

THE CITY OF NANTICOKE
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2008

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, PA

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We 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

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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, 2008 and the respective changes in financial position, and cash flows, and the respective budgetary comparison for the General Fund, Refuse Fund, DCED Fund, and the Debt Service Fund, thereof, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the city will continue as a going concern. As discussed in Note 18, conditions and events caused the city to request and receive a determination as a distressed municipality under the municipalities Financial Recovery Act, Act 47 of 1987, as amended. Those conditions raise substantial doubt about the city's ability to continue as a going concern. The financial Statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 10, 2009 on our consideration of the City of Nanticoke's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 12 and the various pension schedules on pages 46 through 49 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



August 10, 2009



City of Nanticoke
Management's Discussion and Analysis
December 31, 2008
(UNAUDITED)

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, 2008. This discussion and analysis should be reviewed in conjunction with the City's accompanying financial statements and notes.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$869K (net assets) from \$1.104M in the previous year to \$1.973M in the current year. This compares to the previous year when assets exceed liabilities by \$170K from \$1.104M in 2007 to \$934K in 2006.
- The assets of the City increased 4% or \$268K from \$7.011M in the previous year to \$7.380M in the current year.
- Total liabilities of the City decreased 10% or \$600K from \$5.907M in the previous year to \$5.307M in the current year.
- Total net assets are comprised of the following:
 - 1) Invested in capital assets, net of related debt, of \$4.860M, 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 (\$3.201M) represent the deficits incurred by the City in meeting its continuing obligations to citizens and creditors.
 - 3) Net assets restricted for Debt Service of \$314K 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 \$1.049M this year. This compares to the prior year ending fund balance of \$953K showing an increase of \$97K during the current year. This increase is a function of a deficiency of revenues under expenditures of (\$232K) offset by a \$300K Tax Anticipation Note and \$29K of transfers.
- At the end of the current fiscal year, the fund deficit for the General Fund was (\$154K). This compares to the prior year ending fund balance of (\$504K) showing a decrease of (\$350K) during the current year.

Management's Discussion and Analysis (UNAUDITED)

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. As a result of their current financial condition, the City has loaned the Authority funds to keep those properties operable. The Authority plans to sell the Kanjorski Center building and repay the short-term borrowing from the City. Therefore, Management does not consider the Authority a component unit.

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

Management's Discussion and Analysis (UNAUDITED)

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's Discussion and Analysis (UNAUDITED)

Financial Analysis of the City as a Whole

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:

Summary of Net Assets

(Dollars are in Thousands)

	Governmental Activities		Business Type Activities		Totals		Amount Change	% Change
	2007	2008	2007	2008	2007	2008		
Current and Other Assets	\$1,664	\$1,806	\$466	\$614	\$2,130	\$2,420	\$290	14%
Capital Assets	-	-	4,881	4,860	4,881	4,860	(21)	0%
Total Assets	1,664	1,806	5,347	5,474	7,011	7,280	268	4%
Long-term Liabilities	2,069	1,712	2,738	2,466	4,807	4,177	(629)	(13%)
Other Liabilities	941	898	160	232	1,101	1,130	29	3%
Total Liabilities	3,010	2,610	2,897	2,698	5,907	5,307	(600)	(10%)
Net Assets:								
Invested in Capital Assets, net of related debt	-	-	4,881	4,860	4,881	4,860	(21)	0%
Reserved	404	314	-	-	404	314	(90)	(22%)
Unrestricted	(1,750)	(1,118)	(2,431)	(2,084)	(4,181)	(3,201)	980	(23%)
Total Net Assets	(1,346)	(804)	2,450	2,776	1,104	1,973	869	79%

The City's net assets at fiscal year-end are \$1.973M. This compares to the prior year ending fund balance of \$1.104M showing an increase of \$869K during the current year. The assets of the City increased 4% or \$268K from \$7.011M in the previous year to \$7.380M in the current year. Total liabilities of the City decreased 10% or \$600K from \$5.907M in the previous year to \$5.307M in the current year.

Total net assets are comprised of the following: Invested in capital assets, net of related debt, of \$4.860M, 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 (\$3.201M) represent the deficits incurred by the City in meeting its continuing obligations to citizens and creditors. Net assets restricted for Debt Service of \$314K 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 \$2.776M in net assets for business-type activities. This compares to the prior year ending net asset balance of \$2.450M showing an increase of \$326K during the current year. Business-

Management's Discussion and Analysis (UNAUDITED)

type activities include the sewer fund activities. A significant factor affecting the increase in net assets for business-type activities was the City's pay down of debt.

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 (\$804K) in net assets for governmental activities. This compares to the prior year ending net asset balance of (\$1.346M) showing an increase of \$542K during the current year. A significant factor affecting the increase in net assets for governmental type funds was the City's pay down of debt.

Summary of Government Wide – Statements of Activities

(Dollars are in Thousands)

	2008	2007	2008	2007	2008	2007	Amt. Chg.	
	Governmental Type	Governmental Type	Business Type	Business Type	Total	Total		
Expenses	\$ 5,174	\$ 4,339	\$ 310	\$ 413	\$5,483	\$4,752	\$ 731	
SubTotal	5,174	4,339	310	413	5,483	4,752	731	
Charges for Services	808	801	651	593	1,459	1,394	65	
Operating Grants & Contributions	1,083	617	-	-	1,083	617	467	76%
Capital Grants & Contributions	10	140	-	-	10	140	(130)	(93%)
SubTotal	1,901	1,558	651	593	2,552	2,151	402	19%
Property Taxes	673	630	-	-	673	630	43	7%
Other Local Taxes for General Purposes	2,713	1,779	-	-	2,713	1,779	934	53%
Misc Gen. Purpose Rev	329	266	-	-	329	266	62	23%
Other	99	143	(15)	21	85	164	(80)	(49%)
SubTotal	3,814	2,819	(15)	21	3,800	2,840	960	34%
Change in Net Assets	542	37	326	201	869	238	630	265%
Net Assets - Beginning	(1,346)	(1,383)	2,450	2,249	1,104	866	238	28%
Net Assets - Ending	(804)	(1,346)	2,776	2,450	1,973	1,104	869	79%

Management's Discussion and Analysis (UNAUDITED)

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 constant.

