

CITY OF EASTON
EASTON, PENNSYLVANIA

BASIC FINANCIAL STATEMENTS
AND AUDITOR'S REPORT
DECEMBER 31, 2009

PALMER AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
40 SOUTH FOURTH STREET
EASTON, PA 18042

CITY OF EASTON
BASIC FINANCIAL STATEMENTS
AND AUDITOR'S REPORT
TABLE OF CONTENTS
DECEMBER 31,2009

Independent Auditor's Report	1-2
Report on Compliance and Internal Controls over Financial Reporting	3-4
Management's Discussion and Analysis	5-11
 <u>FINANCIAL STATEMENTS</u>	
Statement of Net Assets	12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds	16
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balance -Budget and Actual General Fund	18
Statement of Revenues, Expenditures, and Changes in Fund Balance -Budget and Actual -Debt Service Fund	19
Statement of Net Assets - Proprietary Funds	20
Statement of Revenues, Expenditures, and Changes in Net Assets Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Statement of Net Assets - Fiduciary Funds	23
Statement of Changes in Net Assets - Fiduciary Funds	24
 Notes to Financial Statements	 25-59
 Required Supplementary Schedules of Funding Progress	 60-61
 Other Supplemental Information -Combining Schedules	
Schedule of Capital Reserve and Bond Funds	62
Schedule of Other Governmental Funds	63
Schedule of Private Purpose Trusts	64

PALMER AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

40 SOUTH FOURTH STREET
EASTON, PENNSYLVANIA 18042

CARL E. FLEMING, C.P.A.
KEITH E. FLEMING, C.P.A.

ELLSWORTH C. PALMER, C.P.A., R.M.A.
(Founder 1937-1965)

SCOTT R. FLEMING

TELEPHONE (610) 258-0401
FAX (610) 252-9040
E-Mail: palmerandco@choiceonemail.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of Council
City of Easton
Easton, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, aggregate discretely presented component units disclosed in the notes to the financial statements, each major fund and the aggregate remaining fund information of the City of as of and for the year ended December 31, 2009, 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 of management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the City of Redevelopment Authority or the Housing Authority. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included of the City of Redevelopment Authority and Housing Authority, is based on the report of other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the type activities, aggregate discretely presented component units, the major funds and the aggregate remaining fund information of the City of as of December 31, 2009, and the respective changes in the financial position and cash flows, where applicable, thereof, and the budgetary comparison of the general and debt funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2010, on our consideration of the City of internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 11 and Schedules of Funding Progress on pages 60 and 61 are not a required part of the basic financial statements but is 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.

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the City of basic financial statements. The accompanying supplemental information such as the Schedules of Capital Project, Special Revenue and Private-Purpose Funds is presented for additional analysis and are not required to be part of the basic financial statement. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Easton, Pennsylvania
August 24, 2010

Laemer and Company

PALMER AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

40 SOUTH FOURTH STREET
EASTON, PENNSYLVANIA 18042

CARL E. FLEMING, C.P.A.
KEITH E. FLEMING, C.P.A.

ELLSWORTH C. PALMER, C.P.A., R.M.A.
(Founder 1937-1965)

SCOTT R. FLEMING

TELEPHONE (610) 258-0401

FAX (610) 252-9040

E-Mail: palmerandco@choiceonemail.com

REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members of Council
City of Easton
Easton, Pennsylvania

We have audited the financial statements of the governmental activities, the activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of and for the year ended December 31, 2009, which collectively comprise the City of Easton's basic financial statements and have issued our report thereon dated August 24, 2010. We conducted our audit in accordance with generally accepted auditing standards of the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of City of Easton Redevelopment Authority and Housing Authority, as described in our report on City of Easton financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent and detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Easton's ability to imitate, authorize, record, process, or report financial data reliably in accordance with the generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of financial statements that is more than inconsequential will not be prevented or detected by the City of Easton's internal controls. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Reference number 2009-1 and 2009-2.

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

City of Easton's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be a material weakness. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Easton in a separate letter dated August 24, 2010.

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

Easton, Pennsylvania
August 24, 2010

Rasmussen and Company

Management's Discussion and Analysis

As Management of the City of Easton, we offer readers of the City of Easton's financial statements this narrative overview and analysis of the financial activities of the City of Easton for the year ended December 31, 2009.

Financial Highlights

- The City of Easton surplus from operating activities (General Fund) was \$32,953. For the second year in a row, the City has a surplus. This surplus reflects a renewed financial discipline to focus on collections and constrain increased expenditures.
- At the end of the current fiscal year, unreserved, undesignated balance for the General Fund was \$1,892,454.
- Presented on the Government-wide statements, the assets of the City of Easton exceeded its liabilities at the close of the most recent fiscal year by \$15,459,833 (net assets).
- The government's total net assets decreased \$3,964,728. The decrease in net assets is primarily associated with the recognition of post-employment benefits for health care and an unfavorable lawsuit to the City of \$5,000,000.
- As of the close of the current fiscal year, the City of fund financial statements reported combined ending fund balances of \$4,508,099, a decrease of \$557,682.
- The City of Easton's total long-term debt of \$38,803,117 for Governmental Activities recognized an increase from recognized post-employment benefits of \$830,740 and compensated absences of \$86,007. Debt principal reductions from scheduled payments amounted to \$1,711,266.

Overview of the Financial Statements

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

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

The *statement of net assets* and *statement of activities* present information about the City as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities.

Both of the government-wide financial statements distinguish functions of the City of Easton that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the City of Easton include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation.

The business-type activities of the City of Easton include the operation of the Wastewater Plant. Other internal service-type activities include service funds for health benefits, property and casualty and unemployment insurance.

The government-wide financial statement notes include not only the City of Easton, itself (known as *the primary government*), but also a legally separate Easton Suburban Water Authority, Easton Redevelopment Authority, Easton Housing Authority, Easton Municipal Authority, and Easton Parking Authority. Although legally separate, each Authority functions for all practical purposes as a component of the City of Easton and therefore has been included as an integral part of the primary government.

Fund financial statements. The City of Easton uses fund accounting to ensure compliance with finance-related requirements. The financial statements are organized into funds, each of which is considered to be a separate accounting entity. All of the funds of the City of Easton can be divided into three categories: governmental funds,

proprietary funds and fiduciary funds.

Governmental Funds These are the funds through which most of the government's functions are handled. The City of Easton maintains several individual governmental funds. The *General Fund* is the primary operating fund of the City and it accounts for resources not required to be accounted for in separate funds. The *Debt Service Fund* is used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest. The *General Capital Reserve and Bond Funds* are the major sources of funds available for future capital-type expenditures. State Grant Fund records the expenditure of Grant Resources for specific grant projects. All of these Funds are classified as major funds.

In addition to these major funds, the City of Easton also has non-major funds. The *Special Revenue Funds* are used to account for proceeds to be used for restricted expenditures for specified purposes.

The City of Easton adopts an annual appropriated budget for its General Fund and Debt Fund at the beginning of each year. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

Proprietary funds These funds account for operations that are financed and operated in a similar manner to private business enterprises.

The *Enterprise Fund* accounts for any activities that are necessary to administer, operate and maintain of the City-managed wastewater treatment plant.

The *Internal Service Funds* are used to account for operations that provide services to other departments of the government on a cost reimbursement basis. The City maintains a Health Benefits Fund, Casualty Liability Insurance and Unemployment Fund which receive fund transfers from the General, Enterprise and Recreation Funds for the cost of health, liability and unemployment insurance.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

Fiduciary funds are *not* reflected in the government-wide financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

Net assets may serve over time to be a useful indicator of a government's position. In the case of the City of Easton, assets exceeded liabilities at the close of the most recent fiscal year.

By far the largest portion of the City of Easton's net assets reflects its investment in capital assets (land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Easton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Easton investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF EASTON'S Net Assets

Governmental Activities Business-Type Activities Total

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$13,591,910	\$12,564,064	\$519,970	\$463,142	\$14,111,880	\$13,027,206
Capital assets	48,039,056	49,550,358	-	-	48,039,056	49,550,358
Total assets	61,630,966	62,114,422	519,970	463,142	62,150,936	62,577,564
Long-term liabilities outstanding	36,979,265	37,832,370	109,672	109,478	37,088,937	37,941,848
Other liabilities	9,124,764	4,790,582	477,402	420,573	9,602,166	5,211,155
Total Liabilities	46,104,029	42,622,952	587,074	530,051	46,691,103	43,153,003
Net Assets:						
Invested in capital assets, net of related debt	13,831,040	13,448,494	-	-	13,831,040	13,448,494
Restricted	1,813,751	1,052,753	-	-	1,813,751	1,052,753
Unrestricted	(117,854)	4,990,223	(67,104)	(66,909)	(184,958)	4,923,314
Total net assets	\$15,459,833	\$19,424,561	\$(64,104)	\$(66,909)	\$15,459,833	\$19,424,561

At the end of the current year, the City of Easton is able to report positive net assets in the Governmental Activities. The negative balance in the Business-type Activities is a result of long-term estimated compensated absences, which will be funded in future periods.

CITY OF EASTON'S Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$13,016,898	\$12,964,644	\$3,755,618	\$3,562,728	\$16,772,516	\$16,527,372
Operating Grants and Contributions	4,616,280	4,194,472	24,871	24,235	3,742,349	4,218,707
Capital Grants and Contributions	4,616,280	1,431,405	-	-	4,616,280	1,431,405
General Revenues:						
Property taxes, Current Act 51 1 Taxes, Other taxes for General and Debt Service purposes	14,541,121	12,332,985	-	-	14,541,121	12,332,985
Unrestricted Investment Earnings	147,150	265,756	-	-	147,150	265,756
Miscellaneous	185,095	102,427	-	-	185,095	102,427
Total Revenues	36,224,022	31,291,689	3,780,489	3,586,963	40,004,511	34,878,652
Expenses:						
General government	5,461,535	5,851,550	-	-	5,461,535	5,851,550
Public Safety	13,234,261	13,279,720	-	-	13,234,261	13,279,720
Health and Welfare	94,327	94,098	-	-	94,327	94,098
Public Works -Sanitation	5,719,655	5,230,831	-	-	5,719,655	5,230,831
Public Works -Highways, Roads and Streets	3,582,703	1,910,500	-	-	3,582,703	1,910,500
Public Works - Other	342,102	328,066	-	-	342,102	328,066
Culture and Recreation	964,743	1,343,512	-	-	964,743	1,343,512
Urban Development	2,751,140	1,194,777	-	-	2,751,140	1,194,777
Debt Service	3,565,629	3,380,719	-	-	3,565,629	3,380,719
Water and Sewage Operations	-	-	3,613,207	3,431,222	3,613,207	3,431,222
Total Expenses	35,716,365	32,613,773	3,613,207	3,431,222	39,329,572	36,044,995
Changes – Net assets before transfers, refunds	507,657	(1,322,084)	167,282	155,741	674,939	(1,166,343)
Transfers	167,477	169,486	(167,477)	(169,486)	-	-
Refund prior year expenditures	360,333	269,530	-	-	360,333	269,530
Lawsuit Settlement	(5,000,000)	-	-	-	-	-
Changes in net assets	(3,964,533)	(883,068)	(195)	(13,745)	(3,964,728)	(896,813)
Net Assets – Beginning of Year	17,491,470	20,374,538	(66,909)	(53,164)	19,424,561	20,321,374
Net Assets – End of Year	\$15,526,937	\$19,491,470	\$(67,104)	\$(66,909)	\$15,459,833	\$19,424,561

General Fund Budgetary Highlights

2009 Revenues

- Property taxes collected increased during the current year. Unlike prior years, this increase was not due a tax millage increase. Instead, the Department of Finance has instituted an aggressive and effective campaign to encourage the payment of property taxes in the year that they are levied.
- Other major revenue items were in line with budget amounts with the exception of Earned Income Tax. Due to the transition associated with a major change in the Earned Income Tax rate, the City of Easton realized a significant amount less than the amount budgeted.

2010 Revenues

Based on the City's preliminary estimates, the City of Easton expects most major revenue line items to be collected at the original budgeted amount.

2009 Expenses

The City of Easton's lower than anticipated revenues resulted in a budget correction to reduce anticipated expenditures. Actual General Fund Expenditures were less than original Budget Expenditures by \$1,330,129.

2010 Expenses

Based on cost savings measures that have been implemented by the new administration in 2008 and 2009, the City believes that 2010 expenditures will continue to be below budget.

Financial Analysis of the Government's Fund Financial Statements

As noted earlier, the City of Easton presents the fund financial statements -governmental funds on a modified accrual basis of accounting to ensure and demonstrate compliance with related legal requirements.

Governmental Funds. The focus of the City of Easton's Governmental Funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is used to assess the City of Easton's financing requirements.

As of the end of the current fiscal year, the City of Easton's governmental funds reported combined ending fund balances of \$4,508,099, a decrease of \$557,682 attributed to capital expenditures funded from accumulated fund balance. \$1,966,905 represents the unreserved, undesignated portion of fund balance. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as they are needed.

