

**CITY OF YORK, PENNSYLVANIA**

**ANNUAL FINANCIAL REPORT**

***Year Ended December 31, 2005***

# CITY OF YORK, PENNSYLVANIA

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**Independent Auditors' Report**

To the Members of City Council  
City of York, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of York, Pennsylvania as of and for the year ended December 31, 2005, 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 York, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of York, Pennsylvania as of December 31, 2005, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

To the Members of City Council  
City of York, Pennsylvania

As discussed in Note 14 to the basic financial statements, in 1992 grievances were filed by the police union and firefighters' union claiming the City violated the collective bargaining agreements by changing the method of calculating the cost of living pension benefits in 1972. These claims went to arbitration and, in 1994, the arbitrator ruled that the method of calculating the cost of living pension benefit be revised to the method used before it was unlawfully changed retroactive to 1992. The revisions to each of the pension plans as provided by the aforementioned arbitrator's awards (awards) required the City to contribute an additional \$3.7 million for ten years beginning in 1996 and an additional \$1.9 million for ten years beginning in 2006, as determined by the City's actuaries, to fully fund the pensions in accordance with Level III of the Act 205 Recovery Program. However, the City had received authorization from the Public Employee Retirement Commission to suspend these payments as long as the dispute continued in litigation or negotiation. In May 2004, the City received notification that they were required to fully reflect all of the pension benefits provided under the 1994 arbitration awards in the Act 205 Actuarial Valuation Reports prepared as of January 1, 2005, in order to comply with the actuarial reporting and funding standards mandated under Act 205. The City of York has been advised by their actuary that the unfunded accrued liability related to the arbitration award is \$26.5 million as of the valuation date of January 1, 2005. The City has not provided any liability related to the arbitrator's award.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2006, on our consideration of the City of York, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 21, budgetary comparison information on pages 76 and 77 and schedules of historical pension information on pages 78 through 80 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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 statements that collectively comprise the City of York, Pennsylvania's basic financial statements. The combining fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Maullee, Falconiero & Company LLP*

October 12, 2006

**CITY OF YORK, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2005**

Our discussion and analysis of the City of York's financial performance provides an overview, perspective and analysis of the City's financial activities for the year ended December 31, 2005. Please read it in conjunction with the City's financial statements, which begin with the Statement of Net Assets on page 22. The discussion also focuses on the primary government and unless otherwise noted, component units are not included.

**FINANCIAL HIGHLIGHTS:**

- The assets of the City of York exceeded its liabilities by \$56,291,442 (Net Assets).
  - Invested in capital assets, net of related debt, in the amount of \$65,494,385, includes all capital assets including infrastructure.
  - Restricted net assets with external restrictions imposed by creditors or laws or regulations of other governments amounted to \$10,807,523.
  - Unrestricted net assets, which are assets not restricted for any particular purpose, were (\$20,010,466).
- Over 2005, the City of York's net assets increased by \$32,892. The increase in net assets primarily occurred in the Business-Type funds. The Business Type funds include the Sewer Fund, Intermunicipal Sewer Fund, Sewer Transportation Fund and the Ice Arena Fund. The increase in net assets in those funds was a result of operations.
- At December 31, 2005, the fund balances of the City of York's governmental funds were \$5,492,486. This was an increase of \$1,345,364 in comparison to December 31, 2004. Approximately \$143,000 of the increase is in the non-major governmental funds and is restricted to particular uses.

**OVERVIEW OF THE FINANCIAL STATEMENTS:**

The City's financial report consists of several sections. Taken together, they provide a comprehensive financial look at the City. The components of the report include the independent auditor's report, management's discussion and analysis, and the basic financial statements (government-wide financial statements, fund financial statements, and notes to the basic financial statements). This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

The independent auditors' report briefly describes the audit engagement and renders an opinion regarding the material components of the City's financial position.

Management's discussion and analysis (MD&A), prepared by City management, provides a narrative introduction and overview that users of the financial statements need to interpret the basic financial statements. The MD&A provides analysis of some key data that is presented in the basic financial statements and addresses any other currently known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations.

(continued)

**CITY OF YORK, PENNSYLVANIA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2005

The basic financial statements include the government-wide statements, fund financial statements, and the notes to the basic financial statements.

- The government-wide financial statements focus on the entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like, in that all activities are consolidated into a total for the City.
  - The government-wide Statement of Net Assets focuses on resources available for future operations. This statement presents a snapshot of the assets the City owns, the liabilities it owes and the net difference.
  - The government-wide Statement of Activities focuses on gross and net costs of city programs and the extent to which such programs rely upon taxes and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by other sources.
- Fund financial statements focus separately on major Governmental Funds, Proprietary Funds and Fiduciary Funds.
  - Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented by the two in order to better understand the long-term impact of near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of York reports two major governmental funds: (1) the General Fund, which accounts for all financial resources of the general government except those required to be accounted for in another fund; and (2) the Debt Service Fund, which accounts for the accumulation of resources, which are principally transfers from other funds, for the payment of general long-term obligation principal, interest, and related costs. Data from all the other governmental funds is combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in supplementary information.

(continued)

**CITY OF YORK, PENNSYLVANIA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2005

- o The City's proprietary fund statements follow the governmental fund statements and include the statement of net assets, the statement of revenue, expenses, and changes in net assets and the statement of cash flows. The City maintains two different types of proprietary funds.
  - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Intermunicipal Sewer Fund, Sewer Fund, Ice Rink Fund, Sewer Transportation Fund and White Rose Community Television Fund.
  - Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the financing of insurance services, human resource services, information services, central services and business administration services provided to the other funds of the City, both governmental and enterprise, on a cost reimbursement basis.

The City's major proprietary funds include the Inter-municipal Sewer Fund, Sewer Fund, and Ice Rink Fund. The Sewer Transportation Fund and the White Rose Community Television Fund are the City's two non-major proprietary funds.

- o Fiduciary Funds are used to account for resources held for the benefit of parties outside the government and are not reflected in the government-wide statements, because the City cannot use these assets to finance operations. The City's fiduciary funds are all classified as trust and agency funds. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City has three pension trust funds and two agency funds. Individual fund data for each of these fund types is provided in the form of combining statements in supplementary information.

- The notes to the basic financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition. The notes to the financial statements begin immediately following the basic financial statements.

Other Required Supplementary Information is additional information consisting of a budgetary comparison schedule for the General Fund to demonstrate compliance with budget and certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Other supplementary information consisting of combining statements referred to earlier in connection with non-major governmental funds, trust funds and agency funds, are presented immediately following the required supplementary information.

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**CITY OF YORK, PENNSYLVANIA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2005

**REPORTING THE CITY AS A WHOLE:**

**Government-Wide Financial Analysis**

Our analysis of the City as a whole begins with the Statement of Net Assets. One of the most important questions asked about the City's finances is: is the City as a whole better off or worse off as a result of the year's activities? The statement of net assets and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. In these statements, we divide the City into three kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, including general government, sanitation, public safety, highways and streets, public works, parks and recreation, community development and planning and other departments and programs. Property taxes, occupation privilege taxes, earned income taxes, business privilege taxes, charges for services, and grants finance most of these activities.
- **Business-Type Activities** - The City charges fees to customers to cover the cost of certain services that it provides. The City Sewer System is reported here, as is the City Ice Arena and the White Rose Community Television.
- **Component Units** - The City includes *two separate legal* entities in this report: the York City Redevelopment Authority and City of York General Authority. Although legally separate, these component units are important because the City is *legally accountable* for them. Additional financial information regarding the City's component units can be found in the Statement of Net Assets and Statement of Activities of this report. The separately audited annual financial report of the City of York General Authority may be obtained from the City Finance Office or at the City website at [www.yorkcity.org](http://www.yorkcity.org) under budget and finance.

(continued)

**CITY OF YORK, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2005**

The analysis below focuses on the net assets and changes in net assets of the City's governmental and business type activities.

**TABLE 1**  
**CITY OF YORK**  
**CONDENSED STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2005 AND 2004**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Cash and						
investments	\$ 6,910,061	\$ 5,510,870	\$ 16,080,480	\$ 16,414,389	\$ 22,990,541	\$ 21,925,259
Other assets	18,619,375	15,460,449	16,506,137	17,373,332	35,125,512	32,833,781
Capital assets	48,873,047	51,008,761	53,869,796	54,622,538	102,742,843	105,631,299
<b>Total assets</b>	<b>74,402,483</b>	<b>71,980,080</b>	<b>86,456,413</b>	<b>88,410,259</b>	<b>160,858,896</b>	<b>160,390,339</b>
<b>Liabilities</b>						
Other						
liabilities	14,709,997	12,010,606	928,911	1,248,868	15,638,908	13,259,474
Long term						
liabilities	52,767,444	52,553,655	36,161,102	38,318,660	88,928,546	90,872,315
<b>Total</b>						
liabilities	67,477,441	64,564,261	37,090,013	39,567,528	104,567,454	104,131,789
<b>Net Assets</b>						
Capital assets,						
net of						
related debt	32,923,005	34,031,324	32,571,380	32,099,331	65,494,385	66,130,655
Restricted	4,202,463	4,230,132	6,605,060	8,422,547	10,807,523	12,652,679
Unrestricted	(30,200,426)	(30,845,637)	10,189,960	8,320,853	(20,010,466)	(22,524,784)
<b>Total net</b>						
assets	<b>\$ 6,925,042</b>	<b>\$ 7,415,819</b>	<b>\$ 49,366,400</b>	<b>\$ 48,842,731</b>	<b>\$ 56,291,442</b>	<b>\$ 56,258,550</b>

Cash and investments represent 9.3% and 7.7% of the City of York's total governmental activities assets at December 31, 2005 and 2004, respectively. Of this amount, 55.6% or \$3,844,154, at December 31, 2005, and 69.8% or \$3,848,671, at December 31, 2004, is restricted, primarily for health initiatives. Additionally, the City operates and maintains the York City Waste Water Treatment Plant, 102 miles of sewer lines, and one pumping station which are reported in business-type activities. The City's waste-water treatment plant serves seven municipalities in addition to the City of York. The \$16,080,480 and \$16,414,389 at

(continued)

**CITY OF YORK, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2005**

December 31, 2005 and 2004, respectively, in cash and investments allows for future maintenance, repair and replacement as well as improvement to our sewer facilities.

The governmental activities capital assets value is net of \$46,904,201, or 49.0% and \$43,464,875, or 46.0%, of accumulated depreciation at December 31, 2005 and 2004. For the business-type activities the capital asset value is net of \$44,569,788, or 45.3% and \$42,065,567, or 43.5%, of accumulated depreciation at December 31, 2005 and 2004. These percentage rates for depreciation reflect that the capital assets of the City, as a whole, have almost 53% of their useful life remaining and also reflect the City's commitment to effective and efficient use of resources to provide services.

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. The City of York's assets exceeded its liabilities by \$56,291,442 and \$56,258,550 for years ending December 31, 2005 and 2004.

By far the largest portion of the City's net assets, 116.9% and 117.4% at December 31, 2005 and 2004, is the City's investment in capital assets. (i.e. streets, street-lights, buildings, land, playgrounds, and equipment); less any related outstanding debt used to acquire those assets. These capital assets are used by the City of York to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must come from other sources, since the assets cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (19.4%) represents resources that are subject to external restrictions on how they may be used. Of the \$10,807,523 that is restricted at December 31, 2005: \$3,356,480 is the value of the Albert Weyer Trust and is permanently restricted for health initiatives, while the remaining amount is restricted to use for streets, debt service, insurance and construction. Of the \$12,652,679 that is restricted at December 31, 2004: \$3,362,241 is the value of the Albert Weyer Trust and is permanently restricted for health initiatives, while the remaining amount is restricted to use for streets, debt service, insurance and construction.

The City of York's unrestricted net asset balance of (\$20,010,466) and (\$22,524,784) at December 31, 2005 and 2004, results from the recording of unfunded pension bonds, General Obligation Bonds, Series A and B of 1995 and Series B of 1998, in the amount of \$34,734,357 and \$34,832,115, respectively.

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**CITY OF YORK, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2005**

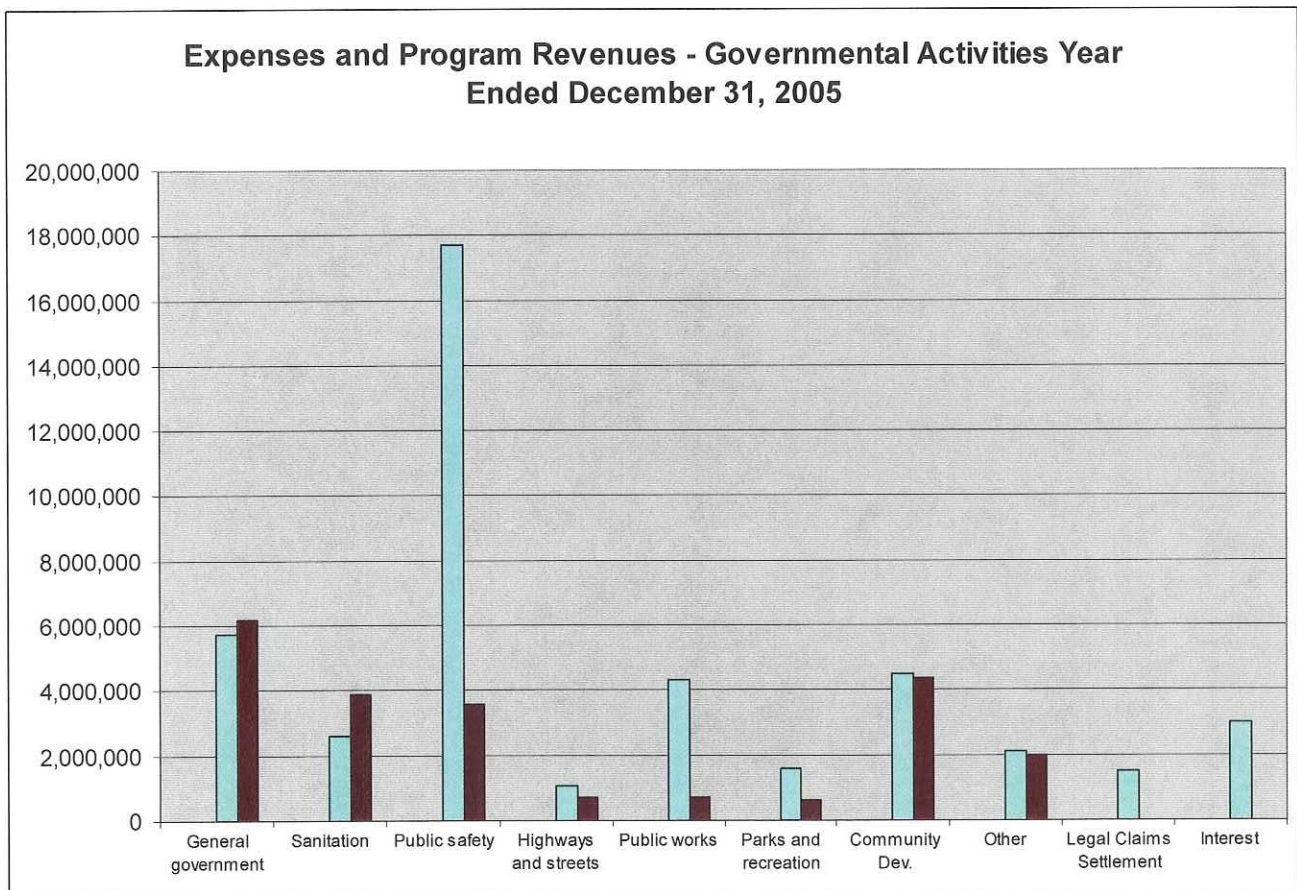
**TABLE 2**  
**CITY OF YORK**  
**CONDENSED STATEMENT CHANGES IN NET ASSETS**  
**DECEMBER 31, 2005 AND 2004**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Revenue						
Charges for services	\$ 11,744,143	\$ 10,837,452	\$ 13,183,626	\$ 12,090,035	\$ 24,927,769	\$ 22,927,487
Operating grants and contributions	10,159,074	7,616,627	-	-	10,159,074	7,616,627
Capital grants and contributions	100,000	48,243	121,115	7,142	221,115	55,385
Property taxes	11,690,604	10,980,375	-	-	11,690,604	10,980,375
Payment in lieu of taxes	638,093	575,175	-	-	638,093	575,175
Business taxes	3,013,250	3,127,463	-	-	3,013,250	3,127,463
Personal taxes	3,751,910	1,809,596	-	-	3,751,910	1,809,596
Unrestricted grants	1,545,336	1,531,993	151,500	-	1,696,836	1,531,993
Unrestricted investment earnings	514,352	402,290	1,855,468	1,616,035	2,369,820	2,018,325
Other	-	-	-	-	-	-
<b>Total</b>	<b>43,156,762</b>	<b>36,929,214</b>	<b>15,311,709</b>	<b>13,713,212</b>	<b>58,468,471</b>	<b>50,642,426</b>
Expenses						
General government	5,738,806	3,780,131	-	-	5,738,806	3,780,131
Sanitation	2,624,749	2,688,243	-	-	2,624,749	2,688,243
Public safety	17,717,427	16,765,378	-	-	17,717,427	16,765,378
Highways and streets	1,069,370	1,322,028	-	-	1,069,370	1,322,028
Public works	4,332,422	4,346,640	-	-	4,332,422	4,346,640
Parks and recreation	1,570,672	1,555,060	-	-	1,570,672	1,555,060
Community development and planning	4,482,783	3,705,882	-	-	4,482,783	3,705,882
Other departments and programs	2,117,898	2,624,692	-	-	2,117,898	2,624,692
Legal claims	1,500,000	-	-	-	1,500,000	-
Interest LT debt	3,018,908	3,089,502	-	-	3,018,908	3,089,502
Intermunicipal sewer	-	-	4,862,995	3,986,384	4,862,995	3,986,384
Sewer	-	-	7,568,148	7,646,248	7,568,148	7,646,248
Ice arena	-	-	1,830,206	1,659,381	1,830,206	1,659,381
WRCTV	-	-	1,195	-	1,195	-
Sewer transp.	-	-	-	-	-	-
<b>Total</b>	<b>44,173,035</b>	<b>39,877,556</b>	<b>14,262,544</b>	<b>13,292,013</b>	<b>58,435,579</b>	<b>53,169,569</b>
Change in net assets before transfers and extraordinary item	(1,016,273)	(2,948,342)	1,049,165	421,199	32,892	(2,527,143)
Transfers	525,496	1,705,779	(525,496)	(1,705,779)	-	-
Change in net assets	(490,777)	(1,242,563)	523,669	(1,284,580)	32,892	(2,527,143)
Net assets beginning of year, restated	7,415,819	8,658,382	48,842,731	50,127,311	56,258,550	58,785,693
	<u>\$ 6,925,042</u>	<u>\$ 7,415,819</u>	<u>\$ 49,366,400</u>	<u>\$ 48,842,731</u>	<u>\$ 56,291,442</u>	<u>\$ 56,258,550</u>

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**CITY OF YORK, PENNSYLVANIA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2005

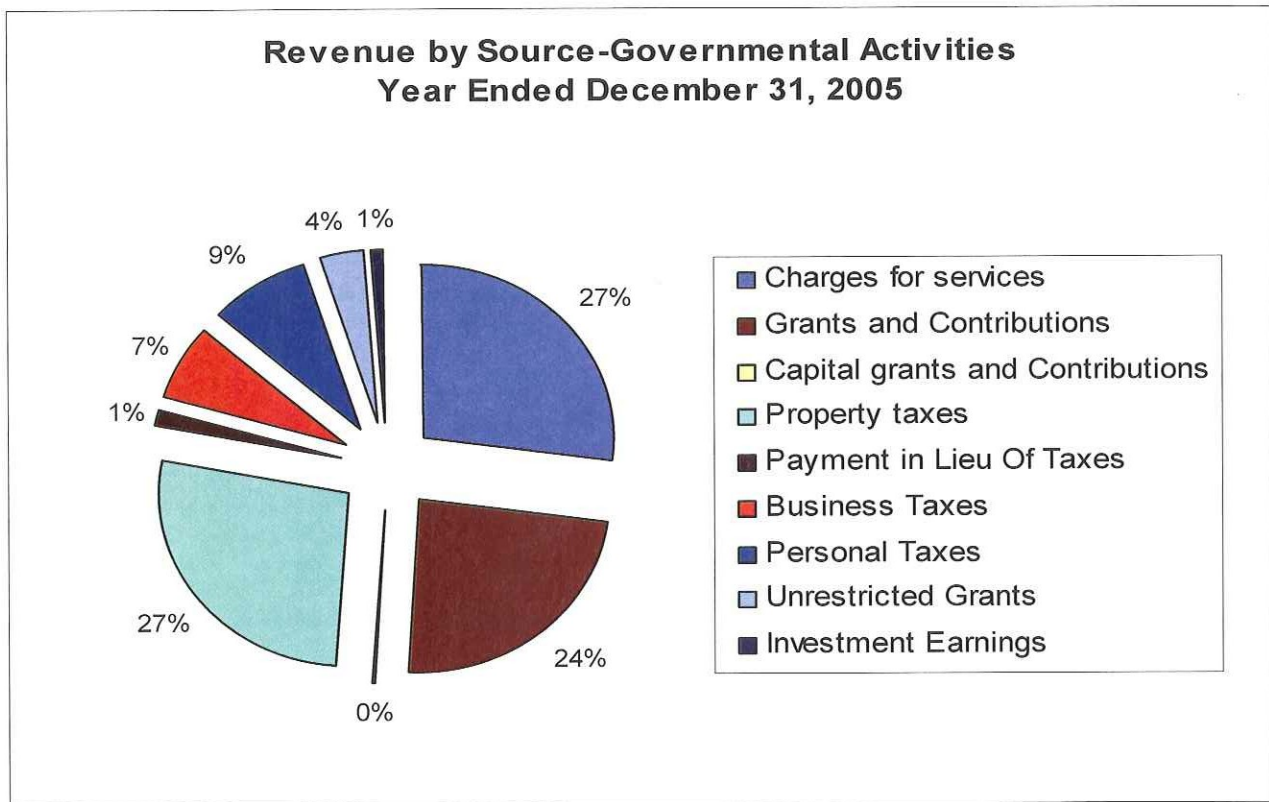
During 1995 and again during 1998, the City issued capital appreciation bonds and notes (bonds). Capital appreciation bonds are sold at a deep discount and amortized up to the face value of the bonds. Annual amortization results in interest expense for governmental activities in the government-wide financial statements, but not in the governmental fund financial statements. Additionally, repayment of debt, while consuming current financial resources in the governmental funds, has no effect on the net assets of the governmental activities. Governmental funds report capital outlays as expenditures. However, in the governmental activities, the cost of the capital assets is allocated over their estimated useful life and reported as depreciation expense. For the year ended December 31, 2005, the decrease in net assets of governmental activities resulted primary from the accretion of capital appreciation debt in the amount of \$2,037,103, offset by principal payments on long-term debt of \$3,660,303 and depreciation of capital assets in the amount of \$3,439,326, offset against purchases of capital assets of \$1,303,612. For the year ended December 31, 2004, the decrease in net assets of governmental activities resulted primary from the accretion of capital appreciation debt in the amount of \$1,915,707, offset by principal payments on long-term debt of \$3,444,323 and depreciation of capital assets in the amount of \$3,463,219, offset against purchases of capital assets of \$600,234.



