net Assets

	Firemen's Pension	Police Pension	O&E Pension	Total
Assets				
Cash and cash equivalents	$ 182,740	$ 292,653	$ 150,837	$ 626,230
Receivables				
Other	77,960	111,068	52,606	241,634
Investments, at fair value				
U.S. Government securities	5,586,837	7,628,936	3,665,427	16,881,200
Domestic corporate bonds	3,039,089	4,356,385	2,044,950	9,440,424
Domestic equity securities	10,128,183	14,717,830	7,215,930	32,061,943
Mutual funds	112,791	140,343	46,494	299,628
Total investments	18,866,900	26,843,494	12,972,801	58,683,195
Total	$ 19,127,600	$ 27,247,215	$ 13,176,244	$ 59,551,059
Net Assets				
Held in trust for benefits and other purposes	$ 19,127,600	$ 27,247,215	$ 13,176,244	$ 59,551,059

Combining Statement of Fiduciary Net Assets

	Firemen's Pension	Police Pension	O&E Pension	Total
Additions				
Contributions				
Employer	$ 643,801	$ 350,204	$ 129,518	$ 1,123,523
Commonwealth of Pennsylvania	498,626	271,234	100,312	870,172
Employees	106,945	151,734	228,104	486,783
Total contributions	1,249,372	773,172	457,934	2,480,478
Investment earnings				
Interest and dividends	426,404	695,747	327,957	1,450,108
Net appreciation in fair value of investments	1,303,050	1,789,139	868,953	3,961,142
Other investment income	16,152	27,860	12,580	56,592
Total investment earnings	1,745,606	2,512,746	1,209,490	5,467,842
Less investment expense (advisory fees)	(45,770)	(67,028)	(31,982)	(144,780)
Net investment earnings	1,699,836	2,445,718	1,177,508	5,323,062
Total additions	2,949,208	3,218,890	1,635,442	7,803,540
Deductions				
Benefits and refunds of contributions	1,409,131	1,419,967	553,823	3,382,921
Administrative	16,430	12,526	14,835	43,791
Total deductions	1,425,561	1,432,493	568,658	3,426,712
Change in Net Assets	1,523,647	1,786,397	1,066,784	4,376,828
Net Assets, Beginning	17,603,953	25,460,818	12,109,460	55,174,231
Net Assets, Ending	$ 19,127,600	$ 27,247,215	$ 13,176,244	$ 59,551,059

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	Police Pension Board
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 over the last 365 day period prior to termination or the averaged highest five years, whichever is greater
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 calculated at date of disablement	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, 2009, the date of the latest actuarial valuation:

	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund
Retirees and beneficiaries receiving benefits	36	78	65
Terminated members entitled to but not yet receiving benefits	2	4	3
Active plan members	117	36	47
Total	155	118	115

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, 2010, the combined City/Commonwealth contributions to the Fire, Police and O&E plans were $1,142,426, $621,438, and $229,831, respectively, each of which was equal to the related MMO.

Annual Pension Cost

The City's annual pension cost and net pension asset for prior years (2009; most recent year prior to the January 1, 2009 valuation date) were calculated as follows:

	Officers' and Employees' Pension Fund	Firemen's Pension Fund	Police Pension Fund
Annual required contribution	$ 217,432	$1,021,811	$ 603,863
Interest on net pension asset	(17,067)	(3,135)	(11,111)
Adjustment to annual required contribution	22,862	94	16,993
Annual pension cost	223,227	1,018,770	609,745
Contributions made	217,432	1,021,811	603,863
(Increase) decrease in net pension obligation	(5,795)	3,041	(5,882)
Net pension obligation, beginning of year	(213,339)	(41,801)	(133,882)
Net pension obligation, end of year	$ (219,134)	$ (38,760)	$(139,764)

The annual required contribution ("ARC") for the current year was determined as part of the January 1, 2009 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%
Projected salary increase	5%	5%	5%
Consumer price index	3%	3%	3%
Asset valuation method	4-Year Smoothing	4-Year Smoothing	4-Year Smoothing
Remaining amortization period	13 years	8 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			
12/31/09	$223,227	97.4%	(5,795)
12/31/07	191,491	97.2%	(5,362)
12/31/05	226,413	105.0%	11,321
Firemen's Pension Fund			
12/31/09	$1,018,770	100.3%	3,041
12/31/07	1,162,051	86.6%	(155,715)
12/31/05	1,211,724	100.0%	-
Police Pension Fund			
12/31/09	$609,745	99.0%	(5,882)
12/31/07	779,558	79.1%	(162,927)
12/31/05	817,717	101.0%	8,177