The Debt Service Fund has a total fund balance of \$74,451, all of which is available for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was \$23,240. The Debt Service Fund is an operating fund that is replenished yearly given a year's debt service needs.

Proprietary Funds. The City of Easton’s Fund provides the same type of information found in the government-wide financial statements, but in more detail.

Capital Asset and Debt Administration

Capital Assets. The City of Easton’s investment in capital assets for its governmental activities as of December 31, 2009, amounts to \$25,820,153 (net of accumulated depreciation). This investment in capital assets includes land, easements, rights of way, buildings, improvements, vehicles, equipment and infrastructure.

CITY OF EASTON’S Capital Assets
(net of depreciation)

	Governmental Activities	
	2009	2008
Capital Assets Not Depreciated:		
Land, Easements and Rights of Way	\$4,714,104	\$4,714,104
Capital Assets Depreciated:		
Land & Improvements	56,349	93,290
Buildings & Improvements	7,406,121	7,493,897
Vehicles & Equipment	3,359,223	3,573,822
Infrastructure	1,127,415	983,037
Leased Water Plant	9,156,941	9,568,748
Total	\$25,820,153	\$26,426,898

Long-Term Debt. At the end of the current fiscal year, the City of Easton had bond, note, rental and lease debt outstanding of \$35,112,766, backed by the full faith and credit government.

CITY OF EASTON'S Outstanding Debt

	Governmental Activities	
	2009	2008
Pension Debt Obligations:		
Series 2005	\$9,010,000	\$9,190,000
Series 2007	14,522,000	15,062,000
Capital Debt Obligations:		
Series 2004	3,872,000	4,211,000
Series 2004A	2,876,000	3,029,000
Series 1992B	1,302,815	1,764,982
Other		
Master Lease Purchase Agreement	942,951	979,050
EMA Note 2005 -Wachovia Bank	2,587,000	2,588,000
Total	\$35,112,766	36,824,032

Economic Factors

Unfortunately, the slowdown in the economy in the Lehigh Valley and nationally has had a negative impact on the City's revenue base. In particular, the following situations need to be considered as the City of Easton looks forward to 2010 and beyond:

- Suburban growth (in particular new building) has slowed, which impacts the amount of tapping fees associated with our agreement with the Suburban Water Authority. Because this revenue source is now used for capital projects and large purchases only, this will have an impact on the City's ability to fund large purchases. However, the City looks forward with anticipation to the completion of a new St. Luke's Hospital facility as this development will provide much needed revenue to this capital fund.
- Large urban construction projects have not been completed as originally planned. As a result, the real estate tax base has not grown as it would have if these projects were completed.
- With a decline in the housing market, the City of Easton has experienced a number of assessment reductions through the appeals process. This trend has further eroded our real estate tax base. The number and size of real estate transfers within the City of Easton has declined. As a result, the City of Easton modified its budget projects appropriately.

Requests for Information

This financial report is designed to provide a general overview of the City of Easton's finances for all those with interest in the government's finances. Questions concerning any of the information provided in this report or requests for financial information should be addressed to the Office of the Director of Finance, City of Easton, 1 S. Third Street, Easton, Pennsylvania, 18042.

CITY OF EASTON
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Governmental Activities	Business-Type Activities	Total	Component Units
<u>Assets</u>				
<u>Current Assets:</u>				
Cash and Cash Equivalents	\$ 4,796,530	\$ 519,970	\$ 5,316,500	\$ 5,707,020
Taxes Receivable (net)	2,872,360	-	2,872,360	-
Other Receivables	4,429,921	-	4,429,921	-
Prepaid Items	161,921	-	161,921	1,130,224
Other Assets	426,428	-	426,428	66,448
Current Portion of Net Pension Asset and Capitalized Issuance Costs	-	-	-	1,169,093
	904,750	-	904,750	-
Total Current Assets	13,591,910	519,970	14,111,880	8,072,785
Non-Current Portion of Net Pension Asset and Capitalized Issuance Costs	22,218,903	-	22,218,903	-
Capitalized Lease Purchase	-	-	-	880,000
Capital Assets (net of depreciation):				
Land	4,714,104	-	4,714,104	503,075
Site Improvements	56,349	-	56,349	-
Buildings and Improvements	7,406,121	-	7,406,121	7,654,852
Machinery and Equipment	3,359,223	-	3,359,223	1,852,300
Infrastructure	1,127,415	-	1,127,415	57,308,596
Water Treatment Plant	9,156,941	-	9,156,941	19,651,949
Total Assets	\$ 61,630,966	\$ 519,970	\$ 62,150,936	\$ 95,923,557
<u>Liabilities and Net Assets</u>				
<u>Liabilities:</u>				
Internal Balances	\$ (2,268)	\$ (2,268)	\$ -	\$ -
Accounts Payable	1,786,969	97,926	1,884,895	130,776
Other Current Liabilities	222,370	291,453	513,823	160,227
Accrued Salaries Payable	114,643	6,586	151,229	42,819
Accrued Interest Payable	249,198	-	249,198	61,514
Contracts Payable - Completed Portion	-	-	-	583,947
Deferred Income	-	-	-	7,427
Current Portion -				
Bonds Payable				
Compensated Absences	1,823,852	-	1,823,852	1,136,571
Lawsuit Settlement	4,900,000	-	4,900,000	-
Non-Current Portion -				
Bonds Payable	33,288,914	-	33,288,914	28,338,239
Compensated Absences	1,971,025	109,672	2,080,697	-
Post-Employment Benefits	1,719,326	-	1,719,326	-
Total Liabilities	46,104,029	587,074	46,691,103	30,461,520
<u>Net Assets</u>				
Invested in Capital Assets and Net Pension Assets	13,831,040	-	13,841,040	58,223,862
Restricted for Insurance Purposes	1,813,751	-	1,813,751	-
Unrestricted	(117,854)	(67,104)	(184,958)	7,238,175
Total Net Assets	15,526,937	(67,104)	15,459,833	65,426,037
Total Liabilities Assets	\$ 61,630,966	\$ 519,970	\$ 62,150,936	\$ 95,923,557

The accompanying notes are an integral part of these financial statements.

CITY OF EASTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 21, 2009

	Program Revenues				Net Revenue (Expense) and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Governmental Activities								
General Government	\$ (5,461,535)	\$ 1,717,809	\$ 816,472	\$ 60,751	\$ (2,866,503)	\$ -	\$(2,866,503)	\$ -
Public Safety	(13,234,261)	1,952,476	1,355,328	502,995	(9,423,462)	-	(9,423,462)	-
Health and Welfare	(94,327)	42,635	-	-	(51,692)	-	(51,692)	-
Public Works - Sanitation	(5,719,655)	8,899,438	69,802	-	3,249,585	-	3,249,585	-
Public Works - Highways	(3,582,703)	168,425	544,198	809,435	(2,060,645)	-	(2,060,645)	-
Public Works - Other Public Works	(342,102)	181,971	378,375	-	218,244	-	218,244	-
Culture - Recreation	(964,743)	54,144	-	609,224	(301,375)	-	(301,375)	-
Community Development	(2,751,410)	-	553,303	2,633,875	435,768	-	435,768	-
Debt Service	(3,565,629)	-	-	-	(3,565,629)	-	(3,565,629)	-
Total Governmental Activities	\$(35,716,365)	\$13,016,898	\$3,717,478	\$4,616,280	\$(14,365,709)	-	\$(14,365,709)	-
Business-Type Activities								
Sewage Treatment Plant Operations	(3,613,207)	3,755,618	24,871	-	-	167,282	167,282	-
Total Primary Government	\$(39,329,572)	\$16,772,516	\$3,742,349	\$4,616,280	\$(14,365,709)	\$167,282	\$(14,198,427)	-
Component Units								
Water and Parking	\$(10,807,440)	\$10,482,890	\$ -	\$ -	\$ -	\$ -	\$ -	\$(324,550)
General Revenues:								
Property and Other Taxes					\$ 14,541,121	\$ -	\$ 14,541,121	\$ -
Sale of Fixed Assets					1,690	\$ -	1,690	\$ -
Miscellaneous					183,405	\$ -	183,405	\$ -
Unrestricted Interest Earnings					147,105	\$ -	147,105	166,899
Internal Transfers					167,477	(167,477)	-	-
Refund of Prior Year Expenditures					360,333	-	360,333	-
Tapping Fees					-	-	-	494,917
Total General Revenues					15,401,176	(167,477)	15,233,699	661,816
Changes in Net Assets					1,035,467	(195)	1,035,272	337,266
Depreciation of Capital					-	-	-	(479,249)
Capital Value Provided by Developers					-	-	-	704,284
Special Item – Charge off of Riverwalk Project					-	-	-	(1,475,268)
Extraordinary Item – Lawsuit Settlement					(5,000,000)	-	(5,000,000)	-
Net Assets Beginning of Year					19,491,470	(66,909)	19,424,561	66,375,004
Net Assets – End of Year					\$15,526,937	\$ (67,104)	\$ 15,459,833	\$65,462,037

The accompanying notes are an integral part of these financial statements

CITY OF EASTON
BALANCE SHEET – GOVERNMENT FUNDS
DECEMBER 21, 2009

	General Fund	Debt Service Fund	Capital and Bond Funds	State Grant Funds	Other Governmental Funds	Total Government Funds
Assets:						
Cash and Cash Equivalents	\$ 925,784	\$ 76,576	\$ 1,618,670	\$ 679,989	\$ 741,952	\$ 4,042,971
Taxes Receivable (net)	2,872,360	-	-	-	-	2,872,360
Other Receivables	3,620,474	-	14,562	657,608	137,277	4,429,920
Other Assets	6,427	-	-	-	420,000	426,427
Due from Other Funds	886,928	-	41,000	-	159,245	1,087,173
Total Assets	\$ 8,311,973	\$ 76,576	\$ 1,674,232	\$ 1,337,597	\$ 1,458,597	\$ 12,858,851
Liabilities and Fund Balances						
Liabilities:						
Due to Other Funds	\$ 1,517,981	\$ -	\$ -	\$ 874,024	\$ 121,020	\$ 2,423,025
Accounts Payable	356,724	2,125	333,304	403,296	251,671	1,347,120
Accrued Salaries and Benefits	144,643	-	-	-	-	144,643
Other Current Liabilities	186,575	-	-	13,647	22,146	222,368
Deferred Revenues	4,213,596	-	-	-	-	4,213,596
Total Liabilities	6,419,519	2,125	333,304	1,200,967	394,837	8,350,752
Fund Balances:						
Unreserved – Designated:						
Capital Projects	-	-	1,340,928	-	-	1,340,928
Special Revenue	-	-	-	136,629	1,063,637	1,200,266
Unreserved – Undesignated	1,892,454	74,451	-	-	-	1,966,905
Total Fund Balances	1,892,454	74,451	1,340,928	136,629	1,063,637	4,508,099
Total Liabilities and Fund Balances	\$ 8,311,973	\$ 76,576	\$ 1,674,232	\$ 1,337,596	\$ 1,458,474	\$ 12,858,851

The accompanying notes are an integral part of these financial statements

CITY OF EASTON
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS ENTITY-WIDE
DECEMBER 31, 2009

Total Fund Balances - Governmental Funds \$ 4,508,099

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

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 \$46,326,816 and the accumulated depreciation is \$20,506,663. 22,820,153

Property taxes, utility charges, and earned income taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds. 4,213,596

Internal Service Funds are used to charge the costs of certain activities, such as insurance. The net assets have been included in governmental activities. 1,813,751

Capitalized Bond Issuance Costs to be amortized over future periods 390,326

Net pension asset to be amortized over period of pension debt in accordance with actuarial calculations. 22,733,327

Extraordinary Item - lawsuit settled, payment due dates begin in the year 2010 and is recorded in the government-wide statements, however, will not be recognized in the governmental funds until the year 2010 when payment is due. (4,900,000)

Liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities at year-end consist of:

Bonds Payable	(35,112,766)	
Accrued Interest Expense	(249,198)	
Compensated Absences	(1,971,025)	
Post Employment Benefits	(1,719,326)	(39,052,315)