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**CITY OF YORK, PENNSYLVANIA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2005



The City's business-type activities include the Intermunicipal Sewer Fund, Sewer Fund, Ice Rink Fund, White Rose Community Television Fund and Sewer Transportation Fund.

The city sewer system is comprised of the sewage collection infrastructure, one pumping station and the staff and equipment for the maintenance thereof. 85.98% of the revenue is derived from charges for services. Expenses include the City's share of the annual debt payment on the WWTP and the costs of treatment of the waste water. The costs of treatment are paid to the Intermunicipal Sewer Fund toward the cost of the operation of the waste water treatment plant and the debt service is paid to the Sewer Authority. Sewer rates were last increased in January 2002.

The City operates a state of the art regional waste water treatment plant that provides service to seven municipalities in addition to the City. Each municipality, including the City, pays a share of the bond debt on the facility and pays the actual cost of treatment for the waste water that the municipality sends to the facility for treatment. In addition, the facility provides industrial pretreatment testing and levies a charge by volume for certain material contained in the waste water sent by industrial facilities. Each year in October, the City estimates the waste water treatment charge per thousand gallons and the quantity of waste water that will be sent to the plant by each municipality and then communicates the estimated costs for treatment in the subsequent year to each municipality. At the end of each year, the actual cost of treatment is determined. Municipalities that have paid more than necessary receive a credit on their fourth

(continued)

**CITY OF YORK, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2005**

payment and municipalities that have paid too little must make up the difference in the first quarter of the subsequent year. Waste water treatment charges are calculated by deducting from the actual expenditures of the plant all non-operating revenue, then all operating revenue that comes from customers other than the municipalities is deducted from the expenditures. The remainder is divided to determine the cost per thousand gallons that is charged to the participating municipalities.

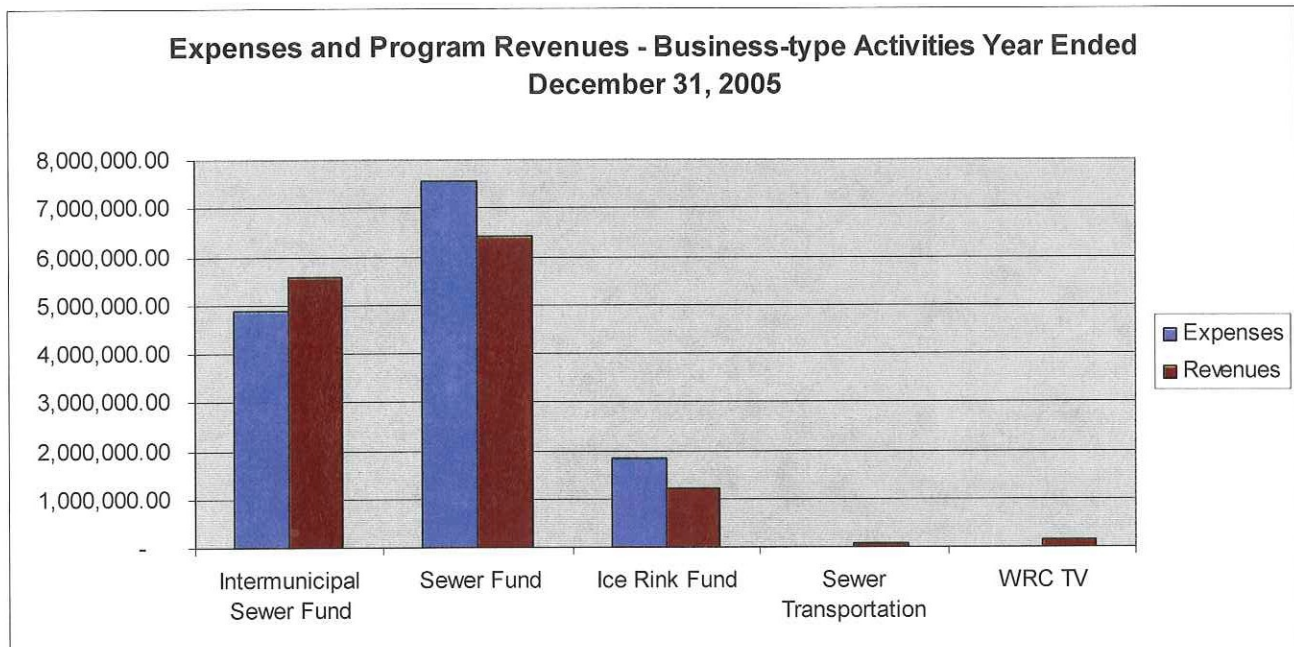
A portion of the waste water that flows to the WWTP from other municipalities is transported through the City sewer interceptor system. Each township pays the City \$.04 per thousand gallons for the waste water that flows through the city system from the municipality. These payments are held by the City in the Sewer Transportation Fund for the maintenance, repair and replacement of the sewer lines through which the Intermunicipal waste water flows.

The York City Ice Arena is a two pad ice skating sports facility that was built and put into service in 2001. The Arena was built by the York City Recreation Corporation (YCRC) using proceeds from a tax exempt bond issue guaranteed by the City. It is situated on land owned by the City in the Memorial Park Recreation Complex. The Arena provides ice skating and other recreational programs and opportunities to the general public for a fee and also provides facilities for other public social events.

In November 2003, the YCRC notified the City that it was unable to meet its bond payment obligation. The City honored the loan guarantee and transferred resources into the debt service account at M&T Bank to make the bond payments. The City has exercised its remedies under the lease and loan agreement with the YCRC and has assumed control of the Ice Arena. The City assumed operational control of the York City Ice Arena in November 2003. Acquisition of the Ice Arena resulted in an extraordinary loss in the amount of \$1,396,638, a significant portion of the decrease in net assets of the business-type activities for the year ended December 31, 2004. The City operated the facility from January 1, 2004 to August 31, 2004. On September 1, 2004, Rink Management Services Corporation commenced managing the facility under contract with the City. These financial statements reflect the results of operations of the Ice Arena by Rink Management Services for the first full twelve (12) month period.

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**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds*

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At December 31, 2005 and 2004, the City's governmental funds reported combined ending fund balances of \$5,492,486 and \$4,147,122. The City's unreserved fund balance, which is available for spending at the government's discretion, was \$1,735,885 and 375,677 at December 31, 2005 and 2004. The remainder of the fund balance at December 31, 2005 is reserved to indicate that it is not available for new spending because it has already been committed 1) to hold in perpetuity for health initiatives in the amount of \$3,587,952 and 2) for Community Development efforts in the amount of \$168,649. The remainder of the fund balance at December 31, 2004 is reserved to indicate that it is not available for new spending because it has already been committed 1) to hold in perpetuity for health initiatives in the amount of \$3,549,141 and 2) for a variety of other purposes in the amount of \$222,304.

(continued)



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The general fund is the chief operating fund of the City. At December 31, 2005 and 2004, unreserved fund balance of the general fund was \$2,729,524 and \$1,377,389. As a measure of the general fund's liquidity, it may be useful to compare reserved fund balance to total fund expenditures. Unreserved fund balance represents 9.2% and 5.1 percent of total general fund expenditures at December 31, 2005 and 2004. Another good measure of liquidity is review the nature of the assets versus the liabilities of the fund. On December 31, 2005 and 2004 the fund assets included cash or cash equivalents of \$661,481 and \$- respectively. In 2005 over \$10 million of the assets of the General Fund consisted of various accounts receivable. Liabilities for 2005 included accrued wages payable of \$546,855. Therefore, the cash available was approximately \$115,000 greater than the wages payable at year end.

The fund balance of the City's general fund increased by \$1,352,135 during the year ended December 31, 2005. Key factors in this increase are as follows:

- Earned tax collections increased due to an increase in the taxable earned income of city residents.
- Various projects in public works were funded for 2005, but no expenditures were made towards the projects. The combination of increased revenue and decreased expense in Public works contributed \$215,000 toward the increase in the general fund.
- Several community development and public safety grant programs were budgeted to commence in 2005; however, did not begin until mid-year or were not operated due to low staffing.
- Approximately \$300,000 of the increase in the General Fund Budget can be contributed to the City police department through the combination of revenue lines exceeding budgeted amounts and actual expenditure under budgeted expenses.
- Several budgeted positions were not staffed during the year.

The fund balance of the City's general fund increased by \$1,337,351 during the year ended December 31, 2004. Key factors in this increase are as follows:

- Mercantile tax collections increased due to the build up of downtown entertainment venues and the impact of business resulting from this increased patronage.
- Building, electrical and plumbing permits increased due to the aforementioned build up of the downtown entertainment venues.
- Several community development and public safety grant programs were budgeted to begin in 2004, but did not begin until mid-year or were not operated due to low staffing.

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**CITY OF YORK, PENNSYLVANIA**  
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- The City was able to fund budgeted public safety expenditures through new or increased state and federal grants.
- Several budgeted positions were not staffed during the year.

The debt service fund has a total fund balance (deficit) of (\$297,855) and (\$147,701), all of which is reserved for the payment of debt service. The net increase (decrease) in fund balance for the year ended December 31, 2005 and 2004 in the debt service fund was (\$150,154) and (\$422,663). The 2005 and 2004 decreases were due to the state aid contribution being almost \$150,000 less than anticipated in each year.

*Proprietary Funds*

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Intermunicipal Sewer Fund, the Sewer Fund and the Ice Rink Fund at December 31, 2005 amounted to \$-, \$8,116,880 and (\$215,751), respectively. Unrestricted net assets of the Intermunicipal Sewer Fund, the Sewer Fund and the Ice Rink Fund at December 31, 2004 amounted to \$-, \$6,590,268 and (\$137,694), respectively. The total increase/ (decrease) in net assets for these funds for the year ended December 31, 2005 was \$493,435, (\$330,008) and (\$60,310), respectively. The total increase/ (decrease) in net assets for these funds for the year ended December 31, 2004 was \$97,864, (\$1,431,644) and (\$197,121), respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

*General Fund*

Revenue and expenditures for most of the City's general operations are accounted in the City's General Fund. These operations include general government, sanitation, public safety, highways and streets, public works, parks and recreation, community development and planning and other departments and programs. For the year ended December 31, 2005, the final revenue and transfers in budget was \$33,926,068 and the final expenditure and transfers out budget was \$33,722,536.

The City adopts a budget pursuant to the City Charter and ordinances by December 31 of the preceding year. Over the course of the budget year, budget transfers and budget amendments occur. Budget transfers are approved by the business administrator within the limits of discretion granted to that officer by the City Ordinances. Budget amendments are submitted for approval to City Council in the nature of a bill, which, after adoption by council, becomes an ordinance. Budget transfers and amendments are adopted to make resources available to pay for expenses that may have exceeded the amounts anticipated and to account for revenue and expenditures associated with grants that become available during the budget year. Transfers and amendments are also used to move resources from contingency accounts within funds to accounts where the resources are required.

In 2005, the single largest revenue item in General Fund was taxes at \$14,574,434. Actual taxes included \$8,558,363 in real estate taxes, \$2,354,375 in business taxes, \$3,661,697 in income and occupational privilege taxes. The second largest

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item includes charges for services which at \$6,465,879 includes sanitation fees of \$3,822,509. Grants and Contributions, at \$5,480,985, include \$173,303 of payments in lieu of taxes and a RACP grant in the amount of \$2,905,635.

The City had a significant negative variance between final budget and actual in the grants and contributions line item in the amount of \$2,432,472. This amount represented the difference between several grant programs which were originally funded in 2005, but did not begin until mid-year or were not operated due to low staffing.

Total General Fund expenditures were \$29,577,105 for the year ended December 31, 2005. The single most expensive activity in the general fund is public safety, which is comprised of police and fire-rescue services, which amount to \$17,311,595, or 58.5% of the General Fund actual expenditures for the year ended December 31, 2005. The final budget for the community general government expenditures was \$5,484,947 more than the original budget. The increase in the budget was due to budget amendments for several grant funded projects. The single largest increase, \$4,000,000 was due to the City becoming the grantee on a RACP grant to redevelop a blighted former cigar factory into the Greenway Tech Center.

All of the expenditure variances between final budget and actual were positive. The largest was in general government at \$3,078,504, and like its concomitant revenue, it was primarily due to the grant funding that was not fully drawn down and spent. The variance of \$499,427 in community development and planning was primarily due to the grant funding that was not fully drawn down and spent.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION:**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2005 and 2004 amounts to \$102,742,843 and \$105,631,299 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, equipment and furniture and infrastructure. The total decrease in the City's investment in capital assets for the current fiscal year was 2.8 percent (a 4.4 percent decrease for governmental activities and a 1.4 percent decrease for business-type activities).

Major capital asset events during the year ended December 31, 2005 included the following:

- New computers, servers and related equipment and software were purchased for the City at a cost of approximately \$100,021.
- Various infrastructure projects, including road and walkway improvements and handicap ramp projects, were completed at a cost of \$409,954.
- The City purchased several vehicles, including a \$47,140 dump truck, a \$52,079 mower, and public works vehicles in the amount of \$152,346 and police vehicles in the amount of \$29,650.

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- Various building and system additions and improvements were completed in the Sewer Fund's waste water treatment plant at a cost of \$1,695,717.

Major capital asset events during the year ended December 31, 2004 included the following:

- 24 new computers and related equipment were purchased for various City personnel at a cost of approximately \$57,000.
- Various infrastructure projects, including road and walkway improvements, were completed at a cost of \$74,000.
- The City purchased several vehicles, including a \$70,950 asphalt zipper and police vehicles in the amount of \$67,000.
- Various building and system additions and improvements were completed in the Sewer Fund's waste water treatment plant at a cost of \$1,351,495.

Additional information on the City's capital assets can be found in note 9 on page 56 of this report.

**Long-Term Debt**

At December 31, 2005 and 2004, the City had total bonded debt outstanding of \$48,407,838 and \$49,790,735, respectively. Revenue bonds in the amount of \$35,880,246 and \$38,076,479, respectively, represent bonds secured solely by specified revenue sources.

The City's total debt decreased by \$3,579,130 during the year ended December 31, 2005. Other than the required principal and interest payments, there was no activity related to the City's Bonds and Notes. There were capital leases issued during 2005, to fund the acquisition of an asphalt zipper and a diesel sweeper, in the aggregate amount of \$317,810.

The City's total debt decreased by \$3,361,742 during the year ended December 31, 2004. Other than the required principal and interest payments, there was no activity related to the City's Bonds and Notes. There were capital leases during 2004, to fund the acquisition of an asphalt zipper and a diesel sweeper, in the aggregate amount of \$127,000.

Additional information on the City's long-term debt can be found in note 12 on page 60 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES:**

By 2010, if no changes are made, the deficit in York's annual budget will rise to just under \$5 million dollars. If we provide for accumulating fund balances, developing a capital budget and beginning to pre-fund retiree health insurance in accordance with GASB 45, the annual deficit will rise to \$7 million dollars by

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2010. This forecast can be found in a financial management study completed by Public Financial Management (PFM) pursuant to the Commonwealth of Pennsylvania's Early Intervention Program (EIP).

At the end of 2005 and into 2006 PFM worked with city staff to develop a financial history of the City and to project a five year financial plan. The report includes an in depth analysis of all departments in the city along with specific focus on public safety and resources to satisfy the unfunded liability in the city's police and fire pension funds. The report concludes that even if the city were to implement every option identified therein that the city would have an annual deficit in excess of \$2 million dollars. The report clearly shows that the single largest impact on the city budget is the cost of public safety personnel and peculiarities of the public safety labor laws which contribute to difficulties in managing public safety costs.

The city has commenced evaluating each of the options in the report and has taken action on a number of the suggestions. The city has adopted a parking tax, is in the process of hiring a benefits consultant, is preparing to enforce the admissions tax, has expanded the hours of operation of parking meters, has considered reductions in compensation for elected officials, has commenced programs for market based revenue opportunities, has negotiated a contract with the city fire fighters IAFF Local 627 that meets some of the objectives recommended in the report and has established pay and benefit policies aimed at achieving other labor related goals.

The cause of the looming deficits is not unique to York. In October 2006 the City of Harrisburg, the capitol city of Pennsylvania, announced that it was facing a \$14 million dollar deficit in 2006 and an even larger deficit for 2007. There are over twenty cities, boroughs and even counties participating in the EIP program. The problem of funding local municipal services is endemic in Pennsylvania and there are no signs of it departing. While there are certainly municipalities that suffer inept management, it is hard to argue that every city in Pennsylvania has elected an incompetent mayor and employs incompetent staff. But there is a commonality among all the cities struggling financially: there is a fundamental disjunction between the economic factors that drive the growth in the costs to provide public services and those factors that determine the resources available to pay the costs.

Local government services, including police, fire - rescue services, public health, public works, recreation and community and economic development require people, equipment, material, energy and facilities along with all of the ancillary and support products and services such as banking and financial services, insurance, telecommunications, etc. The costs of the resources are set in the world market-place. The cost of insurance to the City of York is determined by the state of the insurance economy across the country and the world. Hurricanes Andrew and Katrina along with the September 11, 2001 attacks on the World Trade Center, all drove up the costs of all types of insurance including, workmen's compensation, property insurance, liability insurance and stop loss insurance. The demands for energy and raw materials in China drive up the cost of fuel, materials, and equipment in York, Pennsylvania. Weather conditions in South America, Mexico and Canada influence food prices in York, Pennsylvania. The development of new medical devices, procedures and medications, along with inflation, drives up the cost of health care. The increases in the costs of all of these things, along with factors in the labor market, drive up personnel costs to deliver public services.

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Local municipal governments receive money from hundreds and, sometimes, thousands of sources to pay for the delivery of public services. Many of the revenue sources are available for general use while others are earmarked for specific uses. More than 60% of the revenue received by the City of York to pay for municipal services is earmarked for specific uses such as housing, community health care, waste-water treatment and sewer service. Services like police, fire-rescue, street maintenance, general government, financial management and the like, although sometimes funded by specific grants, are, for the most part, funded by general revenue sources. These revenue sources include fees for services, fines and taxes. Fees are tied to the cost of delivering the services for which the fee is charged. The range within which a fine can be set is established by state statute and most of the rates of taxation are established by state statute. The rates of taxation for the mercantile and business privilege tax is limited to the current level; the rate of the emergency services tax was established by the state legislature; the earned income tax is currently limited to 1% and the city school district and city share the proceeds.

