

**CITY OF YORK GENERAL AUTHORITY
(A Component Unit of the City of York, Pennsylvania)**

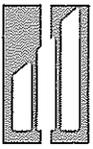
ANNUAL FINANCIAL REPORT

Year Ended December 31, 2003

CITY OF YORK GENERAL AUTHORITY
(A Component Unit of the City of York, Pennsylvania)

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MAILLIE, FALCONIERO & COMPANY, LLP
Certified Public Accountants and Business Counselors

PO Box 680
Oaks, PA 19456-0680
610-935-1420

FAX NO.: 610-935-1632
www.maillie.com

Independent Auditors' Report

To the Members of the Board
City of York General Authority
York, Pennsylvania

We have audited the accompanying basic financial statements of the City of York General Authority (a component unit of the City of York) as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the City of York General Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of York General Authority as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the City of York General Authority has adopted GASB Statements No. 34 through 38 and related amendments and interpretations effective for the year ended December 31, 2003. Statement No. 34 and subsequent statements and interpretations required certain changes in terminology, format and content of the financial statements.

The City of York General Authority has not presented the Management's Discussion and Analysis that the U.S. generally accepted accounting principles have determined necessary to supplement, although not required to be a part of, the basic financial statements.

Maillie, Falconiero & Company, LLP

July 29, 2004

CITY OF YORK GENERAL AUTHORITY
(A Component Unit of the City of York, Pennsylvania)

STATEMENT OF NET ASSETS

DECEMBER 31, 2003

Assets	
Cash and cash equivalents	\$ 237,302
Cash and cash equivalents - restricted under trust indentures	1,187,053
Accrued interest receivable	583
Capital assets, net of accumulated depreciation of \$4,006,326	4,765,137
Deferred financing costs, net of accumulated amortization of \$226,218	<u>263,918</u>
Total assets	<u>6,453,993</u>
Liabilities	
Due to the City of York	373,294
Accrued interest payable	28,413
Funds collected in advance	526,880
Note payable	
Due within one year	550,436
Due in more than one year	<u>4,639,569</u>
Total liabilities	<u>6,118,592</u>
Net assets	
Invested in capital assets, net of related debt	(160,950)
Restricted for	
Debt service	819,780
Construction	112,338
Unrestricted	<u>(435,767)</u>
Total net assets	<u>\$ 335,401</u>

See accompanying notes to basic financial statements.

CITY OF YORK GENERAL AUTHORITY
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STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2003

Operating revenues	
Parking fees	<u>\$ 1,739,181</u>
Operating expenses	
System expenses	607,871
Capital assets, net of accumulated depreciation of	141,000
Administration	101,152
Depreciation	<u>595,643</u>
Total operating expenses	<u>1,445,666</u>
Operating income	<u>293,515</u>
Nonoperating revenues (expenses)	
Interest income	12,034
Note payable	(247,609)
Amortization of bond issuance costs and discount	<u>(37,703)</u>
Total nonoperating revenues (expenses)	<u>(273,278)</u>
Change in net assets	20,237
Net assets, January 1, 2003	<u>315,164</u>
Net assets, December 31, 2003	<u><u>\$ 335,401</u></u>

See accompanying notes to basic financial statements.

CITY OF YORK GENERAL AUTHORITY
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STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2003

Cash flows from operating activities	
Cash received from customers	\$ 1,715,501
Cash paid to suppliers	(709,023)
Cash paid to the City of York	<u>(304,456)</u>
Net cash provided by operating activities	<u>702,022</u>
Cash flows from investing activities	
Interest received	<u>12,586</u>
Cash flows from capital and related financing activities	
Principal paid on note payable	(529,922)
Interest paid	(250,510)
Capital asset additions	<u>(150,719)</u>
Net cash used in capital and related financing activities	<u>(931,151)</u>
Net decrease in cash and cash equivalents	(216,543)
Cash and cash equivalents, January 1, 2003	<u>1,640,898</u>
Cash and cash equivalents, December 31, 2003	<u><u>\$ 1,424,355</u></u>
Cash flows from operating activities	
Operating income	<u>\$ 293,515</u>
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation	595,643
Decrease in funds collected in advance	(23,680)
Decrease in due to the City of York	<u>(163,456)</u>
Total adjustments	<u>408,507</u>
Net cash provided by operating activities	<u><u>\$ 702,022</u></u>

See accompanying notes to basic financial statements.