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2009, 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 Ratio (A)/(B)	Annual Covered Payroll (C)	Ratio of UAAL to Annual Covered Payroll ((B-A)/C)
Police Pension Fund	$27,588,362	$30,809,261	$3,220,899	89.55%	$3,201,727	100.60%
Fireman's Pension Fund	18,825,290	24,621,595	5,796,305	76.46%	1,731,343	334.79%
O & E Pension Plan	12,910,034	14,557,541	1,647,507	88.68%	4,240,982	38.85%

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.

A separate report is not issued for the 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.

12. 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.

13. 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, eligible retirees 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 $1,420,359 for the year ended December 31, 2010.

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	$ 4,874,260
Interest on net OPEB obligation	334,373
Adjustment to annual required contribution	(456,170)
Annual OPEB cost (expense)	4,752,463
Contributions made	(1,420,359)
Increase in net OPEB obligation	3,332,104
Net OPEB obligation at January 1, 2010	7,430,506
Net OPEB obligation at December 31, 2010	$ 10,762,610

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 the years ended December 31, 2010, 2009 and 2008 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2010	$ 4,752,463	29.9%	$ 10,762,610
December 31, 2009	$ 5,056,780	26.3%	$ 7,430,506
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, 2010, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability	$ 55,492,042
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	55,492,042
Funded ratio (actuarial value of plan assets/UAAL)	0%
Covered payroll	$ 10,649,893
UAAL as a percentage of covered payroll	521%

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.

The schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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, 2010, 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 9.0% initially, reduced to an ultimate rate of 5.0% in 2018 and later. The UAAL is being amortized as a level dollar over a thirty year open period.

14. 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 2010 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

15. 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 – 2011

In December 2010, City Council approved a resolution authorizing City Officials to enter into a Tax and Revenue Anticipation Note, Series I of 2011, dated January 1, 2011, in the amount of $2,500,000, bearing interest at a variable rate based upon the one-month LIBOR Rate plus a margin of 300 basis points, not to exceed 8.12%, maturing on December 31, 2011.

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. No estimate is currently available for any potential liability for expenditures associated with this fuel storage facility.

Construction

The City has entered into various agreements with contractors related to the Garage and Office Expansion Project, Church Street Transportation Center, and William Street Redevelopment Project. At December 31, 2010, there was approximately $6,238,600 remaining under these arrangements.

16. Pending Changes in Accounting Principles

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.

In February 2010, the GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* This statement permits an agent employer that has an individual - employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method regardless of the number of total plan members in the agent multiple – employer OPEB plan in which it participates. In addition, this statement clarifies that when actuarially determined OPEB members are reported by an agent multiple – employer plan and its participating employers, those measures should be determined as of a common date and at minimum frequency to satisfy the agent multiple – employer OPEB plan's financial reporting requirements.

In June 2009, GASB issued Statement No. 59, *Financial Instruments Omnibus* ("GASB 59"). This Statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools.

In November 2009, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* ("GASB 60"). The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* ("GASB 61"). This Statement modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units as if they were part of the primary government and clarifies the reporting of equity interest in legally separate organizations.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* ("GASB 62"). The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which does not conflict or contradict GASB pronouncements.

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)
Year Ended December 31, 2010

	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, 2009	$27,588,362	$30,809,261	$3,220,899	89.55%	$ 3,201,724	100.60%
	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
Firemen's Pension Fund							
	January 1, 2009	$18,825,290	$24,621,595	$5,796,305	76.46%	$ 1,731,343	334.79%
	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	228.26%
	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%
Officers' And Employees' Pension Plan							
	January 1, 2009	$12,910,034	$14,557,541	$1,647,507	88.68%	$ 4,240,982	38.85%
	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

Note: The January 1, 2009 actuarial valuation recognized one assumption change. (1) The actuarial value of assets was changed from a market value method to a smooting method whereby one-fouth of market value gains and losses are recognized at each valuation date and the remaining three-fourths are deferred to future biennial valuations.

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.

