

THE CITY OF NANTICOKE

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2010

Prepared By;

***Joseph R. Aliciene & Co.
Accountants and Consultants***

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of Council
City of Nanticoke
Luzerne County, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nanticoke, Pennsylvania, 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 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 the 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 statements presentation. We believe that our audit provides a reasonable basis for our opinions.

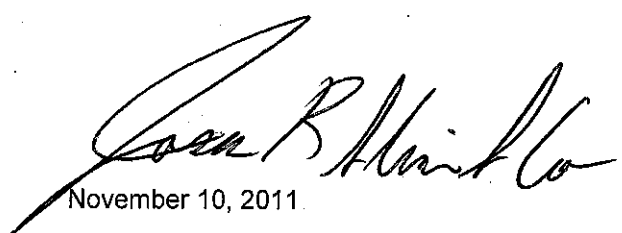
Management has not recorded general infrastructure and most capital assets in governmental activities and accordingly, has not recorded depreciation expense on those assets nor has depreciation expense been recorded in the sewer system in the business type activities. Accounting principles generally accepted in the United States of America require that such assets be capitalized, which would increase the assets and net assets of the governmental activities. Accounting principles generally accepted in the United States of America also require that such assets be depreciated which would increase expenses of the governmental and business type activities. Also the amount of assets listed in the Business Type Activities was not audited. The amount by which this departure would affect financial position of the governmental and business type and the government wide statement of Activities and the Statement of Revenues, Expenses, and Changes in Fund Net Assets of the Proprietary Funds are not reasonably determinable.

CONTINUED

INDEPENDENT AUDITOR'S REPORT

In our opinion, except for the effects on the financial statements of the omission described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and aggregate remaining fund information, of the City of Nanticoke, Pennsylvania, as of December 31, 2010 and the respective changes in financial position, and cash flows, and the respective budgetary comparison for the General Fund, thereof, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the various pension schedules and Retiree health plan schedules on pages 46 through 50 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge that we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



November 10, 2011.

Management Discussion & Analysis



City of Nanticoke

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City of Nanticoke Management's Discussion and Analysis December 31, 2010

Within this section of the City of Nanticoke's (the City) annual financial report, the City's management provides a narrative overview and analysis of the financial activities of the City, as of and for the fiscal year ended December 31, 2010. This discussion and analysis should be reviewed in conjunction with the City's accompanying financial statements and notes.

FINANCIAL HIGHLIGHTS

- The City's liabilities exceeded its assets by \$871K (net assets) from \$3,493M in the previous year to \$2,622M in the current year. This compares to the previous year when assets exceed liabilities by \$1,520M (net assets) from \$3,493M to \$1.973M in 2008. Assets exceeded liabilities by \$869K from \$1.973M in 2008 to \$1.104M in 2007. This reverses a favorable trend. Note the City's OPEB liability was \$477K in 2009 and increased to \$958K in 2010.
- The assets of the City increased 1% or \$115K from \$8,969M in the previous year to \$9,084M in the current year.
- Total liabilities of the City increased 18% or \$986K from \$5,476M in the previous year to \$6,462M in the current year.
- Total net assets are comprised of the following:
 - 1) Invested in capital assets, net of related debt, of \$4,844M include the sewer system and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - 2) Unrestricted net assets of (\$2,394M) represent the deficits incurred by the City in meeting its continuing obligations to citizens and creditors. This deficit was increased \$871K from (\$1,479M) in the prior year.
 - 3) Net assets restricted for Debt Service of \$171K are reserved by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations, and constraints designated by the City.

The City's governmental funds reported total ending fund balance of \$2,023M as compared to \$2,885M in 2009. This decrease of \$861K is a function of an excess of expenditures of revenue over expenditures of \$1.058M and a \$249K Tax Anticipation Note. \$1M of the net loss relates to the Growing Greener grant expense which was recognized in 2010 as compared to the grant income was received in 2009.

At the end of the current fiscal year, the General Fund balance was \$774K. This compares to the prior year ending fund balance of \$702K showing an increase of \$72K during the current year and a prior period accounting adjustment of \$52k which was a fund balance (reduction) adjustment for a settlement with the union for retroactive holiday pay for the police department. Revenues over expenditures were \$129K prior to other sources and uses.

Management Discussion & Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as makeup of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the city's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees or charges. Governmental activities include general government, public safety, public works, culture and recreation and community development. Business-type activities are sewer services. Fiduciary activities such as employee pension plans are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial reporting entity includes the funds of the City. There are no organizations for which the City is accountable (component units). The General Municipal Authority (the Authority) owns property within the City that requires maintenance. The Authority has entered into a long term lease with Luzerne County Community College for the Health Science Center building which the Municipal Authority owns. The Authority is also leasing its Lower Broadway parking lot to Luzerne County Community College. The Authority has an obligation to repay a \$53k short-term borrowing from the City from prior years. Management does not consider the Authority a component unit.

Management Discussion & Analysis

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the city's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided for management use in the form of combining statements in a separate reporting package.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison schedules for the general fund can be found in the Required Supplementary Information section of this report. This schedule demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization. The City has no internal service funds. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Fiduciary funds such as the employee pension plans are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund city programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning the City's general fund budgetary comparison and its progress in funding its obligation to provided pension benefits to its employees. Supplementary information follows the notes to the financial statements.

Management Discussion & Analysis

Overview of Net Asset's

As year to year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole. The following table provides a summary comparison of the City's net assets at December 31:

Financial Analysis of the City as a Whole

(Dollars are in Thousands)	Governmental Activities		Business Activities		Totals		Amt. Change	% Chge
	2010	2009	2010	2009	2010	2009		
Current and Other Assets	\$ 3,486	\$3,438	\$ 570	\$ 465	\$ 4,056	\$3,904	\$ 152	4%
Capital Assets	215	220	4,813	4,844	5,028	5,065	(37)	-1%
Total Assets	3,701	3,659	5,383	5,310	9,084	8,969	115	1%
Long-term Liabilities	2,272	2,062	2,102	2,320	4,374	4,382	(8)	0%
Other Liabilities	1,832	898	256	245	2,088	1,093	995	91%
	4,104	2,911	2,358	2,565	6,462	5,476	986	18%
Total Liabilities								
Net Assets:								
Invested in Capital Assets, net of related debt	-	-	4,844	4,844	4,844	4,844	-	0%
Restricted for Debt Service	171	127	-	-	171	127	44	35%
	(574)	612	(1,819)	(2,100)	(2,394)	(1,479)	(915)	62%
Unrestricted								
Total Net Assets	(403)	748	3,025	2,744	2,622	3,493	(871)	-25%
Total Liabilities & Net Assets	3,701	3,659	5,383	5,310	9,084	8,969	115	1%

The City's net assets at fiscal year-end are \$2,622M. This compares to the prior year ending fund balance (net assets) of \$3,493M showing a decrease of \$871K during the current year. The assets of the City increased 1% or \$115K from \$8,969M in the previous year to \$9,084M in the current year. Total liabilities of the City increased 18% or \$986K from \$5,476M in the previous year to \$6,462M in the current year.

Total net assets are comprised of the following: Invested in capital assets, net of related debt, of \$4.844M, include the sewer system and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. Unrestricted net assets of (\$2,394M) represent the deficits incurred by the City in meeting its continuing obligations to citizens and creditors. This deficit was increased \$871K from an increase of \$1,479M in the prior year. Net assets restricted for Debt Service of \$171K are reserved by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations, and constraints designated by the City.

The City reported a positive balance of \$3,025M in net assets for business-type activities. This compares to the prior year ending net asset balance of \$2,744M showing a net increase of \$281K during the current year. Business-type activities include the sewer fund activities. The net activity of \$281K was due to a decrease of approximately \$208K of liabilities resulting from a pay down of City debt, accounts payable and lease obligations on the liability side; an increase

Management Discussion & Analysis

of \$102K in cash, a increase of \$86K in due to/from other funds, and an decrease of approximately \$115K in prepaid expense on the asset side.

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The City reported a negative balance of \$403K in net assets for governmental activities. This compares to the prior year ending net asset balance of \$748K showing a decrease of \$1,151M during the current year. The net activity of \$1,151M is comprised of a net increase in accounts receivable, grants receivable and taxes receivable of \$147K; and a decrease in due from other fund of \$86K, on the asset side offset by an increase in accrued payroll of \$93K; an increase of accounts payable of \$735K; and increase in deferred revenue of \$70K; an increase of retroactive holiday pay for police of \$103K; an increase of post retirement benefits of \$481K (per GASB 43, the City must record this liability beginning in 2009); and an decrease of notes payable of \$272K.

Challenging economic factors continue to affect the City's governmental activities. The City's governmental activities rely heavily on property and earned income taxes. Continuation of operating expense increases are projected as revenue growth forecasts remains stagnant or declines slightly.

Summary of Government Wide – Statements of Activities (Dollars are in Thousands)

	2010	2009	2010	2009	2010	2009	Amt. Chg.	% Chg.
	Gov's Type	Gov't Type	Business Type	Business Type	Total	Total		
Revenues								
Chges for Serv	\$1,045	\$1,038	\$591	\$576	\$1,636	\$1,614	\$22	1%
Grants & Contributions	4,115	1,868	0	0	4,115	1,868	2,247	120%
Property Taxes	923	837	0	0	923	837	86	10%
Other Local Taxes for General Purposes	2,514	2,897	0	0	2514	2,897	(383)	-13%
Grants, Etc	222	251	0	0	222	251	(29)	-12%
Misc Gen. Purpose Rev	378	416	0	0	378	416	(38)	-9%
Investment Earnings	6	18	1	4	7	22	(15)	-68%
Sale of Assets	0	253	0	0	0	253	(253)	-100%
Total Revenues	9,203	7,578	592	580	9,795	8,158	1,637	20%
Expenses								
Expenses	\$10,147	\$6,028	\$311	\$611	\$10,458	\$6,639	\$3,819	58%
Total Expenses	\$10,147	\$ 6,028	\$ 311	\$ 611	\$ 10,458	\$ 6,639	\$ 3,819	58%

Management Discussion & Analysis

Net Activity	(944)	1,550	281	(31)	(663)	1,519	(2,182)	-144%
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Summary of Government Wide – Statements of Activities (cont) (Dollars are in Thousands)

Prior Period Adj	(207)	-	-	-	-	-	-	-
Change in Net Assets	(1,151)	1,550	(32)	(32)	(1,182)	1518	(2,700)	-178%
Net Assets - Beginning	747	(804)	2,744	2,776	3,491	1,972	1,519	77%
Net Assets - Ending	(403)	747	3,025	2,744	2,622	3,491	(869)	0

Total expenses of the City increased \$4,119M or 68% from \$6,028M in 2009 to \$10,147M. Prior year expense increase was 21% or \$1.156M. The net activity of \$4,119M can be attributed to increases in public safety expense of \$203K, an increase of community development (grant funded projects) of \$4.371M, these increases were offset by a decrease in public works department expense of \$391K and other smaller dollar decreases in various departments.