The real estate tax is the single largest source of general revenue from which the city pays for services that include police, fire and public works. Real estate tax revenue is generated by applying the tax rate to the value of the real estate. Revenue from real estate taxes only increases in three ways:

1. Increases in the value of the real estate tax base resulting from development. Most suburban communities, especially 2<sup>nd</sup> class townships, are experiencing surges in new housing and commercial development resulting in annual increases in the real estate tax base value which yields increased revenue. The cities, however, including the City of York, and the older 1<sup>st</sup> class townships are fully developed. And, while some new development, like the Northwest Triangle and the Stadium and redevelopment, like the Greenway Tech Center and Monarch Mills will increase the value of the tax base, the increase is marginal and does not contribute sufficient new tax revenue to the City to meet the rising costs of services. For example, \$10 million in new business revenue subject to the City Business Privilege Tax yields \$35,000 in tax revenue. A 3% pay increase for police officers and firefighters costs about \$265,000.00.
2. Market forces also influence changes in the value of the tax base. Market forces generally result in a higher value tax base. However, the increased value is generally only realized when the county government conducts a reassessment, which occurs historically once every seven to ten years. Meanwhile costs rise annually. Moreover, increases in tax base value are not uniform across the county. The city tax base value increase resulting from the 2006 reassessment was about 13% while the increase county-wide was in excess of 20%. An increase of 13% over eight years is 1.625% increase per year, or about \$190,000.00 based upon the projected real estate tax revenue for 2006, far below the annual increase in the CPI over the same period and far below the real increase in costs experienced by the city over the same period.
3. Real estate tax revenue can be increased by increasing the rate of taxation. This is, of course, considered a tax increase, and is the least popular way to increase real estate revenue.

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By far the single most difficult challenge in the 2006 budget was the almost \$3 million dollar increase in the Police and Fire Minimum Municipal Obligation (MMO). The General Fund is where we budget the resources and expenditures for police and fire-rescue services and public works. Public safety is the single largest expenditure area. In 2006 the total General Fund expenditure budget decreased from \$33,722,536 in 2005 to \$31,363,047 in 2006. In actuality, the budget increased from 2005 to 2006 due to approximately \$5,442,995 being included in the budget amount for 2005, all of which was related to grant activities. In deducting the large grant portions from the 2005 budget, the City experienced a \$3,083,506 increase from 2005 to 2006. Almost the entire increase was attributable to the \$3 million dollar increase in the police and firefighter pension fund MMO, \$500,000 in increased risk management costs charged to the General Fund, about \$300,000 increase in the cost of refuse collection. All other line items were maintained at essentially 2005 or lower levels.

To meet the challenge of funding the drastically increased MMO and increases in health care costs several actions were taken:

- 1: All requests for new personnel and capital purchases were removed from the budget.
- 2: All pay increases for current employees, including employees with contractual rights to pay increases, were removed from the budget. The firefighters and police officers refused to forego their 3.5% pay increases and so the complement of police officers was reduced by three from 99 to 96 and the complement of firefighters was reduced by two from 70 to 68. The police and fire fighters received 3.5% pay increases. No other city employees received Cost Of Living Adjustments (COLAs)
- 3: The revenue potential from elimination of the bulk discount for waste water treatment was budgeted as was the approximate annual debt payments that would be necessary to bond the amount needed to pay for the Inflow & Infiltration (I&I) project that was budgeted for full payment in the sewer fund. Elimination of the discount and bonding of the project freed about an additional \$740,000 for a total of a \$1.74 million dollar transfer from the sewer fund into the General Fund (this was a \$740,000 increase over past years' transfers). The development of the I&I sewer projects did not require the issuance of debt in 2006. It now appears that the debt will be issued in 2007 with the first payment due in 2008. Elimination of the bulk usage discount in the sewer rate schedule did not occur until the 2<sup>nd</sup> quarter of the year. The city sewer billing is based upon the water company metered usage. Over the last year or two the water company has been in transition to new meter reading devices and has changed meter id numbers. Some of the elements of the transition have impacted the sewer billing system. Thus revenue from the sewer charges is projected to come in under the budgeted amount.
- 4: Expenditure budget requests were reviewed line by line and reduced where possible for approximately \$100,000 in savings. Both the overtime line items in the police and fire budgets were reduced. Both of these items are projected to go over budget in 2006 based on historical trends.
- 5: The impact of the reassessment on the real estate tax revenue was analyzed to determine the millage to be set by City Council. The reason that the city is ever pressed to increase the Real Estate Tax rate is that the value of the tax base does not increase: the value of the taxable real estate in

**CITY OF YORK, PENNSYLVANIA**  
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York City was \$885,101,968 in 2004 and \$884,572,523 in 2005. In all years since 1998 the tax base value has hovered around the same amount. However, in 2006 a county wide reassessment will be implemented. The tax base value in 2006 is anticipated to be around \$998,000,000. The increase in the value of the tax base will yield approximately \$950,000. The amount of real estate tax revenue received in the General Fund will increase from about \$6,969,619 or 25.4877% of General Fund Revenue in 2004 to \$6,696,447 in 2005 or 27.7265%. Overall the total real estate tax revenue received by the city was only 10.1945% of total revenue received in 2004 and is 10.7513% in 2005. For 2006 the budgeted real estate tax revenue city wide was \$11,712,791. As of November 13, 2006 the real estate tax revenue received is \$11,334,037, 96.77% of budget. Thus it appears that by the end of the year the city will meet or exceed budgeted real estate tax revenue.

From 2002 through 2005 the city's debt service increased by over \$2 million dollars per year. The increase in debt service was scheduled in the Robertson Administration to increase in the years after the close of Mayor Robertson's second term in office. Almost all of the tax increases that occurred in 2002 through 2005 were necessary to pay the scheduled increased debt service. The assumption of the operation of the Ice Arena in November 2003 has added additional debt service costs to the city's resources. However, that amount is budgeted to decline in 2006. The city was required to provide \$69,402 in 2004, \$345,690 in 2005 and is budgeted to provide \$234,606 for 2006, a decline of over \$110,000.

The increase in total cost of providing public services during the period of increasing debt service remained below the rate of inflation. Each year the cost of public safety rises in excess of the rate of inflation to consume an ever greater share of the General Fund Budgeted Resources: 62.41% in 2004, 63.07% in 2005, and budgeted 66.93% in 2006. Since 2001 the share of the General Fund consumed by public safety has grown by almost 20% from 56% in 2001 to 66% in 2006 and 2007. This phenomenon has occurred because in an effort to maintain the current tax rate the city must reduce other General Fund department budgets to raise the revenue to pay for the rising costs of public safety services.

The single most expensive element in the delivery of public services is personnel costs. This is especially so in public safety. The City of York has a workforce that is represented by five bargaining units. The IBEW contract expired at the end of 2003; the blue and white color unit's contracts expired at the end of 2005 and the firefighters and police contracts expire on December 31, 2005. Of all five bargaining units, only the firefighters have reached an agreement with the City.

By far the greatest specific challenges we have had to face in the past five years are the increases in the pension MMOs that we are required to pay and the increases in employee health care costs. The MMO has increased ten fold in the past five years from about \$500,000 in 2001 to almost \$5 million in 2006. Because of the significant increase occurring in 2006 the city has made the MMO payments in installments of \$500,000 per month with a balloon payment to be made in December.

Employee healthcare costs have risen dramatically for the city. We anticipated roughly a \$700,000 increase from 2005 to 2006 notwithstanding the significant increases in the premiums and co-pays that the non-union employee's health plan includes. From the claims experience year to date in 2006 it appears that we will be under budget in the expense for medical, surgical dental benefits and prescriptions.



# CITY OF YORK, PENNSYLVANIA

## STATEMENT OF NET ASSETS

DECEMBER 31, 2005

	Primary Government				
	Governmental	Business-type		Component	
	Activities	Activities	Total	Units	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,065,907	\$ 5,701,257	\$ 8,767,164	\$ 692,959	\$ 9,460,123
Receivables, net of allowance for uncollectible accounts					
Taxes	5,130,693	-	5,130,693	-	5,130,693
Accounts	5,441,460	1,349,608	6,791,068	115,040	6,906,108
Loans	3,986,965	-	3,986,965	-	3,986,965
Interest	-	23,790	23,790	5,055	28,845
Internal balances	(530,394)	530,394	-	-	-
Due from component unit	294,097	-	294,097	-	294,097
Due from other governments	77,137	-	77,137	24,977	102,114
Inventory	-	7,098	7,098	-	7,098
Prepaid expenses	140,773	13,417	154,190	28,209	182,399
Restricted assets					
Cash and cash equivalents	563,422	2,915,124	3,478,546	1,852,908	5,331,454
Investments, at fair value	3,280,732	7,464,099	10,744,831	-	10,744,831
Notes receivable	4,078,644	-	4,078,644	-	4,078,644
Lease rentals receivable	-	14,581,830	14,581,830	-	14,581,830
Capital assets, less accumulated depreciation and amortization	48,873,047	53,869,796	102,742,843	6,734,997	109,477,840
Deferred charges, net of accumulated amortization	-	-	-	275,621	275,621
Total assets	74,402,483	86,456,413	160,858,896	9,729,766	170,588,662
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	5,305,434	508,274	5,813,708	28,551	5,842,259
Accrued liabilities	922,409	147,511	1,069,920	-	1,069,920
Due to primary government	-	-	-	294,097	294,097
Due to other governments	149,878	141,576	291,454	-	291,454
Deferred revenue	8,332,276	131,550	8,463,826	510,942	8,974,768
Escrowed funds	-	-	-	115,469	115,469
Noncurrent liabilities:					
Due within one year	3,965,404	4,203,669	8,169,073	728,820	8,897,893
Due in more than one year	48,802,040	31,957,433	80,759,473	6,956,272	87,715,745
Total liabilities	67,477,441	37,090,013	104,567,454	8,634,151	113,201,605

See accompanying notes to basic financial statements.

# CITY OF YORK, PENNSYLVANIA

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2005

	Primary Government			Component	
	Governmental Activities	Business-type Activities	Total	Units	Total
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 32,923,005	\$ 32,571,380	\$ 65,494,385	\$ (568,525)	\$ 64,925,860
Restricted for:					
Community development and planning	168,649	-	168,649	-	168,649
Health initiatives	3,549,141	-	3,549,141	-	3,549,141
Workers' compensation	484,673	-	484,673	-	484,673
Debt service	-	2,887,476	2,887,476	898,714	3,786,190
Construction	-	3,717,584	3,717,584	100,504	3,818,088
Unrestricted	(30,200,426)	10,189,960	(20,010,466)	664,922	(19,345,544)
Total net assets	\$ 6,925,042	\$ 49,366,400	\$ 56,291,442	\$ 1,095,615	\$ 57,387,057

# CITY OF YORK, PENNSYLVANIA

## STATEMENT OF ACTIVITIES

(YEAR ENDED DECEMBER 31, 2005)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	Total
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 5,738,806	\$ 2,983,274	\$ 3,188,397	\$ -	\$ 432,865	\$ -	\$ -	\$ 432,865
Sanitation	2,624,749	3,873,858	-	-	1,249,109	-	-	1,249,109
Public safety	17,717,427	3,000,397	556,224	-	(14,160,806)	-	-	(14,160,806)
Highways and streets	1,069,370	50,741	655,601	-	(363,028)	-	-	(363,028)
Public works	4,332,422	84,177	644,001	-	(3,604,244)	-	-	(3,604,244)
Parks and recreation	1,570,672	372,650	161,016	100,000	(937,006)	-	-	(937,006)
Community development and planning	4,482,783	1,371,320	2,990,117	-	(121,346)	-	-	(121,346)
Other departments and programs	2,117,898	7,726	1,963,718	-	(146,454)	-	-	(146,454)
Legal Claims Settlement	1,500,000	-	-	-	(1,500,000)	-	-	(1,500,000)
Interest on long-term debt	3,018,908	-	-	-	(3,018,908)	-	-	(3,018,908)
Total governmental activities	44,173,035	11,744,143	10,159,074	100,000	(22,169,818)	-	-	(22,169,818)
Business-type activities								
Intermunicipal sewer	4,862,995	5,564,256	-	-	-	701,261	-	701,261
Sewer	7,568,148	6,314,265	-	121,115	-	(1,132,768)	-	(1,132,768)
Ice rink	1,830,206	1,219,834	-	-	-	(610,372)	-	(610,372)
Sewer transportation	-	85,271	-	-	-	85,271	-	85,271
White Rose Community Television	1,195	-	-	-	-	(1,195)	-	(1,195)
Total business-type activities	14,262,544	13,183,626	-	121,115	-	(957,803)	-	(957,803)
Total primary government	\$ 58,435,579	\$ 24,927,769	\$ 10,159,074	\$ 221,115	\$ (22,169,818)	\$ (957,803)	\$ -	\$ (23,127,621)
Component units								
Redevelopment Authority	\$ 1,521,417	\$ 265,500	\$ 1,072,833	\$ -	\$ -	\$ -	\$ (183,084)	\$ (183,084)
General Authority	1,806,544	2,096,010	-	-	-	-	289,466	289,466
Total component units	\$ 3,327,961	\$ 2,361,510	\$ 1,072,833	\$ -	-	-	106,382	106,382
General revenues								
Property taxes					11,690,604			11,690,604
Occupational privilege taxes					1,473,598			1,473,598
Earned income taxes					2,256,422			2,256,422
Business privilege taxes					2,647,275			2,647,275
Franchise taxes					346,800			346,800
Public utility realty taxes					21,890			21,890
Beverage taxes					19,175			19,175
Payments in lieu of taxes					638,093			638,093
Grants and contributions not restricted to specific functi					1,545,336			1,545,336
Unrestricted investment earnings					514,352			514,352
Transfers - internal activities					525,496			525,496
Total general revenues and transfers					21,679,041	1,481,472	179,577	23,340,090
Change in net assets					(490,777)	523,669	285,959	318,851
Net assets - beginning of year					7,415,819	48,842,731	809,656	57,068,206
Net assets - end of year					\$ 6,925,042	\$ 49,366,400	\$ 1,095,615	\$ 57,387,057

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2005**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 661,481	\$ -	\$ 501,770	\$ 1,163,251
Restricted cash and cash equivalents	-	-	78,749	78,749
Restricted investments, at fair value	-	-	3,280,732	3,280,732
Receivables,				
Loans (less allowance for doubtful accounts of \$33,000 in the General Fund, \$715,526 in Other Governmental Funds)	370,847	-	3,616,118	3,986,965
Taxes (less allowance for doubtful accounts of \$772,123 in the General Fund, \$186,847 in the Debt Service Fund, \$82,921 in the Other Governmental Funds)	4,841,159	200,499	89,035	5,130,693
Accounts (less allowance for doubtful accounts of \$2,591,067 in the General Fund)	4,310,660	-	1,085,973	5,396,633
Notes receivable	-	4,064,141	-	4,064,141
Due from other funds	1,507,226	-	95,305	1,602,531
Due from other governments	-	-	77,137	77,137
Due from component units	294,097	-	-	294,097
<b>Total assets</b>	<b>\$ 11,985,470</b>	<b>\$ 4,264,640</b>	<b>\$ 8,824,819</b>	<b>\$ 25,074,929</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 3,601,007	\$ 591	\$ 799,342	\$ 4,400,940
Accrued wages payable	546,855	-	45,902	592,757
Due to other funds	603,836	311,618	847,860	1,763,314
Due to other governments	-	-	149,878	149,878
Deferred revenues	4,504,248	4,250,286	3,921,020	12,675,554
<b>Total liabilities</b>	<b>9,255,946</b>	<b>4,562,495</b>	<b>5,764,002</b>	<b>19,582,443</b>
<b>Fund balances (deficit)</b>				
Reserved for				
Health initiatives	-	-	3,587,952	3,587,952
Community development	-	-	168,649	168,649
Capital projects	-	-	-	-
Unreserved, reported in				
General fund	2,729,524	-	-	2,729,524
Debt service fund	-	(297,855)	-	(297,855)
Capital projects	-	-	(40,457)	(40,457)
Special revenue funds	-	-	(655,327)	(655,327)
<b>Total fund balances (deficit)</b>	<b>2,729,524</b>	<b>(297,855)</b>	<b>3,060,817</b>	<b>5,492,486</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,985,470</b>	<b>\$ 4,264,640</b>	<b>\$ 8,824,819</b>	<b>\$ 25,074,929</b>

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA****RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS****DECEMBER 31, 2005**

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Fund balances - total governmental funds \$ 5,492,486

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds

Governmental capital assets	\$ 95,777,248	
Less accumulated depreciation	<u>(46,904,201)</u>	48,873,047

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds 4,357,781

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds

Bonds payable	(34,734,357)	
Notes payable	(15,318,504)	
Litigation settlement payable	(1,300,000)	
Capitalized lease obligation	(288,025)	
Compensated absences	(912,036)	
Accrued interest payable	<u>(314,104)</u>	(52,867,026)

Internal service funds used by management to charge the costs of insurance services, human resource services, information services, central services, and business administration services to individual funds. The assets and liabilities of the internal services fund are included in governmental activities in the statement of net assets.

Internal service fund net assets	1,625,186	
Adjustment related to enterprise funds	<u>(556,432)</u>	<u>1,068,754</u>

Net assets of governmental activities \$ 6,925,042

See accompanying notes to basic financial statements

# CITY OF YORK, PENNSYLVANIA

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$14,574,434	\$ 2,233,096	\$ 870,319	\$17,677,849
Licenses and permits	1,450,430	-	-	1,450,430
Fines and forfeits	1,393,266	-	-	1,393,266
Grants and contributions	5,480,985	1,545,336	5,687,246	12,713,567
Charges for services	6,465,879	-	609,476	7,075,355
Loan repayments	-	778,623	405,216	1,183,839
Interest	225,890	7,691	140,846	374,427
Gain on investments	-	-	81,519	81,519
Miscellaneous	495,053	-	146,945	641,998
Total revenues	<u>30,085,937</u>	<u>4,564,746</u>	<u>7,941,567</u>	<u>42,592,250</u>
Expenditures				
Current				
General government	5,181,100	20,075	206,624	5,407,799
Sanitation	2,614,387	-	-	2,614,387
Public safety	17,311,595	-	-	17,311,595
Highways and streets	503,869	-	466,072	969,941
Public works	1,858,380	-	-	1,858,380
Parks and recreation	-	-	1,295,989	1,295,989
Community development and planning	1,991,677	-	2,489,657	4,481,334
Other departments and programs	116,097	-	1,911,393	2,027,490
Debt service				
Principal retirements	-	3,420,000	242,460	3,662,460
Interest	-	930,321	93,613	1,023,934
Capital outlay	-	-	1,370,638	1,370,638
Total expenditures	<u>29,577,105</u>	<u>4,370,396</u>	<u>8,076,446</u>	<u>42,023,947</u>
Excess (deficiency) of revenues over (under) expenditures	<u>508,832</u>	<u>194,350</u>	<u>(134,879)</u>	<u>568,303</u>
Other financing sources (uses)				
Proceeds from the issuance of debt	-	-	251,565	251,565
Transfers in	1,015,479	280,256	479,987	1,775,722
Transfers out	(172,176)	(624,760)	(453,290)	(1,250,226)
Total other financing sources (uses)	<u>843,303</u>	<u>(344,504)</u>	<u>278,262</u>	<u>777,061</u>
Net change in fund balances	<u>1,352,135</u>	<u>(150,154)</u>	<u>143,383</u>	<u>1,345,364</u>
Fund balances - beginning of year	<u>1,377,389</u>	<u>(147,701)</u>	<u>2,917,434</u>	<u>4,147,122</u>
Fund balances (deficit) - end of year	<u>\$ 2,729,524</u>	<u>\$ (297,855)</u>	<u>\$ 3,060,817</u>	<u>\$ 5,492,486</u>

See accompanying notes to basic financial statements.

# CITY OF YORK, PENNSYLVANIA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2005

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

Net change in fund balances - total governmental funds	\$	1,345,364
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Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives and  
reported as depreciation expense.

Capital outlays	\$	1,251,786	
Depreciation expense		<u>(3,439,326)</u>	(2,187,540)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			557,933
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The issuance of long-term debt (i.e., bonds, leases)  
provides current financial resources to governmental  
funds, while the repayment of principal of long-term  
debt consumes the current financial resources of  
governmental funds. Neither transaction, however,  
has any effect on net assets.

Debt issued or incurred	(251,565)	
Principal repayments	<u>3,660,303</u>	3,408,738

Some expenses reported in the statement of activities  
do not require the use of current financial resources  
and, therefore, are not reported as expenditures in  
governmental funds.

Compensated absences	(76,716)	
Accrued interest	44,287	
Litigation Settlement	(1,300,000)	
Amortization of bond discounts	<u>(2,037,104)</u>	(3,369,533)

Internal service funds are used by management to  
charge the costs of insurance services, human  
resource services, information services, central  
services, and business administration services to  
individual funds. The net revenue of certain activities  
of the internal service fund is reported within  
governmental activities.