Comparison of Current vs. Prior Year Expenditures

(Dollars are in Thousands)

Expenses	2008	2007	Amt. Chg.	% Chg.
Gen Gov.'t & Admin	\$646	\$616	\$30	5%
Public Safety	2,236	2,181	55	2%
Sanitation	763	748	15	2%
Public Works	425	417	8	2%
Community Development	1,006	79	927	92%
Parks & Recreation	6	5	1	19%
Unallocated EE Benefits	31	126	(95)	(304%)
Other	6	90	(84)	(1329%)
Interest of LT Debt	54	77	(23)	(42%)
Sewage	186	266	(80)	(43%)
Non-operating Exp	124	146	(23)	(18%)
	5,483	4,752	731	13%

Total expenses of the City increased \$731K or 15% from \$5.483M to \$4.752M in comparison to prior year. Expenses increased primarily due to an increase in Community Development expense and expenses related to Grants received of \$927K over prior year. Community Development projects were completed primarily on the West Side of town and consisted of street reconstruction. Grant funds were also used to finish payments on the purchase of a new Fire truck. Expenses for the business-type funds decreased \$103K.

Comparison of Current vs. Prior Year Revenues

(Dollars are in Thousands)

General Revenue:	2008	2007	Amount Change	% Change
Property Taxes	\$ 673	\$ 630	\$ 43	7%
Other Local Taxes for General Purposes	2,713	1,779	934	53%
Grants/Subsidies/Unrestricted Contributions	35	20	15	76%
Investment Earnings	47	71	(24)	(34%)
Misc General Purpose Revenues	329	266	62	23%
Other	2	73	(71)	(97%)
	3,800	2,840	960	34%

Management's Discussion and Analysis (UNAUDITED)

General Revenue increased 34% from \$3.800M over \$2.840M from prior year. The primary factor affecting this increase was a \$934K increase related to the increase in the Earned Income Tax rate and the non-resident income tax as per Act 47.

Comparison of Current vs. Prior Year Revenues

(Dollars are in Thousands)

Program Revenues	2008	2007	Amount Change	% Change
Gen Gov.'t & Admin	\$ 41	\$ 46	\$ (5)	(12%)
Public Safety	226	350	(124)	(35%)
Sanitation	19	21	(2)	(10%)
Public Works	215	196	20	10%
Community Development	582	4	578	14452%
Capital Grants	10	140	(130)	(93%)
	1,093	757	337	44%

Program Revenues	2008	2007	Amount Change	% Change
Capital Grants	\$ 10	\$ 140	\$ (130)	(93%)
	10	140	(130)	(93%)

Program Revenues increased 44% from \$1.093M over \$757K from prior year. The primary factor affecting this increase was a \$578K increase related to Community Development and Grant funding.

Comparison of Current vs. Prior Year Revenues

(Dollars are in Thousands)

Charges for Services	2008	2007	Amount Change	% Change
Sanitation	\$ 808	\$ 801	\$ 7	1%
Sewage	651	593	58	10%
	1,459	1,394	65	5%

Charges for Services increased 5% from \$1.458M over \$1.394 from prior year.

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 \$349K from (\$154K) over prior year of (\$504K). Key factors contributing to this increase include pay down of borrowing. 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.

Management's Discussion and Analysis (UNAUDITED)

The Debt Service Fund has a fund balance of \$314K. This fiscal year included a net increase of \$90K in the Debt Service Fund.

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 \$326K from \$2.776M over \$2.450M from prior year.

General Fund Budgetary Highlights

Actual revenues were approximately \$353K less than budgeted at \$3.601M as compared to a budgeted amount of \$3.954M. Tax revenue was \$170K under budget and intergovernmental state and local revenue was \$126K under budget.

Actual expenditures were approximately \$779K less than budgeted at \$3.635M as compared to a budgeted amount of \$4.415M.

The General Fund adopted budget was not amended during the 2008 fiscal year.

Long-Term Debt

At the end of the fiscal year, the City had total bonded debt outstanding of \$4.291M.

Debt Schedule

(Dollars are in Thousands)

	Governmental Activities		Business Type Activities		Total		Amount	%
	2007	2008	2007	2008	2007	2008	Change	Change
General Obligation Bonds	\$1,227	\$1,067	\$2,917	\$2,664	\$4,144	\$3,731	(\$413)	(10%)
Muni Financial Recovery Loan	630	560	0	0	630	560	(70)	(11%)
Total	1,857	1,627	2,917	2,664	4,774	4,291	(483)	0

Economic Environment and Next Year's Budgets and Rates

The City is limited in its revenue potential in that its property tax rate is at the statutory maximum and, other revenue sources do not provide sufficient resources to fund operations at current levels. The City is mature, with

Management's Discussion and Analysis (UNAUDITED)

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.

As a result of relatively stagnant revenues, rising expenditures and borrowing to meet operational expenses, the City faces an approximately \$1.200M structural deficit. The City has begun to make inroads to address this deficit. 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.

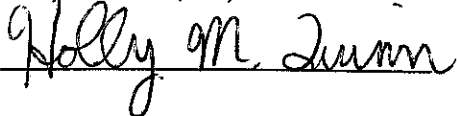
In December 2007, the City Council adopted a Recovery Plan designed to enable the City to restore fiscal health. Key components of the plan are an increase in the City's Earned Income Tax (EIT) to 1.5% for residents and a .33% EIT for non-residents. The non-resident EIT can only be used for capital purposes. The tax rate increases must be approved annually by the Luzerne County Court of Common Pleas. The increased tax revenue is a significant component in enabling the City to address the \$1.200 structural deficit. 2008 Revenue's were budgeted at \$3.954M in comparison to 2009 budgeted revenue of \$3.933M.

Additionally, the City is 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.


