

CITY OF YORK, PENNSYLVANIA

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2008

CITY OF YORK, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2008

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MAILLIE, FALCONIERO & COMPANY, LLP

Certified Public Accountants and Business Counselors

www.maillie.com

PO Box 680
Oaks, PA 19456-0680
610-935-1420
Fax: 610-935-1632

PO Box 3068
West Chester, PA 19380-3068
610-696-4353
Fax: 610-430-8811

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 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.

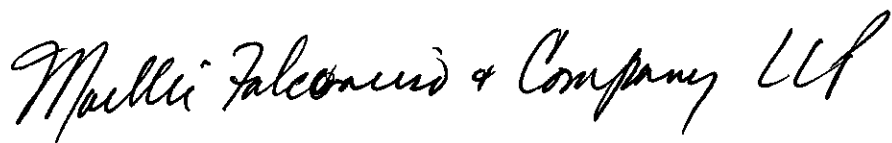
To the Members of City Council
City of York, Pennsylvania

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 2006, the City commenced funding the obligation over an extended 30-year amortization period.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009, 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 i through xix, budgetary comparison information on pages 72 and 73 and schedules of historical pension information on pages 74 through 76 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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.

A handwritten signature in black ink that reads "Maullie Falcone & Company LLC". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania
December 14, 2009

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2008

Our discussion and analysis of the City of York's (City) financial performance provides an overview, perspective and analysis of the City's financial activities for the year ended December 31, 2008. Please read it in conjunction with the City's financial statements, which begin with the Statement of Net Assets on page 1. 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 \$55,510,259 (Net Assets).
 - Invested in capital assets, net of related debt, in the amount of \$66,700,969, includes all capital assets including infrastructure.
 - Restricted net assets with external restrictions imposed by creditors or laws or regulations of other governments amounted to \$7,712,398.
 - Unrestricted net assets, which are assets not restricted for any particular purpose, were (\$18,903,108).
- Over 2008, the City of York's net assets decreased by \$4,296,159. The decrease in net assets primarily occurred in the governmental activities, as a result of recording other post-employment benefits, in accordance with Government Auditing Standards Board (GASB) Statement No. 45. The increase in business-type activities was primarily a result of sewer rate increase which was effective January 2008.
- At December 31, 2008, the fund balances of the City of York's governmental funds were \$524,593. This was a decrease of \$1,063,712 from December 31, 2007.

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.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2008

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 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.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2008

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

- 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

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2008

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.

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.
- **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 these entities may be obtained from the City Finance Office or at the City website at www.yorkcity.org under budget and finance.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2008

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

TABLE 1
CONDENSED STATEMENT OF NET ASSETS
DECEMBER 31, 2008 AND 2007

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Assets:						
Cash and investments	\$ 4,733,339	\$ 2,280,614	\$ 22,165,867	\$ 23,405,028	\$ 26,899,206	\$ 25,685,642
Other assets	13,475,085	15,921,297	19,811,639	20,611,498	33,286,724	36,532,795
Capital assets	48,577,231	47,756,997	55,353,780	54,331,348	103,931,011	102,088,345
Total Assets	66,785,655	65,958,908	97,331,286	98,347,874	164,116,941	164,306,782
Liabilities:						
Other liabilities	13,318,467	11,271,848	1,513,993	1,417,091	14,832,460	12,688,939
Long-term liabilities	53,479,852	49,692,758	40,294,370	41,926,782	93,774,222	91,619,540
Total Liabilities	66,798,319	60,964,606	41,808,363	43,343,873	108,606,682	104,308,479
Net Assets:						
Capital assets, net of related debt	34,129,726	33,705,708	32,571,243	30,617,107	66,700,969	64,322,815
Restricted	1,088,644	1,301,728	6,623,754	6,433,300	7,712,398	7,735,028
Unrestricted	(35,231,034)	(30,013,134)	16,327,926	17,953,594	(18,903,108)	(12,059,540)
Total Net Assets	\$ (12,664)	\$ 4,994,302	\$ 55,522,923	\$ 55,004,001	\$ 55,510,259	\$ 59,998,303