Internal service fund change in net assets	(106,270)	
Adjustment related to enterprise funds	<u>(139,469)</u>	<u>(245,739)</u>

Change in net assets of governmental activities	\$	<u><u>(490,777)</u></u>
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See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**DECEMBER 31, 2005**

	Business-type Activities - Enterprise Funds						
				Other Enterprise Fund Sewer Transportation	WRC TV	Total	Internal Service Fund
Assets	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund				
Current assets							
Cash and cash equivalents	\$ 2,714,423	\$ 1,196,167	\$ 93,014	\$ 1,547,321	\$ 150,332	\$ 5,701,257	\$ 1,902,656
Receivables							
Lease rentals, current	-	923,636	-	-	-	923,636	-
Accrued interest receivable	-	23,790	-	-	-	23,790	-
Accounts receivable (less allowance for doubtful accounts of \$3,986,174)	188,123	1,046,924	90,205	23,988	368	1,349,608	44,827
Inventory	-	-	7,098	-	-	7,098	-
Prepaid expenses	-	-	13,417	-	-	13,417	140,773
Due from other funds	-	441,396	-	10,416	-	451,812	186,821
Total current assets	2,902,546	3,631,913	203,734	1,581,725	150,700	8,470,618	2,275,077
Restricted assets							
Cash and cash equivalents	-	2,915,124	-	-	-	2,915,124	484,673
Investments	-	7,464,099	-	-	-	7,464,099	-
Total restricted assets	-	10,379,223	-	-	-	10,379,223	484,673
Noncurrent assets							
Lease rentals receivable, long term	-	13,658,194	-	-	-	13,658,194	-
Capital assets, net of accumulated depreciation of \$43,990,276 and \$579,513	-	48,535,775	5,334,021	-	-	53,869,796	-
Total noncurrent assets	-	62,193,969	5,334,021	-	-	67,527,990	-
Total assets	2,902,546	76,205,105	5,537,755	1,581,725	150,700	86,377,831	2,759,750
Liabilities							
Current liabilities							
Accounts payable and accrued expenses	265,940	210,946	31,362	-	26	508,274	1,104,494
Accrued wages payable	64,947	13,698	12,456	-	-	91,101	15,549
Accrued interest	-	-	56,410	-	-	56,410	-
Due to other funds	177,402	-	300,448	-	-	477,850	-
Due to other governments	141,576	-	-	-	-	141,576	-
Deferred revenue	-	112,741	18,809	-	-	131,550	-
Total current liabilities	649,865	337,385	419,485	-	26	1,406,761	1,120,043
Current liabilities payable from restricted assets							
Current portion of accrued compensated absences	12,225	1,628	-	-	-	13,853	-
Current portion of capitalized lease obligations	-	24,816	-	-	-	24,816	-
Current portion of bonds payable	-	3,875,000	290,000	-	-	4,165,000	-
Total current liabilities payable from restricted resources	12,225	3,901,444	290,000	-	-	4,203,669	-
Noncurrent liabilities							
Accrued compensated absences	159,292	26,703	-	-	-	185,995	14,521
Capitalized lease obligations	-	56,192	-	-	-	56,192	-
Bonds outstanding	-	25,245,246	6,470,000	-	-	31,715,246	-
Total noncurrent liabilities	159,292	25,328,141	6,470,000	-	-	31,957,433	14,521
Total liabilities	821,382	29,566,970	7,179,485	-	26	37,567,863	1,134,564
Net Assets							
Invested in capital assets, net of related debt	-	33,997,359	(1,425,979)	-	-	32,571,380	-
Restricted							
Debt service	-	2,887,476	-	-	-	2,887,476	-
Construction	2,081,164	1,636,420	-	-	-	3,717,584	-
Workers' compensation	-	-	-	-	-	-	484,673
Unrestricted	-	8,116,880	(215,751)	1,581,725	150,674	9,633,528	1,140,513
Total net assets	\$ 2,081,164	\$ 46,638,135	\$ (1,641,730)	\$ 1,581,725	\$ 150,674	\$ 48,809,968	\$ 1,625,186
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						556,432	
Net assets of business-type activities						\$ 49,366,400	

See accompanying notes to basic financial statements.



# CITY OF YORK, PENNSYLVANIA

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2005

	Business-type Activities - Enterprise Funds						Internal Service Fund
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Fund Sewer Transportation	WRC TV	Total	
Operating revenues							
Charges for services	\$ 5,560,657	\$ 5,473,430	\$ 716,223	\$ -	\$ -	\$ 11,750,310	\$ 7,964,031
Rental income	-	-	488,851	-	-	488,851	-
Revenue from other local governments	-	-	-	85,271	-	85,271	-
Miscellaneous income	3,599	9,835	14,760	-	-	28,194	3,555
Total operating revenues	5,564,256	5,483,265	1,219,834	85,271	-	12,352,626	7,967,586
Operating expenses							
Personnel services	1,572,178	349,365	405,203	-	-	2,326,746	780,673
Utilities	617,181	-	171,845	-	1,078	790,104	-
Treatment costs	-	1,740,129	-	-	-	1,740,129	-
Contractual services	216,851	210,642	-	-	-	427,493	-
Professional services	147,298	230,673	60,000	-	-	437,971	294,170
Materials and supplies	407,175	79,315	264,943	-	91	751,524	135,995
Sludge	444,978	-	-	-	-	444,978	-
Administrative	441,346	508,064	99,562	-	-	1,048,972	166,781
Legal Claims Settlement	-	-	-	-	-	-	200,000
Facility Maintenance and repairs	-	-	99,586	-	-	99,586	-
Health insurance claims	-	4,983	-	-	-	4,983	4,655,083
Insurance premiums	-	-	32,166	-	-	32,166	839,497
Worker's compensation insurance	-	-	-	-	-	-	503,773
Depreciation	-	2,239,551	264,671	-	-	2,504,222	-
Miscellaneous	1,054,886	213,612	14,990	-	26	1,283,514	691,288
Total operating expenses	4,901,893	5,576,334	1,412,966	-	1,195	11,892,388	8,267,260
Operating income (loss)	662,363	(93,069)	(193,132)	85,271	(1,195)	460,238	(299,674)
Nonoperating revenue (expenses)							
Investment income	40,038	1,768,945	978	45,138	369	1,855,468	58,404
Intergovernmental grants	-	121,115	-	-	-	121,115	135,000
Springettsbury capacity sale	-	831,000	-	-	-	831,000	-
Contributions	-	-	-	-	151,500	151,500	-
Interest expense	-	(2,166,965)	(342,660)	-	-	(2,509,625)	-
Total nonoperating revenue (expenses)	40,038	554,095	(341,682)	45,138	151,869	449,458	193,404
Change in net assets before transfers	702,401	461,026	(534,814)	130,409	150,674	909,696	(106,270)
Transfers in	-	208,966	624,760	-	-	833,726	-
Transfers out	(208,966)	(1,000,000)	(150,256)	-	-	(1,359,222)	-
Change in net assets	493,435	(330,008)	(60,310)	130,409	150,674	384,200	(106,270)
Net assets - beginning of year	1,587,729	46,968,143	(1,581,420)	1,451,316	-	-	1,731,456
Net assets - end of year	\$ 2,081,164	\$ 46,638,135	\$ (1,641,730)	\$ 1,581,725	\$ 150,674	-	\$ 1,625,186
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						139,469	
Change in net assets of business-type activities						523,669	

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2005**

	Business-type Activities - Enterprise Funds						
				Other Enterprise Fund			
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Sewer Transportation	WRC TV	Total	Internal Service Fund
Cash flows from operating activities							
Receipts from customers and users	\$ 5,287,141	\$ 5,370,001	\$ 1,253,901	\$ 63,405	\$ -	\$ 11,974,448	\$ 8,041,694
Payments to suppliers	(2,806,669)	(3,545,450)	(605,450)	-	(1,169)	(6,958,738)	(7,657,725)
Payments to employees	(1,589,465)	(347,981)	(403,741)	-	-	(2,341,187)	(336,916)
Net cash provided by (used in) operating activities	891,007	1,476,570	244,710	63,405	(1,169)	2,674,523	47,053
Cash flows from noncapital financing activities							
Transfers in	-	208,966	624,760	-	-	833,726	-
Transfers out	(208,966)	(1,000,000)	(150,256)	-	-	(1,359,222)	-
Springettsbury capacity sale	-	831,000	-	-	-	831,000	-
Net cash provided by (used in) noncapital financing activities	(208,966)	39,966	474,504	-	-	305,504	-
Cash flows from capital and related financing activities							
Capital outlays	-	(1,699,347)	(2,418)	-	-	(1,701,765)	-
Intergovernmental grants	-	121,115	-	-	-	121,115	135,000
Contributions	-	-	-	-	151,132	151,132	-
Principal receipts on lease rentals receivable	-	971,442	-	-	-	971,442	-
Principal payments on bonds	-	(4,080,000)	(280,000)	-	-	(4,360,000)	-
Principal payments on capital lease	-	(7,475)	-	-	-	(7,475)	-
Interest paid	-	(3,198)	(342,660)	-	-	(345,858)	-
Net cash provided by (used in) capital and related financing activities	-	(4,697,463)	(625,078)	-	151,132	(5,171,409)	135,000
Cash flows from investing activities							
Sales of investment securities	-	736,921	-	-	-	736,921	-
Investment income	40,038	1,773,049	(1,122)	45,138	369	1,857,472	58,404
Net cash provided by investing activities	40,038	2,509,970	(1,122)	45,138	369	2,594,393	58,404
Net increase (decrease) in cash and cash equivalents	722,079	(670,957)	93,014	108,543	150,332	403,011	240,457
Cash and cash equivalents - beginning of year	1,992,344	4,782,248	-	1,438,778	-	8,213,370	2,146,872
Cash and cash equivalents - end of year	\$ 2,714,423	\$ 4,111,291	\$ 93,014	\$ 1,547,321	\$ 150,332	\$ 8,616,381	\$ 2,387,329
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ 662,363	\$ (93,069)	\$ (193,132)	\$ 85,271	\$ (1,195)	\$ 460,238	\$ (299,674)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities							
Depreciation	-	2,239,551	264,671	-	-	2,504,222	-
(Increase) decrease in:							
Accounts receivable	191,593	(115,487)	21,385	(21,866)	-	75,625	74,109
Advance to management company	-	-	57,182	-	-	57,182	-
Inventory	-	-	40,068	-	-	40,068	-
Prepaid expenses	-	-	2,227	-	-	2,227	(26,047)
Due from other funds	222,959	-	-	-	-	222,959	-
Due from component units	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Increase (decrease) in:							
Accounts payable and accrued expenses	180,147	28,925	(15,227)	-	26	193,871	296,721
Accrued wages payable	(12,501)	161	1,462	-	-	(10,878)	(6,763)
Accrued compensated absences	(4,786)	1,222	-	-	-	(3,564)	8,707
Deferred revenue	-	2,222	12,682	-	-	14,904	-
Due to other funds	119,940	(664,355)	53,392	-	-	(491,023)	-
Due to other governments	(468,708)	77,400	-	-	-	(391,308)	-
Net cash provided by (used in) operating activities	\$ 891,007	\$ 1,476,570	\$ 244,710	\$ 63,405	\$ (1,169)	\$ 2,674,523	\$ 47,053
Non cash items							
Proceeds from capital lease obligations	\$ -	\$ 49,714	\$ -	\$ -	\$ -	\$ 49,714	\$ -
Acquisition of equipment through capital lease obligations	\$ -	\$ 49,714	\$ -	\$ -	\$ -	\$ 49,714	\$ -

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**

## STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

DECEMBER 31, 2005

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	Pension Trust Funds	Agency Funds
	<hr/>	<hr/>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,756,165	\$ 316,267
Investments, at fair value	<hr/> 70,955,034	<hr/> -
Total assets	<hr/> 74,711,199	<hr/> 316,267
<b>Liabilities</b>		
Accounts payable and accrued expenses	<hr/> -	<hr/> 316,267
Total liabilities	<hr/> -	<hr/> \$ 316,267
<b>Net assets</b>		
Held in trust for pension benefits	<hr/> \$ 74,711,199	

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUNDS  
YEAR ENDED DECEMBER 31, 2005

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## Additions

## Contributions

Employee contributions	\$ 580,488
Employer contributions	<u>2,034,131</u>

Total contributions	<u>2,614,619</u>
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## Investment income

Interest and dividend income	1,884,060
Net appreciation of investments	<u>2,107,647</u>

3,991,707

Less investment expense	<u>(490,508)</u>
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Net investment income	<u>3,501,199</u>
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Total additions	<u>6,115,818</u>
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## Deductions

Benefit payments	<u>(5,312,272)</u>
------------------	--------------------

Net increase	803,546
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Net assets held in trust for pension benefits, beginning of year	<u>73,907,653</u>
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Net assets held in trust for pension benefits, end of year	<u><u>\$ 74,711,199</u></u>
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See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**

## STATEMENT OF NET ASSETS - COMPONENT UNITS

DECEMBER 31, 2005

	Redevelopment Authority	General Authority	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 493,846	\$ 199,113	\$ 692,959
Restricted cash and cash equivalents	115,469	1,737,439	1,852,908
Accounts receivable	115,040	-	115,040
Due from other governments	24,977	-	24,977
Accrued interest	-	5,055	5,055
Prepaid expenses	28,209	-	28,209
Total current assets	777,541	1,941,607	2,719,148
Noncurrent assets			
Capital assets (net of accumulated depreciation of \$423,009 and \$5,215,077)	3,102,056	3,632,941	6,734,997
Capitalized bond costs (net of accumulated amortization of \$16,404 and \$301,624)	87,109	188,512	275,621
Total noncurrent assets	3,189,165	3,821,453	7,010,618
Total assets	3,966,706	5,763,060	9,729,766
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued expenses	6,302	22,249	28,551
Due to primary governments	-	294,097	294,097
Deferred revenues	31,422	479,520	510,942
Escrowed funds	115,469	-	115,469
Line of Credit	49,000	-	49,000
Current portion of bonds payable	80,000	-	80,000
Current portion of note payable	-	599,820	599,820
Total current liabilities	282,193	1,395,686	1,677,879
Noncurrent liabilities			
Bonds payable	3,435,000	-	3,435,000
Note payable	56,951	3,464,321	3,521,272
Total noncurrent liabilities	3,491,951	3,464,321	6,956,272
Total liabilities	3,774,144	4,860,007	8,634,151
<b>Net Assets</b>			
Invested in capital assets, net of related debt	(325,835)	(242,690)	(568,525)
Restricted			
Debt Service	14,116	884,598	898,714
Construction	-	100,504	100,504
Unrestricted	504,281	160,641	664,922
Total net assets	\$ 192,562	\$ 903,053	\$ 1,095,615

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF ACTIVITIES - COMPONENT UNITS**  
**YEAR ENDED DECEMBER 31, 2005**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Redevelopment Authority	General Authority	Total
Redevelopment Authority	\$ 1,521,417	\$ 265,500	\$ 1,072,833	\$ (183,084)	\$ -	\$ (183,084)
General Authority	<u>1,806,544</u>	<u>2,096,010</u>	<u>-</u>	<u>-</u>	<u>289,466</u>	<u>289,466</u>
Total component units	<u>\$ 3,327,961</u>	<u>\$ 2,361,510</u>	<u>\$ 1,072,833</u>	<u>(183,084)</u>	<u>289,466</u>	<u>106,382</u>
General revenues						
Miscellaneous Revenue				120,900	-	120,900
Unrestricted investment earnings				<u>5,643</u>	<u>53,034</u>	<u>58,677</u>
Change in net assets				(56,541)	342,500	285,959
Net assets - beginning of year -						
				<u>249,103</u>	<u>560,553</u>	<u>809,656</u>
Net assets - end of year				<u>\$ 192,562</u>	<u>\$ 903,053</u>	<u>\$ 1,095,615</u>

See accompanying notes to basic financial statements.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of York, Pennsylvania (City) was founded in 1741 and chartered as a city in 1787. The City is a third class city operating under the Third Class City/Optional Charter Law of Pennsylvania. The City's core services are public works, housing programs, recreation, economic development, public safety, health and environmental services, sewer maintenance, and wastewater treatment.

The accounting policies of the City conform with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units except as noted below. The following is a summary of the more significant policies:

#### *Reporting Entity*

The City used guidance contained in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (GASB No. 14), as amended, to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) within its reporting entity. The criteria used by the City for inclusion are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the City reviews the applicability of the following criteria.

The City is financially accountable for:

- Organizations that make up the legal City entity.
- Legally separate organizations if City officials appoint a voting majority of the organization's governing body and the City is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City as defined below.

*Impose its Will* - If the City can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

*Financial Benefit or Burden* - Exists if the City (1) is entitled to the organization's resources, or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the City.

(continued)

# **CITY OF YORK, PENNSYLVANIA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

Based on the foregoing criteria, the reporting entity has been defined to include all the fund types for which the City is financially accountable and entities with which there is a significant relationship. Specific information on the nature of the various component units and a description of how the aforementioned criteria have been considered in determining whether to include such units in the City's financial statements are provided in the following paragraphs.

### *Blended Component Unit*

Blended component units, although legally separate entities, are, in substance, part of the primary government's (the City) operations and so data from these units are combined with data of the City. The component unit which meets this criteria is the City of York Sewer Authority (Sewer Authority).

The Sewer Authority was formed in 1950 under the Municipality Authorities Act of 1945 for the purpose of acquiring, maintaining, and leasing the sewer system to the City. The five member board is nominated by the Mayor and appointed by City Council. The Sewer Authority's only financial transactions are the financing and maintaining of the City's sewer system. The Sewer Authority's financial statements are blended with the City's sewer activity and are accounted for as the Sewer Fund, an Enterprise Fund in the City's basic financial statements. Separately published financial statements of the Sewer Authority are available for public inspection in the City's Accounting Office.

### *Discretely Presented Component Units*

Component units which are not blended as part of the primary government are discretely presented, which entails reporting component unit financial data in a column separate from the financial data of the primary government. The component units which meet this criteria are the City of York General Authority (General Authority) and the Redevelopment Authority of the City of York (Redevelopment Authority).

The General Authority was formed in 1995 under the Municipality Authorities Act of 1945 (Act) for all of the purposes authorized under the Act, without limitation, except for approval by the City of certain projects to be undertaken by the General Authority as specified in its Articles of Incorporation. The General Authority is governed by a seven-member board, all of whom are appointed by City Council. The General Authority's primary operations to date have been to operate and maintain a municipal parking system. The City expressly reserves the right which exists under the Act to approve any plan of the General Authority as to making business improvements or providing administrative services, as those are defined in the Act. The General Authority issued debt on January 1, 1996 for the purpose of purchasing the City's parking system. The debt was subsequently refunded and replaced by a note payable to the City. The General Authority publishes separate financial statements which are available in the City's Accounting Office.

(continued)



## **CITY OF YORK, PENNSYLVANIA**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

The Redevelopment Authority was formed in 1950 under the Pennsylvania Urban Redevelopment Law, Act of 1945 (Public Law - 991, as amended). The Redevelopment Authority is administered by a five member board, all of whom are appointed by the Mayor. The Redevelopment Authority acquires vacant and dilapidated residential and commercial properties for the City to rehabilitate for sale to low- to moderate-income home buyers or for the purpose of promoting commercial or industrial development. The Redevelopment Authority's financial transactions are the acquisition and sale of properties for the City and to administer section 8 housing assistance payments. The Redevelopment Authority, in January of 2002, issued debt for the purpose of constructing the Susquehanna Commerce Center Parking Garage. The Redevelopment Authority does not publish separate financial statements.

#### *Related Organization*

The City Council is also responsible for appointing the members of the Housing Authority of the City of York, but the City's accountability for this organization does not extend beyond making such appointments.

#### ***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges to external parties for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

### *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers real estate, earned income, franchise taxes, intergovernmental revenue, departmental earnings, and investment income as meeting the available criteria. All other governmental fund revenues are recorded as cash is received because they are generally not measurable until actually received. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term obligations are recognized when due. Prepaid items and inventory purchases are reported as expenditures in the year when the items are purchased. Expenditures for claims, judgments, compensated absences and employer pension contributions are reported to the extent that they mature each period.

The City reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the governmental fund balance sheet and revenue is recognized.

The City reports the following major governmental funds:

*General Fund* - The general fund is the general operating fund of the City. It is used for all financial resources except those required to be accounted for in another fund.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

(continued)

## CITY OF YORK, PENNSYLVANIA

### NOTES TO BASIC FINANCIAL STATEMENTS

The City reports the following major proprietary funds:

*Inter-municipal Sewer Fund* - The inter-municipal sewer fund accounts for revenues and expenses associated with the Greater York Area Wastewater Treatment Plant.

*Sewer Fund* - The sewer fund is used to account for revenues and expenses associated with providing sanitary sewer services to City residents. The principal revenue source for this fund is user fees collected from City property owners.

*Ice Rink Fund* - In October of 2003 the City, by resolution, took possession of the skating rink formerly operated by the York Recreation Corporation. The ice rink fund is used to account for revenues and expenses associated with the operation of these facilities.

In addition, the City reports the following fund types:

*Internal Service Fund* - The internal service fund is used to account for the financing of insurance services, human resource services, information services, central services, and business administration services provided to the other funds of the City on a cost reimbursement basis.

*Pension Trust Funds* - Accounts for the accumulation of resources for pension benefit payments and the withdrawals of qualified distributions for members of the City police force, City firefighters, and City officers and employees. The City sponsors and administers these plans which are defined benefit plans covering substantially all employees.