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. Quinn, City Administrator



Pamela A. Heard, City Finance Director



CITY OF NANTICOKE
GOVERNMENTWIDE STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Investments	\$ 1,132,932	\$ 613,856	\$ 1,746,788
Receivables:	-	-	-
Ad Valorem Taxes	480,377	-	480,377
Other Taxes	-	-	-
Accounts	80,495	-	80,495
Accrued Interest	-	-	-
Other Taxes	-	-	-
Mortgage	111,882	-	111,882
Grant Funds Receivable	-	-	-
Due from Other Funds	-	-	-
Prepaid Expenses	-	-	-
Amount to be Provided for Retirement of Long-Term Debt	-	-	-
Capital Assets:	-	117,477	117,477
Equipment	-	4,844,474	4,844,474
Sewer System	-	(101,859)	(101,859)
Accumulated Depreciation	-	-	-
TOTAL ASSETS	<u>\$ 1,805,686</u>	<u>\$ 5,473,948</u>	<u>\$ 7,279,634</u>
<u>LIABILITIES</u>			
<u>LIABILITIES:</u>			
Current Year Payroll Taxes	\$ -	\$ -	\$ -
Accrued Payroll	100,262	-	100,262
Payables:	-	-	-
Accounts	158,719	44,719	203,438
TAN	-	-	-
Accrued Interest	-	-	-
Current Portion of long term debt	-	-	-
Other	-	-	-
Due To External Parties	24,133	(24,133)	-
Due to Other Government	200,000	-	200,000
Accrued Admin Fee	-	-	-
Deferred Revenue	177,702	-	177,702
Non Current Liabilities	-	-	-
Due within one year	-	-	-
Note Payable	237,141	198,000	435,141
Lease Payable	-	13,315	13,315
Compensated Absences	-	-	-
Due in More than one Year	-	-	-
Note Payable	1,390,339	2,465,638	3,855,977
Lease Payable	-	-	-
Compensated Absences	321,279	-	321,279
Special Termination Benefits	-	-	-
TOTAL LIABILITIES	<u>\$ 2,609,575</u>	<u>\$ 2,697,539</u>	<u>\$ 5,307,114</u>
<u>NET ASSETS</u>			
Invested in net assets, net of related debt	\$ -	\$ -	\$ -
Restricted For:	-	-	-
Debt Service	313,889	-	313,889
Accounts Receivable	-	-	-
Invested in Capital Assets net of Related Debt	-	4,860,092	4,860,092
Unrestricted	(1,117,778)	(2,083,683)	(3,201,461)
TOTAL NET ASSETS	<u>\$ (803,889)</u>	<u>\$ 2,776,409</u>	<u>\$ 1,972,520</u>

See Notes to Financial Statements

**CITY OF NANTICOKE
GOVERNMENTWIDE-STATEMENT OF ACTIVITIES
DECEMBER 31, 2008**

FUNCTIONS/PROGRAMS GOVERNMENTAL ACTIVITIES:	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		TOTAL
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	
General Government and Administration	\$ 646,415	\$ -	\$ (605,422)	\$ -	\$ (605,422)
Public Safety	2,236,367	-	(2,000,254)	-	(2,000,254)
Sanitation	762,768	18,777	64,161	-	64,161
Public Works	424,889	215,375	(209,514)	-	(209,514)
Community Development	1,005,571	582,077	(423,494)	-	(423,494)
Parks and Recreation	5,887	-	(5,887)	-	(5,887)
Insurance	-	-	-	-	-
Payroll Tax/related Expense	-	-	-	-	-
Unallocated Employee Benefits	31,078	-	(31,078)	-	(31,078)
Other	6,322	-	(6,322)	-	(6,322)
Interest on Long Term Debt	54,383	-	(54,383)	-	(54,383)
TOTAL GOVERNMENTAL ACTIVITIES	5,173,680	1,083,335	(3,272,193)	-	(3,272,193)
BUSINESS TYPE ACTIVITIES:					
Sewage	186,769	-	-	464,886	464,886
Nonoperating Expense	123,858	-	-	(123,858)	(123,858)
TOTAL PRIMARY GOVERNMENT	5,483,307	1,083,335	(3,272,193)	341,028	(2,931,165)
GENERAL REVENUE:					
TAXES:					
Ad Valorem (Property Taxes)			673,493	-	673,493
Other Local Taxes Levied For General Purposes			2,713,055	-	2,713,055
Grants, Subsidies, and Contributions Not Restricted			35,277	-	35,277
Miscellaneous General Purpose Revenues			328,728	-	328,728
Investment Earnings			34,984	12,167	47,151
Special Items	-	-	1,493	-	1,493
- Insurance Proceeds			585	-	585
- Sale of Assets			26,718	(26,718)	-
Transfers-Internal Activity			3,814,333	(14,551)	3,799,782
Total General Revenues and Transfers			542,140	326,477	868,617
CHANGE IN NET ASSETS			(1,346,028)	2,449,931	1,103,903
NET ASSETS JANUARY 1, 2008			\$ (803,888)	\$ 2,776,408	\$ 1,972,520

See Notes to Financial Statements

CITY OF NANTICOKE
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	Governmental Fund Types							Totals Governmental Funds
	General Fund	Special Revenue	DCED Fund	Refuse Fund	Site Fund	Debt Service Fund	Highway Aid Fund	
Cash and Investments	\$ 227,640	\$ 56,723	\$ 264,472	\$ 271,020	\$ 15	\$ 115,782	\$ 197,280	\$ 1,132,992
Accounts Receivable	60,434	20,060	-	-	-	-	-	80,494
Grant Funds Receivable	-	-	-	-	-	-	-	-
Taxes Receivable	504,230	-	-	-	-	-	-	504,230
Due from Other Funds	31,085	166,852	80,585	-	-	198,107	7,827	484,456
Prepaid Expenses	-	-	-	-	-	-	-	-
Mortgage Receivable	-	-	111,882	-	-	-	-	111,882
Other	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 823,389	\$ 243,635	\$ 456,939	\$ 271,020	\$ 15	\$ 313,889	\$ 205,107	\$ 2,313,994
LIABILITIES & FUND BALANCE								
LIABILITIES:								
Current Year Payroll Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	65,809	43,962	45,891	624	-	-	2,434	158,720
Accrues Expense	100,262	-	-	-	-	-	-	100,262
Leases Payable	-	-	-	-	-	-	-	-
Due to Other Funds	492,200	-	16,389	-	-	-	-	508,589
Due to Other Governments	200,000	-	-	-	-	-	-	200,000
Due to Library	-	-	-	-	-	-	-	-
Deferred Revenue	119,267	-	48,097	129,605	-	-	-	296,969
General Obligation Bonds Payable	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	\$ 977,538	\$ 43,962	\$ 110,377	\$ 130,229	\$ -	\$ -	\$ 2,434	\$ 1,264,540
FUND BALANCE:								
Reserve For:								
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 313,889	\$ -	\$ 313,889
Accounts Receivable	-	-	-	-	-	-	-	-
Pension Benefits	-	-	-	-	-	-	-	-
Unreserved Fund Balance (Deficit)	(154,149)	199,673	346,563	140,792	15	-	202,673	735,567
TOTAL FUND BALANCE	\$ (154,149)	\$ 199,673	\$ 346,563	\$ 140,792	\$ 15	\$ 313,889	\$ 202,673	\$ 1,049,456
TOTAL LIABILITIES & FUND BALANCES	\$ 823,389	\$ 243,635	\$ 456,940	\$ 271,021	\$ 15	\$ 313,889	\$ 205,107	\$ 2,313,996

See Notes to Financial Statements

CITY OF NANTICOKE

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets DECEMBER 31, 2008

Total Fund Balances - governmental Funds \$ 1,049,456

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

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

Bond Discount net of amortization -

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 \$ 0 and the accumulated depreciation is \$ 0. -

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. (\$119,267-23,414. provision for uncollectible.) 95,414