Total Net Assets Governmental Activities \$ 15,526,937

The accompanying notes are an integral part of these financial statements

CITY OF EASTON
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Debt Service Fund	Capital and Bond Funds	State Grant Funds	Other Governmental Funds	Total Government Funds
<u>Revenues:</u>						
Taxes	\$ 10,428,897	\$ 2,264,784	\$ -	\$ -	\$ 819,084	\$ 13,512,765
Licenses and Permits	376,973	-	-	-	-	376,973
Fines and Forfeits	723,810	-	-	-	-	723,810
Interest and Rents	1,552,477	78	3,556	253	432,776	1,989,140
Intergovernmental	2,658,454	-	239,896	3,967,837	1,467,571	8,333,758
Charges for Services	9,784,981	-	-	-	54,144	9,839,125
Miscellaneous	183,405	-	-	-	-	183,405
Total Revenues	25,708,997	2,264,862	243,452	3,968,090	2,773,575	34,958,977
<u>Expenditures:</u>						
General Government	4,938,490	-	135,418	34,516	387,162	5,495,587
Public Safety	12,039,242	-	270,264	23,613	252,048	12,585,166
Health and Welfare	94,327	-	-	-	-	94,327
Public Works – Sanitation	5,506,957	-	182,527	-	-	5,689,484
Public Works – Roads	876,468	-	246,594	1,796,386	609,641	3,529,089
Public works – Other	303,231	-	-	-	-	303,231
Culture – Recreation	-	-	92,401	126,621	820,925	1,039,948
Urban Development	175,565	-	-	2,014,188	561,657	2,751,410
Debt Service	-	4,557,917	-	-	-	4,557,917
Total Expenditures	23,934,280	4,557,917	927,204	3,995,324	2,631,433	36,046,158
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,774,717	(2,293,055)	(683,752)	(27,234)	142,142	(1,087,182)
<u>Other Financing Sources (Uses)</u>						
Transfers In	-	2,316,295	12,780	-	-	2,329,075
Transfers Out	(2,103,787)	-	-	(12,780)	(45,031)	(2,161,598)
Modification Services	-	-	-	-	-	-
Sales of Assets	1,690	-	-	-	-	1,690
Refund of Prior Year Expenditures	360,333	-	-	-	-	360,333
Total Other Financing Sources	(1,741,764)	2,316,295	12,780	(12,780)	(45,031)	529,500
Net Change in Fund Balances	32,953	23,240	(670,972)	(40,014)	97,111	(557,682)
Fund Balances – Beginning of Year	1,859,501	51,211	2,011,900	176,643	966,526	5,065,781
Fund Balances – End of Year	\$ 1,892,454	\$ 74,451	\$ 1,340,928	\$ 136,629	\$ 1,063,637	\$ 4,508,099

The accompanying notes are an integral part of these financial statements

CITY OF EASTON
RECONCILIATION OF STATEMENT OF REVENUE EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2009

Total Net Changes in Fund Balances – Governmental Funds \$ (557,682)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which depreciation expense (\$1,292,533) is greater than capital outlays (\$685,788) in the period. (606,745)

Repayment of current bond principal net refunded debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 1,711,266

Because some property taxes, utility charges, and earned income taxes will not be collected for several months after the City's year end, they are not considered "available revenues" and are deferred in the governmental funds. Deferred tax revenues and utility charges increased by this amount this year. 1,263,356

In the statement of activities, certain operating expenses (compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). Vacation and sick leave increased by this amount this year. (86,007)

In the statement of activities, certain operating expenses (other post-employment benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). The post-employment benefits recognized as unfunded for the current year are expensed in the Statement of Changes in Net Assets. (830,740)

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, therefore, requires the use of current financial resources. In the statement of activities, however, interest expenses is recognized as the interest accrues, regardless of when it is due. Accrued interest payable on bonds decreased by this amount this year 2,996

Internal Service Funds are used to charge the costs of certain activities, such as insurance. The increase in net assets has been allocated within governmental activities. 860,998

Bond issuance costs associated with debt obligations were capitalized and are amortized in the Statement of Changes in Net Assets. (27,967)

Net pension assets resulting from the funding of the actuarial unfunded pension costs are amortized in the Statement of Changes in Net Assets. (694,008)

Change in Net Assets of Governmental Activities, before extraordinary items \$ 1,035,467

The accompanying notes are an integral part of these financial statements

CITY OF EASTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		
<u>Revenues:</u>				
Taxes	\$ 11,839,968	\$ 11,723,718	\$ 10,428,897	(1,294,821)
Licenses and Permits	327,500	327,500	376,973	49,473
Fines and Forfeits	708,150	708,150	723,810	15,660
Interest and Rents	1,512,520	1,587,520	1,552,477	(35,043)
Intergovernmental	1,612,840	2,344,748	2,658,454	313,706
Charges for Service	10,945,968	10,280,310	9,784,981	(495,329)
Miscellaneous	96,250	96,250	183,405	87,155
Total Revenues	<u>27,043,196</u>	<u>27,068,196</u>	<u>25,708,997</u>	<u>(1,359,199)</u>
<u>Expenditures:</u>				
General Government	5,672,103	5,350,548	4,938,490	412,058
Public Safety	12,661,436	12,757,663	12,039,242	718,421
Health and Welfare	111,284	111,284	94,327	16,958
Public Works – Sanitation	5,383,309	5,609,040	5,506,957	102,083
Public Works – Roads	917,401	920,901	876,468	44,433
Public Works - Other	316,242	337,338	303,231	34,107
Urban Development	177,634	177,634	175,565	2,069
Total Expenditures	<u>25,239,409</u>	<u>25,264,409</u>	<u>23,934,280</u>	<u>1,330,129</u>
Excess of Revenues Over Expenditures	<u>1,803,787</u>	<u>1,803,787</u>	<u>1,774,717</u>	<u>(29,070)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	(2,103,787)	(2,103,787)	(2,103,787)	-
Refund of Prior Year Expenditures	300,000	300,000	360,333	60,333
Sale of Assets	-	-	1,690	1,690
Total Other Financing Sources (Uses)	<u>(1,803,787)</u>	<u>(1,803,787)</u>	<u>(1,741,764)</u>	<u>62,023</u>
Net Change in Fund Balance	-	-	32,953	32,953
Fund Balance - Beginning of Year	<u>1,859,501</u>	<u>1,859,501</u>	<u>1,859,501</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,859,501</u>	<u>\$ 1,859,501</u>	<u>\$ 1,892,454</u>	<u>\$ 32,953</u>

The accompanying notes are an integral part of these financial statements

CITY OF EASTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		
<u>Revenues:</u>				
Taxes – Allocated from Leby	2,264,784	2,264,784	2,264,784	-
Interest Income	-	-	78	78
Total Revenues	2,264,784	2,264,784	2,264,862	78
<u>Expenditures:</u>				
Debt Service Principal	1,711,266	1,711,266	1,711,266	-
Debt Service Interest	2,865,285	2,865,285	2,865,285	(21,759)
Fiscal Agent Fees	4,500	4,500	3,125	(1,375)
Total Expenditures	4,581,051	4,581,051	4,557,917	(23,212)
 (Deficiency) of Revenue (Under) Expenditures	 (2,316,267)	 (2,316,267)	 (2,293,005)	 23,212
<u>Other Financing Sources (Uses)</u>				
Transfers In - Fund Allocation	2,316,267	2,316,267	2,316,295	28
Modification Services	-	-	-	-
Total Other Financing Sources	2,316,267	2,316,267	2,316,295	28
 Net Change in Fund Balance	 -	 -	 23,240	 23,240
Fund Balance - Beginning of Year	51,211	51,211	51,211	-
Fund Balance – End of Year	\$ 51,211	\$ 51,211	\$ 74,451	\$ 23,240

The accompanying notes are an integral part financial statements

CITY OF EASTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

	Enterprise Fund		Internal Service Funds	
	Sewage Treatment Plant Fund	Health Benefits Fund	Liability/Unemployment Insurance Funds	Total Internal Service Funds
<u>Assets:</u>				
Cash and Cash Equivalents	\$ 519,970	\$ 624,080	\$ 129,478	\$ 753,558
Due from Other Funds	-	1,358,736	-	1,358,376
Prepaid Assets	-	14,724	147,197	161,921
Total Assets	\$ 519,970	\$ 1,997,540	\$ 276,675	\$ 2,274,215
<u>Liabilities:</u>				
<u>Current:</u>				
Accounts Payable	\$ 97,926	\$ 439,849	\$ -	\$ 439,849
Due to Other Funds	2,268	-	20,615	20,615
Accrued Salaries Payable	6,586	-	-	-
Compensated Absences	79,169	-	-	-
Other Current Liabilities	291,453	-	-	-
Total Current Liabilities	477,402	439,849	20,615	460,464
<u>Non-Current:</u>				
Compensated Absences	109,672	-	-	-
<u>Net Assets</u>				
Restricted for Health Benefits	-	1,557,691	-	1,557,691
Restricted for Liability Insurance	-	-	256,060	256,060
Unrestricted	(67,104)	-	-	-
Total Net Assets	\$ (67,104)	\$ 1,557,691	\$ 256,060	\$ 1,813,751

The accompanying notes are an integral part of these financial statements.

CITY OF EASTON
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

	Internal Service Funds			
	Sewage Treatment Plant Fund	Health Benefits Fund	Liability/Unemployment Insurance Funds	Total Internal Service Funds
<u>Operating Revenues</u>				
Sewer Treatment Charges	\$ 3,755,618	\$ -	\$ -	\$ -
Fund Allocations	-	3,122,318	1,026,909	4,149,227
Pension Aid Allocations	24,871	-	-	-
Participant Contributions	-	549,541	-	549,541
 Total Operating Revenue	 3,780,489	 3,671,859	 1,026,909	 4,698,768
<u>Operating Expenses</u>				
Health Claim Payments	-	3,259,616	-	3,259,616
Liability/Unemployment Insurance	-	-	1,003,279	1,003,279
Sewer Treatment Plant Operations	3,613,207	-	-	-
 Total Operating Expenses	 3,613,207	 3,259,616	 1,003,279	 4,262,895
 Operating Income (Loss)	 167,282	 412,243	 23,630	 435,873
<u>Non-Operating Revenues (Expenses)</u>				
Interest Income	-	-	313	313
Miscellaneous	-	256,518	63,598	320,116
Transfers Out	(167,477)	-	-	-
Refund of Prior Year Expenses	-	-	4,695	4,695
Total Non-Operating Revenues (Expenses)	(167,477)	256,518	68,606	325,124
 Change in Net Assets	 (195)	 668,761	 92,236	 760,996
 Net Assets – Beginning of Year	 (66,909)	 888,930	 163,824	 1,052,754
 Net Assets – End of Year	 \$ (67,104)	 \$ 1,557,691	 \$ 256,060	 \$ 1,813,751

The accompanying notes are an integral part of these financial statements.

CITY OF EASTON
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Enterprise Fund Sewage Treatment Fund	Internal Service Funds
Cash Flows from Operating Activities:		
Cash Received from Governmental Entities	\$ 3,837,213	\$ -
Participant Contributions	-	549,541
Cash Received from Funds Allocations	-	4,149,227
Payments for Sewage Treatment Operations	(3,612,908)	-
Payments for Insurance and Claims	-	(4,563,637)
	224,305	135,131
Net Cash Provided by Operating Activities		
Cash Flows from Non-Capital Financing Activities		
Other Revenues	-	324,811
Transfers to Other Funds	(167,477)	-
Temporary Advance to Other Funds	-	(358,736)
	(167,477)	(33,925)
Net Cash Provided (Used) by Non-Capital Financing Activities		
Cash Flows from Investing Activities:		
Interest on Cash Equivalents	-	313
	-	313
Net Increase (Decrease) in Cash	56,828	101,519
Cash and Cash Equivalents -Beginning of the Year	463,142	652,039
Cash and Cash Equivalents End of the Year	\$ 519,970	\$ 753,558
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 167,282	\$ 435,873
Adjustments to Operating Income to Net Cash Provided by Operating Activities:		
(Increase) Decrease Prepaid Items	-	(147,471)
Increase (Decrease) Current Liabilities	56,829	(153,271)
Increase (Decrease) Compensated Absences	194	-
Total Adjustments	57,023	(300,742)
Cash Provided by Operating Activities	\$ 224,305	\$ 135,131

The accompanying notes are an integral part of the financial statements.

CITY OF EASTON
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009

	Aggregated Total Pension Fund	Private-Purpose Trust Funds	Agency Fund	Total Fiduciary Funds
<u>Assets</u>				
Cash and Cash Equivalents	\$ 2,015,732	\$ 44,200	\$ 22,247	\$ 2,088,179
Accrued Interest Receivable	62,074	-	-	62,074
Investments at Fair Value:				
U.S. Treasury	-	-	-	-
Corporate Bonds	5,157,915	495,034	-	5,652,949
Corporate Stocks	8,566,637	653,571	-	9,220,208
Mutual Funds	23,003,201	-	-	23,003,201
Total Investments	36,727,753	1,148,605	-	37,876,358
 Total Assets	 38,805,559	 1,192,806	 28,247	 40,026,612
<u>Liabilities</u>				
Escrow Payable	-	-	28,247	28,247
Accounts Payable	10,879	-	-	10,879
 Total Liabilities	 10,879	 -	 28,247	 39,126
<u>Net Assets</u>				
Held in Trust for Pension Benefits and Trust Purposes	\$ 38,794,680	\$ 1,192,806	\$ -	\$ 39,987,486

The accompanying notes are an integral part of these statements.