*Agency Funds* - Accounts for situations where the City's role is purely custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

The City follows GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting (Statement No. 20)*, for reporting and disclosure purposes. As permitted by Statement No. 20, the City has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989 unless the GASB specifically adopts the FASB Statement or Interpretation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

(continued)

# **CITY OF YORK, PENNSYLVANIA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

### ***Deposits and Investments***

For the purpose of the Statement of Cash Flows, highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

### ***Restricted Deposits and Investments***

In 1906, the Albert S. Weyer Hospital Trust was established and, at the expiration of one hundred years, is bequeathed to the City for the establishment of a hospital for the underprivileged. During 1984, the City petitioned the court alleging that the principal and income of said Trust would be insufficient to establish such a hospital. Upon court order, the Trust was modified so that income from the Trust is paid annually to the City for the purpose of establishing and operating a mobile screening hospital for the underprivileged. The City established the Weyer Trust Fund, a permanent fund, for this purpose. Deposits and investments of the Weyer Trust Fund are classified as restricted since their use is limited by court order.

Deposits and investments in the sewer fund that are in bond trust funds are restricted to the purposes set forth by the bonds.

Deposits and investments in the internal service fund that are reserved for workers' compensation claims are restricted to the purposes set forth in the City's workers' compensation insurance binder.

### ***Investments***

Investments are stated at fair value.

### ***Allowance for Doubtful Accounts***

The City's policy is to provide an allowance for loans, taxes, and accounts receivable based on past collection experience.

(continued)

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

### *Interfund Receivables and Payables*

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). During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

### *Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, dams, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Land improvements	20 years
Buildings and improvements	15 to 75 years
Equipment and furniture	5 to 20 years
Infrastructure	10 to 75 years

### *Vested compensated absences*

Vested compensated absences represent vested portions of accumulated unpaid vacation, sick pay, and other employee benefit amounts. It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, sick pay, and other employee benefit amounts, which will be paid to employees upon separation from City service. All compensated absences are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(continued)

## CITY OF YORK, PENNSYLVANIA

### NOTES TO BASIC FINANCIAL STATEMENTS

#### ***Long-term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the related obligation using the effective interest method. Debt is reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related obligation.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### ***Accretion of Interest***

Discounts on principal-only treasury strip investments are accreted over the lives of the investments as an adjustment to yield using the effective interest method. Discounts on the zero-coupon Guaranteed Sewer Revenue Bonds - Series of 1990, Federally Taxable General Obligation Bonds - Series A of 1995, General Obligation Bonds - Series B of 1998 and General Obligation Refunding Notes - Series D of 1998 are accreted over the life of the respective bonds using the effective interest method.

#### ***Fund Equity and Net Assets***

In the government-wide financial statements, net assets are classified in the following categories:

***Invested in Capital Assets, Net of Related Debt*** - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

***Restricted Net Assets*** - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

***Unrestricted Net Assets*** - This category represents the net assets of the City, which are not restricted for any project or other purpose.

(continued)

# **CITY OF YORK, PENNSYLVANIA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

In the fund financial statements, fund balances of governmental funds are classified in two separate categories. The two categories, and their general meanings, are as follows:

**Reserved Fund Balance** - This category represents that portion of fund equity which has been legally segregated for specific purposes.

**Unreserved Fund Balance** - This category represents that portion of fund equity which is available for appropriation and expenditure in future periods.

### ***Self-insurance***

The City is primarily self-insured for health insurance. Various governmental funds and the proprietary funds are assessed charges based on historical loss experience with premiums being treated as quasi-external transactions. The City funds loss claims when incurred based upon the evaluation of an independent third party administrator together with claims incurred but not reported. The internal service fund accounts for the self-insurance program. The City accrues claims incurred but not paid at year end, taking into consideration claims incurred but not reported.

### ***Nonrecourse Debt Issues***

The City (through the General Authority and the Redevelopment Authority) participates in various bond issues for which it has limited liability. Acting solely in an agency capacity, the City serves as a financing conduit, bringing the ultimate borrower and the ultimate lender together to do business. Although the City is a party to the trust indenture with the trustee, the agreements are structured such that there is no recourse against the City in the case of default. As such, the corresponding debt is not reflected on the City's statement of net assets. The amount of nonrecourse debt issues is unavailable at December 31, 2005.

### ***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 expenditures during the reporting period. Actual results could differ from those estimates.

### ***Changes in Accounting Principles***

In March of 2003, the GASB issued Statement No. 40, "Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3." This statement modified or eliminated certain disclosures required under GASB Statement No. 3. The City has adopted Statement No. 40 for their calendar year 2005 financial statements.

(continued)

# **CITY OF YORK, PENNSYLVANIA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

In November of 2003, the GASB issued Statement No. 42 *"Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries."* This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The City has adopted Statement No. 42 for their calendar year 2005 financial statements.

### ***Pending Change in Accounting Principles***

In August of 2004, the GASB issued Statement No. 45 *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."* Statement No. 45 addresses how the City should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. The City is required to adopt Statement No. 45 for their calendar year 2008.

## **2. BUDGETARY PROCEDURES AND BUDGETARY ACCOUNTING**

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

1. During August, the various departments and agencies of the City prepare their individual budgets for the ensuing calendar year. These individual budgets are submitted to the Business Administration Office (Administration) and include information on the year-to-date expenditures, projected expenditures for the remainder of the current year, and the next year's budget.
2. Administration consolidates all departmental and agency budgets into a comprehensive preliminary budget for the entire City. The preliminary budget details both proposed expenditures and the means of financing them.
3. Each director meets with Administration as considered necessary to review his individual budgets as set forth in the preliminary City budget in the beginning of October.
4. The Mayor holds hearings pursuant to the Third Class City Code and the Consolidated Ordinances of the City of York. Each department head is required to appear before the Mayor in a public hearing for the budget request.
5. The Administration finalizes the budget and presents it to City Council (Council) by the second meeting in November.
6. In considering the budget, Council has the authority to reduce any line item by a vote of at least three members. In addition, Council may increase or add a line item to a budget by a vote of four members.

(continued)



## CITY OF YORK, PENNSYLVANIA

### NOTES TO BASIC FINANCIAL STATEMENTS

7. The proposed budget ordinance must be available for public inspection in the Office of the City Clerk between the first and second readings.
8. Prior to December 31, Council adopts the final budget by enacting an appropriate ordinance.

The Business Administrator has the authority to approve the transfer of unexpended funds between accounts except in the following instances:

1. Transfers of more than 5% of an appropriation item within that fund.
2. Transfers of more than 5% of a department's appropriated budget in that fund.

In those instances and when additional unappropriated funds are needed, Council's approval is required. Council has approved all expenditures in excess of the original budget as a result of the adoption of the subsequent year's budget document. The City does not amend the original budget in accordance with the Third Class Code.

The following fund types and funds have legally adopted annual budgets:

1. General fund.
2. Special revenue funds as follows: recreation fund, liquid fuels, community development block grant fund, and the state health grant fund.
3. 1995, 1998, 2001 and 2002 debt service funds.
4. Capital projects fund.
5. All proprietary funds.
6. Permanent fund - the Weyer Trust Fund.

### 3. FUND DEFICITS/DEFICIT NET ASSETS

As of December 31, 2005, five funds each had a deficit fund balance or net assets. The City's management has addressed this situation and has prepared the following action plan to eliminate these deficits in a timely manner:

**Recreation Fund** - The fund deficit, at December 31, 2005, of \$612,539, is financed by loans from the general fund as a result of revenue falling short of the budget.

**Special Projects Fund** - The fund deficit, at December 31, 2005, of \$234,367, is a result of a loan guaranteed by the land proceeds fund. The City will eliminate the deficit through charges to other funds.

(continued)

## **CITY OF YORK, PENNSYLVANIA**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**Debt Service Fund** - The fund deficit, at December 31, 2005, of \$297,855, is financed by loans from the general fund as a result of revenue falling short of the budget.

**Capital Projects Fund** - The fund deficit, at December 31, 2005, of \$40,457, is financed by loans from the general fund as a result of revenue falling short of the budget.

**Ice Rink Fund** - The fund deficit, at December 31, 2005, of \$1,641,730, is a result of assuming the capital assets and debt of the York Recreation Corporation.

During 2005, the City overspent available funds in several of its funds resulting in large cash deficits. The City's general fund did not have sufficient funds to cover the cash overdrafts. The City covered the overdrafts by using cash from the General Fund and other funds.

#### **Early Intervention Program**

In 2005 the City of York participated in the Commonwealth of Pennsylvania's Early Intervention Program (EIP). The EIP was established by the Commonwealth, and administered by the Department of Community and Economic Development, to assist municipalities struggling to meet financial obligations to conduct an in-depth historical financial analysis and prepare a five year financial forecast.

The City of York's EIP report projects that if no changes are made, by 2010 the city will be confronted by annual budget deficits in excess of \$ 4.9 million. The report includes a list of options to increase revenue and decrease the rate of growth in expenses. If all of the options listed were implemented and the projections included in the report were realized the annual budgetary deficits would be tenuously balanced through 2009 and would fall out of balance again in 2010.

The City has implemented many of the options described in the report. But, because the full implementation of all of the options still results in significant future budget deficits, the City continues to evaluate whether it should file for financially distressed municipality status under Act 47.

#### **4. PROPERTY TAXES**

The City is permitted by the Third Class City Code of the Commonwealth of Pennsylvania to levy property taxes up to 25 mills on every dollar of adjusted assessed valuation for general purposes, exclusive of the requirements for the payment of interest and principal on funded debt. The current tax levy of the City is 13.520 mills including amounts for debt service and recreation.

(continued)

## CITY OF YORK, PENNSYLVANIA

### NOTES TO BASIC FINANCIAL STATEMENTS

Based upon assessed valuations provided by the County of York, the City bills and collects its own real estate taxes. The schedule for real estate taxes levied for 2005, was as follows:

February 15, 2005	-	levy date
February 15 - April 15, 2005	-	2% discount period
April 15 - June 14, 2005	-	face payment period
June 15 - December 31, 2005	-	10% penalty period
January 1, 2006	-	lien date

By the first Monday in January of the year subsequent to levy, the City turns over all delinquent taxes to the County of York Tax Claim Bureau which collects these taxes on behalf of the City.

## 5. DEPOSITS AND INVESTMENTS

### *Cash and Temporary Investments*

The deposit and investment policy of the City adheres to the Pennsylvania Third Class City Code and prudent business practices. City deposits must be held in insured, federally regulated banks or financial institutions and must be fully collateralized in accordance with state statutes. Except for investments in the pension trust funds, permissible investments include direct obligations of the U.S. Treasury and U.S. government agencies; certificates of deposit issued by insured banks, bank and trust companies, and savings and loan associations; repurchase agreements with maturities not to exceed 30 days, secured by U.S. government obligations with collateral to be delivered to a third-party custodian; shares of registered investment companies whose portfolios consist solely of government securities; general obligation bonds of any state, Pennsylvania subdivisions, or any of its agencies or instrumentalities backed by the full faith and credit of the issuing entity and having the highest rating of a recognized bond rating agency; and pooled funds of public agencies of the Commonwealth of Pennsylvania. Investments in the pension trust fund are not restricted. The policy also allows investment of funds received as a result of debt issuance in any security in which the Commonwealth of Pennsylvania may invest.

The City follows the practice of pooling funds (excluding the pension trust funds and any other fund which is legally or contractually required to be segregated) for short-term investment purposes. The City's investment pool is maintained with a local financial institution which requires the City to maintain a minimum balance of \$3,500,000. Interest earnings are allocated to funds based upon the average balance of funds invested in the pool over the previous six month period. The allocation of the pooled investment is included in the respective fund's cash and cash equivalents.

The deposits and investments of the fiduciary funds are administered by trustees and are held separately from those of public funds.

(continued)

## **CITY OF YORK, PENNSYLVANIA**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

*Custodial credit risk:* The City has custodial credit risk on cash deposits. This is the risk that in the event of a financial institution failure, the City's deposits may not be returned. 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.

At December 31, 2005 up to \$ 100,000 was covered by Federal Depository Insurance for each of the banks with the City's deposits for a total of \$471,659 in coverage. The remaining \$ 16,520,854 of deposits were exposed to custodial risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

The City of York has two component units, the General Authority and the Redevelopment Authority. The General Authority had a carrying balance of \$1,936,552 as of December 31, 2005. The Redevelopment Authority had a carrying balance of \$2,545,867 as of December 31, 2005.

The General Authority and Redevelopment Authority have custodial credit risk on cash deposits. This is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned. The Authority has a deposit policy for custodial risk that requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance.

At December 31, 2005 \$ 100,000 for each authority was covered by Federal Depository Insurance. The remaining \$ 1,836,552 for the General Authority and \$2,445,867 for the Redevelopment Authority of deposits were exposed to custodial risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in either Authority's name.

#### ***Investments***

*Interest rate risk:* The City of York does not have a formal investment policy for its funds that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The deposit and investment policy of the City adheres to the Pennsylvania Third Class City Code and prudent business practices. The City of York Sewer Authority does not have a formal investment policy for its funds that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Sewer Authority follows The Municipal Authority Act.

(continued)

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

*The carrying amounts of the cash and investments at December 31, 2005 consist of the following:*

	Carrying Value	Bank Value
Cash and cash equivalents		
Governmental	\$ 3,065,907	\$ 4,070,504
Business Type	5,701,257	5,418,822
Fiduciary	4,072,432	4,072,432
Restricted cash and cash equivalents		
Governmental	563,422	515,631
Business type	2,915,124	2,915,124
Investments		
Governmental	3,280,732	3,280,732
Business Type	7,464,099	7,464,099
Fiduciary	70,955,034	70,955,034
	<u>\$ 98,018,007</u>	<u>\$ 98,692,378</u>

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
<b>Governmental Funds</b>					
Weyer Trust					
Common Equity Securities	\$ 1,995,006	\$ 1,995,006			
Foreign Equity Securities	368,260	368,260			
Domestic Bonds	917,466	917,466			
Total Governmental Funds	\$ 3,280,732	\$ 3,280,732	\$ -		\$ -
<b>Proprietary Funds</b>					
Sewer Fund					
US Treasury Obligations	\$ 3,785,099	\$ 424,640	\$ 1,871,406	\$ 1,489,053	
Guaranteed Investment Contract	3,679,000			3,679,000	
Total Proprietary Funds	\$ 7,464,099	\$ 424,640	\$ 1,871,406	\$ 5,168,053	\$ -
<b>Fiduciary Funds</b>					
Pension Funds					
Closed End Funds	137,401	137,401			
Preferred Stock	2,732,992	2,732,992			
Certificate of Deposit	467,003	467,003			
Mortgage & Asset Backed Securities	480,000				480,000
US Treasury Bonds	6,977,784		3,453,601	3,048,088	476,095
Common Equity Securities	45,729,472	45,729,472			
Foreign Equity Securities	4,453,926	4,453,926			
Mutual Funds					
Corporate Bonds	9,731,768	1,885,422	4,132,483	3,713,863	
Foreign Bonds	244,688		244,688		
Total Fiduciary Funds	\$70,955,034	\$55,406,216	\$ 7,830,772	\$ 6,761,951	\$ 956,095
Total Investments	\$81,699,865	\$59,111,588	\$ 9,702,178	\$11,930,004	\$ 956,095

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

*Custodial credit risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2005, \$81,699,865 is held by the investment's counterparties, not in the name of the City or the Authority.

*Credit risk:* State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The City has no investment policy that would further limit its investment choices. As of December 31, 2005 the City's investments in US Treasury Bonds were rated AAA by Moody's Investors Service and Standard & Poor's. The City's investments in Corporate Bonds ranged from AAA to BA1 by Moody's Investors Service and from AAA to BB by Standard & Poor's. The City's investment in Foreign Bonds was A3 by Moody's Investors Service and A- by Standard & Poor's.

*Concentration in credit risk:* The City places no limit on the amount the City may invest in any one issuer. The City follows The Pennsylvania Third Class City Code and prudent business practices. 60.8 percent of the Governmental Funds are in Common Equity Securities. Over 50 percent of the Proprietary Funds are in US Treasury Obligations. 64.4 percent of the pension investments are in Common Equity Securities.

*Foreign currency risk:* The City does not have a formal policy to limit foreign currency risk. The deposit and investment policy of the City adheres to the Pennsylvania Third Class City Code and prudent business practices. As of December 31, 2005, the City had \$5,066,874 in foreign risk exposure. The Authority does not have a formal policy to limit foreign currency risk. The Sewer Authority follows The Municipal Authority Act. As of December 31, 2005, the Authority had no foreign risk exposure. The City's exposure to foreign currency risk is presented on the following table as of December 31, 2005:

Name	Currency	Equity	Bond	Total Per Currency
BP Plc Spons ADR	British pound	126,513		
Barclays Plc-ADR	British pound	151,067		
Cadbury Schweppes Plc ADR	British pound	126,931		
Diageo PLC Spon ADR-new	British pound	124,645		
GlaxoSmithKline Plc SP ADR	British pound	177,740		
HSBC HLDG Plc SP ADR new	British pound	153,617		
TESCO plc Sponsored	British pound	71,280		
Vodafone Group	British pound	128,820		
				1,060,613

(continued)

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

Name	Currency	Equity	Bond	Total Per Currency
Research In Motion - LTD CAD	Canadian Dollars	46,136		
Ultra Petroleum Corp-CAD	Canadian Dollars	7,421		
Angiotech Pharmaceuticals Inc-cad	Canadian Dollars	32,875		
				86,432
CTRIP.COM INT'L LTD-CNY	Chinese Yen	54,670		
				54,670
Danske Ban A/S Spons ADR	Danish Krone	150,960		
				150,960
Schering A G Spons	Deutsche Mark	59,550		
Siemens A G	Deutsche Mark	139,940		
				199,490
Nokia Corp	Euro	192,150		
Allied Irish Bks Spon Adr	Euro	86,994		
Heineken N V ADR	Euro	107,620		
TNT N V Sponsored	Euro	45,356		
Royal Dutch Shell PLC	Euro	125,686		
San Paolo IMI SPA Spon	Euro	90,313		
Unilever plc Spons	Euro	124,011		
AXA S.A. Spons ADR	Euro	96,990		
Sanofi-Aventis	Euro	135,036		
Societe Generale Spon ADR	Euro	194,617		
Total S.A. Spons	Euro	138,914		
Vivendi Universal	Euro	78,500		
ENI SPA Sponsored ADR	Euro	122,725		
Diageo	Euro		244,688	
				1,783,600
Hoya Corp	Japanese yen	53,166		
KAO Corp-Jpy	Japanese yen	134,132		
Mitsubishi UFJ Financial Group	Japanese yen	138,269		
Canon Inc ADR	Japanese yen	135,603		
Nomura AG ADR	Japanese yen	171,539		
				632,709
Orbotech Ltd	Shekels	83,895		
				83,895

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

Name	Currency	Equity	Bond	Total Per Currency
UBS AG-CHF	Swiss franc	143,677		
Credit Suisse Group ADR	Swiss franc	151,576		
Nestle S A Spons	Swiss franc	134,550		
Novartis AG ADR	Swiss franc	87,169		
Swiss Reinsurance Spon ADR	Swiss franc	83,576		
Zurich Fincl Svcs	Swiss franc	45,677		
				646,225
Artisan Funds	US Dollar	368,280		
				368,280
<b>Total Foreign Investments</b>		<b>4,822,186</b>	<b>244,688</b>	<b>5,066,874</b>

### 6. LOANS RECEIVABLE

#### *York scattered sites loans*

During 2001, the City entered into three separate loan agreements under a project known as the York Scattered Sites Project for the purpose of rehabilitating seven historic buildings containing 31 residential rental units and 6 commercial spaces located within the City of York's historic west end. The loans for the projects are as follows:

In September of 2001, the City of York entered into a promissory note agreement to lend \$1,000,000 to a local non-profit corporation for the purpose of rehabilitation, preserving and/or enhancing seven properties containing 31 dwelling units for rent. The full face of the note plus payment of 1% simple interest per year will become due on October 1, 2017. At this time, the City may demand payment or, in lieu of payment, they may elect one of two options, which include the right of first refusal to purchase the property or to extend the loan for an additional 15 years. If the City elects to extend the loan for an additional 15 years, the entire principal amount and any accrued interest will be forgiven at the end of the 15 year period. The loan receivable is recorded within the particular fund from which the funds were disbursed. Accordingly, \$522,750 is recorded within the Community Development Block Grant Fund and \$327,250 is recorded in the Home Fund, net of an allowance of \$150,000. The entire loan balance has been recorded as deferred revenue as of December 31, 2005.

In September of 2001, the City of York entered into a promissory note agreement to lend \$335,000 to a Pennsylvania limited partnership for the purpose of rehabilitating 6 commercial properties within the City. The loan is secured by a mortgage with interest charged at 3% per annum. The full amount of the note plus accrued interest is due September 7, 2031. The loan receivable, in the amount of \$284,750, net of an allowance of \$50,250, is recorded within the Section 108 Loan Fund and the entire loan balance has been recorded as deferred revenue as of December 31, 2005.