Cash and investments represent 7.09% and 3.46% of the City's total governmental activities assets at December 31, 2008 and 2007, respectively. Of this amount, 11.61% or \$549,624, at December 31, 2008, and 23.78% or \$542,338, at December 31, 2007, is restricted, primarily for financing the Internal Service Fund. Additionally, the City operates and maintains the York City Waste Water Treatment Plant, 102 miles of sewer lines, and one pumping station which is reported in business-type activities. The City's waste-water treatment plant serves seven municipalities in addition to the City. The \$22,165,867 and \$23,405,028 at December 31, 2008 and 2007, 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 \$57,191,907, or 54.07% and \$53,669,547, or 52.91%, of accumulated depreciation at December 31, 2008 and 2007. For the business-type activities the capital asset value is net of \$50,805,512, or 47.86% and \$48,721,054, or 47.28%, of accumulated depreciation at December 31, 2008 and 2007. These percentage rates for depreciation reflect that the capital assets of the City, as a whole, have almost 50% of their useful life remaining and also reflect the City's commitment to effective and efficient use of resources to provide services.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2008

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. The City's assets exceeded its liabilities by \$55,510,259 and \$59,998,303 for years ending December 31, 2008 and 2007.

By far the largest portion of the City's net assets, 120.16% at December 31, 2008 and 107.24% at December 31, 2007, 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 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 (13.89% and 12.89% at December 31, 2008 and 2007, respectively) represents resources that are subject to external restrictions on how they may be used. Of the \$7,712,398 that is restricted at December 31, 2008: \$3,419,961 is the value of bond escrow accounts held for debt service payments, while the remaining amount is restricted to use for community planning and development, streets, health initiatives, insurance and construction. Of the \$7,735,028 that is restricted at December 31, 2007: \$3,461,886 is the value of bond escrow accounts held for debt service payments, while the remaining amount is restricted to use for community planning and development, streets, health initiatives, insurance and construction.

The City's unrestricted net asset balance of (\$18,903,108) and (\$12,059,540) at December 31, 2008 and 2007, 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 \$33,941,048 and \$34,125,333, respectively. Additionally, the unrestricted net assets for the year ended December 31, 2008 included the recording of the unfunded other post-employment liability in the amount of \$3,671,329.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2008

TABLE 2
CONDENSED STATEMENT CHANGES IN NET ASSETS
DECEMBER 31, 2008 AND 2007

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenue:						
Charges for services	\$ 12,569,106	\$ 11,837,237	\$ 14,256,443	\$ 13,927,968	\$ 26,825,549	\$ 25,765,205
Operating grants and contributions	7,472,475	11,489,368	1,475	26,571	7,473,950	11,515,939
Capital grants and contributions	1,361,642	1,730,224	246,956	5,351,000	1,608,598	7,081,224
Property taxes	14,340,168	13,435,540	-	-	14,340,168	13,435,540
Payment in lieu of taxes	455,339	369,719	-	-	455,339	369,719
Business taxes	2,827,903	3,144,505	-	-	2,827,903	3,144,505
Personal taxes	3,163,940	4,407,949	-	-	3,163,940	4,407,949
Unrestricted grants	1,645,273	1,615,118	-	-	1,645,273	1,615,118
Unrestricted investment earnings	396,130	618,757	2,143,538	1,710,032	2,539,668	2,328,789
Total revenues	44,231,976	48,648,417	16,648,412	21,015,571	60,880,388	69,663,988
Expenses:						
General government	2,586,631	2,625,730	-	-	2,586,631	2,625,730
Sanitation	3,102,156	3,197,851	-	-	3,102,156	3,197,851
Public safety	26,850,652	22,443,207	-	-	26,850,652	22,443,207
Highways and streets	1,069,072	1,080,516	-	-	1,069,072	1,080,516
Public works	5,078,097	4,526,431	-	-	5,078,097	4,526,431
Parks and recreation	1,856,006	1,796,761	-	-	1,856,006	1,796,761
Community development and planning	5,089,778	8,826,877	-	-	5,089,778	8,826,877
Other departments and programs	1,738,341	1,850,567	-	-	1,738,341	1,850,567
Interest on long-term debt	2,949,697	2,976,850	-	-	2,949,697	2,976,850
Intermunicipal sewer	-	-	5,214,213	4,931,820	5,214,213	4,931,820
Sewer	-	-	7,894,622	7,043,671	7,894,622	7,043,671
Ice rink	-	-	1,627,972	1,638,268	1,627,972	1,638,268
Other enterprise funds	-	-	119,310	91,660	119,310	91,660
Total expenses	50,320,430	49,324,790	14,856,117	13,705,419	65,176,547	63,030,209
Change in net assets before transfers	(6,088,454)	(676,373)	1,792,295	7,310,152	(4,296,159)	6,633,779
Transfers	1,273,373	1,372,507	(1,273,373)	(1,372,507)	-	-
Change in net assets	(4,815,081)	696,134	518,922	5,937,645	(4,296,159)	6,633,779
Net assets, beginning of year	4,994,302	4,298,168	55,004,001	49,066,356	59,998,303	53,364,524
Prior period adjustment	(191,885)	-	-	-	(191,885)	-
Net assets, end of year	\$ (12,664)	\$ 4,994,302	\$ 55,522,923	\$ 55,004,001	\$ 55,510,259	\$ 59,998,303