CITY OF EASTON
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2009

	Aggregated Pension Fund	Private-Purpose Trust	Total Fiduciary Funds
<u>Additions</u>			
<u>Contributions:</u>			
Employer	\$960,620.00	\$ -	\$960,620.00
Plan Members	363,767	-	363,767
Other Sources	99	-	99
Total Contributions	1,324,486	-	1,324,486
<u>Investment Earnings:</u>			
Interest and Dividends	1,406,635	42,623	1,449,258
Net (Decreased) in Fair Value of Investments	5,789,856	(23,056)	5,766,800
Net Realized (Losses)	(548,057)	(26,622)	(574,679)
Total Investment Earnings (Losses)	6,648,434	(7,055)	6,641,379
Less: Investment Expense	-	8,915	8,915
Net Investment Earnings (Losses)	6,648,434	(15,970)	6,632,464
Total Net (Reductions)	7,972,920	(15,970)	7,956,950
<u>Deductions</u>			
Benefits	4,232,860	-	4,232,860
Refunds of Contributions	27,495	-	27,495
Administrative Expenses	177,984	-	177,984
Payments in Accordance with Trust Agreements	-	68,263	68,263
Total Deductions	4,438,339	68,263	4,506,602
Changes in Net Assets	3,534,581	(84,233)	3,450,348
Net Assets - Beginning of Year	35,260,099	1,277,039	36,537,138
Net Assets - End of Year	\$ 38,794,680	\$ 1,192,806	\$ 39,987,486

The accompanying notes are an integral part of these financial statements.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31,2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Easton is a primary governmental entity whose operational procedures are defined by Third Class City Code enacted by the Commonwealth of Pennsylvania. The City functions as council members and mayor chosen in a general election, and is considered to be fiscally independent.

The financial statements of City of Easton (the City) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

Reporting Entity

The Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the City as a reporting entity, management has addressed all potential component units which may or may not fall within the City's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the City's reporting entity are financial accountability and the nature and significance of the relationship.

Following is a brief description of each component unit meeting the above criteria and as a result included within the financial reporting entity, a description of each component unit's relationship with the City of Easton, and a discussion of how component unit information has been incorporated into the financial statements:

BUSINESS-TYPE ACTIVITIES

Easton Suburban Water Authority - The Authority is responsible for providing water service to surrounding municipalities and contributing to the funding for the construction of the water treatment plant. All of the voting members of the Authority are appointed by the City of Authority assets leased under the January 1, 2007 Operating Agreement would be transferable to the City upon termination of the Agreement on January 2032. The condensed financial information presented utilizes the "Government-Wide" Financial Statement presentation as it pertains to a single proprietary operation entity for the year ended December 3 2009.

Easton Parking Authority - All voting members of the Board are appointed by the City of Easton. The City is in some manner obligated to provide financial support of the Authority. The condensed financial information presented utilizes the "Government-Wide" Financial Statement presentation as it pertains to a single proprietary operation entity for the year ended December 31,2008.

Housing Authority of the City of Easton -The Authority was created by a resolution of the City of Easton. It was organized as a public housing Authority as defined by the Commonwealth of Pennsylvania. The Authority's Board of Commissioners is a five-member board appointed by the City of Easton. The Authority provides for significant housing opportunities within the boundary limits of the City of Easton under the supervision of HUD. The Authority's information would be disclosed if the December 31, 2009 audit report had been available at the date of the City's financial statements.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Contd.)

BUSINESS-TYPE ACTIVITIES (Contd.)

CITY OF EASTON
CONDENSED COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
BUSINESS-TYPE COMPONENT UNITS
AS OF DECEMBER 31, 2009

	<u>Easton Suburban Water Authority</u>	<u>Easton Parking Authority</u>	<u>Total</u>
<u>Expenses</u>			
Parking related administrative and direct operating	\$ -	\$ 468,948	\$ 468,948
Water system related administrative and direct operating	7,609,813	-	7,609,813
Depreciation	1,932,939	-	1,932,939
Total Expenses	<u>9,542,752</u>	<u>468,948</u>	<u>10,011,700</u>
Parking Garage Revenues	-	571,920	571,920
Water System Revenues	9,910,970	-	9,910,970
Net Program Revenues	<u>368,218</u>	<u>102,972</u>	<u>471,190</u>
Non-Operating Revenues (Expenses)	(460,400)	(152,773)	(613,173)
Extraordinary Items:			
Charge off of Riverwalk Project	-	(1,475,268)	(1,475,268)
Change in Net Assets	(92,182)	(1,525,069)	(1,617,251)
Capital Value Provided by Developers	704,284	-	704,284
Beginning Net Assets	<u>\$ 64,744,993</u>	<u>\$ 1,630,011</u>	<u>\$ 66,375,004</u>
Ending Net Assets	<u>\$ 65,357,095</u>	<u>\$ 104,942</u>	<u>\$ 65,462,037</u>

GOVERNMENTAL-TYPE ACTIVITIES

Easton Municipal Authority – The Easton Municipal Authority filed articles of incorporation with the Commonwealth of Pennsylvania on July 19, 2005. A Lease Revenue Note with Wachovia Bank provided funds for various legal settlements and capital improvements for the City of The City in return has leased property to the Authority with a Guaranty Agreement for full payment of principal and interest of the 2005 Note.

Easton Redevelopment Authority – The Redevelopment Authority is responsible for administering various grants which the City of Easton is the Grantee. All voting members of the Authority board are appointed by the City of Easton and the City can modify or determine Authority programs and budgets. The Authority's would be disclosed if the December 31, 2009 audit report had been available at the date of the City's financial statements.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Contd.)

GOVERNMENT-TYPE ACTIVITIES (Contd.)

CITY OF EASTON
CONDENSED COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
GOVERNMENT-TYPE COMPONENT UNITS
AS OF DECEMBER 31, 2009

	Easton Municipal Authority
<u>Assets</u>	
Future Lease Rental from Primary Gov't – City of Easton	\$ 2,587,000
<u>Liabilities</u>	
Note Payable	2,587,000
<u>Net Assets</u>	\$ -

CITY OF EASTON
CONDENSED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE
GOVERNMENTAL – TYPE COMPONENT UNIT
AS OF DECEMBER 31, 2009

	Easton Municipal Authority
<u>Receipts</u>	
Lease Payments from Primary Gov't – City of Easton	\$ 93,650
<u>Disbursements</u>	
Note Payments:	
Interest	92,650
Principal	1,000
Total Disbursements	93,650
Change in Fund Balance	-
Cash Basis Fund Balance Beginning	-
Cash Basis Fund Balance Ending	\$ -

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31,2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Presentation

Government-wide Financial Statements:

The statement of net assets and statement of activities display information the reporting government as a whole. They include all funds reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, inter-governmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Program revenues include charges paid by the recipients of the goods or services by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a single column on the governmental fund financial Statements

1. GOVERNMENTAL FUNDS:

These are the funds through which most government functions are furnished. The funds of the financial reporting entity are described below:

- a. General Fund - Accounts for all furnished resources except those required to be accounted for in other funds. The General Fund is the primary operating fund of the City and always classified as a major fund.
- b. Debt Service Fund - Used to account for accumulation of resources for, and payment of, general long-term debt principal and interest and is classified as a major fund.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31,2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Contd.)

1. GOVERNMENTAL FUNDS: (Contd.)

c. Special Revenue Funds - Used to account for proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes. Individual funds comprise this generic group and are presented in the non-major group.

d. Capital Reserve and Bond Funds -Used to account for the financial resources to be used for acquisition, construction or improvement or major capital facilities and infrastructure.

2. PROPRIETARY FUND:

Accounts for operations that are financed and operated in a manner similar to private business enterprises. These activities are financed primarily by user charges and the measurement of activities focuses on net income.

Enterprise Funds - The City has leased all Water system facilities to the Easton Suburban Water Authority. As a result of the leasing arrangement, the Water Fund's net asset value has been transferred to the General Fund.

Also classified as an Enterprise Fund is the Sewage Treatment Plant Management Fund whereby the City of Easton operates the treatment plant and charges the operational costs to the Area Joint Sewer Authority.

Internal Service Funds - Internal Service Funds are used to account for operations that provide services to other departments of the government on a cost reimbursement basis. The City maintains a Health Benefits Fund, Liability Insurance Fund and Unemployment Insurance Fund which receives fund transfer from the General and Sewage Management Funds for the costs of health, liability and unemployment insurances.

3. FIDUCIARY FUNDS: (Not included in government-wide statements)

Accounts for assets held by a governmental unit in a trustee capacity or as an agent for other funds:

a. Private Purpose Trusts - Account for the revenues and the expenditures of the Kleppinger Estate Account and the Hugh Moore Park Charitable Trust.

b. Pension Fund -Used to account for assets held by the City in a trustee capacity for the future payment of retirement payments to employees.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes and "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the Fund Financial Statements, Governmental Funds and Agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31,2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Measurement Focus and Basis of Accounting (Contd.)

All Proprietary Funds utilize the accrual basis of accounting except the Internal Service Funds, which utilize the modified accrual basis. The Internal Service Funds manage the health, liability, and unemployment insurance costs related to governmental-type funds have been included in the net assets of total Governmental-Type Funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

These Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Fund's principal ongoing operations. The principal operating revenues of the City's Proprietary Fund is sewage treatment charges. Operating expenses for the City's Proprietary Fund include sewage treatment costs, supplies, and administrative costs. All revenues or expenses not meeting this definition are reported as operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1989 are followed in both the entity wide and Proprietary Fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Cash and Cash Equivalents

To improve cash management, all cash received by the City is pooled under Act 72 of the Pennsylvania General Assembly of 1971. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained throughout the City's records.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and investments with original maturities of three months or less from the date of acquisition or available if required for current operation or debt service.

Investments

Investments are reported at fair value, except for repurchase agreements and nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market prices. Mutual funds are reported at current share price. The fair value of the City's position in pooled investments is the same as the value of the pooled shares.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Measurement Focus and Basis of Accounting (Contd.)

Taxes and Other Receivables

Taxes Receivable

Real Estate Taxes	\$	869,253
Per Capita Taxes		547,508
Earned Income and Real Estate Transfer Taxes		<u>1,455,599</u>
Total	\$	<u>2,872,360</u>

Other Receivables

Governmental Activities -		
Utility Billings for Sewage, Water, and Refuse	\$	3,571,659
Other General and various Grant and other ongoing receivables within Special Revenue and Capital Funds		<u>858,261</u>
Total	\$	<u>4,429,920</u>

Property Taxes

Based upon assessed valuations by Northampton County, the City's real estate valuation for taxation purposes was \$349,350,200, the City's Department of Finance bills and collects the City's property taxes. The schedule for property taxes levied for year ended December 31, 2009 is as follows:

The municipal tax rate for all purposes in 2009 was 24.950 Mills.

General Purposes	15.927	Mills
Debt Purposes	6.643	Mills
Recreational Purposes	<u>2.380</u>	Mills
Total	<u>24.950</u>	Mills

Prior to April 1	2% discount period
April 1 to May 30	Base payment period
After May 30	Penalty period

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Reconciliation of assessed 2009 Real Estate Taxes:

Taxes Levied based upon adjusted assessment	\$	8,715,235
Add: Penalties		85,677
Less: Discounts		(103,802)
Cash Collections		(8,216,203)
Uncollected Balance as of December 31, 2009	\$	<u>480,907</u>

Income Tax Revenue

The City of Easton earned income tax rate for the year 2009 increased from 0.50% to 1.25%. The collection of the tax revenue from this rate increase was not entirely realized by the City as of December 31, 2009. Estimated 2009 tax revenue collected in the year 2010 and recorded as a receivable is \$1,185,682. The fund financial statements have recognized revenue of \$325,682 of this receivable as available revenue and has recorded the balance of \$850,000 as deferred revenue, which is not part of the fund balance of the General Fund as of December 31, 2009.

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded and prepaid items in both government-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market. The costs for inventories of governmental activities are recorded as expenditures at the time individual inventory items are purchased.

Capital Assets

Capital Assets, which include property, plant and equipment, are reported in the applicable governmental or type activities column in the government-wide and proprietary fund financial statements. Capital assets are defined by the "Property Accounting Ledger Report" provided by the City's independent appraisal firm as assets which an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs at time of purchase or construction. Major outlays for capital asset and improvement projects are capitalized as constructed, inclusive of ancillary costs. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Capital Assets (Contd.)

Property, plant and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

Major Building Structures	50 years
Pavilions	25 years
Traffic Signals	10 years
Site Improvements/Paving/Lighting	20 years
Swimming Pools	50 years
Road & Utility Equipment	10 - 15 years
Telephone System	10 years
Computers	5 years
Copiers/Printers	5 years
Vehicles -Trucks, Sedans, SUV	8 years

Compensated Absences

The City's policies regarding vacation and sick time permit certain employees to accumulate earned but unused vacation and sick leave. The liability calculated by City for compensated absences which is recorded as a non-current liability in the government-wide financial statements amounts to \$2,080,697. The current portion reported by the Sewage Treatment Fund is \$79,169. In the Fund Financial Statements, Governmental Funds would report only the compensated absence liability payable from expendable available financial resources.