(continued)



## CITY OF YORK, PENNSYLVANIA

### NOTES TO BASIC FINANCIAL STATEMENTS

In September of 2001, the City of York entered into a promissory note agreement to lend \$220,000 to a local non-profit corporation for the purpose of rehabilitating 6 commercial properties within the City. The loan is secured by a mortgage with interest charged at 1% per annum. The full amount of the note plus accrued interest is due September 7, 2017. The loan receivable, in the amount of \$187,000, net of an allowance of \$33,000, is recorded within the General Fund and the entire loan balance has been recorded as deferred revenue as of December 31, 2005.

#### *Historic Fairmount Project Loan*

In November of 2002, the City of York entered into a loan agreement with a Pennsylvania limited partnership in which the City has agreed to loan a maximum of \$1,050,000 of funds from the Section 108 Loan Fund, the CDBG Program, and the Home Program for the purpose of the acquisition, rehabilitation and construction of 14 parcels of real estate, to provide 38 units of affordable housing for general occupancy in the City of York. The loan bears no interest and the principal shall be due and payable December 31, 2035. As of December 31, 2005, a total amount of \$715,790 has been advanced on this loan. The loan receivable is recorded within the particular fund in which the funds were disbursed. Accordingly, \$26,442 is recorded within the Home Fund, \$264,854 is recorded within the Community Development Block Grant Fund, and \$317,126 is recorded within the Section 108 Fund, net of an allowance of \$107,368. The entire loan balance has been recorded as deferred revenue as of December 31, 2005.

## 7. DUE TO/FROM AND INTERFUND TRANSFERS

Individual due to/from other fund balances at December 31, 2005, were as follows:

Fund	Due From Other Funds	Due To Other Funds
General fund	\$ 1,507,226	\$ 603,836
Debt service fund	-	311,618
Other governmental funds	95,305	847,860
Intermunicipal sewer fund	-	177,402
Sewer fund	441,396	-
Ice rink fund	-	300,448
Other enterprise fund	10,416	-
Internal service fund	186,821	-
Total primary government	<u>\$ 2,241,164</u>	<u>\$ 2,241,164</u>

(continued)

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

A reconciliation of the interfund transfers for the year ended December 31, 2005, is as follows:

	Transfers In	Transfers Out
General fund	\$ 1,015,479	\$ 172,176
Debt service fund	280,256	624,760
Other governmental funds	479,987	453,290
Intermunicipal sewer fund	-	208,966
Sewer fund	208,966	1,000,000
Ice rink fund	624,760	150,256
Total primary government	<u>\$ 2,609,448</u>	<u>\$ 2,609,448</u>

### 8. LEASE RENTAL RECEIVABLES

The City has subleased the right to connect to the City's sewage system to six surrounding municipalities, whereby the City would receive, treat, and dispose of the municipalities' sewage. The municipalities are required to participate in payment of operating expenses, debt service on the guaranteed sewer revenue bonds, Series of 1990 and Series of 1992, and pay a service charge based on usage for the express purpose of maintenance, repair, and replacement of the existing interceptor system. This service charge is accounted for in the Sewer Fund.

Minimum lease rentals receivable as of December 31, 2005 are:

Years Ending December 31,	Amount
2006	\$ 1,943,885
2007	1,943,885
2008	1,943,885
2009	1,943,885
2010	1,943,885
2011	1,943,885
2012	1,941,075
2013	1,941,075
2014	1,943,885
2015	1,943,885
2016	1,941,071
Total minimum lease rentals receivable	21,374,301
Less amount representing interest (at an average rate of 6.7%)	<u>(6,792,471)</u>
Present value of minimum lease rentals receivable	14,581,830
Less current installments of lease rentals	<u>(923,636)</u>
Lease rentals, excluding current installments	<u>\$ 13,658,194</u>

(continued)

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

### 9. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

*Primary Government*

	Beginning of Year	Additions	Retirements and Dispositions	End of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,485,381	\$ -	\$ -	\$ 5,485,381
Work in progress	-	465,837	-	465,837
	<u>5,485,381</u>	<u>465,837</u>	<u>-</u>	<u>5,951,218</u>
Capital assets, being depreciated:				
Buildings	8,818,973	-	-	8,818,973
Land improvements	2,371,706	68,257	-	2,439,963
Equipment and furniture	11,883,525	379,470	-	12,262,995
Infrastructure	65,914,051	390,048	-	66,304,099
	<u>88,988,255</u>	<u>837,775</u>	<u>-</u>	<u>89,826,030</u>
Total capital assets, being depreciated				
	<u>88,988,255</u>	<u>837,775</u>	<u>-</u>	<u>89,826,030</u>
Less accumulated depreciation for:				
Buildings	(2,885,517)	(165,962)	-	(3,051,479)
Land improvements	(1,460,923)	(115,893)	-	(1,576,816)
Equipment and furniture	(7,858,703)	(869,004)	-	(8,727,707)
Infrastructure	(31,259,732)	(2,288,467)	-	(33,548,199)
	<u>(43,464,875)</u>	<u>(3,439,326)</u>	<u>-</u>	<u>(46,904,201)</u>
Total accumulated depreciation				
	<u>(43,464,875)</u>	<u>(3,439,326)</u>	<u>-</u>	<u>(46,904,201)</u>
Total capital assets, being depreciated, net				
	<u>45,523,380</u>	<u>(2,601,551)</u>	<u>-</u>	<u>42,921,829</u>
Governmental activities capital assets, net	<u>\$51,008,761</u>	<u>\$ (2,135,714)</u>	<u>\$ -</u>	<u>\$48,873,047</u>

(continued)

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

	Beginning of Year	Additions/ Transfers In	Retirements and Dispositions	End of Year
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 17,445	\$ -	\$ -	\$ 17,445
Capital assets, being depreciated:				
Buildings	78,099,374	1,485,411	-	79,584,785
Land improvements	22,145	-	-	22,145
Equipment and furniture	2,832,097	187,185	-	3,019,282
Infrastructure	15,717,044	78,883	-	15,795,927
Total capital assets, being depreciated	96,670,660	1,751,479	-	98,422,139
Less accumulated depreciation for:				
Buildings	(33,667,692)	(2,054,959)	-	(35,722,651)
Land improvements	(1,458)	(1,107)	-	(2,565)
Equipment and furniture	(1,320,938)	(184,851)	-	(1,505,789)
Infrastructure	(7,075,479)	(263,304)	-	(7,338,783)
Total accumulated depreciation	(42,065,567)	(2,504,221)	-	(44,569,788)
Total capital assets, being depreciated, net	54,605,093	(752,742)	-	53,852,351
Business-type activities capital assets, net	<u>\$54,622,538</u>	<u>\$ (752,742)</u>	<u>\$ -</u>	<u>\$53,869,796</u>

(continued)

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 38,888
Sanitation	502
Public safety	592,653
Highways and streets	87,994
Public works	2,385,083
Parks and recreation	283,772
Community development and planning	33,630
Other departments and programs	<u>7,535</u>
Total depreciation expense - governmental activities	3,430,057
Internal service fund depreciation expense allocated to business-type activities	<u>9,269</u>
Total additions to accumulated depreciation for governmental activities	<u>\$ 3,439,326</u>
Business-type activities:	
Sewer	\$ 2,239,551
Ice rink	<u>264,670</u>
Total depreciation and amortization expenses - enterprise funds	2,504,221
Internal service fund depreciation expense allocated to business-type activities	<u>9,269</u>
Total depreciation and amortization expenses - business-type activities	<u>\$ 2,513,490</u>

(continued)

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

### *Component Units*

	Beginning of Year	Additions/ Transfers In	Retirements/ Transfers Out	End of Year
Redevelopment Authority Capital assets, being depreciated:				
Buildings and improvements	\$ 3,525,065	\$ -	\$ -	\$ 3,525,065
Less accumulated depreciation	(282,006)	(141,003)	-	(423,009)
Redevelopment Authority Capital assets, net	<u>\$ 3,243,059</u>	<u>\$ (141,003)</u>	<u>\$ -</u>	<u>\$ 3,102,056</u>
General Authority:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,832,409	\$ 15,609	\$ -	\$ 8,848,018
Less accumulated depreciation	(4,609,587)	(605,490)	-	(5,215,077)
General Authority Capital assets, net	<u>\$ 4,222,822</u>	<u>\$ (589,881)</u>	<u>\$ -</u>	<u>\$ 3,632,941</u>

### 10. LOAN GUARANTEES

As of December 31, 2005, the City has granted loan guarantees aggregating approximately \$162,500 on borrowings by several local businesses. It is reasonably possible that the City will be required to make payments under its guarantees. No amount has been accrued for the City's obligation under its guaranty arrangements.

### 11. TAX ANTICIPATION NOTES OF 2005

In January of 2005, the City borrowed \$6,687,770 in the form of a Tax and Revenue Anticipation Note, Series of 2005, bearing interest at an annual rate of 2.35% to cover the shortfall of revenues in excess of expenses from January 1 through mid-April, when real estate tax revenues become available. Total interest paid during the year was \$150,178. The entire balance of the note was paid in full by the City in December of 2005.

(continued)

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

Tax anticipation note transactions for the year ended December 31, 2005 were as follows:

Outstanding at December 31, 2004	\$ -
New borrowings	6,687,770
Repayments	<u>(6,687,770)</u>
Outstanding at December 31, 2005	<u><u>\$ -</u></u>

## 12. LONG TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2005, was as follows:

### *Primary Government*

	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Governmental activities:						
Loans from other governmental entities	\$ 1,782,338	\$ -	\$ -	\$ (137,315)	\$ 1,645,023	\$ 138,069
General obligation notes	14,958,620	-	479,861	(1,765,000)	13,673,481	1,595,000
General obligation bonds	34,832,115	-	1,557,242	(1,655,000)	34,734,357	1,950,000
Litigation liability	-	1,500,000	-	-	1,500,000	200,000
Capitalized lease obligations	139,448	251,565	-	(102,988)	288,025	82,335
Vested compensated absences	841,134	85,424	-	-	926,558	-
	<u>\$52,553,655</u>	<u>\$ 1,836,989</u>	<u>\$ 2,037,103</u>	<u>\$ (3,660,303)</u>	<u>\$52,767,444</u>	<u>\$3,965,404</u>
Governmental activity Long-term liabilities						
Business-type activities:						
Sewer revenue bonds	\$31,036,479	\$ -	\$ 2,163,767	\$ (4,080,000)	\$29,120,246	\$3,875,000
Recreation revenue bonds	7,040,000	-	-	(280,000)	6,760,000	290,000
Capitalized lease obligations	38,769	66,245	-	(24,006)	81,008	24,816
Vested compensated absences	203,412	-	-	(3,564)	199,848	13,853
	<u>\$38,318,660</u>	<u>\$ 66,245</u>	<u>\$ 2,163,767</u>	<u>\$ (4,387,570)</u>	<u>\$36,161,102</u>	<u>\$4,203,669</u>
Business-type activity Long-term liabilities						

(continued)

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

### Component Units

	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Redevelopment Authority						
Revenue bonds	<u>\$ 3,590,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ 3,515,000</u>	<u>\$ 80,000</u>
General Authority						
Revenue bonds	<u>\$ 4,639,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (575,428)</u>	<u>\$ 4,064,141</u>	<u>\$ 599,820</u>

### Loans from Other Governmental Entities

The City received a \$500,000 loan from the Commonwealth of Pennsylvania through the Pennsylvania Department of Community and Economic Development (DCED) (formerly Pennsylvania Department of Community Affairs (DCA)) in 1992. These funds were subsequently loaned to a local corporation for building renovations. The loan is to be repaid to the City over 15 years. The grant agreement requires principal repayments from the local corporation to be returned to DCED. The amount of outstanding principal payable to DCED at December 31, 2005 was \$45,023.

In 2001, the City entered into a Contract for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974. The funds under the contract were utilized for the purpose of rental housing rehabilitation and other various projects, as defined in the contract. In August of 2002, trust certificates guaranteed by the Secretary of Housing and Urban Development were sold in an underwritten public offering. These trust certificates are backed by a pool comprised of the original note, as defined by the loan contract. The balance due, as of December 31, 2005, was \$1,600,000.

The annual principal and interest requirements for amounts due from the City under loans from other governmental entities as of December 31, 2005 are as follows:

	Principal	Interest
2006	\$ 138,069	\$ 82,392
2007	106,954	78,416
2008	100,000	74,600
2009	100,000	70,440
2010	100,000	66,010
2011 - 2015	500,000	256,320
2016 - 2020	600,000	118,480
	<u>\$ 1,645,023</u>	<u>\$ 746,658</u>

(continued)



# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

### *General Obligation Notes*

The general obligation notes are backed by the full faith and credit of the City.

General obligation notes payable at December 31, 2005 is comprised of:

	<u>Issue Amount</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
General Obligation Refunding Notes, Series D of 1998	\$7,634,459	Thru 2023	0%	\$14,090,000
General Obligation Bonds, Series of 2002	5,285,000	Thru 2013	2%-3.8%	<u>4,400,000</u>
General obligation notes at December 31, 2004				18,490,000
Less unamortized discount on zero coupon notes				<u>(4,816,519)</u>
General obligation notes, net of discount, at December 31, 2005				<u><u>\$13,673,481</u></u>

The annual principal and interest requirements for amounts due from the City under general obligation notes at December 31, 2005 are as follows:

	<u>Principal</u>	<u>Interest</u>
2006	\$ 1,595,000	\$ 139,685
2007	1,575,000	124,760
2008	1,740,000	108,735
2009	1,585,000	91,847
2010	1,470,000	74,044
2011 - 2015	5,060,000	-
2016 - 2020	1,200,000	-
2021 - 2024	<u>4,265,000</u>	<u>-</u>
	18,490,000	539,071
Unamortized discount	<u>(4,816,519)</u>	<u>-</u>
	<u><u>\$13,673,481</u></u>	<u><u>\$ 539,071</u></u>

(continued)

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

### *General Obligation Bonds*

The general obligation bonds outstanding are backed by the full faith and credit of the City.

The following is a summary of general obligation bond issues as of December 31, 2005:

Series	Maturity Value	Maturity	Interest Rates	Amount Outstanding
1995A	\$76,030,000	Thru 2022	0.00%-6.5%	\$56,915,000
1995B	1,790,000	Thru 2006	5.65%-6.3%	230,000
1998B	4,440,000	Thru 2024	0%	<u>4,440,000</u>
General obligation bonds at December 31, 2005				61,585,000
Less unamortized discount on zero coupon bonds (Series A of 1995)				(24,085,076)
(Series B of 1998)				<u>(2,765,567)</u>
General obligation bonds, net of discount, at December 31, 2005				<u><u>\$34,734,357</u></u>

The annual principal and interest requirements for amounts due from the City under general obligation bonds at December 31, 2005 are as follows:

	Principal	Interest
2006	\$ 1,950,000	\$ 655,773
2007	2,115,000	534,441
2008	2,100,000	400,090
2009	2,420,000	254,845
2010	2,720,000	88,400
2011 - 2014	16,590,000	-
2015 - 2019	20,710,000	-
2020 - 2024	<u>12,980,000</u>	<u>-</u>
	\$61,585,000	\$ 1,933,549
Unamortized discount	<u>(26,850,643)</u>	<u>-</u>
	<u><u>\$34,734,357</u></u>	<u><u>\$ 1,933,549</u></u>

(continued)

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

### *Prior Year Defeasance of Debt*

The City has, from time to time, defeased certain debt by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old debt. The trust account assets and the liability of the defeased debt are not included in the City's financial statements. At December 31, 2005 the following defeased debt was outstanding:

	Funds Escrowed as of December 31, 2005	Defeased Debt Outstanding as of December 31, 2005
General obligation bonds, Series of 1983	\$ 847,608	\$ 810,000
General obligation bonds, Series A of 1995	5,928,106	4,018,315
Guaranteed sewer revenue bonds, Series of 1977	1,670,050	1,795,000
	<u>\$ 8,445,764</u>	<u>\$ 6,623,315</u>

### *Guaranteed Sewer Revenue Bonds*

The guaranteed sewer revenue bonds outstanding are backed by the full faith and credit of the City. The purpose of the issue is provide funds for the advance refunding of a portion of the Authority's Series of 1987 Guaranteed Sewer Revenue Bonds to finance the 1990 Projects and to pay the cost of issuing the 1990 Bonds. The aggregate original principal amount of the 1990 Bonds was \$22,533,096.

Guaranteed sewer revenue bonds payable at December 31, 2005 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
1990	\$ 69,775,000	2016	6.45%-7.10%	\$ 42,610,000
Less unamortized discount on zero coupon bonds				<u>(13,489,754)</u>
General sewer revenue bonds, net of discount, at December 31, 2005				<u>\$ 29,120,246</u>

(continued)

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

The annual principal and interest requirements for amounts due from the City under the guaranteed sewer revenue bonds at December 31, 2005 are as follows:

	<u>Principal</u>
2006	\$ 3,875,000
2007	3,875,000
2008	3,875,000
2009	3,875,000
2009	3,875,000
2011 - 2015	19,365,000
2016 - 2017	<u>3,870,000</u>
	42,610,000
Unamortized discount	<u>(13,489,754)</u>
	<u><u>\$ 29,120,246</u></u>

### ***Economic Defeasance of Guaranteed Sewer Revenue Bonds***

On July 15, 1998, the York City Sewer Authority entered into an escrow deposit agreement for partial defeasance of the 1990 York City Sewer Authority Bonds. \$5,000,000 was deposited into this escrow, which was obtained from capital grants from the federal government. This transaction is not considered a legal defeasance and there was no verification of the escrow performed. Because this is not a legal defeasance, the bonds are not removed from the financial statements and the escrow transactions are recorded. This transaction reduces the lease rental receivable from the municipalities based upon the present value of the defeased bonds and the percentage of the debt owed by the municipalities.

### ***York City Recreation Corporation Guaranteed Revenue Bonds, Series of 2001***

As described in Note 10, the York Recreation Corporation was unable to make its required interest payment of \$181,493 in November of 2003. As Guarantor of the obligation, the City assumed the obligation. By resolution on October 14, 2003, the City took possession of the facilities and related personal property in consideration for assuming this obligation.

York City Recreation Corporation Guaranteed Revenue Bonds (recreation revenue bonds) payable at December 31, 2005 are comprised of the following individual bond issue:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Thru</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
2001	\$ 7,305,000	2021	4.50%-5.15%	<u>\$ 6,760,000</u>

(continued)

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

The annual principal and interest requirements for amounts due from the City under the guaranteed recreation revenue bonds at December 31, 2005 are as follows:

	Principal	Interest
2006	\$ 290,000	\$ 331,935
2007	305,000	319,157
2008	315,000	306,211
2009	330,000	292,258
2010	345,000	277,235
2010 - 2014	1,990,000	1,116,468
2015 - 2019	2,600,000	507,744
2020 - 2021	585,000	15,064
	<u>\$ 6,760,000</u>	<u>\$ 3,166,072</u>

### **Capitalized Lease Obligations**

The City leases certain equipment under long-term lease agreements which are classified as capital leases. As of December 31, 2005, the governmental activities and the business-type activities include equipment and furniture under capital leases with a net book value of \$443,346 and \$44,445, respectively. The future minimum payments under capital leases and the present value of the future minimum lease payments at December 31, 2005 are as follows:

Year ending December 31,	Governmental Activities	Business- type Activities	Total
2006	\$ 97,825	\$ 28,776	\$ 126,601
2007	97,825	23,966	121,791
2008	72,458	20,464	92,922
2009	56,149	14,770	70,919
2010	-	2,554	2,554
Total minimum lease payments	324,257	90,530	414,787
Less amount representing interest	<u>(36,232)</u>	<u>(9,522)</u>	<u>(45,754)</u>
Present value of future minimum lease payments	<u>\$ 288,025</u>	<u>\$ 81,008</u>	<u>\$ 369,033</u>

### **Redevelopment Authority Series of 2002 Revenue Bonds**

In January of 2002, the Redevelopment Authority issued the Series of 2002 Variable Rate Demand/Fixed Rate Revenue Bonds for the amount of \$3,725,000. The Bonds were issued for the purpose of financing the Susquehanna Commerce Center Garage Project. In order to enhance the marketability of the Bonds, an irrevocable Letter of Credit has been issued concurrently with the Series of 2002 Issue to provide payment for, and secure the payment of, principal and interest on the Bonds. In addition a guaranty and suretyship agreement was entered into by Creekside Investors, L.P. and Susquehanna Pfaltzgraff

(continued)

## CITY OF YORK, PENNSYLVANIA

### NOTES TO BASIC FINANCIAL STATEMENTS

Company to act as a surety and unconditionally guarantee the full and prompt payment when due of the Issuer's bond obligations and all of the Issuer's letter of credit obligations. The maximum amount that may be drawn on the Letter of Credit is \$3,780,110. The Letter of Credit expires January 25, 2007.

The Bonds are not general obligations of the Authority and do not pledge the taxing power of the City of York. The principal and interest on these Bonds is payable only from certain receipts including net parking rentals, rates and other charges collected by the Authority for the use of the parking facility.