Comparison of Current vs. Prior Year Expenditures (Dollars are in Thousands)				
Expenses	2010	2009	Amt. Chg.	% Chg.
Gen Gov.'t & Admin	\$ 722	\$ 713	\$ 9	1%
Public Safety	3,110	2,907	203	7%
Sanitation	988	995	(7)	-1%
Public Works	549	940	(391)	-42%
Community Development	4,750	379	4,371	1153%
Parks & Recreation	6	5	1	20%
Unallocated EE Benefits	1	29	(28)	-97%
Other	6	6	-	0%
Interest of LT Debt	15	54	(39)	-72%
Total Expenses	10,147	6,028	4,119	68%

Management Discussion & Analysis

General Revenue increased 21% from \$7,578M to \$9,302M in 2010. The net activity of \$1,625M is a result of a \$2,247M increase in grant revenue, offset by a decrease in Other Taxes of \$383K and a decrease in sale of assets of \$253K.

Comparison of Current vs. Prior Year Revenues				
(Dollars are in Thousands)				
	2010	2009	Amt. Chg.	% Chg.
	Gov's Type	Gov't Type		
Revenues				
Charges for Services	\$1,045	\$1,038	\$7	1%
Grants & Contributions	4,115	1,868	2,247	120%
Property Taxes	923	837	86	10%
Other Local Taxes for General Purposes	2,514	2,897	(383)	-13%
Grants, Etc	222	251	(29)	-12%
Misc Gen. Purpose Rev	378	416	(38)	-9%
Investment Earnings	6	18	(12)	-67%
Sale of Assets	0	253	(253)	-100%
Total Revenues	9,203	7,578	1,625	21%

Business Type Activities

A 1% increase of \$21K was realized for business type activities for 2010 over 2009.

Comparison of Current vs. Prior Year Revenues				
(Dollars are in Thousands)				
	2010	2009	Amount Change	% Change
Charges for Services				
Sanitation	\$1,044	\$1,038	\$6	1%
Sewage	591	576	15	3%
Total Charges for Services	\$1,635	1,614	21	1%

Charges for Services decreased 49% from \$611K to \$311K in 2010.

Comparison of Current vs. Prior Year Expenses				
(Dollars are in Thousands)				
	2010	2009	Amount Change	% Change
Sewage	\$ 204	\$ 500	\$ (296)	-59%
Non-operating Exp	107	111	(4)	-4%
Total Expense	\$311	\$611	(300)	-49%

Management Discussion & Analysis

Financial Analysis of the City's Funds

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund increased by \$72K from \$703K to \$775K. Key factors contributing to this increase include (\$52K) of prior period accounting adjustments and \$124K excess of revenues over expenditures. A balanced budget and cost control efforts are key in the City's financial recovery. General Fund net assets and cash flow analysis reflect the City's continuing need to finance operations, at the current levels, through short term borrowing. This is the first time the City has had a positive General fund balance in several years.

The Debt Service Fund has a fund balance of \$171K. This fiscal year included a net increase of \$44K in the Debt Service Fund due to excess of revenues over expenditures.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Fund

The City's Proprietary Fund shares the financing and operations of the City's sewer system in the government-wide statements. This business-type activities enterprise fund reported an increase in net assets of \$280K from \$2.744 in 2009 versus \$3,025 in 2010. This increase is partially due to a decrease in expense in 2009 \$180K of sewer expense related to Orchard Street was incurred as well as repair of storm drain located close to the Police department ramp.

General Fund Budgetary Highlights

Actual revenues were approximately \$360K more than budgeted at \$3.8M as compared to a budgeted amount of \$3.5M. Intergovernmental state and local revenue was \$162K over budget and License & Permits were \$128K over budget.

Actual expenditures were approximately \$93K less than budgeted at \$3.9M as compared to a budgeted amount of \$4.05M.

The General Fund adopted budget was not amended during the 2010 fiscal year. Revenues less expenses exceed budget by \$124K. Excess of revenues over expenditures were positive in 2009 and 2010, thus reversing the negative trend of prior years.

Long-Term Debt

At the end of the fiscal year, the City had total debt outstanding of \$3.6M.

Debt Schedule								
(Dollars are in Thousands)								
	Gov't Activities		Business Type Activities		Total		Amt.	%
	2010	2009	2010	2009	2010	2009	Change	Change
General Obligation Bonds	\$726	\$900	\$2,320	\$2,528	\$3,046	\$3,428	(\$382)	-11%
Muni Financial Recovery Loans	580	670	0	0	580	670	(90)	-13%
Total	1,306	1,570	2,320	2,528	3,626	4,098	(472)	-12%

Economic Environment and Next Year's Budgets and Rates

Management Discussion & Analysis

Economic Environment and Next Year's Budgets and Rates

As a result of relatively stagnant revenues, rising expenditures and borrowing to meet operational expenses, the City faced an approximately \$1.200M structural deficit in 2006. On May 25, 2006, the City was declared a financially distressed municipality by the Pennsylvania Department of Economic and Community Development (DCED) under the Provisions of the Act, DCED retained a Recovery Plan Coordinator to develop a fiscal recovery plan for the City.

The City was limited in its revenue potential as revenue sources did not provide sufficient resources to fund operations at current levels. The City is mature, with limited availability of space for housing growth, and personal incomes are not increasing at any measurable rate. Personnel costs are fixed as a result of union and/or contract commitments.

In December 2007, the City Council adopted a Recovery Plan designed to enable the City to restore fiscal health. A key component of the plan was to increase in the City's Earned Income Tax (EIT) to 1.5% for residents and to limit long term borrowing. The tax rate increases needed to be approved annually by the Luzerne County Court of Common Pleas. The increased tax revenue was a significant component in enabling the City to address the \$1.200M structural deficit.

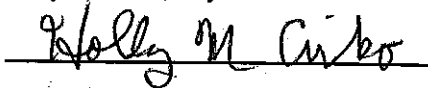
A Revised Recovery plan was adopted in 2010, outlining the City's exit strategy from Act 47. The exit strategy consisted of a change in the form of government from 3rd Class City to Home Rule Municipality, thus allowing the City to restructure the tax rate limits to better suit the City's requirements. In November of 2010, the voters accepted the Home Rule Charter which is slated to go into effect beginning in January 2012.

The City has made significant inroads over the past six years by balancing the budget; paying down debt; and implementing cost cutting measures where appropriate. 2008 Expenditures were budgeted at \$4,415M (prior to other financing sources/uses) in comparison to 2009 budgeted expenditures of \$3,916M ; 2010 budgeted expenses of \$4,095M; and 2011 budgeted expenses of \$4,341M.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related law and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the City's Director of Finance at 15 East Ridge Street, Nanticoke, PA, 18634.

Holly M. Cirko, City Administrator



Pamela A. Heard, City Finance Director



CITY OF NANTICOKE
GOVERNMENTWIDE STATEMENT OF NET ASSETS
DECEMBER 31, 2010

<u>ASSETS</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and Investments	\$ 2,624,333	\$ 570,070	\$ 3,194,403
Receivables:	-	-	-
Ad Valorem Taxes	434,578	-	434,578
Other Taxes	-	-	-
Accounts	56,198	-	56,198
Accrued Interest	-	-	-
Other Taxes	-	-	-
Mortgage	90,418	-	90,418
Grant Funds Receivable	209,843	-	209,843
Due from Internal Parties	31,190	(31,190)	-
Prepaid Expenses	39,938	-	39,938
Amount to be Provided for Retirement of Long-Term Debt	-	-	-
Capital Assets:			
Equipment	225,991	117,477	343,468
Sewer System	-	4,844,474	4,844,474
Accumulated Depreciation	(11,300)	(117,477)	(128,777)
TOTAL ASSETS	<u>\$ 3,701,189</u>	<u>\$ 5,383,354</u>	<u>\$ 9,084,543</u>
 <u>LIABILITIES</u>			
LIABILITIES:			
Current Year Payroll Taxes	\$ -	\$ -	\$ -
Accrued Payroll	127,543	-	127,543
Payables:	-	-	-
Accounts	904,547	37,929	942,476
TAN	-	-	-
Accrued Interest	-	-	-
Current Portion of long term debt	-	-	-
Other	-	-	-
Due To External Parties	-	-	-
Due to Other Government	133	-	133
Accrued Admin Fee	-	-	-
Deferred Revenue	205,784	-	205,784
Non Current Liabilities	-	-	-
Due within one year	-	-	-
Note Payable	272,889	218,000	490,889
Lease Payable	27,745	-	27,745
Compensated Absences	34,127	-	34,127
Other Post Employment Benefits-Current	207,717	-	207,717
Retroactive Pay	51,692	-	51,692
Due in More than one Year	-	-	-
Note Payable	1,033,497	2,102,000	3,135,497
Lease Payable	128,694	-	128,694
Compensated Absences	307,146	-	307,146
Other Post Employment Benefits	750,976	-	750,976
Retroactive Pay	51,692	-	51,692
TOTAL LIABILITIES	<u>\$ 4,104,182</u>	<u>\$ 2,357,929</u>	<u>\$ 6,462,111</u>
 <u>NET ASSETS</u>			
Invested in net assets, net of related debt	\$ -	\$ -	\$ -
Restricted For:	-	-	-
Debt Service	171,491	-	171,491
Accounts Receivable	-	-	-
Invested in Capital Assets net of Related Debt	(1,248,134)	2,524,474	1,276,340
Unrestricted	673,650	500,951	1,174,601
TOTAL NET ASSETS	<u>\$ (402,993)</u>	<u>\$ 3,025,425</u>	<u>\$ 2,622,432</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,701,189</u>	<u>\$ 5,383,354</u>	<u>\$ 9,084,543</u>