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:

Bonds Payable	\$ -	
Notes Payable	1,627,480	
Special Termination Benefits	-	
Capital Leases Payable	-	
Special Termination Benefits	-	
Compensated Absences	321,279	(1,948,759)

TOTAL NET ASSETS (DEFICIT)-Governmental Activity \$ (803,889)

CITY OF NANTICOKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types							Totals Governmental Funds
	General Fund	Special Revenue	DCED Fund	Refuse Fund	Site Fund	Debt Service Fund	Highway Aid Fund	
REVENUES:								
Taxes	\$ 3,024,509	\$ 82,866	-	-	\$ -	\$ 183,759	\$ -	\$ 3,291,134
Charges for Services	-	-	-	808,152	-	-	-	808,152
Fines, Forfeitures and Costs	47,002	-	-	-	-	-	-	47,002
Interest	7,487	3,434	8,140	9,255	658	2,981	3,030	34,985
License and Permits	143,619	-	-	-	-	-	-	143,619
Intergovernmental-State and Local Sources	281,727	30,644	21	18,777	-	-	215,375	546,544
Intergovernmental-Federal Sources	-	-	582,056	-	-	-	-	582,056
Other	96,675	-	26,370	-	15,075	-	-	138,120
Total Revenue	\$ 3,601,019	\$ 116,944	\$ 616,587	\$ 836,184	\$ 15,733	\$ 186,740	\$ 218,405	\$ 5,691,612
EXPENDITURES:								
General Government	\$ 646,415	-	-	-	-	-	-	\$ 646,415
Public Safety	2,356,555	-	-	-	-	-	-	2,356,555
Sanitation	-	-	-	762,768	-	-	-	762,768
Public Works	281,709	-	-	-	-	-	143,180	424,889
Community Development	-	328,586	667,116	-	9,870	-	-	1,005,572
Parks and Recreation	5,887	-	-	-	-	-	-	5,887
Debt Service and Bond Payments	307,151	-	-	-	-	276,824	-	583,975
Insurance	-	-	-	-	-	-	-	-
Payroll related expenses	-	-	-	-	-	-	-	-
Unallocated employee benefits	-	-	-	-	-	-	-	-
Other	31,078	-	-	-	-	-	-	31,078
	6,322	-	-	-	-	-	-	6,322
Total Expenditures	\$ 3,635,117	\$ 328,586	\$ 667,116	\$ 762,768	\$ 9,870	\$ 276,824	\$ 143,180	\$ 5,823,461
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (34,098)	\$ (211,642)	\$ (60,529)	\$ 73,416	\$ 5,863	\$ (90,084)	\$ 75,225	\$ (231,849)
OTHER FINANCING SOURCES (USES)								
General Obligation Notes	300,000	-	-	-	-	-	-	\$ 300,000
Insurance Proceeds	-	1,493	-	-	-	-	-	1,493
Sale of Assets	-	585	-	-	-	-	-	585
Transfer	83,397	26,715	2,000	-	(85,394)	-	-	26,718
Total Other Financing Sources (Uses)	\$ 383,397	\$ 28,783	\$ 2,000	\$ -	\$ (85,394)	\$ -	\$ -	\$ 328,796
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 349,299	\$ (182,849)	\$ (48,529)	\$ 73,416	\$ (79,531)	\$ (90,084)	\$ 75,225	\$ 96,947
Fund Balance (Deficit) - Beginning	(503,448)	382,523	395,092	67,376	79,546	403,974	127,448	952,511
FUND BALANCE (DEFICIT) - ENDING	\$ (154,149)	\$ 199,674	\$ 346,563	\$ 140,792	\$ 15	\$ 313,890	\$ 202,673	\$ 1,049,458

See Notes to Financial Statements

CITY OF NANTICOKE

**Reconciliation of Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balance to Statement of Activities
DECEMBER 31, 2008**

Total net change in fund balances - governmental Funds \$ 96,948

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. 95,411

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 (\$0) exceeds capital outlays \$ 0) in the period. -

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 529,592

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	120,189		
Special Termination Benefits	-		
Post Employment Healthcare	-		
	120,189		120,189

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. \$ (300,000)

Interest on long term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest and bond discount reported for the period in the statement of activities is as follows:

Accrued Interest	\$	-	
Bond Discount			
Amortized Bond Discount	\$	-	
		-	-

CHANGE IN NET ASSETS-Governmental Activities \$ 542,140

See Notes to Financial Statements

**CITY OF NANTICOKE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual General Fund	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES:				
Taxes				
Charges for Services	\$ 3,194,563	\$ 3,194,563	\$3,024,509	\$ (170,054)
Fines, Forfeitures and Costs	-	-	-	-
Interest	48,709	48,709	47,002	(1,707)
License and Permits	34,664	34,664	7,487	(27,177)
Intergovernmental State and Local	111,196	111,196	143,619	32,423
Other	407,642	407,642	281,728	(125,914)
Total Revenue	<u>157,388</u>	<u>157,388</u>	<u>96,675</u>	<u>(60,713)</u>
	<u>\$ 3,954,162</u>	<u>\$ 3,954,162</u>	<u>\$3,601,020</u>	<u>\$ (353,142)</u>
EXPENDITURES:				
General Government				
Public Safety	\$ 772,805	\$ 772,805	\$ 646,415	\$ 126,390
Sanitation	2,187,865	2,187,865	2,356,555	(168,690)
Public Works	145,649	145,649	-	145,649
Community Development	400,516	400,516	281,709	118,807
Parks and Recreation	-	-	-	-
Debt Service and Bond Payments	11,000	11,000	5,887	5,113
Insurance	-	-	307,152	(307,152)
Payroll related expenses	-	-	-	-
Unallocated employee benefits	771,750	771,750	-	771,750
Other	-	-	31,078	(31,078)
Total Expenditures	<u>125,000</u>	<u>125,000</u>	<u>6,322</u>	<u>118,678</u>
	<u>\$ 4,414,585</u>	<u>\$ 4,414,585</u>	<u>\$3,635,118</u>	<u>\$ 779,467</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (460,423)	\$ (460,423)	\$ (34,098)	\$ 426,325
OTHER FINANCING SOURCES (USES)				
General Obligation Notes				
Insurance Proceeds	\$ -	\$ -	300,000	300,000
Sale of Assets	-	-	-	-
Transfer to Special Revenue	-	-	-	-
Total Other Financing Sources (Uses)	<u>500,649</u>	<u>500,649</u>	<u>83,397</u>	<u>(417,252)</u>
	<u>\$ 500,649</u>	<u>\$ 500,649</u>	<u>\$ 383,397</u>	<u>\$ (117,252)</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 40,226	\$ 40,226	\$ 349,299	\$ 309,073
Fund Balance (Deficit) - Beginning	-	-	(503,448)	(503,448)
FUND BALANCE (DEFICIT) - ENDING	<u>\$ 40,226</u>	<u>\$ 40,226</u>	<u>\$ (154,149)</u>	<u>\$ (194,375)</u>