The Redevelopment Authority has entered into a management agreement with Creekside Investors L.P. (Manager), whereby Creekside Investors, L.P. will manage and operate the parking facilities on behalf of the Authority. Under the agreement, the Manager, on behalf of the Authority, collects all parking fees, rents, charges, and other income attributable to the parking facilities. The Manager must deposit receipts in a segregated account to be used to pay costs, fees and expenses incurred by the Manager in the performance of its duties under the management agreement. In addition, the Manager, on behalf of the Authority, pays amounts due to the bank under the Letter of Credit Agreement and any amounts that may be due to the trustee. The management agreement term ends January 1, 2016 or such earlier time as mutually agreeable to both the Manager and the Authority.

The Bonds initially bear interest at a variable rate, determined by the Remarketing Agent (Agent). The rate is based on a minimum rate that, in the judgment of the Agent, taking into account prevailing market conditions, would enable the Agent to sell all of the Bonds on the adjustment date at a price equal to the principal plus accrued interest. The Issuer may from time to time, with written consent of the Credit Facility Provider, change the interest rate on the Bonds from a variable to a fixed rate over one or more consecutive fixed rate periods.

The Redevelopment Authority Series of 2002 Revenue Bonds payable at December 31, 2005 are comprised of the following individual bond issue:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
2002	\$ 3,725,000	Thru 2027	Variable (3.61% at 12-31-05)	<u>\$ 3,515,000</u>

(continued)

## CITY OF YORK, PENNSYLVANIA

### NOTES TO BASIC FINANCIAL STATEMENTS

The annual principal and interest requirements for amounts due from the Redevelopment Authority under the 2002 revenue bonds using the 2.09% interest rate in effect at December 31, 2005 are as follows:

	<u>Principal</u>	<u>Interest</u>
2006	\$ 80,000	\$ 126,410
2007	85,000	123,492
2008	90,000	120,394
2009	95,000	117,114
2010	100,000	113,655
2010 - 2014	605,000	508,619
2015 - 2019	825,000	383,111
2020 - 2024	1,095,000	213,983
2025 - 2027	540,000	26,353
	<u>\$ 3,515,000</u>	<u>\$ 1,733,131</u>

#### ***Redevelopment Authority Note Payable***

During 2005, the Redevelopment Authority entered in to a loan agreement with a maximum principle amount of \$ 90,000. Variable interest is payable monthly. The balance outstanding under the agreement as of December 31, 2005 was 56,951. The outstanding principle of the note is due January 2007.

#### ***General Authority Parking System Revenue Note***

In 1998, the City of York General Authority issued a Parking System Revenue Note, Series of 1998 for \$7,634,455 at 4.38% to the City. Payments of the note are due semiannually from May 15, 1999 through November 15, 2011. This note was issued to secure the general obligation note issued in connection with the City's refunding of the General Authority's outstanding debt. Maturities of the refunding debt, 1998 Series D, are from 2001 through 2023. The remaining balance on the note at December 31, 2005 is \$4,064,141 and is recorded as a receivable in the City's debt service fund.

The annual principal and interest requirements for amounts due from the General Authority under the Parking System Revenue Notes at December 31, 2005 are as follows:

	<u>Principal</u>	<u>Interest</u>
2006	\$ 599,820	\$ 177,994
2007	628,541	151,724
2008	651,789	124,196
2009	683,585	95,650
2010	715,023	65,713
2010 - 2011	785,383	34,397
	<u>\$ 4,064,141</u>	<u>\$ 649,674</u>

## CITY OF YORK, PENNSYLVANIA

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 13. REDEVELOPMENT AUTHORITY LINE OF CREDIT

During 2005, the Redevelopment Authority entered in to a \$ 49,000 line of credit agreement with a local bank through March 2006. Variable interest is payable monthly. The balance outstanding under the agreement as of December 31, 2005 was \$49,000.

#### 14. EMPLOYEE RETIREMENT PLANS (PENSION TRUST FUNDS)

##### *Description of the Plans*

The City maintains single-employer defined benefit plans for Police, Paid Firefighters, and Officers and Employees which are accounted for as pension trust funds. Participation in the plans is a required condition of employment for all regular, full-time employees, except laborers paid on a per diem basis. The plans do not issue separate reports.

The plans are governed by the Third Class City Code of the Commonwealth of Pennsylvania, as amended. At January 1, 2005, the date of the most recent actuarial valuation, employees covered under the City's pension plans consisted of:

	Officers' and Employees' Pension Plan	Police Pension Plan	Paid Firefighter Pension Plan
Retirees and beneficiaries currently receiving benefits	62	111	80
Terminated employees entitled to deferred benefits	26	5	-
Active employees:			
Vested	88	46	32
Partially vested	97	49	38
Total	273	211	150

Benefits for all three plans vary depending on specific agreements with each group of employees. The Police are eligible for normal retirement at age 50 and 20 years service if hired before January 2, 1978, or after completion of 20 years and 6 months service if hired on or after January 2, 1978. Paid Firefighters are eligible for normal retirement at age 50 and 20 years service if hired before January 1, 1988, or at age 60 and 10 years service if hired on or after January 1, 1988. Officers and Employees are eligible for normal retirement at age 60 and after completion of 20 years service if hired before January 1, 1978, or at age 60 and 5 years of service if hired on or after January 1, 1978, or completion of 40 years of service regardless of age.

(continued)



# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

Paid firefighters hired prior to January 1, 1988 receive a monthly pension increase equal to 50% of the dollar increase granted to active firemen of the highest pay grade. The police receive a monthly pension increase equal to 50% of the dollar increase granted to active patrolmen of the highest pay grade to all eligible members. For certain police pension plan members retired between January 1, 2003 and January 15, 2003 the annual pension increase is equal to 4%.

Required employee contributions for Police are 5% of salary plus \$1 per month. Paid Firefighters contributions are 5% of salary plus \$1 per month if hired prior to January 1, 1988, and 5% of salary if hired on or after January 1, 1988. Officers and Employees contributions are 2% plus 1/2% of salary for service increment (if opted) if hired before January 1, 1978, or 2% of salary if hired on or after January 1, 1978.

Effective with the 1985 plan year, the City has participated in Level III of the Act 205 Recovery Program, a Commonwealth of Pennsylvania program that reduces contribution requirements and subsidizes underfunded pension plans. Eligibility to participate in Level III is based on the distress determination of the City as provided by the Public Employee Retirement Study Commission based on the procedures specified in Chapter 5 of Act 205. The Commission has determined the City to be a severely distressed municipality.

In 2005, state aid of \$1,545,336 was deposited into the debt service fund to pay part of the debt service payments for the 1995 general obligation bonds issued to help fund the pension plan. Pages 78 to 80 of this report provide six-year historical trend information on the contributions to the pension plans as well as an analysis of funding progress.

### ***Funding Policy and Annual Pension Cost***

The City establishes and amends the contribution requirements of both the plan members and the City. Costs of administering the plans are funded by the plans. The City's annual pension cost for the current year and related information for each plan is as follows:

	Officers' and Employees' Pension Plan	Police Pension Plan	Paid Firefighter Pension Plan
Annual pension cost	\$ 316,290	\$ 1,172,257	\$ 545,584
Contributions made	\$ 316,290	\$ 1,172,257	\$ 545,584
Actuarial valuation date	1/1/05	1/1/05	1/1/05
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Asset valuation method	5-Year Smoothed Value	5-Year Smoothed Value	5-Year Smoothed Value
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increases includes inflation	5%	5%	5%
Cost of living adjustment	-	5%	5%

(continued)

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

Three-year trend information is as follows:

	Year Ended	Annual Pension Cost (APC)	Percentage of APC contributed	Net Pension Obligation
Officers' and Employees' Pension Plan	2005	\$ 316,290	100%	\$ -
	2004	\$ 295,282	100%	\$ -
	2003	\$ 86,651	128%	-
Police Pension Plan	2005	\$1,172,257	100%	\$ -
	2004	\$1,087,478	100%	\$ -
	2003	\$ 719,845	106%	-
Paid Firefighters Pension Plan	2005	\$ 545,584	100%	\$ -
	2004	\$ 509,242	100%	\$ -
	2003	\$ 293,896	111%	-

The City was utilizing the Level III provision allowing for delayed implementation of the actuarial funding standards specified in Act 205 over a period not to exceed 15 years. In 1995, it was anticipated that the proceeds from the City's issuance of \$32 million in pension bonds would fully fund each of the pension plans. The State requires the City to continue calculating its minimum municipal obligation for Act 205 purposes exclusive of the bond proceeds. This minimum municipal obligation will be used as a factor in determining the amount of State pension aid the City is entitled to under Act 205. Act 205 provides that the funding of unfunded pension liabilities with bond proceeds will not reduce the State pension aid that would be due the City absent such funding. State aid has been pledged as security for the debt service on the pension bonds.

Pension assets consist primarily of common stocks, U.S. government obligations, corporate obligations, and money market funds.

### ***Police and Paid Firefighters' Pensions Litigation***

In 1992 grievances were filed by the police union and firefighters' union claiming the City violated the collective bargaining agreements by changing the method of calculating the cost of living pension benefits in 1972. These claims went to arbitration and in 1994, the arbitrator ruled that the method of calculating the cost of living pension benefit be revised to the method used before it was unlawfully changed retroactive to 1992.

The revisions to each of the pension plans as provided by the aforementioned arbitrator's awards (awards) required the City to contribute an additional \$3.7 million for ten years beginning in 1996 and an additional \$1.9 million for ten years beginning in 2006, as determined by the City's actuaries, to fully fund the pensions in accordance with Level III of the Act 205 Recovery Program. However, the City had received authorization from the Public Employee Retirement Commission to suspend these payments as long as the dispute continued in litigation or negotiation.

(continued)

## **CITY OF YORK, PENNSYLVANIA**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

In May 2004, the City received notification that they were required to fully reflect all of the pension benefits provided under the 1994 arbitration awards in the Act 205 Actuarial Valuation Reports prepared as of January 1, 2005, in order to comply with the actuarial reporting and funding standards mandated under Act 205. The City of York has been advised by their actuary that the unfunded accrued liability related to the arbitration award is \$26.5 million as of the valuation date of January 1, 2005.

The City researched various funding methods to meet the added cost of the annual minimum municipal obligation including an amendment to Act 205 allowing for a thirty year level percentage amortization schedule using a five percent annual increase or a taxable 30 year bond issue. The City sought the assistance of the state legislature to enact an amendment to Act 205 to allow for the extended amortization and, on November 30, 2004, Act 200 of 2004 was signed into law allowing for the extended amortization.

As part of the Early Intervention Program, the City evaluated the relative risks and rewards to funding the liability pursuant to Act 200 of 2004 versus issuing taxable obligation bonds. The recommendation of Public Financial Management is that the City fund the obligation using the extended amortization period provided by Act 200 of 2004. In 2006 the City commenced funding the obligation pursuant to the extended 30 year amortization period. Under the extended amortization period, the annual minimum municipal obligation related to the pension arbitration would increase approximately \$1.3 million, excluding annual normal costs. The relative increase in minimum municipal obligation will continue to increase 5% each year over the 30 year amortization period. The annual minimum municipal obligation for the Fire and Police Pension funds are appropriated in the City's General Fund in the police and fire departments.

#### **15. OTHER POSTEMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 13, the City provides full health care benefits (i.e., medical, surgical, hospitalization, major medical, dental, vision, and prescription) for all retired employees and their spouses under the various union contracts and City policy for nonorganized employees. For all employees other than police, the City-provided health care benefits convert to a Medicare supplement with a \$5,000 lifetime maximum benefit at the age of 65. The retired employees are required to pay monthly to the City, one-half of the actual cost subject to annual co-payment limitations established in each of the union contracts and by City Council for nonorganized employees.

The City's cost of providing full health care benefits for retired employees is financed on a pay-as-you-go basis through the City's internal service fund. The net cost of providing full health care benefits for retirees was \$891,859 in 2005.

At December 31, 2005, the number of retirees or spouses eligible for full health benefits was approximately 282.

(continued)

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

### 16. SELF-INSURANCE HEALTH INSURANCE

The City is exposed to various risks of loss related to major medical self-insurance. The City has a stop/loss agreement with an insurance company which covers all individual claim amounts exceeding \$140,000 up to a maximum of \$1,000,000. The City also has an aggregate stop/loss agreement with an insurance company which covers aggregate claims exceeding \$3,474,865. Premiums are paid into the internal service fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of recent claim settlement trends as determined by the City's independent third-party administrator. Changes in the balances of claims liability (net of excess insurance) during the past two years ended December 31, 2005, were as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2004	\$ 413,747	\$ 4,064,448	\$ 4,221,798	\$ 256,397
2005	\$ 256,397	\$ 4,655,083	\$ 4,600,494	\$ 310,986

In addition, the City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error, and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks did not exceed commercial insurance coverage during the years ended December 31, 2005, 2004, and 2003 with the exception of the pension litigation disclosed in Note 14 and the legal settlement disclosed in Note 19.

### 17. COMMITMENTS AND CONTINGENCIES

#### *Leases*

On May 27, 1981, the City entered into a twenty-year lease, cancelable with six months notice, for the rental of office space. This lease was renewed in May 2002, for an additional five year term. Rent expenditures under this agreement totaled \$145,698 for the year ended December 31, 2005. This lease may be increased annually based on the Consumer Price Index (CPI).

(continued)

## CITY OF YORK, PENNSYLVANIA

### NOTES TO BASIC FINANCIAL STATEMENTS

Future minimum lease payments for this lease are as follows:

<u>Year ending December 31,</u>	
2006	\$ 145,968
2007	<u>48,656</u>
	<u>\$ 194,624</u>

The City also has several leases for vehicles used in City operations. The future minimum commitments for these leases are not material to the City's operations.

The City has also entered into several noncancelable operating leases for office equipment. The future minimum commitments for these leases are not material to the City's operations.

#### **Grants**

Grants received are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

#### **18. MANAGEMENT AGREEMENT WITH THE YORK CITY GENERAL AUTHORITY**

The City has entered into a management and administration agreement with the York City General Authority to operate, manage and administer the Authority's parking system. The management agreement requires that the Authority pay the City a management fee to the general fund in twelve equal installments. The City incurred \$604,887 in operating expenses and received \$886,005 in fees under the management agreement in 2005. The City received \$141,000 in administrative fees under an administration agreement in 2005. A receivable of \$294,097 is recorded in the general fund for fees which were earned under these agreements, but unpaid at December 31, 2005.

#### **19. LITIGATION**

The City is a party to numerous lawsuits that have arisen in the ordinary course of business. It is the opinion of management, as advised by legal counsel, that these suits will not have a material effect on the financial statements of the City, with the exception of the pension litigation discussed in Note 13 and the litigation discussed below.

On January 29, 2003, a lawsuit was filed in the United States District Court against the City of York. The complaint set forth a number of tort claims, including allegations that the defendants were, inter alia, grossly negligent and recklessly indifferent to the safety and well being of the plaintiffs. A settlement agreement and release of all claims was reached in late 2005.

## **CITY OF YORK, PENNSYLVANIA**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

The Settlement Agreement, which was approved on December 6, 2005, provides that the City of York is obligated to pay to the Plaintiffs the consideration of \$2,000,000 payable \$200,000 a year without interest. The first payment was due on or before January 16, 2006 and the last payment was due on or before January 16, 2015. The City of York paid the first settlement payment in January of 2006. This payment is recorded as a liability in the Internal Service Fund as of December 31, 2005.

On August 8, 2006, the City entered into an agreement to pay the Plaintiffs a lump sum payment of \$1,300,000 which was acknowledged by the Plaintiffs to fully extinguish the financial obligation of the City of York. The entire financial obligation in the amount of \$1,500,000 resulting from this settlement is recorded as a liability under Governmental Activities in the Government-Wide Statements.

## **20. SUBSEQUENT EVENTS**

### ***Debt Issuance***

On June 20, 2006 The City of York passed Bill No 47, Ordinance No 45 authorizing the incurrence of nonelectoral debt, General Obligation Note, Series of 2006 in the aggregate principal amount of \$1,337,500 for the purpose of providing funds for emergency debt, and to pay all cost and expenses of issuance of the note.

The City of York General Obligation Note, Series of 2006 settled on July 20, 2006. The Note is registrable in form, bears interest at a fixed rate of 6.25% per annum. The Note shall mature on January 7, 2015. The Note was issued for the purpose of repayment of the Legal Claims Settlement discussed in Note 19.

### ***2006 TRAN***

In January of 2006, the City borrowed \$5,900,000 in the form of a Tax and Revenue Anticipation Note, Series of 2006, bearing interest at an annual rate of 3.57%.

# CITY OF YORK, PENNSYLVANIA

## STATEMENT OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL - GENERAL FUND REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED DECEMBER 31, 2005

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
<b>Revenues</b>					
Taxes	\$ 13,893,919	\$ 14,564,919	\$ 671,000	\$ 14,574,434	\$ 9,515
Licenses and permits	1,491,432	1,491,432	-	1,450,430	(41,002)
Fines and forfeits	1,521,000	1,521,000	-	1,393,266	(127,734)
Grants and contributions	2,124,962	7,913,457	5,788,495	5,480,985	(2,432,472)
Charges for services	6,143,803	6,318,993	175,190	6,465,879	146,886
Interest	55,000	98,000	43,000	225,890	127,890
Miscellaneous	93,066	98,567	5,501	495,053	396,486
<b>Total revenues</b>	<b>25,323,182</b>	<b>32,006,368</b>	<b>6,683,186</b>	<b>30,085,937</b>	<b>(1,920,431)</b>
<b>Expenditures</b>					
General government	2,774,657	8,259,604	(5,484,947)	5,181,100	3,078,504
Sanitation	2,651,771	2,648,576	3,195	2,614,387	34,189
Public safety	17,239,966	17,444,452	(204,486)	17,311,595	132,857
Highways and streets	494,829	506,850	(12,021)	503,869	2,981
Public works	1,945,305	2,016,500	(71,195)	1,858,380	158,120
Community development and planning	1,632,246	2,491,104	(858,858)	1,991,677	499,427
Other departments and programs	118,437	118,810	(373)	116,097	2,713
<b>Total expenditures</b>	<b>26,857,211</b>	<b>33,485,896</b>	<b>(6,628,685)</b>	<b>29,577,105</b>	<b>3,908,791</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,534,029)</b>	<b>(1,479,528)</b>	<b>54,501</b>	<b>508,832</b>	<b>1,988,360</b>
<b>Other financing sources (uses)</b>					
Transfers in	1,919,700	1,919,700	-	1,015,479	(904,221)
Transfers out	(214,800)	(236,640)	(21,840)	(172,176)	64,464
<b>Total other financing sources (uses)</b>	<b>1,704,900</b>	<b>1,683,060</b>	<b>(21,840)</b>	<b>843,303</b>	<b>(839,757)</b>
<b>Net change in fund balance</b>	<b>\$ 170,871</b>	<b>\$ 203,532</b>	<b>\$ 32,661</b>	<b>\$ 1,352,135</b>	<b>\$ 1,148,603</b>

## **CITY OF YORK, PENNSYLVANIA**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

#### **1. BUDGETARY DATA**

The City's budget is prepared on the modified cash basis.

#### **2. BUDGET TO ACTUAL COMPARISONS**

The General Fund's budget comparison is presented in the Other Required Supplementary Information section. The nonmajor fund and major debt service fund budget comparisons are presented in the combining section.



# CITY OF YORK, PENNSYLVANIA

Required Supplementary Data

Schedule of Funding Progress and Contributions from the Employer

Officers' and Employees' Pension Plan

(Unaudited - See accompanying accountant's report)

The following schedule represents the funding progress and contributions from the City for the Officers' and Employees' Pension Plan:

## Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Overfunded (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Overfunded (Unfunded) AAL as a % of Covered Payroll ((a-b)/c)
1/1/99	\$ 16,438,172	\$ 12,406,103	\$ 4,032,069	132.5%	\$ 5,683,437	70.9%
1/1/00	17,828,288	13,232,588	4,595,700	134.7%	5,697,316	80.7%
1/1/01	18,109,142	14,116,471	3,992,671	128.3%	6,086,232	65.6%
1/1/02	17,326,047	15,472,339	1,853,708	112.0%	6,383,990	29.0%
1/1/03	17,583,625	15,879,934	1,703,691	110.7%	6,186,006	27.5%
1/1/05	19,138,231	17,848,189	1,290,042	107.2%	6,386,560	20.2%

## Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
1999	\$ -	\$ -	100%
2000	-	-	100%
2001	-	-	100%
2002	18,601	18,601	100%
2003	86,651	86,651	100%
2004	295,282	295,282	100%
2005	316,290	316,290	100%

The information presented above was determined as part of the actuarial valuation at the date indicated.