City of Williamsport, Pennsylvania

Required Supplementary Information
Schedule Of Employer Contributions - Pension Trust Funds
(Unaudited)
Year Ended December 31, 2010

	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
2010	$ 621,438	100%	$ 1,142,426	100%	$ 229,831	100%
2009	603,863	100%	1,021,811	100%	217,432	100%
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

See note to required supplementary information - pension trust funds

Actuarial Assumptions

The following actuarial assumptions were used in the January 1, 2009 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	4-Year Smoothing	4-Year Smoothing	4-Year Smoothing
Remaining amortization period	13 Years	8 years	11 Years

City of Williamsport, Pennsylvania

Required Supplementary Information
Schedule Of Funding Progress - Postemployment Benefits
(Unaudited)
Year Ended December 31, 2010

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
January 1, 2010	$ -	$ 55,492,042	$ 55,492,042	0.00%	$ 10,649,893	521%
January 1, 2008	-	53,701,303	53,701,303	0.00%	4,842,314	1109%

City of Williamsport, Pennsylvania

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2010
(Unaudited)

	Liquid Fuels	Home Rehab	Redevelop-ment Authority	HPRP	CDBG-R	Total Nonmajor Governmental Funds
Assets:						
Cash and cash equivalents	$ 218,373	$ 39,203	$ 6,354	$ 3,384	$ -	$ 267,314
Receivables:						
Loans	-	12,928	-	-	-	12,928
Other	-	-	438	-	-	438
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	34,548	23,644	-	58,192
Total	$ 218,373	$ 52,131	$ 41,340	$ 27,028	$ -	$ 338,872
Liabilities And Fund Balances:						
Liabilities:						
Vouchers payable	$ 48,540	$ -	$ 34,986	$ 21,237	$ -	$ 104,763
Due to other funds	-	-	-	5,791	-	5,791
Deferred revenue	-	12,928	-	-	-	12,928
Total liabilities	48,540	12,928	34,986	27,028	-	123,482
Fund balances:						
Reserved for:						
Liquid fuels tax purposes	169,833	-	-	-	-	169,833
Home rehabilitation	-	39,203	-	-	-	39,203
Redevelopment activities	-	-	6,354	-	-	6,354
Debt service	-	-	-	-	-	-
Unreserved, undesignated	-	-	-	-	-	-
Total fund balances	169,833	39,203	6,354	-	-	215,390
Total	$ 218,373	$ 52,131	$ 41,340	$ 27,028	$ -	$ 338,872

City of Williamsport, Pennsylvania
Combining Statement Of Revenues, Expenditures, And Changes In Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2010
(Unaudited)

	Liquid Fuels	Home Rehab	Redevelop-ment Authority	HPRP	CDBG-R	Total Nonmajor Governmental Funds
Revenues:						
Interest, rents, royalties	$ 721	$ 110				$ 831
Intergovernmental:						
Federal	-	-		$ 310,096	$ 325,986	636,082
State	624,787	-	$ 152,263	-	-	777,050
Local	-	-	22,917	-	-	22,917
Collections on loans	-	-	-	-	-	-
Miscellaneous	2,530	-	101,951	-	-	104,481
Total revenues	628,038	110	277,131	310,096	325,986	1,541,361
Expenditures:						
Current:						
General government	-	-	12,917	10,997	5,524	29,438
Public safety	-	-	-	-	-	-
Public works	578,814	-	-	299,099	320,462	1,198,375
Culture and recreation	-	-	-	-	-	-
Education	-	-	-	-	-	-
Revolving loans and grants	-	511	264,040	-	-	264,551
Total expenditures	578,814	511	276,957	310,096	325,986	1,492,364
Excess of revenues over expenditures	49,224	(401)	174	-	-	48,997
Other Financing Sources (Uses):						
Proceeds from draws on note payable	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(110,736)	-	-	-	-	(110,736)
Total other financing sources (uses)	(110,736)	-	-	-	-	(110,736)
Net Change In Fund Balances	(61,512)	(401)	174	-	-	(61,739)
Fund Balances - Beginning	231,345	39,604	6,180	-	-	277,129
Fund Balances - Ending	$ 169,833	$ 39,203	$ 6,354	$ -	$ -	$ 215,390

City of Williamsport, Pennsylvania

Statement Of Fiduciary Net Assets
Private Purpose Trust Fund
December 31, 2010
(Unaudited)