**CITY OF NANTICOKE
GOVERNMENTWIDE-STATEMENT OF ACTIVITIES
DECEMBER 31, 2010**

FUNCTIONS/PROGRAMS GOVERNMENTAL ACTIVITIES:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			TOTAL
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	
General Government and Administration	\$ 722,020	-	\$ -	-	\$ (722,020)	\$ -	\$ (722,020)
Public Safety	3,110,361	-	256,407	252,763	(2,601,191)	-	(2,601,191)
Sanitation	987,638	1,044,592	-	-	56,964	-	56,964
Public Works	549,247	-	275,327	48,700	(225,220)	-	(225,220)
Community Development	4,750,301	-	-	3,282,279	(1,468,022)	-	(1,468,022)
Parks and Recreation	5,985	-	-	-	(5,985)	-	(5,985)
Unallocated Depreciation	5,650	-	-	-	(5,650)	-	(5,650)
Payroll Tax/related Expense	-	-	-	-	-	-	-
Unallocated Employee Benefits	835	-	-	-	(835)	-	(835)
Other	-	-	-	-	-	-	-
Interest on Long Term Debt	15,142	-	-	-	(15,142)	-	(15,142)
TOTAL GOVERNMENTAL ACTIVITIES	10,145,779	1,044,592	531,734	3,583,742	(4,986,711)	-	(4,986,711)
BUSINESS TYPE ACTIVITIES:							
Sewage	204,385	591,442	-	-	-	387,057	387,057
Nonoperating Expense	106,962	-	-	-	-	(106,962)	(106,962)
	311,347	591,442	-	-	-	280,095	280,095
TOTAL PRIMARY GOVERNMENT	\$ 10,458,126	\$ 1,636,034	\$ 531,734	\$ 3,583,742	\$ (4,986,711)	\$ 280,095	\$ (4,706,616)

GENERAL REVENUE:

TAXES:							
Ad Valorem (Property Taxes)				923,403			923,403
Other Local Taxes Levied For General Purposes				2,513,919			2,513,919
Grants, Subsidies, and Contributions Not Restricted				221,456			221,456
Miscellaneous General Purpose Revenues				377,798			377,798
Investment Earnings				5,741		833	6,574
Special Items - Insurance Proceeds				-		-	-
- Sale of Assets				150		-	150
Transfers-Internal Activity				-		-	-
Total General Revenues and Transfers				4,042,467		833	4,043,300
CHANGE IN NET ASSETS				(944,244)		280,928	(663,316)
NET ASSETS JULY 1, 2009 (Previously Stated)				748,018		2,744,497	3,492,515
Prior Period Adjustments Due to Accounting Errors							
Retroactive Pay							
NET ASSETS JULY 1, 2008 (AS RESTATED)				(206,767)		2,744,497	(206,767)
				541,251		2,744,497	3,285,748
NET ASSETS DECEMBER 31, 2010				\$ (402,993)		\$ 3,025,425	\$ 2,622,432

CITY OF NANTICOKE
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	Governmental Fund Types						Totals
	General Fund	Special Revenue	DCED Fund	Refuse Fund	Debt Service Fund	Highway Aid Fund	
Cash and Investments	\$ 495,393	\$ 1,240,283	\$ 236,926	\$ 353,450	\$ 199,431	\$ 98,850	\$ 2,624,333
Accounts Receivable	56,198						56,198
Grant Funds Receivable	20,950	188,893					209,843
Taxes Receivable	468,119						468,119
Due from Other Funds	62,985				6,531		69,516
Prepaid Expenses	29,409				10,529		39,938
Mortgage Receivable							
Other							
TOTAL ASSETS	\$ 1,133,054	\$ 1,429,176	\$ 236,926	\$ 353,450	\$ 216,491	\$ 98,850	\$ 3,467,947
LIABILITIES & FUND BALANCE							
LIABILITIES:							
Accounts Payable	\$ 56,221	\$ 795,009	\$ 6,564	\$ -	\$ 45,000	\$ 1,753	\$ 904,547
Accrued Expense	127,543						127,543
Leases Payable							
Due to Other Funds	6,531	22,304	143	9,348			38,326
Due to Other Governments							
Due to Library	133						133
Deferred Revenue	167,705	67,389		138,395			373,489
General Obligation Bonds Payable							
Other							
TOTAL LIABILITIES	\$ 358,133	\$ 884,702	\$ 6,707	\$ 147,743	\$ 45,000	\$ 1,753	\$ 1,444,038
FUND BALANCE:							
Reserve For:							
Debt Service					\$ 171,491		\$ 171,491
Accounts Receivable							
Pension Benefits							
Unreserved Fund Balance (Deficit)	774,921	544,474	230,219	205,707		97,097	1,852,418
TOTAL FUND BALANCE	\$ 774,921	\$ 544,474	\$ 230,219	\$ 205,707	\$ 171,491	\$ 97,097	\$ 2,023,909
TOTAL LIABILITIES & FUND BALANCES	\$ 1,133,054	\$ 1,429,176	\$ 236,926	\$ 353,450	\$ 216,491	\$ 98,850	\$ 3,467,947

See Notes to Financial Statements
Page 15

CITY OF NANTICOKE

**Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets
DECEMBER 31, 2010**

Total Fund Balances - governmental Funds \$ 2,023,909

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

Other Assets used in governmental activities that are not financial resources and therefore are not reported as assets in governmental funds are as follows:

Mortgage Receivable 90,418

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$ 225,991 and the accumulated depreciation is \$ 11,700. 214,690

Property Taxes receivable will be collected this year but are not available soon enough to pay the current period's expenditures and therefore are deferred in the funds. (\$167,705-33,541. provision for uncollectible.) 134,164

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 the following:

Notes Payable	\$ 1,306,386	
Capital Leases Payable	156,439	
Compensated Absences	341,273	
Other Post employment Benefits	958,693	
Retro Active Pay	<u>103,383</u>	<u>(2,866,174)</u>

TOTAL NET ASSETS (DEFICIT)-Governmental Activity \$ (402,993)

CITY OF NANTICOKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Governmental Fund Types						Totals Governmental Funds
	General Fund	Special Revenue	DCED Fund	Refuse Fund	Debt Service Fund	Highway Aid Fund	
REVENUES:							
Taxes	\$ 2,958,585	\$ 16,000	\$ -	\$ -	\$ 346,058	\$ -	\$ 3,320,643
Charges for Services	-	-	-	1,044,592	-	-	1,044,592
Fines, Forfeitures and Costs	56,551	-	-	-	-	-	56,551
Interest	1,533	1,464	432	1,042	825	445	5,741
License and Permits	269,060	-	-	-	-	-	269,060
Intergovernmental-State and Local Sources	348,462	3,393,819	282,279	-	-	200,938	4,225,498
Other	250,264	-	21,127	-	-	-	271,391
Total Revenue	\$ 3,884,455	\$ 3,411,283	\$ 303,838	\$ 1,045,634	\$ 346,883	\$ 201,383	\$ 9,193,476
EXPENDITURES:							
General Government	\$ 722,020	-	\$ -	-	-	-	\$ 722,020
Public Safety	2,675,277	-	-	-	-	-	2,675,277
Sanitation	-	-	-	987,638	-	-	987,638
Public Works	387,578	-	-	-	-	161,669	549,247
Community Development	-	4,410,475	339,826	-	-	-	4,750,301
Parks and Recreation	5,585	-	-	-	-	-	5,585
Debt Service and Bond Payments	260,063	-	-	-	301,468	-	561,531
Insurance	-	-	-	-	-	-	-
Payroll related expenses	-	-	-	-	-	-	-
Unallocated employee benefits	-	-	-	-	835	-	835
Other	-	-	-	-	-	-	-
Total Expenditures	\$ 4,050,923	\$ 4,410,475	\$ 339,826	\$ 987,638	\$ 302,303	\$ 161,669	\$ 10,252,434
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (166,068)	\$ (999,192)	\$ (35,988)	\$ 57,996	\$ 44,580	\$ 39,714	\$ (1,058,958)
OTHER FINANCING SOURCES (USES)							
General Obligation Notes	249,000	-	-	-	-	-	\$ 249,000
Insurance Proceeds	-	-	-	-	-	-	-
Sale of Assets	-	150	-	-	-	-	150
Transfer	41,342	(18,945)	(22,397)	-	-	-	-
Total Other Financing Sources (Uses)	\$ 290,342	\$ (18,795)	\$ (22,397)	\$ -	\$ -	\$ -	\$ 249,150
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 124,274	\$ (1,017,987)	\$ (68,385)	\$ 57,996	\$ 44,580	\$ 39,714	\$ (809,808)
Fund Balance (Deficit) - Beginning	\$ 702,339	\$ 1,562,461	\$ 288,604	\$ 147,711	\$ 126,911	\$ 57,383	\$ 2,885,409
<i>Prior Period Adjustments due to accounting errors</i>	(51,692)	-	-	147,711	126,911	57,383	(51,692)
<i>Prior Period Adjustment</i>	650,647	1,562,461	288,604	147,711	126,911	57,383	2,833,717
Fund Balance (Deficit) - Beginning (as Restated)	\$ 774,921	\$ 544,474	\$ 230,219	\$ 205,707	\$ 171,491	\$ 97,097	\$ 2,023,909

CITY OF NANTICOKE

**Reconciliation of Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balance to Statement of Activities
DECEMBER 31, 2010**

Total net change in fund balances - governmental Funds \$ (809,808)

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

Because some property taxes will not be collected for several months
after the districts year end, they are not considered as "available" revenues
in the governmental funds. Deferred revenues were reduced by this amount
during the year. 18,995

Capital Outlays are reported in governmental funds as expenditures. However in the
statement of activities, the cost of these assets is allocated over their estimated
useful life as depreciation expense. This is the amount by which depreciation
expense (\$5,650) exceeds capital outlays \$ 0) in the period. (5,650)

Repayment of bond principal and capital leases is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the statement of assets 546,389

In the statement of activities, certain operating expenses compensated absences (sick
leave & vacations) and special termination benefits (early retirement) are measured
by the amounts earned during the year. In the governmental funds, however,
expenditures are measured by the amount of financial resources used (essentially,
the amounts actually paid.)