See Notes to Financial Statements

CITY OF NANTICOKE
REFUSE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual General Fund	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for Services	794,300	794,300	808,152	13,852
Fines, Forfeitures and Costs	-	-	-	-
Interest	-	-	9,255	9,255
License and Permits	-	-	-	-
Intergovernmental-State and Local	-	-	-	-
Other	17,000	17,000	18,777	1,777
Total Revenue	\$ 811,300	\$ 811,300	\$ 836,184	\$ 24,884
EXPENDITURES:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Sanitation	-	-	-	-
Public Works	-	-	762,768	(762,768)
Community Development	752,772	752,772	-	752,772
Parks and Recreation	-	-	-	-
Debt Service and Bond Payments	-	-	-	-
Insurance	-	-	-	-
Payroll related expenses	-	-	-	-
Unallocated employee benefits	-	-	-	-
Other	-	-	-	-
Total Expenditures	\$ 752,772	\$ 752,772	\$ 762,768	\$ (9,996)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 58,528	\$ 58,528	\$ 73,416	\$ 14,888
OTHER FINANCING SOURCES (USES)				
General Obligation Notes	-	-	-	-
Insurance Proceeds	-	-	-	-
Sale of Assets	-	-	-	-
Transfer to Special Revenue	-	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 58,528	\$ 58,528	\$ 73,416	\$ 14,888
Fund Balance (Deficit) - Beginning	-	-	67,376	67,376
FUND BALANCE (DEFICIT) - ENDING	\$ 58,528	\$ 58,528	\$ 140,792	\$ 82,264

**CITY OF NANTICOKE
DCED FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		Actual General Fund	Favorable (Unfavorable) Variance
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-
Fines, Forfeitures and Costs	-	-	-	-
Interest	-	-	-	-
License and Permits	-	-	8,140	8,140
Intergovernmental- Federal	-	-	-	-
Other	739,735	739,735	-	-
Total Revenue	<u>\$ 739,735</u>	<u>\$ 739,735</u>	<u>\$ 608,447</u>	<u>(131,288)</u>
EXPENDITURES:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Sanitation	-	-	-	-
Public Works	-	-	-	-
Community Development	-	-	-	-
Parks and Recreation	739,735	739,735	-	-
Debt Service and Bond Payments	-	-	667,116	72,619
Insurance	-	-	-	-
Payroll related expenses	-	-	-	-
Unallocated employee benefits	-	-	-	-
Other	-	-	-	-
Total Expenditures	<u>\$ 739,735</u>	<u>\$ 739,735</u>	<u>\$ 667,116</u>	<u>\$ 72,619</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,529)</u>	<u>\$ (50,529)</u>
OTHER FINANCING SOURCES (USES)				
General Obligation Notes	-	-	-	-
Insurance Proceeds	-	-	-	-
Sale of Assets	-	-	-	-
Transfer to Special Revenue	-	-	2,000	2,000
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (48,529)</u>	<u>\$ (48,529)</u>
Fund Balance (Deficit) - Beginning	-	-	395,091	395,091
FUND BALANCE (DEFICIT) - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 346,562</u>	<u>\$ 346,562</u>

CITY OF NANTICOKE
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual General Fund	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES:				
Taxes				
Charges for Services	\$ 183,069	\$ 183,069	\$ 183,759	\$ 690
Fines, Forfeitures and Costs	-	-	-	-
Interest	-	-	-	-
License and Permits	7,000	7,000	2,981	(4,019)
Intergovernmental	-	-	-	-
Other	-	-	-	-
Total Revenue	\$ 190,069	\$ 190,069	\$ 186,740	\$ (3,329)
EXPENDITURES:				
General Government	\$ -	\$ -	\$ -	\$ -
Public Safety	-	-	-	-
Sanitation	-	-	-	-
Public Works	-	-	-	-
Community Development	-	-	-	-
Parks and Recreation	-	-	-	-
Debt Service and Bond Payments	-	-	-	-
Insurance	282,197	282,197	276,824	5,373
Payroll related expenses	-	-	-	-
Unallocated employee benefits	-	-	-	-
Other	-	-	-	-
Total Expenditures	\$ 282,197	\$ 282,197	\$ 276,824	\$ 5,373
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (92,128)	\$ (92,128)	\$ (90,084)	\$ 2,044
OTHER FINANCING SOURCES (USES)				
General Obligation Notes	\$ -	\$ -	-	-
Insurance Proceeds	-	-	-	-
Sale of Assets	-	-	-	-
Transfer to Special Revenue	92,128	92,128	-	(92,128)
Total Other Financing Sources (Uses)	\$ 92,128	\$ 92,128	\$ -	\$ (92,128)
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ -	\$ -	\$ (90,084)	\$ (90,084)
Fund Balance (Deficit) - Beginning	-	-	403,974	403,974
FUND BALANCE (DEFICIT) - ENDING	\$ -	\$ -	\$ 313,890	\$ 313,890

See Notes to Financial Statements

**CITY OF NANTICOKE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008**

	Business Type Activities
	Enterprise Fund
	Sewer Fund
	<hr/>
ASSETS:	
CURRENT ASSETS:	
Cash and Investments	\$ 613,856
Prepaid Bond Debt Recievable	-
Interactivity Recievables	-
Due from other funds	38,829
TOTAL CURRENT ASSETS	<hr/> 652,685 <hr/>
NONCURRENT ASSETS:	
Interactivity Recievables	-
Bond Issuance Costs	-
Machinery & Equipment.	117,477
Sewer System	4,844,474
Accumulated Depreciation	(101,859)
TOTAL NONCURRENT ASSETS	<hr/> 4,860,092 <hr/>
TOTAL ASSETS	<hr/> \$ 5,512,777 <hr/>
LIABILITIES:	
CURRENT LIABILITIES	
Accounts Payable	\$ 44,719
Due to other Funds	14,696
Accrued Expenses	-
Lease Payable	13,315
Bond and Note Payable	198,000
TOTAL CURRENT LIABILITIES	<hr/> 270,730 <hr/>
NONCURRENT LIABILITIES	
Lease Payable	\$ -
Bond and Note Payable	2,465,638
Other Noncurrent Liabilities	-
TOTAL CURRENT LIABILITIES	<hr/> 2,465,638 <hr/>
TOTAL LIABILITIES	<hr/> 2,736,368 <hr/>
TOTAL NET ASSETS (Deficit)	<hr/> \$ 2,776,409 <hr/>
NET ASSETS (Deficit) CONSIST OF:	
Invested in Capital Assets, Net of Related Debt	\$ 4,860,092
Unrestricted (Deficit)	(2,083,683)
TOTAL NET ASSETS (Deficit)	<hr/> \$ 2,776,409 <hr/>