	Unemployment Compensation
Assets,	
Due from other funds	$ 1,083
Total	$ 1,083
Liabilities,	
Vouchers payable	$ 1,083
Net Assets,	
Reserved for workers' compensation	-
Total	$ 1,083

City of Williamsport, Pennsylvania

Statement Of Changes In Fiduciary Net Assets
Private Purpose Trust Fund
Year Ended December 31, 2010
(Unaudited)

	Unemployment Compensation
Deductions:	
Benefits	$ 4,796
Total deductions	4,796
Other Financing Sources (Uses):	
Operating transfers in	4,796
Total other financing sources (uses)	4,796
Change In Net Assets	-
Net Assets, Beginning	-
Net Assets, Ending	$ -

City of Williamsport, Pennsylvania

Combining Statement Of Fiduciary Net Assets
Agency Funds
December 31, 2010
(Unaudited)

	Tax Collecting	Payroll Revolving	Nonrevenue Escrow	Total
Assets:				
Cash and cash equivalents	$ 379,161	$ 2,611	$ 171,340	$ 553,112
Total assets	$ 379,161	$ 2,611	$ 171,340	$ 553,112
Liabilities:				
Vouchers payable	$ -	$ 2,611	$ 155,743	$ 158,354
Due to other funds	128,862	-	15,597	144,459
Due to other taxing units	250,299	-	-	250,299
Total liabilities	$ 379,161	$ 2,611	$ 171,340	$ 553,112

City of Williamsport, Pennsylvania

Schedule Of Expenditures Of Federal Awards
Year Ended December 31, 2010

Grantor/Program Title	Federal CFDA Number	Program Amount	Total Received For The Year	Accrued (Deferred) Revenue January 1, 2010	Adjustments	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue December 31, 2010
U.S. Department Of Housing And Urban Development:								
Community Development Block Grant Entitlement Grants	14.218	1,249,314	165,712	29,775	-	135,937	135,937 *	-
Community Development Block Grant Entitlement Grants	14.218	1,268,936	879,242	-	-	1,169,308	1,169,308 *	290,066
Community Development Block Grant Entitlement Grants	14.218	1,374,416	-	-	-	-	- *	-
Community Development Block Grant Entitlement Grants-Program Income	14.218	N/A	15,865	-	-	15,865	15,865 *	-
Community Planning and Development - HOME Program	14.239	1,816,846	255,777	28,577	-	262,249	262,249	35,049
Community Planning and Development - HOME Program - Program Income	14.239	N/A	99,165	-	-	99,165	99,165	-
Community Development Block Grant ARRA Entitlement Grants	14.253	339,198	326,841	855	-	325,986	325,986 *	-
Homeless Prevention and Rapid Re-Housing Program (ARRA)	14.257	518,859	306,756	20,304	-	310,096	310,096	23,644
Community Development Block Grants/Special Purpose Grants/Insular Areas	14.225	260,000	34,380	4,076	-	44,850	44,850	14,546
Total U.S. Department Of Housing And Urban Development			2,083,738	83,587	-	2,363,456	2,363,456	363,305
U.S. Department Of Justice:								
Edward Byrne Memorial Justice Assistance Grant Program	16.738	17,189	14,620	-	-	14,620	14,620	-
Bulletproof Vest Partnership Program	16.607	1,848	1,848	1,848	-	-	-	-
Bulletproof Vest Partnership Program	16.607	4,494	4,494	-	-	4,494	4,494	-
Recovery Act - Edward Bryne Memorial Justice Assistance Grant Program/Grants to Local Government (ARRA)	16.804	70,949	55,000	30,088	-	26,717	26,717	1,805
Total U.S. Department Of Justice			75,962	31,936	-	45,831	45,831	1,805