	(earned) Paid	
Compensated Absences	(5,659)	
Retroactive Pay	51,692	
Other Post Employment Healthcare	(481,117)	(435,084)

The issuance of long term debt (e.g. Bonds provides current financial resources to
governmental funds, while the repayment of the principal of long-term debt consumes
the current financial resources of government funds. Neither transaction, however,
has any effect on assets. Also, governmental funds report the effect of issuance cost,
premiums, discounts, and similar items when debt is first issued, whereas the amounts
deferred and amortized in the statement of activities. This amount is the net effect of
these differences in the treatment of long-term and related items. \$ (249,000)

Mortgage principal payments received are reported as income in the fund financial statements;
However, the payment reduces mortgage receivable in the Statement of Net Assets. (10,086)

CHANGE IN NET ASSETS-Governmental Activities \$ (944,244)

CITY OF NANTICOKE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		Actual General Fund	Favorable (Unfavorable) Variance
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 2,959,179	\$ 2,959,179	\$2,958,585	\$ (594)
Charges for Services	-	-	-	-
Fines, Forfeitures and Costs	47,800	47,800	56,551	8,751
Interest	14,800	14,800	1,533	(13,268)
License and Permits	194,850	194,850	269,060	74,210
Intergovernmental State and Local	219,569	219,569	348,462	128,893
Other	87,380	87,380	250,264	162,884
Total Revenue	<u>\$ 3,523,578</u>	<u>\$ 3,523,578</u>	<u>\$3,884,455</u>	<u>\$ 360,877</u>
EXPENDITURES:				
General Government	\$ 687,407	\$ 687,407	\$ 722,020	\$ (34,613)
Public Safety	2,457,444	2,457,444	2,675,277	(217,833)
Sanitation	116,459	116,459	-	116,459
Public Works	396,653	396,653	387,578	9,075
Community Development	-	-	-	-
Parks and Recreation	7,700	7,700	5,585	2,115
Debt Service and Bond Payments	260,500	260,500	260,063	437
Insurance	-	-	-	-
Payroll related expenses	-	-	-	-
Unallocated employee benefits	30,631	30,631	-	30,631
Other	-	-	-	-
Total Expenditures	<u>\$ 3,956,794</u>	<u>\$ 3,956,794</u>	<u>\$4,050,523</u>	<u>\$ (93,729)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (433,216)	\$ (433,216)	\$ (166,069)	\$ 267,148
OTHER FINANCING SOURCES (USES)				
General Obligation Notes	\$ 250,000	\$ 250,000	249,000	(1,000)
Insurance Proceeds	-	-	-	-
Sale of Assets	-	-	-	-
Transfer to Special Revenue	183,216	183,216	41,342	(141,875)
Total Other Financing Sources (Uses)	<u>\$ 433,216</u>	<u>\$ 433,216</u>	<u>\$ 290,342</u>	<u>\$ (142,875)</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ -	\$ -	\$ 124,273	\$ 124,273
Fund Balance (Deficit) - Beginning			702,340	\$ 702,340
<i>Prior Period Adjustments due to accounting errors</i>				
Prior Period Adjustment			(51,692)	\$ (51,692)
Fund Balance (Deficit) - Beginning (as Restated)			<u>\$ 650,648</u>	<u>\$ 650,648</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 774,921</u>	<u>\$ 774,921</u>

**CITY OF NANTICOKE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010**

	Business Type Activities
	Enterprise Fund
	Sewer Fund
	<u> </u>
ASSETS:	
CURRENT ASSETS:	
Cash and Investments	\$ 570,070
Prepaid Bond Debt Recievable	-
Interactivity Recievable	-
Due from other funds	-
TOTAL CURRENT ASSETS	<u>570,070</u>
NONCURRENT ASSETS:	
Interactivity Recievable	-
Prepaid Bond Expense	-
Machinery & Equipment	117,477
Sewer System	4,844,474
Accumulated Depreciation	(117,477)
TOTAL NONCURRENT ASSETS	<u>4,844,474</u>
TOTAL ASSETS	<u>\$ 5,414,544</u>
LIABILITIES:	
CURRENT LIABILITIES	
Accounts Payable	\$ 37,929
Due to other Funds	31,190
Accrued Expenses	-
Lease Payable	-
Bond and Note Payable	218,000
TOTAL CURRENT LIABILITIES	<u>287,119</u>
NONCURRENT LIABILITIES	
Lease Payable	\$ -
Bond and Note Payable	2,102,000
Other Noncurrent Liabilities	-
TOTAL CURRENT LIABILITIES	<u>2,102,000</u>
TOTAL LIABILITIES	<u>2,389,119</u>
TOTAL NET ASSETS (Deficit)	<u>\$ 3,025,425</u>
NET ASSETS (Deficit) CONSIST OF:	
Invested in Capital Assets, Net of Related Debt	\$ 2,524,474
Unrestricted (Deficit)	500,951
TOTAL NET ASSETS (Deficit)	<u>\$ 3,025,425</u>
<u>TOTAL LIABILITIES & FUND BALANCES</u>	<u>\$ 5,414,544</u>

CITY OF NANTICOKE
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

	Business Type Activities Enterprise Fund Sewer Fund
OPERATING REVENUES:	
Sewer User Fees	\$ 591,442
	-
TOTAL OPERATING REVENUES	<u>591,442</u>
OPERATING EXPENSES:	
Supplies and Materials	109,235
Personal Services	95,150
Depreciation	-
Other Operating Expenses	-
TOTAL OPERATING EXPENSES	<u>204,385</u>
OPERATING INCOME (LOSS)	<u>387,057</u>
NONOPERATING REVENUES (EXPENSES):	
Investment Income	833
Refund of prior years expenses	-
Interest Expense	(106,961)
Amortization	-
TOTAL NONOPERATING REVENUES (EXPENSES):	<u>(106,128)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	280,929
Interfund Transfers in/(out)	-
CHANGES IN NET ASSETS	280,929
TOTAL NET ASSETS-Beginning of Year	<u>2,744,496</u>
TOTAL NET ASSETS -End of Year	<u>\$ 3,025,425</u>

CITY OF NANTICOKE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2010

Business Type Activities
Enterprise Fund
Sewer Fund

CASH FLOWS FROM OPERATION ACTIVITIES

Received from User Charges	\$ 591,422
Cash Payments to Employees for Services	(95,150)
Cash Payment to Suppliers for Goods and Services	(79,875)
Cash Payments for Other	-
NET CASH USED BY OPERATING ACTIVITIES	<u>416,397</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Nonoperating Revenue Received-Federal	-
Nonoperating Revenue Received-State	-
Refund of prior year expenses	-
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES

Principal Paid on Debt	(208,000)
Interest Paid on Debt	(106,961)
Principal Paid on Lease	-
Interest Paid on Leases	-
Acquisition of Capital Assets	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(314,961)</u>

CASH FLOWS FROM INVESTMENT ACTIVITIES

Interest on Investments	<u>833</u>
-------------------------	------------

NET DECREASE IN CASH AND CASH EQUIVALENTS

102,269

CASH AND CASH EQUIVALENTS January 1, 2010

467,801

CASH AND CASH EQUIVALENTS December 31, 2010

\$ 570,070

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES

Operating Income or Loss \$ 387,057

Adjustments to Reconcile Operating Income (Loss) to

Net Cash Used by Operating Activities

Depreciation

-

Donated Commodities

Changes in Assets and Liabilities

Prepaid Expenses

115,046

Fixed Assets

Receivables

Inventories

-

Payables

536

Current Liabilities

Due to other funds

(86,242)

NET CASH USED BY OPERATING ACTIVITIES

\$ 416,397

NONCASH NON CAPITAL FINANCING ACTIVITIES

CITY OF NANTICOKE
 FIDUCIARY FUND TYPE-PENSION FUNDS
 STATEMENT OF NET ASSETS
 DECEMBER 31, 2009

ASSETS	Retirement Trusts
Cash	\$ 333,997
Investments	5,924,710
Due from Police Plan	-
Receivable Municipal Contribution	-
Receivable Member Contribution	8,393
Total Assets	<u><u>\$ 6,267,100</u></u>
LIABILITIES	
Due To Fire Plan	\$ -
Other Current Liabilities	-
Total Liabilities	<u>-</u>
NET ASSETS	
Held in trust for pension benefits	\$ 6,267,100
Other	-
Total Deductions	<u><u>\$ 6,267,100</u></u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>6,267,100</u></u>

CITY OF NANTICOKE
 FIDUCIARY FUNDS-PENSION FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 DECEMBER 31, 2009

ADDITIONS	Retirement Trusts
Contributions	
Employer	\$ -
Employee	64,726
State	-
State Aid	177,913
Appreciation (Depreciation) in Fair Value of Invest.	492,916
Interest	22,436
Dividend	21,516
Other	-
Other-Transfer from Fireman Plan	149,813
Total Additions	\$ 929,321
DEDUCTIONS	
Investment Expense	\$ 38,405
Pension Benefits	348,966
Administrative Expense	5,293
Actuarial Fees	4,400
Refund of Member Contributions	-
Allocated Insurance Premiums	377
Other	4,539
Other-State Aid Deposited in Incorrect Fund	149,813
Total Deductions	\$ 551,793
Change in Net Assets	377,528
Net Assets At the Beginning of Year	<u>\$ 5,889,572</u>
Net Assets End of Year End of Year	<u><u>\$ 6,267,100</u></u>

The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010

Note 1 - Description of the City and Reporting Entity

The City of Nanticoke is located in Luzerne County, Pennsylvania. The City operates under the Commission form of government. Council is comprised of four members, elected at large. Council is the governing body, with the elected Mayor as the head of the executive and administrative branch. The City provides public safety, health and welfare, sanitation, public works, culture and recreation, community development, and general administrative services for its residents.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the City are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the City.