See Notes to Financial Statements

**CITY OF NANTICOKE
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2008**

	Business Type Activities Enterprise Fund <u>Sewer Fund</u>
OPERATING REVENUES:	
Sewer User Fees	\$ 650,655
	<u>-</u>
TOTAL OPERATING REVENUES	<u>650,655</u>
OPERATING EXPENSES:	
Supplies and Materials	84,005
Personal Services	80,525
Depreciation	21,239
Other Operating Expenses	-
TOTAL OPERATING EXPENSES	<u>185,769</u>
OPERATING INCOME (LOSS)	<u>464,886</u>
NONOPERATING REVENUES (EXPENSES):	
Investment Income	12,164
Interest Expense	(123,858)
Amortization	-
TOTAL NONOPERATING REVENUES (EXPENSES):	<u>(111,694)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	353,192
Interfund Transfers in/(out)	<u>(26,715)</u>
CHANGES IN NET ASSETS	326,477
TOTAL NET ASSETS-Beginning of Year	<u>2,449,931</u>
TOTAL NET ASSETS -End of Year	<u>\$ 2,776,408</u>

See Notes to Financial Statements

CITY OF NANTICOKE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2008

Business Type Activities
Enterprise Fund
Sewer Fund

CASH FLOWS FROM OPERATION ACTIVITIES

Received from User Charges	\$ 650,655
Cash Payments to Employees for Services	(80,525)
Cash Payment to Suppliers for Goods and Services	(76,981)
Cash Payments for Other	-
NET CASH USED BY OPERATING ACTIVITIES	<u>493,149</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Nonoperating Revenue Received-Federal	-
Nonoperating Revenue Received-State	-
Operating Transfers to from Other Funds (Temporary)	(26,715)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(26,715)</u>

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES

Principal Paid on Debt	(193,000)
Interest Paid on Debt	(123,858)
Principal Paid on Lease	(13,592)
Interest Paid on Leases	-
Acquisition of Capital Assets	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(330,450)</u>

CASH FLOWS FROM INVESTMENT ACTIVITIES

Interest on Investments	<u>12,164</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS January 1, 2008	<u>465,708</u>
-------------------------------------------	----------------

CASH AND CASH EQUIVALENTS December 31, 2008

\$ 613,856

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

Operating Income or Loss	\$ 464,886
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities</i>	
Depreciation	21,239
Donated Commodities	-
<i>Changes in Assets and Liabilities</i>	
Prepaid Expenses	-
Fixed Assets	-
Receivables	-
Inventories	-
Payables	(1,682)
Current Liabilities	4,723
Due to other funds	3,983

NET CASH USED BY OPERATING ACTIVITIES

\$ 493,149

NONCASH NON CAPITAL FINANCING ACTIVITIES

See Notes to Financial Statements

CITY OF NANTICOKE
 FIDUCIARY FUND TYPE-PENSION FUNDS
 STATEMENT OF NET ASSETS
 DECEMBER 31, 2008

ASSETS	Retirement Trusts
Cash	\$ 383,576
Investments	4,863,263
Due from Police Plan	149,813
Receivable Municipal Contribution	-
Receivable Member Contribution	2,218
Total Assets	<u>\$ 5,398,870</u>
LIABILITIES	
Due To Fire Plan	\$ 149,813
Other Current Liabilities	-
Total Liabilities	<u>-</u>
NET ASSETS	
Held in trust for pension benefits	\$ 5,249,057
Other	-
Total Deductions	<u>\$ 5,249,057</u>

CITY OF NANTICOKE
 FIDUCIARY FUNDS-PENSION FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 DECEMBER 31, 2008

ADDITIONS	Retirement Trusts
Contributions	
Employer	\$ -
Employee	56,804
State	34,994
State Aid	299,626
Appreciation (Depreciation) in Fair Value of Invest.	(1,979,556)
Interest	24,279
Dividend	68,618
Other	11
Other-Transfer from Fireman Plan	-
Total Additions	<u>\$ (1,495,224)</u>
DEDUCTIONS	
Investment Expense	\$ 29,313
Pension Benefits	360,888
Administrative Expense	4,663
Actuarial Fees	-
Refund of Member Contributions	8,108
Allocated Insurance Premiums	336
Other	4,271
Other-State Aid Deposited in Incorrect Fund	149,813
Total Deductions	<u>\$ 557,392</u>
Change in Net Assets	(2,052,615)
Net Assets At the Beginning of Year	<u>\$ 7,301,672</u>
Net Assets End of Year End of Year	<u><u>\$ 5,249,057</u></u>

See Notes to Financial Statements

The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2008

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, 2008**

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, 2008**

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, Site, 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, 2008**

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, Refuse Fund, DCED Fund, and Debt Service Fund.
6. The legally adopted budgets of the City are for the General, Refuse, DCED, and Debt Service Funds.
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, 2008**

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 2008 was 44.50 mills on every dollar of assessed value; 30.50 mills for the General Fund, 13.50 mills for the Debt Service Fund, and 0.50 mills for the Mill Memorial Library. The total estimated assessed value of taxable property was approximately \$14,800,000.

Compensated Absences

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

Policemen are entitled to ten sick days leave each year and can accumulate one hundred sick days. Firemen are entitled to twenty days sick leave each year and can accumulate up to two hundred sick days. The City will buy back all the accumulated sick days of the policemen and one-half of accumulated sick days 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. 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 \$321,279 at December 31, 2008.

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2008**

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

The General Fund had an unreserved fund deficit of \$154,149 at December 31, 2008.

C. Excess of Expenditures over Appropriations in Individual Funds

For the year ended December 31, 2008, the General Fund, Special Revenue Fund, DCED Fund, and Debt Service Fund had an excess of expenditures over appropriations in the amount of 34,098, 211,642, 50,529, and 90,084 respectively.