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MANAGEMENT'S DISCUSSION AND ANALYSIS

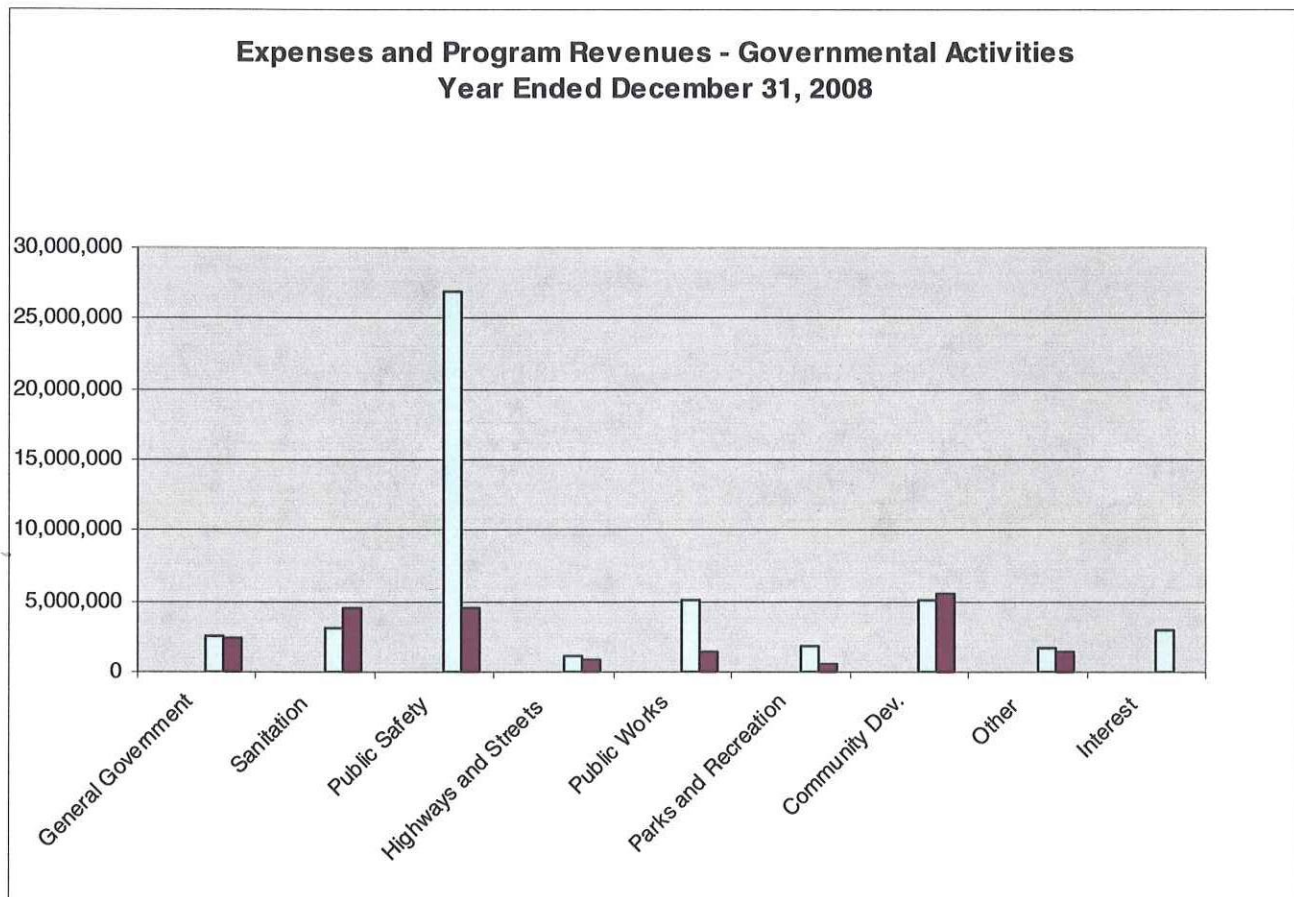
DECEMBER 31, 2008

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. In the same manner, issuance of debt, while providing current financial resources in 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. Additionally, for the year ended December 31, 2008, the City adopted GASB Statement 45, which requires accounting and financial reporting for post-employment benefits other than pensions.