The City of Nanticoke is a municipal Corporation governed by an elected council and Mayor. As required by generally accepted accounting principles, these financial statements are to present the City of Nanticoke (the primary government) and organizations for which the primary government is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are financially dependent on the City in that the City approved the budget, the issuance of debt, or the levying of taxes.

Component Units

In conformity with accounting principles, generally accepted in the United States of America, the following entities have been considered for inclusion in the financial reporting entity as a discretely presented component unit:

1. The Housing Authority of the City of Nanticoke.
2. The Redevelopment Authority of the City of Nanticoke.
3. The General Municipal Authority of the City of Nanticoke.

All three were determined to be legally separate and not required to be included in the City's financial statements as discretely presented component units, but are considered related parties for disclosure purposes.

Note 2 - Summary of Significant Accounting Policies

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds and discretely presented component units. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end, along with the discretely presented component units. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and discretely presented component units. The City has only one proprietary fund. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements During the year, the City segregates transactions related to certain government functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

B. Basis of Accounting

These financial statements are presented using accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The City uses the financial reporting model required by the provisions of GASB Statement No 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

C. Measurement Focus

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized when grantor eligibility requirements are met.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectable within the current period or soon enough after to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Operating revenues for the proprietary fund are charges to customers for sewer services. Principal operating expenses are the costs of providing goods or services and include depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements. Restricted resources are used first to fund appropriations or only after the unrestricted resources are depleted.

D. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major 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.

Debt Service Fund

Accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation debt. The City annually levies property taxes restricted for the retirement of general obligation bonds, interest, and judgments. This fund reports taxes collected to service debt.

Special Revenue, CDBG, Refuse, Highway Aid

Established as a special revenue fund for the City's various revenues.

Proprietary Funds

The focus of Proprietary Fund measurement is upon determination of net income, financial position, and changes in cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the City's Proprietary Funds:

Sewer Fund

The sewer fund is used to account for the construction, financing, operation, and maintenance of the sewer system.

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010**

Note 2 - Summary of Significant Accounting Policies (continued)

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available for support of the City's own programs. The City has three pension trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has no agency funds.

E. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the City Code and City procedures, the City Finance Director submits to the Council, with whom the legal level of budgetary control resides, a proposed budget for the fiscal Year commencing the following January 1. The budget must be advertised and available for public inspection before adoption. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. Departments for budgetary purposes are general government, public safety, sanitation, public works, parks and recreation, debt service, and employee benefits and miscellaneous.
2. Public hearings are conducted to obtain taxpayer comment.
3. By December 31, the budget is approved by motion of the Council. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.
4. All modifications, transfers and amendments must be approved by the Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The legally adopted budgets of the City are for the General Fund.
7. The Council may authorize supplemental appropriations during the year. The City's Council must approve all over expenditures of appropriations or transfers of appropriated amounts.
8. The budgetary basis of accounting for the General Fund differs from generally accepted accounting principles in that it includes certain expenditures and expenses of the Liquid Fuels Fund, CDBG Fund, and Proprietary Fund and accounts for reimbursement from these funds as operating transfers in. Such expenditures and expenses are those of the respective funds and not of the City's General Fund. The adjustments necessary to reconcile the budgetary basis with generally accepted accounting principles are not ascertainable. As a result the budgeted amounts are compared to actual amounts, not actual on budgetary basis.

F. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010**

Note 2 - Summary of Significant Accounting Policies (continued)

G. Assets, Liabilities, and Net Assets

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Proprietary Fund type considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Investments

In accordance with GASB Statement 31, investments are stated at fair value, except:

- a) Non-participating interest earning investment contracts are recorded at amortized cost;
- b) Money market investments and participating interest earning investment contracts that mature within one year of acquisition are recorded at amortized cost; and,
- c) Investments held in 2aT-like pools (Pennsylvania Local Government Investment Trust, and the Pennsylvania Treasurer's Invest Program) are recorded at the pool's share price.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Any residual balances outstanding between the primary government and discretely presented component units are shown as a separate line item on the Government-wide Statement of Net Assets.

Real Estate Taxes

The City has the power to levy and collect taxes on all taxable real estate within its boundaries. Real estate is assessed by the Chief Assessor's Office of the County of Luzerne. Property taxes attach an enforceable lien on property as of January 1. Taxes paid within 60 days are given a 2% discount. Amounts paid after 120 days are subject to a 10% penalty. Tax liens are filed on the related property for taxes not remitted within three years of the due date.

Tax levies are collected by the elected City Treasurer, in his capacity as tax collector. The tax levy for 2010 was 2.4344 mills on every dollar of assessed value; 1.4573 mills for the General Fund, .9577 mills for the Debt Service Fund, and .0194 mills for the Mill Memorial Library. The total estimated assessed value of taxable property was approximately \$372,711,130.

Compensated Absences

The City's policy in regard to accumulated sick leave is as follows:

Policemen are entitled to fifteen sick days leave each year and can accumulate unlimited sick days. Firemen are entitled to twenty-one days sick leave each year and can accumulate unlimited sick days. The City will buy back ½ of sick days up to 200 then \$35 dollars per day of the policemen and one-half of accumulated sick days up to 100 of the firemen at the then effective rate of pay of each retiree.

Painters and Allied Trades Local # 41 employees are able to accumulate sick leave at one day per month up to 120. If sick days are not used the City will buy back one-half the days accumulated when the employee retires, resigns, or is terminated for cause at their effective rate of pay.

The City's estimated liability for compensated absences is \$341,373 at December 31, 2010.

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010**

Note 3 - Stewardship, Compliance and Accountability

A. Compliance with Finance Related Legal and Contractual Provisions

The City has no material violations of finance related legal and contractual provisions.

B. Deficit Fund Balance or Retained Earnings of Individual Funds

There is a deficit net asset in the Government Wide Statement of Net Assets in the Governmental Activities at December 31, 2010.

C. Excess of Expenditures over Appropriations in Individual Funds

For the year ended December 31, 2010, the General Fund had an excess of expenditures over appropriations in the amounts of \$93,729.

D. Budgetary Compliance

The City has a legally adopted budget for the General Fund. The City does not make budget transfers between expenditure/expense accounts.

Note 4 – Cash

Primary Government

Custodial Credit Risk- Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does have a policy for custodial credit risk. As of December 31, 2010, \$2,660,036 of the City's bank balance of \$3,497,706. was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$0
Collateralized with securities held by the pledging financial institution	0
Uninsured and collateral held by the pledging bank's trust department not in the City's name.	2,660,036
Total	\$2,660,036

Reconciliation to Financial Statements:

Uncollateralized Amount Above	\$2,660,036
Plus: Insured Amount	837,670
Less: Outstanding Checks	(303,303)
Carrying Amount-Bank Balances	3,194,403
Plus: Petty Cash	0
Total Cash Per Financial Statements	\$3,194,403

The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010

Note 5 - Investments

The permitted investment for Pennsylvania City's are defined as:

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C.; and,
4. Obligations of the United States of America or any of its agencies or instrumentalities, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

Fiduciary Funds

As of December 31, 2010, the Nanticoke City's Firemen's Pension, Plan and Police Pension Plan, and Non-Uniform Pension Plan consisted of the following. The Non-uniform Plan's Assets with PMRS are pooled for investment purposes and do not represent specific identifiable investment securities.

Investment Type	Police Pension Fair Value	Firemen's Pension Fair Value	NonUniform's Pension Fair Value	Total
Managed Equity	\$2,636,144	\$1,196,271	\$0	\$3,832,415
Corporate Bonds	449,155	139,336	0	588,491
Government Securities	473,654	133,184	0	606,838
Pooled Fixed Income	155,340	284,941	0	440,281
Real Estate	33,136	0	0	33,136
Cash	0	0	0	0
Employees Contribution	0	0		0
Due to other Funds	0	0		0
Pa Muni Ret System	0	0	423,549	423,549
Total	\$3,747,429	\$1,753,732	\$423,549	\$5,924,710

Credit Risk. Nanticoke City targets the overall rating of its fixed income assets to be at least "BBB" by S & P or "Baa" by Moody's rating systems. See Details Below:

Investment Type	Police Pension Fair Value	Firemen's Pension Fair Value	Maturity	Rating
Corporate Bonds	\$449,155	\$139,336	Avg. of 6.74 Years	Avg. of BBE
Government Bonds	473,654	133,184	Avg. of 5-10 Years	AAA
Corp. & Govt. Bonds	0	0		
Fixed Income Fund	155,340	284,941	Avg. of 3.69 Years	AAA-BB
Total	\$1,078,149	\$557,461		

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010**

Note 5 – Investments (continued)

Interest Rate Risk.

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

Concentrations of Credit Risk.

As of December 31, 2010 the City Has several individual investments of 5% or more of net assets in its Pension Funds. The Pensions are invested in managed investment accounts and annuities with various managed sub accounts. The City's three pension plans issue a stand alone financial report, which explain the various investments in great detail. For information on how to obtain a specific pension financial report see note 10.

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 security that are in the possession of an outside party. All of the following is either insured by SPIC or evidenced by a contract with the insurance company except nonuniformed which is run by the Pennsylvania Municipal Retirement System.

	Police	Firemen	NonUniformed	Total
NationWide	\$767,734	\$2,024,016	\$0	\$2,791,750
Merrill Lynch Assetmark	2,005,981	0	0	2,005,981
Assetmark	1,037,425			
Pa Muni Retire System	0	0	423,549	423,549
Total	\$3,811,140	\$2,024,016	\$423,549	\$5,221,280

Note 6 Capital Assets

A summary of transactions in capital assets for 2008 follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Governmental Activities		
Capitalized Leased Equipment 12-31-2009	\$ 225,991	\$ 5,650
Additions/Disposals	0	5,650
Capitalized Leased Equipment 12-31-2010	<u>\$ 225,991</u>	<u>\$ 11,300</u>
Business-Type Activities		
Sewer System 12-31-2009	\$ 4,844,474	\$ -
Additions		
Sewer System 12-31-10	<u>\$ 4,844,474</u>	<u>\$ -</u>
Capitalized leased equipment 12-31-2009	\$ 117,477	\$ 117,477
Additions		0
Capitalized leased equipment 12-31-2010	<u>\$ 117,477</u>	<u>\$ 117,477</u>

There were no disposals in 2010. Amortization of business-type activities capitalized leases is reported as depreciation expense.