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, 2008, \$1,520,753 of the City's bank balance of \$2,270,752. 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.	1,520,753
Total	\$1,520,753

Reconciliation to Financial Statements:

Uncollateralized Amount Above	\$1,520,752
Plus: Insured Amount	750,000
Less: Outstanding Checks	(523,964)
Carrying Amount-Bank Balances	1,746,788
Plus: Petty Cash	0
Total Cash Per Financial Statements	\$1,746,788

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2008**

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, 2008, 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	\$2,273,134	\$767,358	\$0	\$3,040,492
Corporate Bonds	154,452	94,052	0	248,504
Government Securities	483,010	83,102	0	566,112
Pooled Fixed Income	316,179	304,110	0	620,289
Real Estate	66,823	45,722	0	112,545
Cash	236,116	147,460	0	383,576
Employees Contribution	2,218	0		2,218
Due to other Funds	0	149,814		149,814
Pa Muni Ret System	0	0	275,322	275,322
Total	\$3,531,932	\$1,591,618	\$275,322	\$5,398,872

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	\$154,452	\$94,052	Avg. of 6.74 Years	Avg. of BBE
Government Bonds	483,010	83,102	Avg. of 7-10 Years	AAA
Corp. & Govt. Bonds	0	0		
Fixed Income Fund	316,179	304,110	Avg. of 3.69 Years	AAA-BB
Total	\$953,641	\$481,264		

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2008**

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, 2008 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	\$1,109,759	\$1,441,804	\$0	\$2,551,563
Merrill Lynch	1,606,315	0	0	1,606,315
AssetMark	813,640	0	0	813,640
Pa Muni Retire System	0	0	275,322	275,322
Total	\$3,529,714	\$1,441,804	\$275,322	\$5,246,840

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 12-31-2007	\$ -	\$ -
Additions/Disposals		
Capitalized Leased Equipment 12-31-2008	\$ -	\$ -
Business-Type Activities		
Sewer System 12-31-2007	\$ 4,844,474	\$ -
Additions		
Sewer System 12-31-08	\$ 4,844,474	\$ -
Capitalized leased equipment 12-31-2007	\$ 117,477	\$ 80,620
Additions		21,239
Capitalized leased equipment 12-31-2008	\$ 117,477	\$ 101,859

There were no disposals in 2008. Amortization of business-type activities capitalized leases is reported as depreciation expense.

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2008**

NOTE 7. DUE TO / FROM OTHER FUNDS

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. The following reports individual fund due from/due to amounts.

City of Nanticoke					
Fund Transfer Schedule					
For Year Ended 12/31/2008					
			Due From		Due To
General:					
	Proprietary Fund		14,696		
	Proprietary Fund				38,829
	Special Revenue				36,852
	Special Revenue				130,000
	Community Development		16,389		27,943
	Redevelopment Loan				50,000
	Debt Service				198,107
	Liquid Fuels				7,827
	Rehabilitation Grant/Loan				2,642
	Police Equipment				
			31,085		492,200
Special Revenue:					
	General Fund		36,852		
	General Fund		130,000		
	Capital Projects				
			166,852		0
DCED Fund:					
	Urban Development-General				
	Redevelopment Loan-General		50,000		
	Rehabilitation Grant/Loan-General		2,642		
	Community Development-General		27,943		16,389
	Community Development-Proprietary				
	Site Development-Community Development				
			80,585		16,389
Refuse Fund:					
	Due to General Fund				
			0		0
Site Fund:					
	Site Development-General				
			0		0
Highway Aid:					
	Liquid Fuels-General		7,827		
			7,827		0
Debt Service:					
	General Fund		198,107		
			198,107		0
	Governmental Activities		484,456		508,589
Proprietary-Community Development					
Proprietary-General					14,696
Proprietary-General			38,829		
	Business Tye Activities		38,829		14,696
	Total		523,285		523,285

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2008**

NOTE 7. DUE TO / FROM OTHER FUNDS (Continued)

General Fund interfund payables are not expected to be satisfied within one year. Interfund due from/due to of \$484,456. has been eliminated in the Statement of Net Assets to minimize the grossing up of internal balances, leaving a net amount due of \$24,133. between the governmental and business-type activities.

Note 8. Taxes Receivable and Special Item

Taxes Receivable at December 31, 2008:

Earned Income	\$355,121
Real Estate Transfer	5,075
Mercantile/Business Privilege	4,592
Local Service Tax	20,175
Real Estate Taxes	119,267
Total Fund Financial Statements	<u>\$504,230</u>
Allowance for Uncollectible Taxes	(23,853)
Total Statement of Net Assets	<u>\$480,377</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.	0
Qualified Tax Claims	<u>147,038</u>
Costs of the Authority Related to the Advance	(4,140)
Maximum Advance Amount(90%)	<u>136,474</u>
Current Balance on Note	95,481
Less Dec. 06 Payment Collected in Jan. 07	(4,528)
Adjusted Balance on Note	<u>90,953</u>
Current Drawdown	45,521
Less Costs of the Authority Related to Advan.	(4,140)
Net Disbursement to City	<u>41,381</u>
Refund to City from Loan Reserve	4
Total Disbursement to City	<u>\$41,385</u>

Allocation of Proceeds:

General Fund	\$20,693
Debt Service Fund	20,692
Mill Memorial Library	0
	<u>\$41,385</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, 2008, the following amounts were owed to the City under the various programs:

Urban Development	\$13,090
Rehabilitation And Redevelopment	98,792
	<u>\$111,882</u>

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2008**

Note 10. Pension Plans

The City maintains three defined benefit plans covering all full-time police, firemen, and Nonuniformed employees. All pension plans issue a stand-alone financial report.

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. 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 \$149,813 of its State Pension Allocation to this fund in 2008. For detailed financial information, refer to financial management report covering the period January 1, 2008 to December 31, 2008 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, 2008 net assets available for benefits was \$1,591,617 with Nationwide Life Insurance annuity contract investments of \$1,441,804. 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, 2008:

Active Employees	10
Retirees and beneficiaries	
currently receiving benefits	8
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 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, 2008**

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% 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 \$0 % of its State Pension Allocation to this fund in 2008. For detailed financial information, refer to financial management report covering the period January 1, 2008 to December 31, 2008 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, 2008 net assets *available* for benefits was \$3,382,119 with the following concentrations exceeding 5% of the Police Pension Plan available for pension benefits:

Nationwide	\$1,109,759
Merrill Lynch	\$1,606,315
Assetmark	\$813,640

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, 2008:

Active Employees	13
Retirees and beneficiaries	
currently receiving benefits	16
Terminated Employees entitled to	1
benefits but not yet receiving them	0
Total	30

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 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, 2008

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. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available on the PMRS Website at www.pMrs.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, 2008:

Active Employees	13
Retirees and beneficiaries	
currently receiving benefits	0
Terminated Employees entitled to	
benefits but not yet receiving them	0
Total	<u>13</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, 2008**

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 payment of \$200,000 was due on December 31, 2008, however it was not paid. This amount was not included in long term debt because the City's intention was to pay it off within one year. This amount is reflected in the financial statements as Due to Other Governments \$200,000.