For the year ended December 31, 2008, the decrease in net assets of governmental activities resulted primarily from the accretion of capital appreciation debt in the amount of \$2,306,981 and issuance of debt in the amount of \$2,200,928, offset by principal payments on long-term debt of \$4,237,703; depreciation of capital assets in the amount of \$3,557,168, offset against purchases of capital assets of \$4,377,402; and the accrual of other post-employment liabilities in the amount of \$3,506,521. The other post-employment cost was allocated to all general government departments based on current employment.

For the year ended December 31, 2007, the increase in net assets of governmental activities resulted primarily from the accretion of capital appreciation debt in the amount of \$2,203,773, offset by principal payments on long-term debt of \$3,640,546.

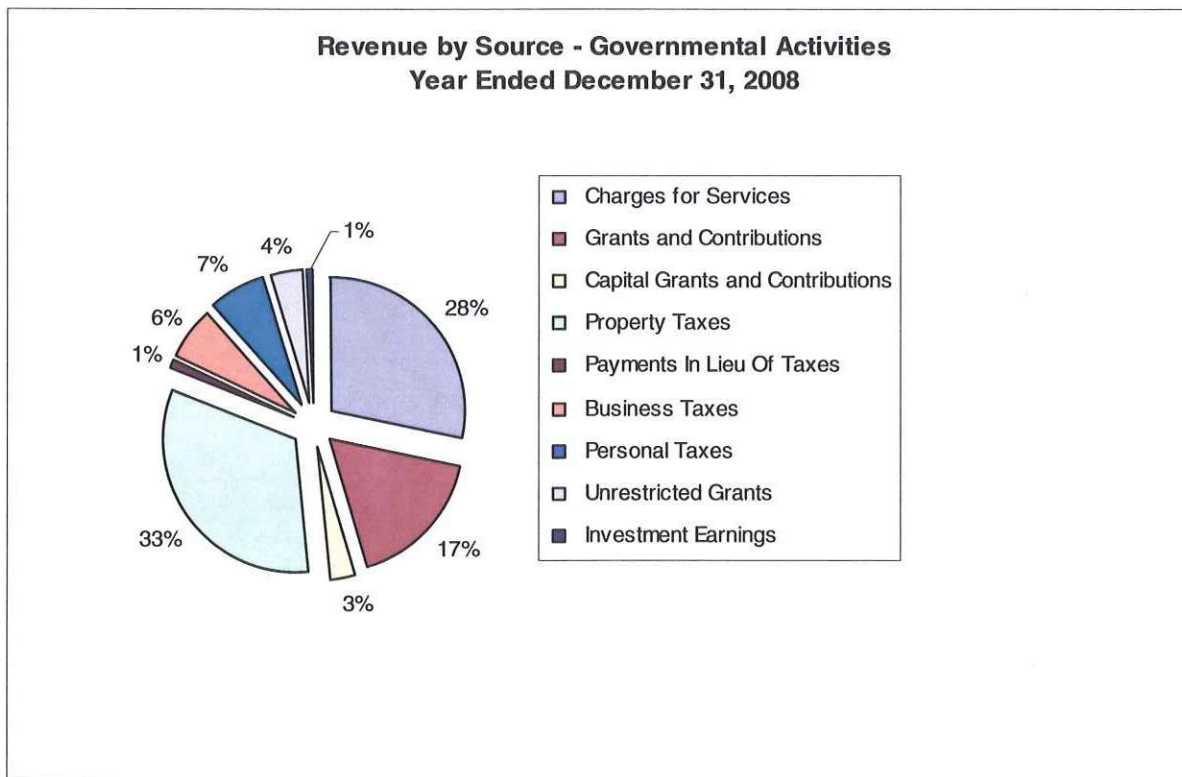
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MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008



CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2008



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

86.93% of the revenue for business-type activities is derived from charges for services. The City's sewer system is comprised of the sewage collection infrastructure, one pumping station and the staff and equipment for the maintenance thereof. 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 last increased in January 2008.

The City operates a state of the art regional wastewater treatment plant that provides service to six 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 wastewater 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 wastewater sent by industrial facilities. Each year in October, the City estimates the wastewater 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 payment and municipalities that have paid too little must make up the difference in the first quarter of the subsequent year. Wastewater treatment charges are calculated by deducting from the actual expenditures of the plant all non-operating revenue, then all operating revenue that

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2008

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 wastewater 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 wastewater 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 wastewater flows.