Lone-Term Obligations

In the Government-wide Financial Statements and Proprietary Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums, discounts and issuance costs are deferred and amortized over the life bonds using the straight-line method.

In the Fund Financial Statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources. Premiums received on issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, reported as debt service expenditures, except for refunds paid from proceeds which are reported as other financing uses.

Designated and Restricted Fund Balances

In the Fund Financial Statements; Governmental Funds report "Designated Fund which will provide the funds for expenditures for specific purposes determined by Council ordinance. Government-Wide Financial Statements report "Restricted Net Assets" for future health, property, and unemployment insurance.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Use of Estimates in the of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as estimates useful lives in determining depreciation expense, OPEB cost and contributions made, and earned income tax rate variance revenue estimates; accordingly, actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is legally adopted prior to the beginning of each year for the General Fund and Debt Service Funds on the modified cash basis of accounting. Additionally, the City adopts project-length financial plans and budgets for all Capital Projects Funds, and provides Resolutions for individual State Grant programs as they arise. The financial statements reflect the legally adopted General and Debt Service Funds and does not present budgetary comparisons for Capital Project or State Grant Funds. The City Council may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Third Class City Code. The original budget of the General Fund has been modified to reflect amendments through the year, and the classification of Fund Transfers to the Debt Fund from the General Fund for pension debt obligations originally classified with various expenditure classifications of the General Fund. Appropriations lapse at the end of the fiscal period. Budgetary reflected in the financial statements is presented at or below the level of budgetary control and include the effect of approved budget amendments.

NOTE 3 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Governmental and Business-Type Funds:

Cash with Financial Institutions

Cash deposits are with depositories designated by the City and permitted by section 1804.1 of the Pennsylvania Third Class City Code, as amended. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and pooled treasury money market funds.

Custodial Credit Risk

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 not have a policy for custodial credit risk other than the provisions of City Code. At December 31, 2009, the bank balance of the City's deposits with financial institutions was \$5,463,105 compared to the amount of \$5,271,252. The difference is primarily caused by items in-transit and outstanding checks. \$5,213,105 of the City's deposits were exposed to custodial risk which includes uninsured bank balances that are collateralized with securities held by the pledging financial institution or its trust department or agent, but not in the City's name, but are required to be collateralized in accordance with ACT 72 of the Pennsylvania State legislature of 1971 which requires the institution of pool collateral for all government deposits and have collateral held by an approved custodian in the institution's name.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3 DEPOSITS WITH FINANCIAL AND INVESTMENTS (Contd.)

Governmental and Funds: (Contd.)

Reconciliation to Financial Statements

Carrying Amount, Including Petty Cash	\$	5,271,252
Deposits in Investment Pools Considered to be Cash equivalents		<u>45,248</u>
Total Cash and Equivalents per Financial Statements	\$	<u>5,316,500</u>

Investments

Permitted investments for Third Class Cities are defined in Section 1804.1 of the Pennsylvania City Code as:

- (1) United States Treasury bills.
- (2) Short-term obligations of the Federal government or its agencies or instrumentalities.
- (3) Deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions insured by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation, or their successor agencies.
- (4) Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- (5) Shares of an investment company registered under the Investment Company Act of 1940 (54 Stat. 789, 15 U.S.C. §80a-1 et seq.), whose shares are registered under the Securities Act of 1933 (48 Stat. 74, 15 U.S.C. §77a et seq), if the only investments of that company are in the authorized investments for city funds listed in paragraphs (1) through (4).
- (6) Certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation, or their successor agencies.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31,2009

NOTE 3 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Governmental and Business-Type Funds: (Contd.)

Governmental and Business-Type Investments were comprised of the following:

	<u>Carrying</u> <u>Value</u>
Federated Treasury and Pennsylvania Local Government Investment Trust Funds	\$ 45,248

Reconciliation to Financial Statements:

Total Investments Above	45,248
Less: Deposits Considered to be Cash Equivalents, Investment Pools	(45,248)
Total Investments per Financial Statements	\$ -

Interest Rate Risk

The City does not have a formal investment policy regarding mitigation of interest rate risk that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City has no investment policy that would limit its investment choices to certain credit ratings other than the provisions of Pennsylvania City Code. The City's investments were rated as: PA Local Government Investment Trust and GIS Treasury Funds - Standard and Poor's AAA

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City would not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The City has no investments subject to custodial credit risk.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31.2009

NOTE 3 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Fiduciary-Type Funds:

Private-Purpose Trust and Agency Funds

	<u>Fair Value</u>
Cash and Cash Equivalents	
Bank and Other Investment Group Prime Obligation Funds	\$ <u>44,200</u>
Total Cash and Cash Equivalents	\$ <u>44,200</u>
Investments (Fair Value)	
Corporate Bonds	\$ <u>495,034</u>
Corporate Stocks	<u>653,571</u>
Total Investments	\$ <u>1,148,605</u>

Aggregated Pension Funds -

Cash Deposits with Financial Institutions

Cash deposits are with depositories designated by the Pension Board and permitted by 20 Pa. C.S. Chapter 73.

Investments

Permitted investments for municipal pension plans are defined in 20 Pa. C.S. Chapter 73:

1. 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,
2. Bonds, notes or other obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development which contain an unconditional promise to pay by the International Bank for Reconstruction and Development, or an unconditional guarantee by the International Bank for Reconstruction and Development of the payment of the interest thereon regularly, and the principal thereof on or before a specified date, in Lawful currency of the United States,
3. Deposits in savings accounts or time deposits of share accounts of institutions insured by F.D.I.C.,
4. Real estate in Pennsylvania, with court approval,
5. Mutual funds,
6. Corporate bonds, and
7. Stocks.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31.2009

NOTE 3 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Contd.)

Aggregated Pension Funds (Contd.)

Cash with Financial Institutions (Contd.)

Investments (Contd.)

A detailed listing of investments is provided in a separately issued Aggregated Pension Report available at the City's business office. Cash, cash equivalents, and investments by major category consist of the following as of December 31, 2009:

	<u>Cost</u>	<u>Fair Value</u>
Cash and Cash Equivalents:		
State and Municipal Interest Checking Account	\$ 876,683	\$ 867,683
Evergreen Money Market Fund	<u>1,139,050</u>	<u>1,139,050</u>
Total cash and cash equivalents	<u>\$ 2,015,733</u>	<u>\$ 2,015,733</u>
Investments:		
Equity securities	\$ 8,284,111	\$ 8,566,637
Fixed income securities:		
U.S. Treasury Notes	-	
Corporate Bonds	4,834,086	5,157,915
Commingled Funds:		
U.S. Equity Funds	20,106,497	16,658,622
U.S. Bond Funds	6,129,518	6,344,579
Total investments	<u>\$ 41,369,945</u>	<u>\$ 36,727,753</u>

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Contd.)

Aggregated Pension Funds (Contd.)

Cash with Financial Institutions (Contd.)

Investment Risk Factors

There are many factors that affect the value of investments. Equity securities are affected by economic conditions, company earnings performance, and market liquidity. Fixed income securities are affected by such factors as credit risk and changes in interest rates. Both types of securities may also be affected by custodial credit risk, concentration of credit risk, and foreign currency risk.

Credit Risk

Credit risk is the risk that a bond issuer will fail to pay interest or principal in a timely manner or that adverse perceptions of the issuer's ability to make such payments will cause the value of the bond to decline. Some factors that may cause this are litigation, bankruptcy, financial weakness and adverse political conditions. Credit quality is evaluated and rated by independent bond rating agencies, such as Moody's or Standard and Poor's. The lower the rating, the greater the chance of failure to make bond payments. However, a lower rating is usually offset by a higher yield to compensate for the additional risk.

Some fixed income securities, including obligations of the U.S. government and those explicitly guaranteed by the U.S. government, are not considered to have credit risk. The Plan's holdings of corporate bonds are rated between A and AAA by Standards and Poor's; Mutual Funds are not rated. The Plan has no policy in regard to credit risk.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure, the Plan's deposits may not be returned to it. The Plan does not have a policy for custodial credit risk. At December 31, 2009, the bank balance of the Plan's deposits with financial institutions including cash equivalents was \$2,047,428 compared to the carrying amount of \$2,015,733. The difference is primarily caused by outstanding checks. The Plan's deposits of \$1,797,428 were exposed to custodial risk which includes uninsured bank balances that are collateralized with securities held by the pledging financial institution or its trust department or agent, but not in the Plan's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss associated with lack of diversification. Securities issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, or other pooled investments are excluded from this review. The Plan does not hold any equities or government fixed income securities that comprise more the five percent of total investments. The Plan has no policy regarding concentration of credit risk.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Contd.)

Aggregated Pension Funds (Contd.)

Cash with Financial Institutions (Contd.)

Interest Rate Risk

Interest rate risk is the risk that the value of fixed income securities will decline due to rising interest rates. Income securities with a longer term to maturity tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter maturities. The Plan does not have a formal policy in regard to interest rate risk. The Plan has contracted with Wachovia Bank to mitigate this risk while providing enough cash to fulfill pension cash requirements.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates could adversely affect deposits on an investment's fair value. The Plan has foreign currency risk through its investment in a bond issued by DuPont E I DeNemours. The Plan has no specific policy regarding exposure to foreign currency risk.

NOTE 4 DEFERRED REVENUES

Governmental Funds report deferred revenue associated with receivables for revenues earned but are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, deferred revenue as reported in the Governmental Funds is comprised of the following:

Real Estate and Per Capita Taxes	\$ 1,310,658
Utility Billings	2,052,938
Income Taxes	<u>850,000</u>
Total Deferred Revenues	<u>\$ 4,213,596</u>

CITY OF NOTES EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31.2009

NOTE 5 CAPITAL ASSETS

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Capital Assets Not Depreciated:			
Land, Easements, Rights of Way	\$ 4,714,104		\$ 4,714,104
Capital Assets Depreciated:			
Land Improvements	960,348	-	960,348
Buildings & Improvements	11,157,860	403,452	11,561,312
Vehicles & Equipment	6,744,608	580,960	7,325,568
Infrastructure	1,473,756	387,164	1,860,920
Leased Water Plant Assets	20,590,352	-	20,590,352
Total Capital Assets	<u>40,926,924</u>	<u>1,371,576</u>	<u>42,298,500</u>
Less: Accumulated Depreciation:			
Land Improvements	(867,058)	(36,941)	(903,999)
Buildings & Improvements	(3,663,963)	(289,502)	(3,953,465)
Vehicles & Equipment	(3,170,786)	(505,079)	(3,675,865)
Infrastructure	(490,719)	(49,204)	(539,923)
Leased Water Plant Assets	<u>(11,021,604)</u>	<u>(411,807)</u>	<u>(11,433,411)</u>
Total Accumulated Depreciation	<u>(19,214,130)</u>	<u>(1,292,533)</u>	<u>(20,506,663)</u>
Total Net Capital Assets	<u>\$ 26,426,898</u>	<u>\$ 79,043</u>	<u>\$ 26,505,941</u>

Depreciation expense was allocated to expenditure classifications of the City of Easton as follows:

Governmental Activities:	
General	\$ 614,374
Public Safety	308,254
Sanitation Activities	52,843
Highways & Roads	114,494
Other Public Services	149,723
Recreation	<u>52,845</u>
Total Depreciation Expense -	
Governmental Activities	<u>\$ 1,292,533</u>

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTES 6 INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

<u>Receivable for:</u>	<u>Payable from:</u>	
Health Benefit Fund	General Fund	\$ 1,358,736
General Fund	State Programs Fund	743,025
General Fund	Federal Programs Fund	121,020
General Fund	Liability Insurance Fund	20,615
General Fund	Sewage Treatment Fund	2,268
Alpha Building	General Fund	159,245
General Capital Fund	State Programs Fund	41,000
		<u>\$ 2,445,909</u>

Activity between Funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either 'due to/from Other Funds (i.e., the current portion of interfund loans) or "advances to/from Other Funds (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the Governmental Activities and Business-type Activities are reported in the wide Financial Statements as "internal balances".