**CITY OF YORK GENERAL AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose

The City of York General Authority (Authority) was incorporated on January 1, 1995, under the provisions of the Municipality Authorities Act of 1945, as amended, for all the purposes authorized by the Act and shall have and exercise all powers granted to such authorities under the Act. Through December 31, 2003, its operations have been primarily to operate and maintain a municipal parking system and issue conduit debt.

Reporting Entity

The Authority is a component unit of the City of York (City) reporting entity. Criteria considered in making this determination include appointment of the Authority's Board, financial interdependence, and the Authority's potential to provide specific financial benefits to, or impose specific financial burdens on, the City.

Basis of Accounting

The accounting records of the Authority are maintained on the accrual basis and its operations are accounted for as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Authority follows the accounting and financial reporting standards issued by the Governmental Accounting Standards Board (GASB). The Authority follows only those Financial Accounting Standards Board standards issued on or before November 30, 1989, as allowed under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a enterprise fund's principal ongoing operations. The principal operating revenue of the Authority is parking fee income. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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**CITY OF YORK GENERAL AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS

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

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into "invested in capital assets, net of related liabilities"; "restricted for debt service and construction"; and "unrestricted" components.

Nonrecourse Debt Issues

The Authority participates in several bond issues for which it has no liability. Acting solely in an agent capacity, the Authority serves as a tax-exempt financing conduit, bringing the ultimate borrower and the ultimate lender together. Although the Authority is a party to the trust indentures with the trustees, the agreements are structured such that there is no recourse against the Authority in the case of default. As such, the corresponding debt is not reported in the Authority's statement of net assets, but is disclosed in note 5.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Authority considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable trust indentures or other agreements.

Capital Assets

Capital assets are carried at cost or at estimated fair value if donated. Depreciation has been provided using the straight-line method over the expected economic useful life of the assets (9 to 16 years). When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments. Donated fixed assets are valued at their estimated fair market value on the date received. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$50 and an estimated useful life in excess of two years.

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CITY OF YORK GENERAL AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS

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

Deferred Financing Costs

Financing costs are deferred and are being amortized over the life of the Series of 1998, Parking Revenue Note, using a straight-line method. In the statement of net assets, the unamortized financing costs are reported as a deferred charge (asset).

Funds Collected in Advance

Funds collected in advance represent funds collected from several municipalities for parking fees in the upcoming year. Revenue is earned in the period services are provided.

Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted for debt service and construction; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted for debt service and construction consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted consists of all other net assets not included in the above categories.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

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

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**CITY OF YORK GENERAL AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS

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

Risk Management

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

Implementation of New Accounting Standards

The Authority adopted GASB Statement Nos. 34 through 38, and related amendments and interpretations issued through December 31, 2003. Statement 34 and subsequent Statements and Interpretations required certain changes in terminology, format and content.

2. DEPOSITS AND INVESTMENTS

The deposit and investment policy of the Authority adheres to state statutes, prudent business practices, and the applicable trust indentures. The Authority deposits cash in local financial institutions.

Deposits at December 31, 2003, are categorized below to indicate the level of risk assumed by the Authority. Category 1 includes bank balances that are fully insured or collateralized with securities held by the Authority or its agent in the Authority's name. Category 2 includes deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered bank balances with collateral held by a trust department or agent but not in the Authority's name. State statute requires banks to maintain a pool of collateral to cover these governmental deposits; however, the collateral is held by the bank in the bank's name. Money market pools are not categorized as they are invested in pooled funds and securities are not used as evidence of the deposit.