Additional information as of the latest actuarial valuation (January 1, 2005) follows:

Actuarial cost method	Entry age normal
Asset valuation method	5-Year Smoothed Value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	
Includes moderate inflation based on long-term historical average rates	5%

# CITY OF YORK, PENNSYLVANIA

Required Supplementary Data

Schedule of Funding Progress and Contributions from the Employer

Police Pension Plan

(Unaudited - see accompanying accountant's report)

The following schedule represents the funding progress and contributions from the City for the Police Pension Plan:

## Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Overfunded (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Overfunded (Unfunded) AAL as a % of Covered Payroll ((a-b)/c)
1/1/99	\$ 33,501,860	\$ 32,083,444	\$ 1,418,416	104.4%	\$ 4,431,105	32.0%
1/1/00	35,376,833	34,017,512	1,359,321	104.0%	4,637,696	29.3%
1/1/01	34,479,683	34,718,092	(238,409)	99.3%	5,092,257	(4.7%)
1/1/02	32,442,377	37,407,381	(4,965,004)	86.7%	5,393,437	(92.1%)
1/1/03	32,332,762	55,445,972	(23,113,210)	58.3%	5,304,211	(435.8%)
1/1/05	33,350,980	60,516,086	(27,165,106)	55.1%	5,143,232	(528.2%)

## Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
1999	\$ 417,449	\$ 417,449	100%
2000	355,299	355,299	100%
2001	479,208	479,208	100%
2002	527,335	537,335	101.9%
2003	719,845	719,845	100%
2004	1,087,478	1,087,478	100%
2005	1,172,257	1,172,257	100%

The information presented above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation (January 1, 2005, as amended) follows:

Actuarial cost method	Entry age normal
Asset valuation method	5-Year Smoothed Value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	
Includes moderate inflation based on long-term historical average rates	5%
Cost-of-living adjustment	5%

- (1) COLA is 5% per year. For certain members who retired between January 1, 2003 and January 15, 2003, the COLA is 4%.

# CITY OF YORK, PENNSYLVANIA

Required Supplementary Data

Schedule of Funding Progress and Contributions from the Employer

Paid Firefighters' Pension Plan

(Unaudited - see accompanying accountant's report)

The following schedule represents the funding progress and contributions from the City for the Paid Firefighter's Pension Plan.

## Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Overfunded (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Overfunded (Unfunded) AAL as a % of Covered Payroll ((a-b)/c)
1/1/99	\$ 24,393,015	\$ 22,290,370	\$ 2,102,645	109.4%	\$ 2,820,742	74.5%
1/1/00	25,443,711	22,929,298	2,514,413	111.0%	3,013,300	83.4%
1/1/01	24,533,353	24,054,905	478,448	102.0%	3,248,247	14.7%
1/1/02	22,713,989	24,413,735	(1,699,746)	93.0%	3,515,959	(48.3%)
1/1/03	22,160,652	34,759,338	(12,598,686)	63.8%	3,398,215	(370.7%)
1/1/05	22,436,006	38,117,710	(15,681,704)	58.9%	3,496,489	(448.5%)

## Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
1999	\$ 74,972	\$ 74,972	100%
2000	53,627	53,627	100%
2001	66,834	66,834	100%
2002	68,211	68,211	100%
2003	293,896	293,896	100%
2004	509,242	509,242	100%
2005	545,584	545,584	100%

The information presented above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation (January 1, 2005, as amended) follows:

Actuarial cost method	Entry age normal
Asset valuation method	5-Year Smoothed Value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	
Includes moderate inflation based on long-term historical average rates	5%
Cost-of-living adjustment	5%

(1) COLA is 5% per year. For certain members who retired between January 1, 2003 and January 15, 2003, the COLA is 4%.

**CITY OF YORK, PENNSYLVANIA**  
**COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 13, 2005**

	Special Revenue										Permanent		Total Nonmajor Governmental Funds
	Community Development Loan Fund		Community Development Block Grant	Section 108 Fund	Liquid Fuels Tax Fund	Special Projects Fund	HOME Fund	State Grant Health Funds	Total	Capital Projects	Weyer Trust		
	Recreation Fund												
Assets													
Cash and cash equivalents	\$ -	\$ 191,161	\$ 48,210	\$ 221,880	\$ 210,220	\$ (228,668)	\$ 59,982	\$ (11,015)	\$ 501,770	\$ -	\$ -	\$ 501,770	
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	78,749	78,749	
Restricted investments, at fair value	-	-	-	-	-	-	-	-	-	-	3,280,732	3,280,732	
Receivables													
Loans (less allowance for doubtful accounts of \$361,730 in CD Loan, \$185,167 in CDBG, \$106,213 in Section 108 and \$62,416 in HOME)	-	1,235,444	1,363,202	663,780	-	-	353,692	-	3,616,118	-	-	3,616,118	
Taxes (less allowance for doubtful accounts of \$82,921 in recreation)	99,035	-	-	-	-	-	-	-	89,035	-	-	89,035	
Accounts, notes, and grants	14,666	24,787	227,184	102	3,461	935	-	325,705	596,840	489,117	16	1,085,973	
Due from other funds	60,000	-	35,305	-	-	-	-	-	95,305	-	-	95,305	
Due from other governments	-	-	77,137	-	-	-	-	-	77,137	-	-	77,137	
Total assets	\$ 163,701	\$1,451,392	\$1,751,038	\$ 895,762	\$ 213,681	\$ (227,733)	\$ 423,674	\$ 314,690	\$4,976,205	\$ 489,117	\$3,359,497	\$8,824,819	
Liabilities and Fund Balances													
Liabilities													
Accounts payable and accrued expenses	\$ 31,438	\$ 3,093	\$ 202,308	\$ -	\$ 20,071	\$ 6,634	\$ 14,534	\$ 63,002	\$ 341,080	\$ 458,262	\$ -	\$ 799,342	
Accrued wages payable	20,638	-	-	-	2,031	-	-	20,216	42,885	-	3,017	45,902	
Due to other funds	641,243	35,305	100,000	-	-	-	-	-	776,548	71,312	-	847,860	
Due to other governments	-	8,902	85,528	-	-	-	55,448	-	149,878	-	-	149,878	
Deferred revenues	82,921	1,235,443	1,363,202	885,762	-	-	353,692	-	3,921,020	-	-	3,921,020	
Total liabilities	776,240	1,282,743	1,751,038	885,762	22,102	6,634	423,674	83,218	5,231,411	529,574	3,017	5,764,002	
Fund balances (deficits)													
Reserved for health initiatives	-	-	-	-	-	-	-	231,472	231,472	-	3,356,480	3,587,952	
Reserved for community development	-	168,649	-	-	-	-	-	-	168,649	-	-	168,649	
Reserved for capital projects	-	-	-	-	-	-	-	-	-	(40,457)	-	(40,457)	
Unreserved (deficit)	(612,539)	-	-	-	191,579	(234,367)	-	-	(655,327)	-	-	(655,327)	
Total fund balances (deficits)	(612,539)	168,649	-	-	191,579	(234,367)	-	231,472	(255,206)	(40,457)	3,356,480	3,060,817	
Total liabilities and fund balances (deficits)	\$ 163,701	\$1,451,392	\$1,751,038	\$ 885,762	\$ 213,681	\$ (227,733)	\$ 423,674	\$ 314,690	\$4,976,205	\$ 489,117	\$3,359,497	\$8,824,819	

**CITY OF YORK, PENNSYLVANIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES (DEFICITS) - OTHER GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2005**

	Special Revenue										Permanent	
	Community		Community	State		Special	State Grant		Capital Projects	Weyer Trust	Total Nonmajor Governmental Funds	
	Recreation Fund	Development Loan Fund	Development Block Grant	Section 108 Fund	Liquid Fuels Tax Fund	HOME Fund	Health Funds	Total				
Revenues												
Taxes	\$ 870,319	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 870,319	
Grants and contributions	8,050	-	1,647,673	-	651,146	592,763	79,895	1,963,718	744,001	-	5,687,246	
Charges for services	475,484	-	50,580	-	-	38,679	44,733	-	-	-	609,476	
Loan repayments	-	405,216	-	-	-	-	-	405,216	-	-	405,216	
Interest	-	7,775	-	-	17,229	-	4,738	-	849	110,255	140,846	
Gain on investment	-	-	-	-	-	-	-	-	-	81,519	81,519	
Miscellaneous	43,686	-	-	-	12,688	-	79,305	7,726	3,540	-	146,945	
Total revenues	1,397,539	412,991	1,698,253	-	681,063	631,442	208,671	1,971,444	748,390	191,774	7,941,567	
Expenditures												
Current												
General government	-	-	-	-	-	-	206,624	-	-	-	206,624	
Highways and streets	-	-	-	-	466,072	-	-	-	-	-	466,072	
Parks and recreations	1,295,989	-	-	-	-	-	-	-	-	-	1,295,989	
Community development and planning	-	94,238	1,566,442	-	-	631,442	-	-	-	197,535	2,489,657	
Other departments and programs	-	-	-	-	-	-	-	1,911,393	-	-	1,911,393	
Debt service												
Principal retirements	-	37,315	100,000	-	55,194	-	-	-	49,951	-	242,460	
Interest	-	1,296	84,840	-	6,732	-	-	-	745	-	93,613	
Capital outlays	-	-	254,782	-	18,699	-	-	-	1,097,157	-	1,370,638	
Total expenditures	1,295,989	132,849	2,006,064	-	546,697	631,442	206,624	1,911,393	1,147,853	197,535	8,076,446	
Excess of revenues over (under) expenditures	101,550	280,142	(307,811)	-	134,366	-	2,047	60,051	(399,463)	(5,761)	(134,879)	
Other financing sources (uses)												
Proceeds from the issuance of debt	-	-	-	-	90,721	-	-	-	160,844	-	251,565	
Transfers in	-	-	307,811	-	-	-	-	-	172,176	-	479,987	
Transfers out	(130,000)	(307,811)	-	-	-	-	-	(15,479)	-	-	(453,290)	
Total other financing sources (uses)	(130,000)	(307,811)	307,811	-	90,721	-	-	(15,479)	333,020	-	278,262	
Net change in fund balance	(28,450)	(27,669)	-	-	225,087	-	2,047	44,572	(66,443)	(5,761)	143,383	
Fund balances (deficits) - beginning of year	(584,089)	196,318	-	-	(33,508)	-	(236,414)	186,900	25,986	3,362,241	2,917,434	
Fund balances (deficits) - end of year	\$ (612,539)	\$ 168,649	\$ -	\$ -	\$ 191,579	\$ -	\$ (234,367)	\$ 231,472	\$ (40,457)	\$ 3,356,480	\$3,060,817	

# CITY OF YORK, PENNSYLVANIA

## STATEMENT OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL

DEBT SERVICE FUND - MAJOR GOVERNMENTAL FUND  
YEAR ENDED DECEMBER 31, 2005

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues					
Taxes	\$ 2,242,133	\$ 2,250,263	\$ 8,130	\$ 2,233,096	\$ (17,167)
Grants and contributions	1,700,000	1,689,717	(10,283)	1,545,336	(144,381)
Loan repayments	778,623	778,623	-	778,623	-
Interest	-	7,691	7,691	7,691	-
Total revenues	4,720,756	4,726,294	5,538	4,564,746	(161,548)
Expenditures					
Current					
General government	24,500	31,469	(6,969)	20,075	11,394
Debt service	4,350,321	4,350,321	-	4,350,321	-
Total expenditures	4,374,821	4,381,790	(6,969)	4,370,396	11,394
Excess (deficiency) of revenues (under) expenditures	345,935	344,504	(1,431)	194,350	(150,154)
Other financing sources (uses)					
Transfers in	280,256	280,256	-	280,256	-
Transfers out	(624,760)	(624,760)	-	(624,760)	-
Total other financing sources (uses)	(344,504)	(344,504)	-	(344,504)	-
Net change in fund balance	\$ 1,431	\$ -	\$ (1,431)	\$ (150,154)	\$ (150,154)

**CITY OF YORK, PENNSYLVANIA**

## STATEMENT OF REVENUES AND EXPENDITURES -

## BUDGET TO ACTUAL

## RECREATION FUND - OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2005

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
<b>Revenues</b>					
Taxes	\$ 859,792	\$ 859,792	\$ -	\$ 870,319	\$ 10,527
Grants and contributions	20,000	20,000	-	8,050	(11,950)
Charges for services	575,120	575,120	-	475,484	(99,636)
Miscellaneous	41,800	41,800	-	43,686	1,886
<b>Total revenues</b>	<b>1,496,712</b>	<b>1,496,712</b>	<b>-</b>	<b>1,397,539</b>	<b>(99,173)</b>
<b>Expenditures</b>					
Current					
Parks and recreation	1,366,453	1,366,453	-	1,295,989	70,464
<b>Total expenditures</b>	<b>1,366,453</b>	<b>1,366,453</b>	<b>-</b>	<b>1,295,989</b>	<b>70,464</b>
<b>Excess (deficiency) of revenues (under) expenditures</b>	<b>130,259</b>	<b>130,259</b>	<b>-</b>	<b>101,550</b>	<b>(28,709)</b>
<b>Other financing uses</b>					
Transfers out	(130,000)	(130,000)	-	(130,000)	-
<b>Total other financing uses</b>	<b>(130,000)</b>	<b>(130,000)</b>	<b>-</b>	<b>(130,000)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ 259</b>	<b>\$ 259</b>	<b>\$ -</b>	<b>\$ (28,450)</b>	<b>\$ (28,709)</b>

**CITY OF YORK, PENNSYLVANIA**

STATEMENT OF REVENUES AND EXPENDITURES -  
 BUDGET TO ACTUAL  
 COMMUNITY DEVELOPMENT BLOCK GRANT FUND -  
 OTHER GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2005

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues					
Grants and contributions	\$ 792,452	\$ 4,509,677	\$ 3,717,225	\$ 1,647,673	\$ (2,862,004)
Charges for services	200,000	200,000	-	50,580	(149,420)
Total revenues	992,452	4,709,677	3,717,225	1,698,253	(3,011,424)
Expenditures					
Current					
Community development and planning	811,636	3,440,236	(2,628,600)	1,566,442	1,873,794
Debt service	185,000	185,000	-	184,840	160
Capital outlay	25,619	1,084,441	(1,058,822)	254,782	829,659
Total expenditures	1,022,255	4,709,677	(3,687,422)	2,006,064	2,703,613
Excess (deficiency) of revenues over (under) expenditures	(29,803)	-	29,803	(307,811)	(307,811)
Other financing sources					
Transfers in	-	-	-	307,811	307,811
Total other financing sources	-	-	-	307,811	307,811
Change in net assets	\$ (29,803)	\$ -	\$ 29,803	\$ -	\$ -



# CITY OF YORK, PENNSYLVANIA

## STATEMENT OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL STATE LIQUID FUELS TAX FUND - OTHER GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2005

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues					
Grants and contributions	\$ 627,225	\$ 627,225	\$ -	\$ 651,146	\$ 23,921
Charges for services	-	-	-	-	-
Interest	8,000	8,000	-	17,229	9,229
Miscellaneous	14,975	14,975	-	12,688	(2,287)
Total revenues	650,200	650,200	-	681,063	30,863
Expenditures					
Highways and streets	346,986	400,284	(53,298)	466,072	(65,788)
Debt service	-	-	-	61,926	(61,926)
Capital outlay	69,500	54,400	15,100	18,699	35,701
Total expenditures	416,486	454,684	(38,198)	546,697	(92,013)
Excess (deficiency) of revenues over (under) expenditures	233,714	195,516	(38,198)	134,366	(61,150)
Other financing sources					
Proceeds from the issuance of debt	-	-	-	90,721	90,721
Total other financing sources	-	-	-	90,721	90,721
Net change in fund balance	\$ 233,714	\$ 195,516	\$ (38,198)	\$ 225,087	\$ 29,571

# CITY OF YORK, PENNSYLVANIA

## STATEMENT OF REVENUES AND EXPENDITURES -

### BUDGET TO ACTUAL

#### STATE HEALTH GRANT FUND -

#### OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2005

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues					
Grants and contributions	\$ 2,232,900	\$ 2,304,981	\$ 72,081	\$ 1,963,718	\$ (341,263)
Miscellaneous	4,000	4,000	-	7,726	3,726
Total revenues	2,236,900	2,308,981	72,081	1,971,444	(337,537)
Expenditures					
Other departments and programs	2,132,353	2,280,635	(148,282)	1,911,393	369,242
Total expenditures	2,132,353	2,280,635	(148,282)	1,911,393	369,242
Excess (deficiency) of revenues over (under) expenditures	104,547	28,346	(76,201)	60,051	31,705
Other financing uses					
Transfers out	(20,000)	(7,708)	12,292	(15,479)	(7,771)
Total other financing uses	(20,000)	(7,708)	12,292	(15,479)	(7,771)
Change in net assets	\$ 84,547	\$ 20,638	\$ (63,909)	\$ 44,572	\$ 23,934

# CITY OF YORK, PENNSYLVANIA

STATEMENT OF REVENUES AND EXPENDITURES -  
 BUDGET TO ACTUAL  
 CAPITAL PROJECTS FUND -  
 OTHER GOVERNMENTAL FUND  
 YEAR ENDED DECEMBER 31, 2005

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues					
Grants and contributions	\$ 1,315,000	\$ 1,703,000	\$ 388,000	\$ 744,001	\$ (958,999)
Miscellaneous	-	3,540	3,540	3,540	-
Interest	-	-	-	849	849
Total revenues	1,315,000	1,706,540	391,540	748,390	(958,150)
Expenditures					
General government	-	-	-	-	-
Debt service	-	-	-	50,696	(50,696)
Capital outlay	1,554,800	1,941,003	(386,203)	1,097,157	843,846
Total expenditures	1,554,800	1,941,003	(386,203)	1,147,853	793,150
Excess (deficiency) of revenues over (under) expenditures	(239,800)	(234,463)	5,337	(399,463)	(165,000)
Other financing sources					
Proceeds from the issuance of debt	-	-	-	160,844	160,844
Transfers in	214,800	241,463	26,663	172,176	(69,287)
Total other financing sources	214,800	241,463	26,663	333,020	91,557
Net change in fund balance	\$ (25,000)	\$ 7,000	\$ 32,000	\$ (66,443)	\$ (73,443)

**CITY OF YORK, PENNSYLVANIA****COMBINING STATEMENT OF FIDUCIARY NET ASSETS - PENSION TRUST FUNDS**  
**YEAR ENDED DECEMBER 31, 2005**

	Officers' and Employees' Pension Fund	Police Pension Fund	Paid Firefighters' Pension Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 970,619	\$ 1,671,631	\$ 1,113,915	\$ 3,756,165
Investments, at fair value	<u>18,621,902</u>	<u>31,498,826</u>	<u>20,834,306</u>	<u>70,955,034</u>
Total assets	<u>19,592,521</u>	<u>33,170,457</u>	<u>21,948,221</u>	<u>74,711,199</u>
<b>Net Assets</b>				
Held in trust for pension benefits	<u>\$ 19,592,521</u>	<u>\$ 33,170,457</u>	<u>\$ 21,948,221</u>	<u>\$ 74,711,199</u>

**CITY OF YORK, PENNSYLVANIA**COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2005

	Escheats Fund	Fire Escrow	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 40,632	\$ 275,635	\$ 316,267
Other receivables	-	-	-
Total assets	40,632	275,635	316,267
<b>Liabilities</b>			
Accounts payable and accrued expenses	-	275,635	275,635
Other payables	6,123	-	6,123
Due to other governments	34,509		34,509
Total liabilities	\$ 40,632	\$ 275,635	\$ 316,267

# CITY OF YORK, PENNSYLVANIA

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUNDS YEAR ENDED DECEMBER 31, 2005

	Officers' and Employees' Pension Fund	Police Pension Fund	Paid Firefighters' Pension Fund	Total
Additions:				
Employee contributions	\$ 127,709	\$ 273,862	\$ 178,917	\$ 580,488
Employer contributions	<u>316,290</u>	<u>1,172,257</u>	<u>545,584</u>	<u>2,034,131</u>
Total contributions	<u>443,999</u>	<u>1,446,119</u>	<u>724,501</u>	<u>2,614,619</u>
Investment income:				
Interest and dividend income	469,283	842,193	572,584	1,884,060
Net appreciation of investments	<u>591,271</u>	<u>929,402</u>	<u>586,974</u>	<u>2,107,647</u>
	1,060,554	1,771,595	1,159,558	3,991,707
Less investment expenses	<u>(125,980)</u>	<u>(218,200)</u>	<u>(146,328)</u>	<u>(490,508)</u>
Net investment income	<u>934,574</u>	<u>1,553,395</u>	<u>1,013,230</u>	<u>3,501,199</u>
Total additions	<u>1,378,573</u>	<u>2,999,514</u>	<u>1,737,731</u>	<u>6,115,818</u>
Deductions				
Benefit payments	<u>(768,141)</u>	<u>(2,706,487)</u>	<u>(1,837,644)</u>	<u>(5,312,272)</u>
Net increase (decrease)	610,432	293,027	(99,913)	803,546
Net assets held in trust for pension benefits, beginning of year	<u>18,982,089</u>	<u>32,877,430</u>	<u>22,048,134</u>	<u>73,907,653</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 19,592,521</u>	<u>\$ 33,170,457</u>	<u>\$ 21,948,221</u>	<u>\$ 74,711,199</u>