The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010

NOTE 7. DUE TO / FROM OTHER FUNDS AND TRANSFERS

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for payments made on its behalf or for lending/borrowing arrangements outstanding at the end of the year. General Fund interfund payables are not expected to be satisfied within one year. Interfund due from/due to of \$38,326, has been eliminated in the Statement of Net Assets to minimize the grossing up of internal balances, leaving a net amount due of \$31,190, between the governmental and business-type activities, which is reported as Due from Internal Parties. The following reports individual fund due from/due to amounts.

City of Nanticoke					
Due to/Due From Schedule					
For Year Ended 12/31/2010					
				Due From	Due To
General:					
	Proprietary Fund			31,190	
	Due From Refuse			9,348	
	Special Revenue			22,304	0
	Community Development			56	
	Community Development			87	
	Debt Service				6,531
				62,985	6,531
Special Revenue:					
	General Fund			0	22,304
				0	22,304
DCED Fund:					
	Community Development-General				56
	Community Development-General				87
				0	143
Refuse Fund:					
	Due to General Fund				9,348
				0	9,348
Debt Service:					
	General Fund			6,531	
				6,531	0
		Governmental Activities		69,516	38,326
Proprietary-Community Development					
Proprietary-General					
		Business Tye Activities		0	31,190
		Total		69,516	69,516

Transfers are used to move unrestricted revenues to finance various programs in accordance with budgetary authorizations. They are permanent and not expected to be reimbursed. The following is a list of fund transfers.

FUND	General Find		Special Revenue		DCED		Site		Total(In)/Out
	In	Out	In	Out	In	Out	In	Out	
General	0			18,945		22,397			41,342
Special Revenue	(18,945)								(18,945)
DCED	(22,397)			0					(22,397)
Total (IN)/OUT	(41,342)	0	0	18,945	0	22,397	0	0	0

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010**

Note 8. Taxes Receivable and Special Item

Taxes Receivable at December 31, 2010:

Earned Income	\$258,314
Real Estate Transfer	20,099
Mercantile/Business Privilege	3,752
Local Service Tax	18,249
Real Estate Taxes	<u>167,705</u>
Total Fund Financial Statements	<u>\$468,119</u>
Allowance for Uncollectible Taxes	<u>(33,541)</u>
Total Statement of Net Assets	<u><u>\$434,578</u></u>

In an agreement dated June 29, 2007, the City agreed to sell and the Redevelopment Authority of Luzerne County (the Authority) agreed to buy, the City's Tax Claims for the fiscal year ending December 31, 2006 and all prior years uncollected tax levies. The Tax Claims included the liens for delinquent taxes levied by the City that has been turned over to the Luzerne County Tax Claims Bureau for enforcement.

The closing of this transaction occurred on June 29, 2007 as follows:

Total Tax Claims	\$147,038
Less: Claims stricken off etc.	<u>0</u>
Qualified Tax Claims	147,038
Costs of the Authority Related to the Advance	<u>(4,140)</u>
Maximum Advance Amount(90%)	136,474
Current Balance on Note	95,481
Less Dec. 06 Payment Collected in Jan. 07	<u>(4,528)</u>
Adjusted Balance on Note	90,953
Current Drawdown	45,521
Less Costs of the Authority Related to Advan.	<u>(4,140)</u>
Net Disbursement to City	41,381
Refund to City from Loan Reserve	<u>4</u>
Total Disbursement to City	<u><u>\$41,385</u></u>

Allocation of Proceeds:

General Fund	\$20,693
Debt Service Fund	20,692
Mill Memorial Library	<u>0</u>
	<u><u>\$41,385</u></u>

Note 9. Mortgages Receivable

Under Urban Development, Redevelopment, Rehabilitation, and Site Development Programs, the City has loaned City residents funds to rehabilitate or improve real estate within the City. At December 31, 2010, the following amounts were owed to the City under the various programs:

Urban Development	\$8,580
Rehabilitation And Redevelopment	<u>81,838</u>
	<u><u>\$90,418</u></u>

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010**

Note 10. Pension Plans

The City maintains three defined benefit single-employer plans covering all full-time police, firemen, and Nonuniformed employees. All pension plans issue a stand-alone financial report. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets held in an irrevocable trust is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The projections of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal and contractual funding limitations.

Firemen's Pension Plan

The Firemen's Pension Plan provides retirement income and other benefits for the exclusive benefit of the members of the Fire Department. Each full-time fireman contribute 3% of total compensation plus \$2.00 per month. No interest is credited. Municipal contributions are such amounts as actuarially required. At the discretion of Council, a portion of the State Pension Allocation may be applied to reduce any of its required contributions. The City has contributed \$112,976. of its State Pension Allocation to this fund in 2010. For detailed financial information, refer to financial management report covering the period January 1, 2010 to December 31, 2010 as prepared by AFG Pension Administration. A report could be obtained by writing to 575 Peirce Street Suite 301, Kingston, Pa 18704 or calling 570-714-0720.

At December 31, 2010 net assets available for benefits was \$2,027,382 with Nationwide Life Insurance annuity contract investments of \$2,024,016. exceeding 5% of the Firemen's Pension Plan available for pension benefits. The annuity contract contains individually managed sub accounts. The investments are not required to be categorized because either:

- They are insured by SPIC
- They are evidenced by contracts with insurance companies
- They are not considered a security as defined by GASB No 3.

Normal retirement requirement is 50 years of age and completion of 20 years of service. Normal retirement pension is payable monthly for life with payments continuing to the not remarried surviving spouse or, if no eligible surviving spouse, payments of 50% of the amount payable to the member at the time of death continuing to dependent children under 18 years of age. Monthly pension payments are equal to 50% of average monthly pay (based on the highest 5 years of employment or pay at retirement, if higher), plus an incremental pension equal to 1/40 of the base pension benefit for each year in excess of 20 and before age 65. The maximum incremental pension is \$100 per month. The Plan also includes late retirement, death benefit, and disability retirement provisions. A member's benefits vest upon completion of 12 years of service. The vested benefit is a deferred pension beginning at normal retirement equal to the benefit accrued to the date of termination. Membership consist of the following at December 31, 2010:

Active Employees	9
Retirees and beneficiaries	
currently receiving benefits	9
Terminated Employees entitled to	
benefits but not yet receiving them	0
Total	18

A schedule of funding progress, contributions, and other data is provided as Required Supplementary Information (RSI).

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due, in accordance with ACT 205, as amended by Act 189. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation of 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 the current exchange.

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010**

Note 10. Pension Plans (continued)

Police Pension Plan

The Police Pension Plan provides retirement income and other benefits for the exclusive benefit of members of the Police Department. Each full-time policeman contributes 4% month of his compensation plus \$2.00 per month. No interest is credited. At the discretion of Council, a portion of the State Pension Allocation may be applied to reduce any actuarial liability, the obligation of the City, or employee contributions. The City has contributed \$23,461. of its State Pension Allocation to this fund in 2010. For detailed financial information, refer to financial management report covering the period January 1, 2010 to December 31, 2010 as prepared by AFG Pension Administration. A report could be obtained by writing to 575 Peirce Street Suite 301, Kingston, Pa 18704 or calling 570-714-0720.

At December 31, 2010 net assets *available* for benefits was \$3,841,226 with the following concentrations exceeding 5% of the Police Pension Plan available for pension benefits:

Nationwide	\$767,734
Merrill Lynch	\$2,005,981
Assetmark	\$1,037,425

The investments are not required to be categorized because either:

- They are insured by SPIC
- They are evidenced by contracts with insurance companies
- They are not considered a security as defined by GASB No 3.

Normal retirement requirement is 50 years of age and completion of 20 years of service. Normal retirement pension is payable monthly for life with payments continuing to the not remarried surviving spouse or, if no eligible surviving spouse, payments of 50% of the amount payable to the member at the time of death, continuing to dependent children under 18 years of age. Monthly pension payments are equal to 50% of average monthly pay (based on highest 6 consecutive years of employment or pay at retirement, if higher), plus a service increment (1.25% of average monthly pay per years of service in excess of 20 and before age 65), plus a one-time cost of living adjustment of \$50 per month after one year of retirement. The Plan also includes death benefit and disability retirement provisions. A member's benefits vest upon completion of 12 years of service. The vested benefit is a deferred pension beginning at normal retirement equal to 2.5% of average monthly pay per year of service completed by the member. Membership consist of the following at December 31, 2010:

Active Employees	12
Retirees and beneficiaries	
currently receiving benefits	16
Terminated Employees entitled to	
benefits but not yet receiving them	1
Total	29

A schedule of funding progress, contributions and other data is provided as Required Supplementary Information (RSI).

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period which the contributions are due. Employer contributions are recognized when due, in accordance with ACT 205, as amended by Act 189. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation of 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 the current exchange.

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010**

Note 10. Pension Plans (continued)

Non-Uniform Pension Plan

The Nanticoke City pension plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 15 of 2003 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. The City has contributed \$41,476 of its State Pension Allocation to this fund in 2010. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available on the PMRS Website at www.pmr.state.pa.us. A Copy can be obtained by contacting PMRS accounting Office at PO Box 1165, Harrisburg, PA 17108-1165.

Act 205 requires that annual contributions be based upon the plan's Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation.

In accordance with the plan's governing Ordinance, members are required to contribute 3% of compensation to the plan. Membership consist of the following at December 31, 2010:

Active Employees	15
Retirees and beneficiaries	
currently receiving benefits	0
Terminated Employees entitled to	
benefits but not yet receiving them	0
Total	<u>15</u>

The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period which the contributions are due. Employer contributions are recognized when due, in accordance with ACT 205, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation of Investments

Investments are reported at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by Statement No. 3 of the Governmental Accounting Standards Board for aggregate PMRS investments are included in PMRS's separately issued CAFR.

A schedule of funding progress, contributions, and other data is provided as Required Supplementary Information(RSI).

Note 11. Long-Term Debt

2004 General Obligation Note

In March 2004, the City issued a general obligation note in the amount of \$1,000,000. Proceeds were used to retire the then outstanding Tax and Revenue Anticipation notes and for various unpaid General Fund liabilities. Principal and interest (4.777% per annum) payments of \$10,529 are payable monthly through March 15, 2014.