Interfund Transfers:

<u>Transfers Out</u>	<u>Transfers In</u>	
General Fund	Debt Service Fund	\$ 2,103,787
Sewage Treatment Fund	Debt Service Fund	167,477
Recreation Fund	Debt Service Fund	45,031
State Grant Funds	Capital Project Fund	12,780
		<u>\$ 2,329,075</u>

NOTE 7 GENERAL LONG-TERM DEBT

The following is a summary of changes in Debt Obligations for the year ended December 31, 2009

<u>Type of Debt</u>	<u>Balance</u> <u>January 1,</u> <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31,</u> <u>2009</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
Governmental Activities:					
Pension Debt	\$ 24,252,000	\$ -	720,000	\$ 23,532,000	\$ 910,000
Capital Debt	9,004,982	-	954,168	8,050,814	804,482
Lease Rental Debt	2,588,000	-	1,000	2,587,000	66,000
Capitalized Lease Debt	979,050	-	36,098	942,952	43,370
Post-Employment Benefits	888,586	830,740	-	1,719,326	Not Est.
Compensated Absences	1,885,018	86,007	-	1,971,025	Not Est.
Total Debt	<u>\$ 39,597,636</u>	<u>\$ 916,747</u>	<u>\$ 1,711,266</u>	<u>\$ 38,803,117</u>	<u>\$ 1,823,852</u>

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 7 GENERAL LONG-TERM DEBT (Con't)

<u>Type of Debt</u>	<u>Balance</u> <u>January 1,</u> <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31,</u> <u>2009</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
<u>Business-Type Activities:</u>					
Compensated Absences	\$ 167,884	\$ 20,957	\$ -	\$ 188,841	\$ 79,169
 <u>Pension Obligations:</u>					
Federally Taxable General Obligation Bonds, Series of 2007, maturing through December 1, 2025 bearing interest ranging from 6.73% to 7.17%, interest payable semi-annually June 1 and December 1.				\$	14,522,000
Federally Taxable General Obligation Bonds, Series of 2005, maturing through December 1, 2033 bearing interest ranging from 5.28% to 5.79%, interest payable semi-annually June 1 and December 1					9,010,000
 <u>Capital Debt Obligations</u>					
General Obligation Bonds, Series of 1992B, maturing through December 1, 2012, bearing interest ranging from 6.15% to 6.40%, interest payable semi-annually June 1 and December 1.					1,302,815
General Obligation Notes, Series A of 2004, maturing through November 1, 2018, bearing interest ranging from 2.097% to 3.500%, interest payable semi-annually May 1 and November 1.					3,872,000
General Obligation Note, Series A of 2004, maturing through December 1, 2024, maximum principal amount of \$3,455,000, fixed interest rate of 3.80% to December 1, 2014, thereafter adjusted to equal 66% of Keystone Nazareth Bank Trust's Prime Rate, never to exceed 6.00% per annum, interest payable semi-annually June 1 and December 1					2,876,000
 <u>Other Financing Obligations</u>					
Lease Rental Debt, Easton Municipal Authority, Bank Note 2005, Wachovia Bank, maturing through December 1, 2014 bearing interest of 3.58%.					2,587,000
Master Lease Purchase Agreement, 2007, Public Finance Com, Inc. assigned to County Fanners National Bank, monthly payments, final maturity April 15, 2022					942,951
Total				\$	<u>35,112,766</u>

2,876,000

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 7 GENERAL LONG-TERM DEBT (Contd.)

Annual requirements for combined principal and interest costs for Pension, Capital and Lease Rental Debt are as follows:

<u>Fiscal Year</u>	<u>Combined Principal</u>	<u>Combined Interest</u>	<u>Combined Debt Service</u>
2010	1,780,482.00	2,840,270.90	4,620,752.90
2011	1,687,368.70	2,797,037.40	4,484,406.10
2012	1,702,963.80	2,752,799.10	4,455,762.90
2013	2,692,000.00	1,665,064.80	4,357,064.80
2014	2,550,000.00	1,543,959.00	4,093,959.00
2015	1,724,000.00	1,438,489.97	3,162,489.97
2016	1,803,000.00	1,346,868.60	3,149,868.60
2017	1,896,000.00	1,248,859.49	3,144,859.49
2018	1,998,000.00	1,145,386.20	3,143,386.20
2019	1,433,000.00	1,035,739.18	2,468,739.18
2020	1,526,000.00	943,098.92	2,469,098.92
2021	1,626,000.00	844,260.47	2,470,260.47
2022	1,733,000.00	738,823.48	2,471,823.48
2023	1,849,000.00	626,313.60	2,475,313.60
2024	1,965,000.00	506,085.52	2,471,085.52
2025	1,824,000.00	378,166.80	2,202,166.80
2026	445,000.00	253,602.00	698,602.00
2027	470,000.00	227,836.50	697,836.50
2028	500,000.00	200,623.50	700,623.50
2029	530,000.00	171,673.50	701,673.50
2030	560,000.00	140,986.50	700,986.50
2031	590,000.00	108,562.50	698,562.50
2032	625,000.00	74,401.50	699,401.50
2033	660,000.00	38,214.00	698,214.00
	\$ 34,169,814.50	\$ 23,067,123.43	\$ 57,236,937.93

Debt service payments of principal and interest are recorded within the Debt Service Fund

The Sources of Revenues to fund the debt service payments are as follows:

Allocation of real estate taxes \$ 2,264,784

General Fund Transfers - in addition to the above allocation of real estate taxes as provided in the tax millage ordinance; the funding for debt service costs is also in the form of transfers which are apportioned to cost categories within the General Fund as follows:

General	\$ 443,377
Public Safety	1,080,883
Health and Welfare	8,469
Sanitation	494,414
Highways	78,689
Other Public Works	27,224
Urban Development	15,762
Sewage Treatment Fund Transfer	167,477
Total Transfers	\$ 2,316,295
Interest Income	\$ 78
Total Source of Revenues	\$ 4,581,157

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 8 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. Significant losses are covered by commercial insurance for all major programs including stop-loss insurance. For insured programs, management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Losses not covered by insurance are discussed in Note 16.

The City of Easton has been granted an exemption from insuring its workers' compensation and occupational disease liability under the provisions of the Pennsylvania Workers' Compensation Act by the Department of Labor and Industry, Bureau of Workers' Compensation, Self-Insurance Fund created May 1, 1993, must be in existence to provide a source of funds to pay the benefits incurred under the act. The funding level as established by the Administrator, Consolidated Risk Services, Inc., and the City of Easton was \$219,076. The City did contribute this amount to the Trust during the 2009 year. As of December 31, 2009, assets of the Trust Fund amounted to \$410,448. As presented in a Separate Financial Report available at the City's business office, the Trust assets are further designated in the amount of \$246,555 for medical, lost wage and contingencies.

NOTE 9 DEFERRED COMPENSATION PLAN

The City of Easton offers its' employees a deferred compensation plan created in accordance with Revenue Code section 457. The Plan permits participants to defer a portion of their salary until future years. Nationwide Retirement Solution, Inc., is the manager of the plan and has reported the value of the Deferred Compensation Plan to be \$1,162,675 as of December 31, 2009.

NOTE 10 NET PENSION ASSET

The Governmental Accounting Standards Board provided interpretations for the presentation of Pension Obligation Bonds issued to reduce unfunded actuarial accrued liabilities of Defined Pension Plans to zero. The City has recognized the Bond Issue and the contribution to the Plan in the General Fund, in that the employer and pension plan are separate legal entities and the financial dealings between them should be considered external transactions. The City has shown a decrease in net assets equal to the original total debt obligation of the 1996 Pension Bonds \$16,147,715 and the 2005 Pension Bonds of \$9,111,223 and an increase in net assets of an equal amount representing the payment to the Pension Plan to fund the actuarial required contribution net of amortization since 1996.

The Pension Obligation Bond transactions have replaced the unfunded actuarial accrued liability, an financial statement obligation", with Bonded Debt, an ordinary General long-term Liability on the face of the Government-wide Financial Statements. As a result of the requirement to derive the measurement of expense from the ARC rather from the total amount actually contributed - which in this case was much larger - a Net Pension Asset will be reported in addition to the General long-term Liability associated with the Debt.

Statement 27 requirements resulted amortizing the Net Pension Asset over the plan's amortization period. Amortization expense for the year 2009 was \$9,111,223, and the Net Pension Asset values were \$13,971,937 for the 1996 Bond Issue (refunded by the 2007 Pension Bond Issue) and \$8,761,390 for the 2005 Bond Issue.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31,2009

NOTE 11 PENSION PLANS

State Administered Plans

Officers and Employees

A. Plan Description

General. The Easton City pension plan is a single-employer defined benefit pension plan controlled by the provisions of Resolution No. 107-93 adopted pursuant to Act 15. 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). A copy of the CAFR can be obtained by contacting the PMRS accounting office.

Plan Membership. Membership of the plan consisted of the following at December 31,2009:

Active plan members	117
Retirees and beneficiaries currently receiving benefits	45
Terminated plan members entitled to but not yet receiving benefits	<u>7</u>
Total	<u>169</u>

B. Summary of Significant Accounting Policies

Basis of Accounting. The plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan 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.

Method Used to Value 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 separately issued CAFR.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 11 PENSION PLANS (Contd.)

State Administered Plans
Officers and Employees (Contd.)

C. Contributions

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 Resolution, members are required to contribute 4.00% of compensation to the plan.

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.

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and funded through investment earnings.

AGGREGATED PENSION FUND

Description of Aggregated Pension Fund

The Aggregate Pension Fund is comprised of the Non-Uniformed, Police, and Firemen's Retirement Funds. The Aggregate Pension Fund is funded by contributions from the Municipality, participating employees, Commonwealth of Pennsylvania, and earnings from the Funds' investments.

In addition to Act 205, the City of Easton Aggregated Pension Trust Fund is also governed by implementing regulations adopted by the Public Employee Retirement Commission published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to, the following:

ACT 147 - Special Ad Hoc Municipal Police and Firefighter Post-retirement Adjustment Act, Act of 1988, (P.L., 1192, No.147), as amended, 53 P.S. § 896.101, et seq.

ACT 399 - Optional Third Class City Charter Law, Act of July 15, 1957, (P.L. 901, No.399), as amended, P.S. § 41101, et seq.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 11 PENSION PLANS (Contd.)

AGGREGATED PENSION FUND (Cont'd)

Description of Aggregated Pension Fund (Cont'd)

The City of Easton Aggregated Pension Fund acts as a common investment and administrative agent for the City's police, firemen's and non-uniformed defined benefit pension plans. The police pension plan is governed by Article 147 of the city's codified ordinances. The firemen's pension plan is governed by Article 149 of the City's codified ordinances. The officers' and employees' pension plan is governed by Article 143 of the City's codified ordinances. The plans are also affected by the provisions of collective bargaining agreements between the city and its police officers, firefighters, and non-uniformed employees.

The City of Easton issues a separate financial report that includes financial statements and required supplementary for the City of Easton Aggregated Pension Fund. That report can be obtained from the City of finance department.

City of Easton Officers and Employees

Plan Description - The City of Easton Officers and Employee Pension Plan is a single employer-defined benefit plan controlled by the provisions of PA Act 205 and Plan ordinances.

In accordance with Act 205, the City of Easton has been authorized by the State Retirement Commission to participate as a level three distressed community. The participation at this level requires the City, among other things, to aggregate the assets of all the pension funds administered by the City into a single pension trust fund.

The Plan includes all officers and employees who were employed prior to December 31, 1978 excluding policemen and firemen. The types of benefits provided are by ordinance and include all normal retirement, disability, vested and death benefits.

Benefit Provisions. The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the plan.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 11 PENSION PLANS (Contd.)

AGGREGATED PENSION FUND (Cont'd)

Description of Aggregated Pension Fund (Cont'd)

Funding Policy - The authority under which obligations to the plan by the plan member, employer and other contributing entities are established and may be amended by PA Act 205 and Plan ordinances. Contributions can be provided by State Aid and Local Government or Employee Contributions. Active plan members are required to contribute 3.0% of compensation not covered by social security. Members who are covered shall contribute 3.5% of compensation in which social security taxes are payable and 5% on the excess. The City required contribution rate is in accordance with funding policy, in dollars or as a percentage of the current years covered payroll per the Minimum Municipal Obligation under PA Act 205, for the plan year ending December 31, 2009 the contribution was \$52,811.

Annual Required Contribution and Net Pension Obligation - The City's annual pension cost and new pension obligation to the and Employees Plan for the current year were as follows:

Net Pension Obligation (NPO) at the beginning of the period	\$ (897,306)
Annual pension cost:	
Annual required contribution (ARC)	54,537
Interest on the NPO	(71,784)
Adjustments to the ARC Amortization of NPO	91,393
Annual Pension Cost	74,146
Contributions Made	(54,537)
Increase in NP O	19,609
NPO at the end of the period	<u>(877,697)</u>

The annual required contribution for the current year was determined as part of the January 2009, actuarial valuation using the entry age actuarial cost method, the net pension obligation is based upon the 2009 calendar year. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses) and (b) projected salary increases 5.0% compounded annually. The assumptions did not include post-retirement benefits. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on every valuation date.

Actuarial valuation date	January 1, 2009
Actuarial value of Plan assets	<u>\$ 9,891,444</u>
Actuarial accrued liability	<u>\$ 11,610,437</u>
Total unfunded actuarial liability	<u>\$ 1,718,993</u>
Annual Covered Payroll	<u>\$ 382,634</u>

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 11 PENSION PLANS (Contd.)

AGGREGATED PENSION FUND (Cont'd)

Description of Aggregated Pension Fund (Cont'd)

Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
2007	58,255	100%	(923,321)
2008	60,647	100%	(897,306)
2009	52,811	100%	(877,697)

City of Easton Firemen

Plan Description -The City of Easton Firemen Pension Plan is a single employer-defined benefit plan controlled by the provisions of PA Act 205 and Plan ordinances.