City of Williamsport, Pennsylvania

Schedule Of Expenditures Of Federal Awards
Year Ended December 31, 2010

Grantor/Program Title	Federal CFDA Number	Program Amount	Total Received For The Year	Accrued (Deferred) Revenue January 1, 2010	Adjustments	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue December 31, 2010
U.S. Department Of Transportation:								
Federal Transit Administration Capital Improvement Grant	20.500	3,210,228	1,505,351	1,012,433	-	492,918	492,918 *	-
Federal Transit Administration Capital Improvement Grant	20.500	1,213,592	702,891	286,132	-	420,372	420,372 *	3,613
Federal Transit Administration Capital Improvement Grant	20.500	3,951,000	2,047,816	84,030	-	2,417,253	2,417,253 *	453,467
Federal Transit Administration Capital Improvement Grant	20.500	1,425,000	1,422,972	-	-	1,425,000	1,425,000 *	2,028
Federal Transit Administration Capital and Operating Assistance Grant	20.507	712,502	40,322	-	-	40,322	40,322 *	-
Federal Transit Administration Capital and Operating Assistance Grant	20.507	1,477,416	339,811	3,452	-	336,359	336,359 *	-
Federal Transit Administration Capital and Operating Assistance Grant	20.507	1,527,025	927,025	-	-	927,025	927,025 *	-
Federal Transit Administration Capital and Operating Assistance Grant	20.507	1,386,580	801,831	-	-	810,452	810,452 *	8,621
Federal Transit Administration Capital and Operating Assistance Grant	20.507	1,738,438	966,038	-	-	1,117,130	1,117,130 *	151,092
Federal Transit Administration Capital and Operating Assistance Grant (ARRA)	20.507	1,171,629	1,171,629	123,313	-	1,048,316	1,048,316 *	-
Passed through Pennsylvania Department of Transportation, Federal Transit Administration Capital and Operating Assistance Grant (ARRA)	20.507	2,500,000	-	-	-	1,640,923	1,640,923 *	1,640,923
Total U.S. Department Of Transportation			9,925,686	1,509,360	-	10,676,070	10,676,070	2,259,744

City of Williamsport, Pennsylvania
Schedule Of Expenditures Of Federal Awards
Year Ended December 31, 2010

Grantor/Program Title	Federal CFDA Number	Program Amount	Total Received For The Year	Accrued (Deferred) Revenue January 1, 2010	Adjustments	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue December 31, 2010
Total Federal Financial Assistance			$12,085,386	$ 1,624,883	$ -	$ 13,085,357	$ 13,085,357	$ 2,624,854

* 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.

ParenteBeard

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 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, 2010, and have issued our report thereon dated September 28, 2011. Our report was modified to include a reference to another 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. 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 does not include the results of the other auditors' testing of internal control over financial reporting or compliance or other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective 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 opinion 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 was no designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of finings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-2 to be a significant deficiency.

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 September 28, 2011.

The City's responses identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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 Beard LLC

Philadelphia, Pennsylvania
September 28, 2011

ParenteBeard

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. 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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

ParenteBeard LLC

Philadelphia, Pennsylvania
September 28, 2011

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 & 14.253 (ARRA)	CDBG – Entitlement Grants Cluster: 14.218 CDBG Entitlement Grants 14.253 CDBG ARRA Entitlement Grants
20.500 & 20.507	Federal Transit Cluster: 20.500 Federal Transit – Capital Investment Grants 20.507 Federal Transit – Formula Grants

Dollar threshold used to distinguish Between Type A and Type B programs: $392,561

Auditee qualified as low-risk auditee?		yes	X	no

Section II - Financial Statement Findings

Finding No.	Finding/Noncompliance	Questioned Costs
2010-1	**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, Wells Fargo (formerly Wachovia Securities), which also holds the related pension assets in safekeeping. At December 31, 2010, the three City pension funds collectively held approximately $60,000,000 in cash and investments, with each fund having significant activity for the year then ended.	
Condition/Context:	While sophisticated investment policies are in place, and the respective pension boards meet periodically with CS McKee and Wells Fargo (formerly 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.	
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
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.	

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.).	
Views of responsible officials and planned corrective actions:	See corrective action plan.	

Finding No.	Finding/Noncompliance	Questioned Costs
2010-2	**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/Context:	The responsibility for the performance of accounting duties surrounding the cash receipts cycle is vested in a limited number of employees.	
Effect:	Without proper segregation of accounting functions, errors or fraud could occur and go undetected.	N/A
Cause:	The City employs a limited number of accounting personnel.	
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.	
Views of responsible officials and planned corrective actions:	See corrective action plan.	

Section III – Federal Award Findings and Questioned Costs

None

Finding No.	Finding/Noncompliance	Questioned Costs
Section IV – Summary of Prior Year's Findings and Questioned Costs		
2009-1	**Internal control Over Financial Reporting – City Pension Funds** Prior year finding 2009-1 is repeated as current year finding 2010-1.	
2009-2	**Internal Control Over Financial Reporting – Segregation of Duties** Prior year finding 2009-2 is repeated as current year finding 2010-2.	