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

	Activities	
	Governmental	Business-Type
2005 General Obligation Notes	483,393	2,663,638
2004 General Obligation Note	584,087	0
Municipal Financial Recovery Loan	560,000	
	<u>\$ 1,627,480</u>	<u>\$ 2,663,638</u>
Current	237,141	198,000
Non-Current	1,390,339	2,465,638
	<u>\$ 1,627,480</u>	<u>\$ 2,663,638</u>

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2008**

Note 11. Long-Term Debt (continued)

Long-term Debt Service Requirements: (Governmental Activities)

Year	Series of 2004	Series of 2005	Recovery Loan	Total
2009	\$100,276	\$66,865	\$70,000	\$237,141
2010	105,233	69,748	70,000	244,981
2011	110,438	72,724	70,000	253,162
2012	115,864	73,838	70,000	259,702
2013	121,628	81,086	70,000	272,714
2014-2018	31,334	118,446	210,000	359,780
2019-2023				0
	<u>\$584,773</u>	<u>\$482,707</u>	<u>\$560,000</u>	<u>\$1,627,480</u>

Year	Principal	Interest	Total
2009	\$237,141	\$45,055	\$282,196
2010	244,981	37,215	282,196
2011	253,162	29,034	282,196
2012	259,702	22,494	282,196
2013	272,714	11,759	284,473
2014-2018	359,780	8,302	368,082
	<u>\$1,627,480</u>	<u>\$153,859</u>	<u>\$1,781,339</u>

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

Year	Series of 2005	Total
2009	\$198,000	\$198,000
2010	208,000	208,000
2011	218,000	218,000
2012	228,000	228,000
2013	238,000	238,000
2014-2018	1,335,000	1,335,000
2019-2023	238,638	238,638
	<u>\$2,663,638</u>	<u>\$2,663,638</u>

Year	Principal	Interest	Total
2009	\$198,000	\$113,427	\$311,427
2010	208,000	106,176	314,176
2011	218,000	97,440	315,440
2012	228,000	88,284	316,284
2013	238,000	78,708	316,708
2014-2018	1,335,000	235,620	1,570,620
2019-2023	238,638	12,642	251,280
	<u>\$2,663,638</u>	<u>\$732,297</u>	<u>\$3,395,935</u>

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2008**

Note 12. Post Employment Benefits

Post employment benefits are provided to certain full-time police and fireman contracted personnel of City of Nanticoke as stipulated in their respective agreements with the City provided they are both eligible for and also elect retirement. The benefits extended to the employee include health care, dental, and vision benefits for the employee, spouse, and family. These benefits are available for the life of the employee and life of his spouse until the age of 65, at which time the benefits will be reduced to the amount, which constitutes the deductible, not covered by Medicare. This benefit is financed currently on a pay-as-you-go basis and is addressed during the annual budget process. The employee is not required to contribute. For the year ended December 31, 2008, post employment benefits paid was \$144,083. with (21) Twenty-one participants eligible to participate.

Note 13. 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 14. Capitalized Leases

In January 2003, the City entered a lease purchase agreement to acquire two trucks at a cost of \$59,762 for use by the Street and Sewer Departments. The agreement requires sixty \$1,111.44 monthly payments of principal and interest and a one dollar (\$1) final payment in February 2008. For 2008, \$1099. and \$4 of principal and interest respectively were paid by the City, 60% by the General fund and 40% by the Proprietary fund. This lease was paid off in 2008.

In November, 2004, the City entered a financial lease agreement to acquire a backhoe loader for use by the Sewer Department. The agreement requires sixty \$1,421.60 monthly payments of principal and interest with final payment in October 2009. At December 31, 2008, future minimum lease payments on this Proprietary Fund obligation are as follows:

Year	Principal	Interest	Total
2009	13,315	1,038	\$14,353
	\$13,315	\$1,038	\$14,353

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

	Current	Non Current	Total
Governmental Activities:			
Vehicles	\$0	\$0	0
Business-Type Activities:			
Vehicles	0	0	0
Backhoe Loader	13,315	0	13,315
	13,315	0	13,315
Total	\$13,315	\$0	\$13,315

Note 15. 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.

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2008**

Note 16. 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 17, 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 School District at fiscal year end December 31, 2008.

Litigation:

As of December 31, 2008, 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, 2008 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 School District at fiscal year end December 31, 2008.

Note 18. 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's assessed valuation has remained stagnant while current tax rates are at statutory limits.

**The City of Nanticoke
Notes to Financial Statements
Year Ended December 31, 2008**

Note 18. Going Concern (Continued)

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.
- Enact, for 2007, 2008, and 2009, a .33 percent non resident earned income tax on nonresidents employed in the City, to be used for capital projects, equipment, and public improvements.
- Expedite debt reduction with a resultant reduction in the debt service millage rate.
- Solicit payments in lieu of taxes from all not-for-profit entities in the City.
- 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 projects expenditures of \$45,000 per year for 2007 through 2010 for the preservation and maintenance of buildings owned or managed by the Authority. While the buildings are under the control of the Authority, the financing of the buildings relied upon the backing and guarantees of the City. The Authority may not have sufficient resources to heat and light the buildings; therefore, deterioration of a pledged asset may occur.

It is anticipated that successful implementation of all key plan actions will return the City to financial stability by 2010.

<<<< SUPPLEMENTARY INFORMATION >>>>

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Fund Ratio	Covered Payroll	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%	512,234	-187%
1/1/2007	4,914,793	3,990,462	(924,331)	123%	603,267	-153%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	(1) Contributions
1998	86,147	87,479
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

(1) Includes general municipal pension system State Aid

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

Latest Actuarial Valuation Date	January 1, 2007
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**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Fund Ratio	Covered Payroll	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	71%
1/1/2007	2,117,169	2,524,038	406,869	84%	461,184	88%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	(1) Contributions
1998	28,398	47,019
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

(1) Includes general municipal pension system State Aid

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

Latest Actuarial Valuation Date	January 1, 2007
Actuarial Cost Method	Entry Age, Normal
Amortization method	Level Dollar
Remaining Amortization Period	33
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**

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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Annual Required Contribution	Actuarial Valuation Date Basis for Contributions	Percentage Contributed
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%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

Latest Actuarial Valuation Date	January 1, 2007
Actuarial Cost Method	Entry Age, Normal
Amortization method	Level Dollar Closed
Remaining Amortization Period	30.0 Years
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Investment Rate of Return	6.00%
Projected Salary Increases	5.20%