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010**

Note 11. Long-Term Debt (continued)

2005 General Obligation Notes

In July 2005, the City issued its \$3,155,000 aggregate principle amount General Obligation Notes, Series of 2005, for the purposes of currently refunding the City's outstanding 1999 Guaranteed Sewer Revenue Bonds and paying the costs of issuance. The interest rate is 4.2% and the Note matures in 2019. This debt is recorded in the Proprietary Fund (as were the 1999 Bonds). The City believes the use of Fund revenue for payment of these Series of 2005 Notes is consistent with the Note documents and the approval from the Commonwealth for these Notes. The filing for approval from the Commonwealth included a self liquidating report stating that sewer revenues would be applied to service these Notes. The approval of the Commonwealth contemplates sewer revenues being applied to the payment of principal and interest on these notes.

In June 2005, the City issued a \$700,000 General Obligation Note, Series of 2005, for the purposes of retiring its 1996 Note and its 1998 Series A Bonds; paying the costs of issuance; and for various unpaid City liabilities. The interest rate is 4.2% and the Note matures in 2015.

Municipal Financial Recovery Loan

In August 2006, the City borrowed \$700,000 from the Commonwealth of Pennsylvania, acting through the Department of Economic and Community Development, under the Municipalities Financial Recovery Act. The loan is non-interest bearing. Principal payments of \$35,000 are due semiannually beginning in February 2007 and ending in August 2016.

In October 2007 the City borrowed \$200,000 from the Commonwealth of Pennsylvania, acting through the Department of Economic and Community Development, under the Municipalities Financial Recovery Act. The loan is non-interest bearing. Principal payments of \$20,000 are due annually ending 2019.

Long term debt is presented in the financial statements as follows:

	<i>Outstanding Balance 12/31/2009</i>	<i>Issued or Additions</i>	<i>Payments Retirements</i>	<i>Outstanding Balance 12/31/2010</i>	<i>Interest Paid This Year</i>	<i>Due Within One Year</i>
Governmental						
2004 Note	483,631		104,558	379,073	21,116	110,438
2005 Note	416,756		69,443	347,313	16,352	72,451
2006 Recovery Loan	490,000		70,000	420,000		70,000
2007 Recovery Loan	180,000	-	20,000	160,000	-	20,000
	<u>\$ 1,570,387</u>	<u>\$ -</u>	<u>\$ 264,001</u>	<u>1,306,386</u>	<u>37,468</u>	<u>272,889</u>
Business Type						
2007 Recovery Loan	2,528,000	-	208,000	2,320,000	106,176	218,000
	<u>\$ 2,528,000</u>	<u>\$ -</u>	<u>\$ 208,000</u>	<u>2,320,000</u>	<u>106,176</u>	<u>218,000</u>

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010**

Note 11. Long-Term Debt (continued)

Long-term Debt Service Requirements: (Governmental Activities)

Year	Series of 2004	Series of 2005	Recovery Loan 2006	Recovery Loan 2007	Total
2011	110,438	72,451	70,000	20,000	272,889
2012	115,864	75,570	70,000	20,000	281,434
2013	121,628	78,709	70,000	20,000	290,337
2014	31,143	82,194	70,000	20,000	203,337
2015	0	38,389	70,000	20,000	128,389
2016-2018	0	0	70,000	60,000	130,000
	<u>\$379,073</u>	<u>\$347,313</u>	<u>\$420,000</u>	<u>\$160,000</u>	<u>\$1,306,386</u>

Year	Principal	Interest	Total
2011	272,889	29,308	302,197
2012	281,434	20,762	302,196
2013	290,337	11,760	302,097
2014	203,337	3,907	207,244
2014	128,389	521	128,910
2016-2018	130,000	0	130,000
	<u>\$1,306,386</u>	<u>\$66,258</u>	<u>\$1,372,644</u>

Long-term Debt Service Requirements: (Business Type Activities)

Year	Series of 2005	Total
2011	218,000	218,000
2012	228,000	228,000
2013	238,000	238,000
2014	248,000	248,000
2015	257,000	257,000
2016-2019	1,131,000	1,131,000
	<u>\$2,320,000</u>	<u>\$2,320,000</u>

Year	Principal	Interest	Total
2011	218,000	97,440	315,440
2012	228,000	88,284	316,284
2013	238,000	78,708	316,708
2014	248,000	68,712	316,712
2015	257,000	58,296	315,296
2016-2019	1,131,000	121,254	1,252,254
	<u>\$2,320,000</u>	<u>\$512,694</u>	<u>\$2,832,694</u>

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010**

Note 12. Operating Leases

In July 2001, the City leased a 2001 Pierce Saber Pumper under a \$241,223 cancelable lease purchase agreement with future payments, through July 23, 2011. This lease was paid off in 2008, and the City decided to keep the truck. Originally, the city was going to return after the lease terms were completed. The truck was not capitalized.

Note 13. Capitalized Leases

In December 2009, the city entered a financial lease agreement to acquire a fire truck for which will be paid out of the general fund. The agreement requires 7 annual payments of \$37,150. of principal and interest with a final payment in May 2015. The fire truck was capitalized in the Statement of Net Assets.

Year	Principal	Interest	Total
2011	27,745	9,406	37,151
2012	29,413	7,737	37,150
2013	31,181	5,969	37,150
2014	33,056	4,094	37,150
2015	35,044	2,107	37,151
	<u>\$156,439</u>	<u>\$29,313</u>	<u>\$185,752</u>

Capitalized leases are presented in the Statement of Net Assets as follows:

	<i>Outstanding Balance 12/31/2009</i>	<i>Issued or Additions</i>	<i>Payments Retirements</i>	<i>Outstanding Balance 12/31/2010</i>	<i>Interest Paid This Year</i>	<i>Due Within One Year</i>
Governmental						
2009 Firetruck Lease	188,827	-	32,388	156,439	4,762	27,745
	<u>\$ 188,827</u>	<u>\$ -</u>	<u>\$ 32,388</u>	<u>156,439</u>	<u>4,762</u>	<u>27,745</u>

Note 14. Compensated Absences

Compensated absences' represents the estimated liability for employees accrued vacation and sick leave for which employees are required to be paid upon termination. The retirement of this liability is paid from the general fund.

	<i>Balance 12/31/2009</i>	<i>Net Increases (Decrease)</i>	<i>Balance 12/31/2010</i>	<i>Due Within One Year</i>
Compensated Absences	\$ 335,714	\$ 5,559	\$ 341,273	\$ 34,127

Note 15. Retroactive Pay

Retroactive pay was from a settlement between the City of Nanticoke and The Nanticoke Police Officers Association on July 24, 2009. The parties amicably resolved the dispute which resulted in the city owing retroactive increased holiday pay in the amount of \$206,768. payable in four equal installments.

	<i>Balance 12/31/2009</i>	<i>Net Increases (Decrease)</i>	<i>Balance 12/31/2009</i>	<i>Due Within One Year</i>
Retroactive Pay	\$ 155,076	\$ (51,692)	\$ 103,384	\$ 51,692

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010**

Note 16. Post Employment Benefits

Effective for Calendar year 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement 45 "Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions (OPEB)" prospectively (no beginning Net OPEB Obligation).

Program Description:

Effective January 1, 2009 to September 1, 2010, as defined by City Policy, the City makes available health care benefits to all eligible full time police and firefighters. An eligible employee is defined as retiring with 20 years of service and be at least age 50. The plan covers the employee and their spouses for their lifetime. Upon obtaining Medicare eligibility, the retired employee or spouse will be enrolled in Medicare supplement plan. Benefit provisions are established by management. The City of Nanticoke Post Employment Benefit Plan is a single employer defined benefit plan.

Effective September 1, 2010, as defined by City Policy, the City makes available health care benefits to all eligible full time police and firefighters. An eligible employee is defined as retiring with 20 years of service and be at least age 50. The plan covers the employee and their spouses until they reach the age of 65. Upon obtaining Medicare eligibility, the retired employee or spouse is entitled to the deductible not covered by Medicare. Benefit provisions are established by management. Current retirees over age 65 incorrectly receiving the Medicare supplement plan will be switched to a Medicare replacement plan.

Employees who retired prior to January 1, 2009, do not contribute toward coverage. Employees who retire after January 1, 2009 will contribute a percentage of premiums based on their respective contracts. In the event that a Policeman or Fireman is disabled or killed in the line of duty, their surviving spouses and dependents shall continue to receive coverage bases on the respective contracts.

Any Policeman or Fireman hired after January 1, 2009 will not be entitled to post-employment medical benefits.

Under the provisions of GASB Statement 45, employees who will be required to contribute the full aged based cost for coverage for the City's Health Plan do not receive an Other Post Employment Benefit. Accordingly, only those employees who are eligible to participate in the Retiree Health Program are included in the valuation results described below.

Funding Policy:

Current employees retired prior to January 1, 2009 do not contribute to the Retiree Health Program. Employees retired after January 1, 2009 will contribute bases on their respective contracts. The City contribution to the Retiree Health Program consists of pay-as-you-go premiums in excess of the retiree contributions. In Calendar year 2010, total member contributions were \$-0-. The City contributions to the plan for fiscal year 2009 were \$139,203.

Annual OPEB Cost and Net OPEB Obligation:

The City's annual other post employment benefit (OPEB) cost (expense) for the Retiree Health Program 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 thirty years. The following table shows 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.

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010**

Note 16. Post Employment Benefits (Continued)

Annual required contribution (ARC)	\$ 627,622
Interest on Net OPEB obligation	20,046
Adjustment to annual required contribution (ARC)	<u>(27,348)</u>
Annual OPEB cost	620,320
Contributions Made	<u>(139,203)</u>
Estimated increase in Net OPEB Obligation	481,117
Net OPEB Obligation-Beginning of year	477,576
Net Opeb Obligation-End of Year	<u><u>\$ 958,693</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 627,622	23.91%	\$ 477,576
2010	\$ 620,320	22.44%	\$ 958,693

Funded Status and Funding Progress:

As of January 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$5,804,124, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,193,701, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 486.23 % .