In accordance with Act 205, the City of has been authorized by the State Retirement Commission to participate as a level three distressed community. The participation at this level requires the City, among other things, to aggregate the assets of all the pension funds administered by the City into a single pension trust fund.

Eligibility

A Firefighter shall become a participant of the Plan on the later of the date on which he or she becomes a Firefighter or the date on which he or she signs and files with the city Secretary an agreement in a form prescribed by the City containing a statement that the Firefighter agrees to:

- a. join the Plan,
- b. be bound by all statutes, laws, ordinances, resolutions, rules and regulations pertaining to the Plan,
- c. authorize the city to deduct required employee contributions, and
- d. designate a beneficiary(ies) in the event of death,

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 11 PENSION PLANS (Contd.)

AGGREGATED PENSION FUND (Cont'd)

City of Easton Fireman (Cont'd)

Funding Policy -

Every Firefighter shall pay into the Fund through payroll deductions on an after tax basis:

1. A monthly contribution equal to four and one-half percent (4 1/2%) of his Pensionable Compensation, provided that if any benefits are granted to a Firefighter who has not contributed to the Fund for an aggregate period of twenty years, such Firefighter shall pay into the Fund monthly by deduction from his benefit payments an amount equal to such maximum deductible percentage of his Compensation until such time as he has contributed for a period of twenty years (20) including any years in which he contributed to PMRS and any funds.
2. An additional monthly contribution equal to one percent (1%) of his Compensation as a contribution towards the survivor benefit set forth herein.
3. An additional one dollar (\$1.00) per month for every month during which the Firefighter participates in the Plan until the Firefighter reaches age 65 as payment for the service increment provided under the Plan.

The City required contribution rate is in accordance with funding policy, in dollars or as a percentage of the current years covered payroll per the Minimum Municipal Obligation under PA Act 205, for the plan year ending December 31, 2009 the contribution was \$405,504.

Annual Required Contribution and Net Pension Obligation - The City's annual pension cost and new pension obligation to the Officers and Employees Plan for the current year were as follows:

Net Pension Obligation (NPO) at the beginning of the period	\$ (869,188)
Annual pension cost:	
Annual required contribution (ARC)	405,504
Interest on the NPO	(69,535)
Adjustments to the ARC Amortization of NPO	88,529
Annual Pension Cost	424,498
Contributions Made	(405,504)
Increase in NPO	18,994
NPO at the end of the period	\$ (850,394)
Actuarial valuation date	January 1, 2009
Actuarial value of Plan assets	\$ 16,463,283
Actuarial accrued liability	\$ 18,209,105
Total unfunded actuarial liability	\$ 1,745,822
Annual Covered Payroll	\$ 2,266,432

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 11 PENSION PLANS (Contd.)

AGGREGATED PENSION FUND (Cont'd)

City of Easton Fireman (Cont'd)

The annual required contribution for the current year was as part of the January 1, 2009, actuarial valuation using the entry age actuarial cost method, the net pension obligation is based upon the 2009 calendar year. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses) and (b) projected salary increases 5.0% compounded annually. The assumptions did not include post-retirement benefits. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on every valuation date.

<u>Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
2007	286,227	100%	(894,388)
2008	290,276	100%	(869,188)
2009	405,504	100%	(850,194)

City of Easton Police

General Description – The City of Easton Police Pension Plan is a single employer-defined benefit plan controlled by the provisions of PA Act 205 and Plan Ordinance.

In accordance with Act 205, the City of Easton has been authorized by the State Retirement Commission to participate as a level three distressed community. The participation at this level requires the City, among other things, to aggregate the assets of all the pension funds administered by the City into a single pension trust fund.

Eligibility

- A. All members participating in the Plan prior to 1/1/95 and who are an employee on 1/1/95 shall be a participant as of 1/1/95
- B. Each employee hired by the City on or after 12/31/78 but before 1/1/95 shall not participate until 1/1/95.
- C. Each other employee hired by the City on or after 1/1/95 shall become a participant on the employee's date of hire.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 11 PENSION PLANS (Contd.)

AGGREGATE PENSION FUND (Contd.)

City of Easton Police (Contd.)

Funding Policy - The authority under which obligations to the plan by the plan members, employer and other contributing entities are established and may be amended by PA Act 205 and Plan ordinance. Contributions can be provided by State Aid and Local Government or Employee Contributions. Active plan members are required to contribute 6% of pensionable compensation, plus a service increment of 50 cents per day. The City required contribution rate is in accordance with funding policy, in dollars or as a percentage of the current years covered payroll per the Minimum Municipal Obligation under PA Act 205, for the plan year ending December 31, 2009 the contribution was \$502,305.

Annual Required Contribution and Net Pension Obligation - The City's annual pension cost and new pension obligation to the and Employees Plan for the current year were as follows:

Net Pension Obligation (NPO) at The beginning of the period	\$ <u>(990,655)</u>
Annual pension cost:	
Annual required contribution (ARC)	500,537
Interest on the NPO	(79,252)
Adjustments to the ARC Amortization of NPO	<u>100,901</u>
Annual Pension Cost	522,186
Contributions made	<u>(500,579)</u>
Increase in NPO	<u>21,607</u>
NPO at the end of the period	\$ <u>(969,048)</u>

Actuarial valuation date	January 1, 2009
Actuarial value of Plan assets	\$ 19,483,400
Actuarial accrued liability	\$ 25,192,009
Total unfunded actuarial	\$ 5,708,609
Annual Covered Payroll	\$ 3,006,049

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 11 PENSION PLANS (Contd.)

AGGREGATE PENSION FUND (Contd.)

City of Easton Police (Contd.)

The annual required contribution for the current year was determined as part of the January 1, 2009, actuarial valuation using the entry age actuarial cost method, the net pension obligation is based on the 2009 calendar year. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses) and (b) projected salary increases 5.0% compounded annually. The assumptions did not include post-retirement benefits. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on every valuation date.

Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
2007	410,195	100%	(1,019,377)
2008	414,750	100%	(990,655)
2009	502,305	100%	(969,048)

NOTE 12 POSTRETIREMENT BENEFITS PLAN

City of Easton Postretirement Benefit Plan

Plan Description - The City of Easton Postretirement Benefit Plan is a single employer-defined benefit plan controlled by plan ordinances. The Plan does not issue a stand-alone financial report.

Plan Membership - Membership consists of active, vested former and retired employees of the City of Fire and Police. Membership of the plan consisted of the following as of January 2007:

	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Active Participants	39	43	82
Vested Former Members	-	3	3
Retired Participants	19	17	36
	<u>58</u>	<u>63</u>	<u>121</u>

Benefit Provisions –

Police

Eligibility for Benefits: Benefits are payable for members who retire after attaining age 50 with 20 years of service. Employees who are hired after January 1, 2006 are not eligible for benefits.

Medical Benefits – Payable upon Retirement: eligible retirees may participate in the employer's group medical plan. While under age 65, the group medical plan includes full hospitalization and health benefits. At age 65 and older, the City provides Medigap coverage.

Dependents: Spouses are covered under the Plan indefinitely. Other dependents are covered as long as they are eligible to be covered under the retiree's benefits.

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 12 POSTRETIREMENT BENEFITS PLAN (Contd.)

City of Easton Postretirement Benefit Plan (Contd.)

Fire

Eligibility for Benefits: Benefits are payable for members who retire after attaining age 50 with 20 years of service.

Medical Benefits Payable upon Retirement: Eligible retirees may participate in the employer's group medical plan. While under age 65, the group medical plan includes full hospitalization and health benefits. At age 65 and older, the City provides Medigap coverage.

Dependents - Spouses are covered under the Plan indefinitely. Other dependents are covered as long as they are eligible to be covered under the retiree's benefits.

Contributions -

Police

Retiree Contributions: In order to maintain coverage, the retiree must reimburse the employer for 40% of the premium quoted by the insurance company.

Grandfathered Provisions: Some existing retirees are covered under the previous provisions.

Fire

Retiree Contributions: In order to maintain coverage, the retiree must reimburse the employer for a specified percentage of the premium quoted by the insurance company. If the retiree has more than 30 years of service at retirement, he must pay 40% of the premium. If the retiree has between 25 and 30 years of service at retirement, he must pay 50% of the premium. If the retiree has between 20 and 25 years of service at retirement, he must pay 75% of the premium.

Grandfathered Provisions: Some existing retirees are covered under the previous provisions.

Annual Required Contribution and Net Benefit Obligation - The City's annual post-retirement benefit cost and net benefit obligation for the current year were as follows:

	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Estimated Net Benefit Obligation at the beginning of the period	\$ <u>328,556</u>	\$ <u>560,030</u>	\$ <u>888,586</u>
Annual Benefit Cost:			
Annual Required Contribution (ARC)	\$ 470,459	\$ 703,370	\$ 1,173,829
Estimated Interest on Net NBO	14,785	25,201	39,986
Estimated Adjustments to ARC	<u>(20,171)</u>	<u>(34,381)</u>	<u>(54,552)</u>
Annual Benefit Obligation	465,073	694,190	1,159,263
Contributions Made (Implicit Rate Subsidy pay-as-you-go)	<u>(160,523)</u>	<u>(168,000)</u>	<u>(328,523)</u>
Estimated Net Benefit Obligation at the end of year	\$ <u>633,106</u>	\$ <u>1,086,220</u>	\$ <u>1,719,326</u>

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 12 POSTRETIREMENT BENEFITS PLAN (Contd.)

The City of Easton Postretirement Benefits Plan (Cont'd)

The City of Easton has not established a separate irrevocable Trust Fund for Other Post-Employment Benefits and consequently has not provided funding in the form of contributions to a plan. The actuarial calculated Implicit Rate Subsidy amount is estimated by the Actuary, in that claims and expenses for retirees are not tracked separately and the City's costs for retirees generally exceeds the amounts for premiums.

NOTE 13 LEASE AND OPERATING AGREEMENT

The City of Easton and the Easton Suburban Water Authority entered into a Lease and Operating Agreement on December 5, 2006, to be effective January 1, 2007. The term of the Lease and Operating Agreement shall be twenty five (25) years from its effective date unless it is extended by mutual agreement of the parties. The City desires and intends to permanently and completely cease providing water service to customers within its municipal boundaries, as well as permanently and completely cease selling water to the Authority for distribution outside of the municipal boundaries of the City.

Commensurate with the City's abovementioned intent, the Authority desires and intends to assume responsibility for the operation of the City water supply and distribution systems inclusive of the water treatment and filtration plant hereafter collectively referred to as the "Water System" by utilizing facilities, equipment, materials, and supplies currently used by the City for the purpose.

The Authority desires and intends to assume responsibility for administrative aspects of operating the Water System and further intends to assume responsibility in determining the financial and operational feasibility of capital improvements, repairs, replacements and upgrades needed to provide water service both within and outside of the municipal boundaries of the City.

The 1958 Lease Agreement, as amended in 1991 for the distribution systems outside of the City, and the Water Treatment Plant Renovation and Expansion Agreement between the parties remains in force, except as specifically amended by the Lease and Operating Agreement. Water Purchase Agreements, as amended are hereby terminated and are of no further force and effect.

The City hereby leases to the Authority all facilities of the Water System including, but not limited to, its water filtration plant, reservoirs, pumping stations, lines, hydrants, meters, valves, customer services from main to curb box, and all other facilities of the Water System. It is the intention of the parties that each and every City-owned facility utilized in the supply and distribution of water within and outside the municipal boundaries of the City is included under the terms of the lease.

The City and the Authority agree that in return for the Authority operating the Water System for the term of this Lease, and retaining all revenues generated from it, the Authority has complied with the following payment provisions:

- a) Lump Sum Payment - One Million Dollars (\$1,000,000.00) on the effective date of this Agreement;
- b) Debt Forgiveness - All sums due to the Authority from the City (approximately Eight Hundred Thousand Dollars (\$800,000.00) for water treatment plant design, water treatment plant action plan, purchased water rates, etc, shall be forgiven on the effective date of this Agreement;

CITY OF EASTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 13 LEASE AND OPERATING AGREEMENT (Contd.)

- c) Reimbursement - Reimbursement of Authority-approved invoiced direct costs related to the Morgan Hill tanks replacement project design and permitting and the City's Large Meter Replacement Program;
- d) Annual Payment - One Million Three Hundred Thousand Dollars (\$1,300,000.00) payable in twelve (12) monthly payments beginning on the 15th day of the first month following the effective date of this Agreement. The amount of the annual payment will be increased by two percent (2%) each year, and calculated by multiplying the immediately preceding annual payment by 1.02%;
- e) Variable Payment - The amount to be paid will equal one-third (1/3) of the capacity portion of the tapping fees collected by the Authority.

Upon termination of the Lease and Operating Agreement, all property, of every type and nature, leased to the Authority by this Agreement as well as all assignable permits and approvals needed to operate the Water System, shall be transferred from the Authority to the City.