The bank balance, carrying amount, and category of deposits at December 31, 2003, were as follows:

	Category 1	Category 3	Unclassified	Bank Balance	Carrying Amount
Demand deposits	\$ 132,333	\$ 104,969	\$ -	\$ 237,302	\$ 237,302
Money market pools	-	-	1,187,053	1,187,053	1,187,053
Cash and cash equivalents	<u>\$ 132,333</u>	<u>\$ 104,969</u>	<u>\$ 1,187,053</u>	<u>\$ 1,424,355</u>	<u>\$ 1,424,355</u>

(continued)

CITY OF YORK GENERAL AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Capital assets as of December 31, 2003, consist of the following:

	Beginning of Year	Additions	Retirements	End of Year
Capital assets, being depreciated				
Buildings and improvements	\$ 8,620,744	\$ 150,719	\$ -	\$ 8,771,463
Less accumulated depreciation	(3,410,683)	(595,643)	-	(4,006,326)
Net capital assets, net	<u>\$ 5,210,061</u>	<u>\$ (444,924)</u>	<u>\$ -</u>	<u>\$ 4,765,137</u>

4. NOTE PAYABLE

The Authority's note payable consists of the Series of 1998, Parking Revenue Note in the amount of \$5,190,005 at December 31, 2003. Principal and interest payments are due on May 15 and November 15 until November 15, 2011. The interest rate is 4.38%. The notes are secured by the receipts and revenues of the parking system and are due in full to the City of York, Pennsylvania.

Note payable activity for the year ended December 31, 2003 was as follows:

	Beginning of Year	Additions	Retirements	End of Year	Current Portion
Note payable	<u>\$ 5,719,927</u>	<u>\$ -</u>	<u>\$ (529,922)</u>	<u>\$ 5,190,005</u>	<u>\$ 550,436</u>

Debt service requirements to maturity for subsequent years are as follows:

Years Ending December 31,	Principal	Interest
2004	\$ 550,436	\$ 227,302
2005	575,428	203,195
2006	599,821	177,994
2007	628,541	151,724
2008	651,789	124,196
2009	683,585	95,650
2010	715,023	65,712
2011	785,382	34,398
Total	<u>\$ 5,190,005</u>	<u>\$ 1,080,171</u>

(continued)

CITY OF YORK GENERAL AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS

5. NONRECOURSE DEBT ISSUES

As discussed in note 1, several nonrecourse debt issues were outstanding at December 31, 2003, as follows:

The Series 1996, Adjustable Rate Pooled Financing Revenue Bonds was issued in the amount of \$200,000,000 to establish a loan program to provide funds to municipal borrowers. As of December 31, 2003, three loans have been originated under this program for \$121,900,000.

In March of 2003, the Authority entered into an agreement with a borrower, under the Authority's 1996 Pool, in which the borrower's interest payments under this loan were swapped from a current fixed rate, as defined in the original loan agreement, to a variable rate set weekly.

On May 1, 2001, the Authority issued Guaranteed Revenue Bonds Series 2001 in the amount of \$7,305,000 and entered into a loan agreement whereby the Authority will lend the proceeds of the sale of the bonds to the York Recreation Corporation for the purpose of building and operating a new twin surface ice sports facility and to convert the existing ice rink into a multi-purpose recreation facility. In connection therewith, the City guaranteed the timely payment of the principal and interest on the bonds. The guaranty was a general obligation of the City, secured by the City's full faith and credit and taxing power.

During 2003, the York Recreation Corporation defaulted on their debt service requirements. Effective November 2003, the City has assumed operations of the facility and, accordingly, the City is required to fund future payments of this obligation.

6. MANAGEMENT AGREEMENT WITH THE CITY OF YORK

The Authority entered into a management agreement with the City to operate the Authority's Parking System. The agreement continues indefinitely, however, the Authority can terminate the agreement with a thirty-day cancellation notice. The agreement requires that the Mayor prepare an operating expenses budget for adoption by the City Council, with final approval by the Authority and the inclusion of such budgeted operating expenses in the Authority's annual budget. During 2003, the Authority remitted a total of \$748,871 to the City under this agreement. Of this amount, \$141,000 was an administrative fee to the City and the remaining \$607,871 was to pay other expenses of the Authority. At December 31, 2003, the Authority recorded a due to City of York of \$373,294 for the remainder of expenses due under the management agreement, and reimbursements for capital expenditures that the City paid on behalf of the Authority.