Actuarial values of the program involve estimates of the value of reported amounts and assumption's of the probability of occurrence of events far into the future, Examples include assumptions about future employment, mortality, and the healthcare costs trend, Amounts determined regarding the funded status of the program and the annual required contributions of the employer: 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, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets held in an irrevocable trust is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. As the City chose to close its program as of December 31, 2010 and to not establish an irrevocable trust, plan assets will always be reported under GASB Statement 45 as zero.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects 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, 2009, actuarial valuation, the individual entry-age normal method was used. The actuarial assumptions include a 4.5% investment rate of return, and an annual healthcare cost trend rate of 8.0% initially, reduced by decrements of .5 per year to an ultimate rate of 5.5% in 2014. Rates gradually decrease from 5.3% in 2015 to 4.2% in 2099 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. Both rates include a 3% inflation assumption. The City's unfunded actuarial accrued liability is being amortized as a level percent of active member payroll over a closed period. The remaining amortization period at June 30, 2010 was 15.2889 years.

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010**

Note 17. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for such situations. Any settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 18. Tax Collection

Under the Third Class City Code, the City's elected Treasurer also serves as tax collector for municipal and school district property and per capita taxes.

Note 19. Restatement of Prior Year Fund Balance and Net Assets

Correction of an Error:

In financial statements for the year ended June 30, 2009, Police Retroactive Pay expense was not recognized in the Financial Statements. This error has been corrected and has the following effect on the beginning fund balance and beginning net assets:

General Fund

Beginning Fund Balance as Originally Reported	702,340
Adjustment from Police Retroactive Pay	<u>(51,693)</u>
Beginning Fund Balance as Corrected	<u><u>650,647</u></u>

Governmental Activities

Beginning Net Assets as Originally Reported	748,018
Adjustment from Police Retroactive Pay	<u>(206,767)</u>
Beginning Net Assets as Corrected	<u><u>541,251</u></u>

Note 20. Contingencies

Property Tax:

Property tax assessment appeals are regularly encountered during the course of each fiscal year. As of the date of this report the ultimate outcome of these property tax assessment appeals are not readily ascertainable. The City is unable to access and quantify the potential liability; therefore, it has elected not to record any expense or liability on the accompanying basic financial statements of the City at fiscal year end December 31, 2010.

Litigation:

As of December 31, 2010, The City is involved in various legal issues, which are classified as being in various stages of the legal process. Currently, it is not possible for The City to speculate as to the possible outcome of this litigation or to the financial consequences of any adverse judgment by the Courts in the pending actions. Therefore, The City has not accrued any potential liability that may be incurred as a result of any adverse judgment relative to any outstanding litigation.

Grant Programs:

The City participates in numerous state and federal grant programs. Various rules and regulations of the grantor agencies govern these programs. Cost charged to the respective grant programs, are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that The City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at December 31, 2010 may be impaired. In the opinion of The City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision for such contingencies has been recorded on the accompanying basic financial statements of the city at fiscal year end December 31, 2010.

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010**

Note 21. Going Concern

The December 31, 2009 audit report contained an explanatory paragraph citing a going concern. In recent years the City has experienced operating deficits, defaults on loans, and has issued long-term debt to fund prior deficits and current operations.

Recent General Fund deficiencies of revenues under expenditures (i.e. operating deficits) have been approximately:

Year	Operating Deficit
2000	\$298,800
2001	\$197,300
2002	\$249,700
2003	\$392,500
2004	\$457,200
2005	\$297,500
2006	\$693,400
2007	\$520,500
2008	\$34,100

The City had an operating deficit in 2010 of 166,068.

As a result of this financial situation, the City requested a consultative evaluation under the Municipalities financial Recovery Act 47 of 1987, as amended (the Act)

In April 2006, such evaluation; based on an analysis of the City's financial condition, tax base, service levels, debt burden, socio-economic and demographic trends, and administrative and financial management practices; resulted in a recommendation that the City be declared distressed. Also in April 2006, a public hearing was conducted by the Governor's Center for Local Government Services.

On May 25, 2006, the City was declared a financially distressed municipality by the Pennsylvania Department of Economic and Community Development (DCED) under the Provisions of the Act, DCED retained a Recovery Plan Coordinator to develop a fiscal recovery plan for the City.

In December 2006, the Recovery Plan Coordinator completed a plan, which City Council subsequently adopted, designed to enable the City to restore fiscal health, provide operational stability and to begin infrastructure improvements.

Key plan provisions:

- Increase the City's earned income tax rate from .5 percent to 1.5 percent, a portion of which is to be dedicated to capital improvements.
- Expedite debt reduction with a resultant reduction in the debt service millage rate.
- Review cost of providing certain services and adjust fees accordingly.
- Maximize revenue collection efforts.
- Improve accounting and financial management procedures.
- Implement cost containment provisions relative to personnel, goods, and services.
- Explore the possibility of adoption of a Home Rule Charter and/or an Optional Plan of government.

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2010**

Note 21. Subsequent Event

The voters of the City approved the establishment of a Government Study Commission (GSC) at the May 2010 primary election. The GSC, comprised of seven citizens of the City, chose to write a home charter for the City and submitted that proposed Charter to the City's electorate at the November 2011 general election. The proposed Home Rule Charter was approved by the voters.

Under the Home Rule Charter, the City will now be governed by a mayor-council form of government, with the appointment of a professional Manager to run the day-to-day operations of the City. Under PA law, there can be no limits on the rates of taxation in a home rule charter. While the City's charter does have an annual limit on total revenue increases, the City will be able to continue to levy the increased EIT fare of 1.5%, and there is no limit on the real estate mileage the City may levy.

The Home Rule Charter also provides for a formal budget process, mandates an independent auditor, and provides for other fiscal management requirements.

<<<< SUPPLEMENTARY INFORMATION >>>>

**The City of Nanticoke
Police Retirement Trust
(Defined Benefit)
Required Supplementary Information
(UNAUDITED)**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Fund Ratio	Covered Payroll	UUAL as a Percentage of Covered Payroll
1/1/1995	\$2,743,294	\$2,667,360	(\$75,934)	103%	\$359,070	-21%
1/1/1997	3,210,502	2,859,687	(350,815)	112%	413,813	-85%
1/1/1999	3,745,233	3,283,955	(461,278)	114%	529,868	-87%
1/1/2001	4,228,932	3,493,132	(735,800)	121%	515,436	-143%
1/1/2003	4,219,965	3,670,681	(549,284)	115%	548,425	-100%
1/1/2005	4,677,441	3,716,903	(960,538)	126%	512,324	-187%
1/1/2007	4,914,793	3,990,462	(924,331)	123%	603,267	-153%
1/1/2009	4,396,755	4,302,331	(94,424)	102%	684,699	-14%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	(1) Contributions
1999	89,740	88,836
2000	52,219	55,497
2001	53,907	45,907
2002	55,729	55,729
2003	48,413	53,581
2004	44,132	46,750
2005	7,220	20,650
2006	0	32,101
2007	0	0
2008	0	0
2009	4,720	29,336
2010	8,170	23,461

(1) Includes general municipal pension system State Aid

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

Latest Actuarial Valuation Date	January 1, 2009
Actuarial Cost Method	Entry Age, Normal
Amortization method	Level Dollar
Remaining Amortization Period	NA
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Projected Salary Increases	5.00%

**The City of Nanticoke
Firemen's Retirement Trust
(Defined Benefit)
Required Supplementary Information
(UNAUDITED)**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Fund Ratio	Covered Payroll	UUAL as a Percentage of Covered Payroll
1/1/1995	\$1,074,290	\$1,170,802	\$96,512	92%	\$274,032	35%
1/1/1997	1,647,279	1,370,021	(277,258)	120%	268,468	-103%
1/1/1999	1,728,375	1,582,403	(145,972)	109%	302,070	-48%
1/1/2001	1,762,423	1,692,774	(69,649)	104%	350,625	-20%
1/1/2003	1,465,191	1,931,206	466,015	76%	380,784	122%
1/1/2005	1,831,892	2,111,246	279,354	87%	396,523	70%
1/1/2007	2,117,169	2,524,038	406,869	84%	461,184	88%
1/1/2009	2,071,624	2,930,222	858,598	71%	509,002	169%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	(1) Contributions
1999	23,334	27,029
2000	42,369	63,057
2001	61,395	65,609
2002	51,945	71,076
2003	78,708	78,703
2004	81,084	88,561
2005	92,013	108,128
2006	60,921	86,393
2007	64,963	124,926
2008	68,336	149,813
2009	80,505	114,553
2010	82,395	112,976

(1) Includes general municipal pension system State Aid

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

Latest Actuarial Valuation Date	January 1, 2009
Actuarial Cost Method	Entry Age, Normal
Amortization method	Level Dollar
Remaining Amortization Period	15
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	8.00%
Projected Salary Increases	5.00%

**The City of Nanticoke
Non-Uniform Retirement Trust
(Defined Benefit)
Required Supplementary Information
(UNAUDITED)**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Fund Ratio	Covered Payroll	UUAL as a Percentage of Covered Payroll
1/1/2005	67,688	80,141	12,453	84%	502,766	2.48%
1/1/2007	163,020	170,057	7,036	96%	395,094	1.78%
1/1/2009	266,856	234,419	(32,437)	114%	380,618	-8.52%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Annual Required Contribution	Actuarial Valuation Date Basis for Contributions	Percentage Contributed
2000	\$0	1997	100%
2001	0	1999	100%
2002	0	1999	100%
2003	0	2001	100%
2004	33,643	2001	100%
2005	30,853	2003	100%
2006	33,364	2003	100%
2007	39,821	2005	100%
2008	34,994	2005	100%
2009	33,685	2007	100%
2010	36,383	2007	100%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

Latest Actuarial Valuation Date	January 1, 2009
Actuarial Cost Method	Entry Age, Normal
Amortization method	Level Dollar Closed
Remaining Amortization Period	14.33
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Investment Rate of Return	6.00%
Projected Salary Increases	5.20%

The City of Nanticoke
Retiree Health Plan
Schedule of Funding Progress
Required Supplementary Information
(UNAUDITED)

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Fund Ratio	Covered Payroll	UUAL as a Percentage of Covered Payroll
Gov. Activities	1/1/2009	\$0	\$5,804,124	\$5,804,124	0%	\$1,193,701	486.23%