NOTE 14 CONTINGENT LIABILITIES

The City of Easton is also a defendant in various other lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these various lawsuits will not have a material adverse effect on the financial condition of the government.

NOTE 15 SUBSEQUENT EVENTS

The City of Easton and the PNC Bank National Association entered into a Tax and Revenue Anticipation Note on January 27, 2010. The principal amount of the Note is \$3,000,000, maturing on December 31, 2010. Interest is payable at maturity. The interest rate is floating with the Wall Street Prime Rate minus 1.00%. The maximum rate of interest is the maximum allowed by law, or 15%. The proceeds are anticipated to be used to fund current expenditures and to temporarily fund a settlement payment.

NOTE 16 EXTRAORDINARY LOSS -LAWSUIT SETTLEMENT

A General Release and Settlement Agreement in the amount of \$5,000,000 was approved by the Council of the City of Easton on November 9, 2009 regarding the lawsuit of the Estate of Jesse Sollman, deceased v. City of Easton. The terms provide for the settlement amount of \$5,000,000 to be paid by the City in full within 30 days of the final decision in the Scottsdale Insurance Company v. City of Easton case, or if no decision is entered into, by December 31, 2010.

REQUIRED
SUPPLEMENTARY INFORMATION

State Administered Plans
Officers and Employees
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (ALL) Entry Age (b)	Unfunded ALL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/97	5,344,094	5,752,233	408,139	92.90	3,673,747	11.11%
1/1/99	6,514,532	6,510,301	(4,231)	100.06	3,891,161	-0.11
1/1/01	7,291,569	7,355,904	64,335	99.13	4,123,946	1.56
1/1/03	8,212,390	8,090,645	(121,745)	101.50	4,124,702	-2.95
1/1/05	9,954,307	9,878,151	(76,156)	100.77	4,731,205	-1.61
1/1/07	11,527,336	11,492,295	(35,041)	100.30	4,512,626	-0.78

Schedule of Contributions from the and Other Contributing Entities

Year Ended December 31	Annual Required Contribution	Actuarial Valuation Basis for Contributions	Percentage Contributed
1997	\$289,304	1995	100%
1998	305,472	1995	100%
1999	339,720	1997	100%
2000	331,411	1997	100%
2001	305,866	1999	100%
2002	306,221	1999	100%
2003	234,448	2001	100%
2004	257,694	2001	100%
2005	255,371	2003	100%
2006	265,623	2003	100%
2007	306,048	2005	100%
2008	3 11,022	2005	100%
2009	304,530	2007	100%

Notes to Supplementary Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1,2007
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	14.33 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	6.00%
Projected salary increases	5.20%

Postretirement Benefit Plan
Schedule of Funding Progress

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (ALL) Entry Age (b)	Unfunded ALL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
Fire	1/1/2007	\$0	\$4,593,523	\$4,593,523	0.00%	\$2,500,399	183.71%
Police	1/1/2007	\$0	\$6,068,000	\$6,068,000	0.00%	\$3,014,487	201.29%
Total	1/1/2007	\$0	\$10,661,523	\$10,661,523	0.00%	\$5,514,886	193.32%

Significant Actuarial Methods and Assumptions

Actuarial Valuation Date	January 1, 2007
Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Dollar, 30 Year Open Period
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Interest Rate of Return	4.50%
Health Care Cost Trend Rate	9% in 2007, decreasing 5% per year
Projected salary Increases	5.00%

COMBINING SCHEDULES

CITY OF EASTON
SCHEDULE OF CAPITAL FUNDS
DECEMBER 31, 2009

	TOTAL	General Reserve	2004A Bond	1992A Bond	Consolidated Capital	Revolving Capital
<u>Assets</u>						
Cash & Equivalents	\$1,618,669.58	\$ -	\$ -	\$ -	\$1,487,834.03	\$ 130,835.55
Other Receivables	14,561.66	-	-	-	14,561.66	-
Due from Other Funds	47,914.34	-	-	-	47,914.34	-
Total Assets	<u>\$1,681,145.58</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,550,310.03</u>	<u>\$ 130,835.55</u>
<u>Liabilities & Fund Balance</u>						
Accounts Payable	\$ 333,303.91	\$ -	\$ -	\$ -	\$ 318,890.31	\$ 14,413.60
Due to General Fund	6,914.34	-	-	-	-	6,914.34
Fund Balance	1,340,927.33	\$ -	\$ -	\$ -	1,231,149.72	109,507.61
Total Liab. & Fund Balance	<u>\$1,681,145.58</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,550,310.03</u>	<u>\$ 130,835.55</u>
<u>Revenues</u>						
Interest Income	\$ 3,555.93	\$ 246.39	-	\$ 140.82	\$ 3,168.72	\$ -
Local Income	239,895.81	10,000.00	-	-	41,392.04	188,503.77
Note Proceeds	-	-	-	-	-	-
Refund Prior Year	-	-	-	-	-	-
Fund Transfers	504,843.29	-	40.54	-	504,802.75	-
Total Revenues	<u>\$ 748,295.03</u>	<u>\$ 10,246.39</u>	<u>\$ 40.54</u>	<u>\$ 140.82</u>	<u>\$ 549,363.51</u>	<u>\$ 188,503.77</u>
<u>Expenditures</u>						
General -						
Equipment	\$ 57,236.34	\$ -	\$ -	\$ -	\$ 35,908.40	\$21,327.94
Buildings	78,182.14	-	-	-	78,182.14	-
Police	67,135.93	-	-	-	9,467.71	57,668.22
Fire	22,462.49	-	-	-	22,462.49	-
Planning	180,665.09	-	-	-	180,665.09	-
Highway						
Equipment	246,593.92	-	-	-	246,593.92	-
Construction	-	-	-	-	-	-
Storm drains	-	-	-	-	-	-
Sanitation	182,527.22	-	-	-	182,527.22	-
Recreation Parks	92,402.16	-	-	-	92,402.16	-
Fund Transfers	492,062.19	207,775.20	254,595.13	29,691.86	-	-
Total Expenditures	<u>1,419,267.48</u>	<u>207,775.20</u>	<u>254,595.13</u>	<u>29,691.83</u>	<u>848,209.13</u>	<u>78,996.16</u>
Excess Revenues Over/(Under) Expenditures	(670,972.45)	(197,528.81)	(254,554.04)	(29,551.04)	(298,845.62)	109,507.61
Fund Balance Beginning of Year	<u>\$2,011,899.78</u>	<u>\$197,528.81</u>	<u>\$254,554.59</u>	<u>\$29,551.04</u>	<u>\$1,530,265.34</u>	<u>\$ -</u>
Fund Balance End of Year	<u>\$1,340,927.33</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,231,419.72</u>	<u>\$ 109,507.61</u>

CITY OF EASTON
SCHEDULE OF SPECIAL REVENUE FUNDS
DECEMBER 31, 2009

	TOTAL	Liquid Fuels	Federal Grants	Police Property	Restlawn	Alpha Building	Recreation	Open Space	Centre Square	Misc. Grant	Authority CDBG
Assets											
Cash & Equivalents	\$741,952.03	\$ 227,202.85	\$33,109.00	\$57,825.63	\$ 31,333.19	\$102,048.83	\$ 83,965.70	\$ 97,472.02	\$ 11,034.75	\$ 47,960.06	\$ -
Other Assets	420,000.00	-	-	-	420,000.00	-	-	-	-	-	-
Due from other funds	159,245.00	-	-	-	-	159,245.00	-	-	-	-	-
Other Receivables	137,276.78	-	127,389.00	-	-	9,887.78	-	-	-	-	-
Total Assets	1,458,473.81	227,202.85	160,498.00	57,825.63	451,333.19	271,181.61	83,965.70	97,472.02	11,034.75	47,960.06	-
Liabilities & Fund Balances											
Due to Other Funds	121,020.00	-	121,020.00	-	-	-	-	-	-	-	-
Accounts Payable	251,670.73	190,929.21	34,908.00	-	-	17,964.79	5,868.73	-	-	2,000.00	-
Deferred Revenue	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	22,146.22	-	4,570.00	-	-	6,600.63	10,975.59	-	-	-	-
Fund Balances	1,063,636.86	86,273.64	-	57,825.63	451,333.19	246,616.19	67,121.38	97,472.02	11,034.75	45,960.06	-
Total Liab. & Fund Bal.	1,458,473.81	277,202.85	160,498.00	57,825.63	451,333.19	271,181.61	83,965.70	97,472.02	11,034.75	47,960.06	-
Revenues											
Interest Income	\$ 3,316.29	\$ 3,018.29	\$ -	\$ 145.16	\$.43	\$ -	\$ -	\$ 139.69	\$ 12.72	\$ -	\$ -
Local Donations	58,630.50	-	-	-	-	-	-	21,817.13	36,813.37	-	-
Local Government	846,122.00	-	-	-	-	-	819,084.00	-	-	27,038.00	-
Rental Income	429,460.18	-	-	-	-	429,460.18	-	-	-	-	-
Recreation Charges	54,144.32	-	-	-	-	-	54,144.32	-	-	-	-
Federal-Community Develo	651,229.85	-	172,197.85	-	-	-	-	-	-	-	479,032.00
Other Grants	2,900.00	-	-	-	-	-	-	-	2,900.00	-	-
Shared Revenues	35,613.74	-	-	35,613.74	-	-	-	-	-	-	-
State-Liquid Funds	594,932.23	594,932.26	-	-	-	-	-	-	-	-	-
Highways	72,226.52	-	-	-	-	-	-	-	-	72,226.52	-
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Community Development	25,000.00	-	-	-	-	-	-	-	-	25,000.00	-
Recreation	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	2,773,575.66	597,950.55	172,197.85	82,020.00	.43	429,460.18	873,228.32	21,956.82	39,726.09	124,264.52	479,032.00
Expenditures											
General Buildings	\$387,162.19	\$ -	\$ -	\$ -	\$ -	\$387,162.19	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety - Fire	-	-	-	-	-	-	-	-	-	-	-
Police	252,047.85	-	172,197.85	79,850.00	-	-	-	-	-	-	-
Sanitation/Recycling	-	-	-	-	-	-	-	-	-	-	-
Highways	-	-	-	-	-	-	-	-	-	-	-
Snow	128,264.65	128,264.62	-	-	-	-	-	-	-	-	-
Street Lighting	347,877.58	347,877.58	-	-	-	-	-	-	-	-	-
Construction	133,498.80	133,498.80	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-
Parks	-	-	-	-	-	-	-	-	-	-	-
Trees	41,832.40	-	-	-	-	-	-	-	-	41,832.40	-
Other	779,093.55	-	-	2,170.00	-	-	776,923.55	-	-	-	-
Community Development	-	-	-	-	-	-	-	-	-	-	-
Urban	506,754.06	-	-	-	-	-	-	-	-	27,722.06	479,032.00
Economic	54,903.61	-	-	-	-	-	-	-	46,152.61	8,750.00	-
Fund Transfer	45,031.00	-	-	-	-	-	45,031.00	-	-	-	-
Total Expenditures	2,676,464.69	609,641.03	172,197.85	82,020.00	-	387,162.19	821,954.55	-	46,152.61	78,304.46	479,032.00
Excess Revenues Over/Under) Expenditures											
Fund Balance Beginning of year	966,525.89	97,964.12	-	104,086.73	451,332.76	204,318.20	15,847.61	75,515.20	17,461.27	-	-
Fund Balance End of Year	1,063,636.86	86,273.64	-	57,825.63	451,333.19	246,616.19	67,121.38	97,472.02	11,034.75	45,960.06	-

CITY OF EASTON
SCHEDULED PRIVATE PURPOSE TRUSTS
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Kleppinger	Hugh Moore	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ -	\$ 44,200	\$ 44,200
Accrued Interest Receivable	-	-	
Investments at Fair Value:			
Corporate Bonds	-	495,034	495,034
Corporate Stocks	-	653,571	653,571
Total Investments	-	1,148,605	1,148,605
Total Assets	-	1,192,806	1,192,806
 <u>Liabilities</u>			
	-	-	-
 <u>Net Assets</u>			
Held in Trust for Trust Purposes	\$ -	\$ 1,192,806	\$ 1,192,806
 Additions			
Investment Earnings:			
Net (Decrease) in Fair Value of Investments	\$ -	\$ (23,056)	\$ -
Interest and Dividends	-	42,623	-
Net Realized (Losses)	-	(26,622)	(26,622)
Total Investment Earnings	-	(15,961)	(7,055)
Less: Investment Expense	9	8,906	8,915
Net Investment Earnings (Losses)	(9)	(15,961)	(15,970)
 Deductions			
Payments in Accordance with Trust Agreements	-	68,263	68,263
Total Deductions	-	68,263	68,263
Changes in Net Assets	(9)	(84,224)	(84,233)
Net Assets – Beginning of Year	9	1,277,030	1,277,039
Net Assets – End of Year	<u>\$ -</u>	<u>\$ 1,192,806</u>	<u>\$ 1,192,806</u>