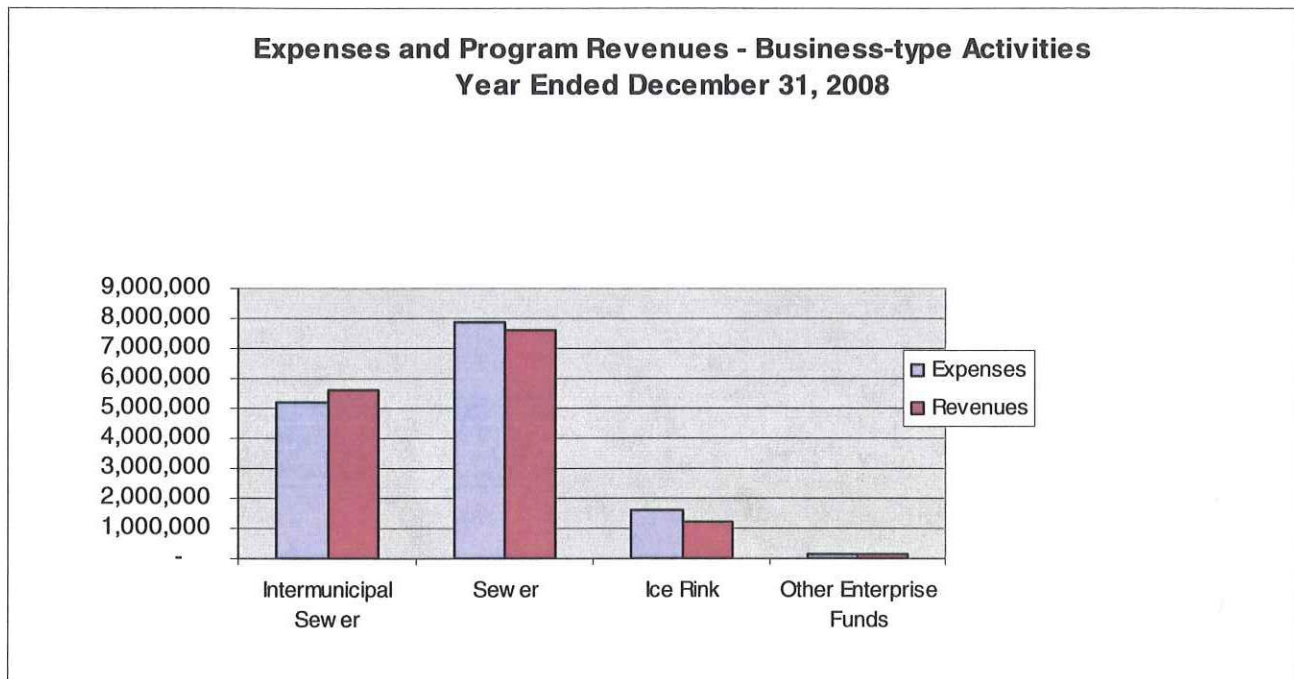
The York City Ice Arena is a two-pad ice skating sports facility that was built and put into service in 2001. The Arena was built by the York City Recreation Corporation (YCRC) using tax exempt proceeds from a bond issue guaranteed by the City. It is situated on land owned by the City in the Memorial 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. 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.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2008



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, 2008 and 2007, the City's governmental funds reported combined ending fund balances of \$524,593 and \$1,588,305. The City's unreserved fund balance (deficit), which is available for spending at the government's discretion, was \$234,324 and \$1,214,243 at December 31, 2008 and 2007. The remainder of the fund balance at December 31, 2008 and 2007 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 \$153,594 and \$223,950, respectively, and 2) for a community development in the amount of \$136,675 and \$150,112, respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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The general fund is the chief operating fund of the City. At December 31, 2008 and 2007, unreserved fund balance of the general fund was \$965,738 and \$2,414,801. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 2.91% and 7.64% of total general fund expenditures at December 31, 2008 and 2007.

The fund balance of the City's general fund decreased by \$1,449,063 during the year ended December 31, 2008. Key factors in this decrease are as follows:

- Rising wages and rising health care costs for all City employees.

The fund balance of the City's general fund decreased by \$233,661 during the year ended December 31, 2007. Key factors in this decrease are as follows:

- Public safety expenditures increased due to significant increases in required contributions to the police and fire pension plans.
- Increases in public safety employee cost due to rising wages and rising health care costs.

The debt service fund has a total fund balance (deficit) of \$(105,271) and \$(115,558). The net increase in fund balance for the year ended December 31, 2008 and 2007 in the debt service fund was \$10,287 and \$71,401. The 2007 increase was due to the increase of property tax revenue.

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, 2008 amounted to \$-, \$13,274,125 and (\$393,871), respectively. Unrestricted net assets of the Intermunicipal Sewer Fund, the Sewer Fund and the Ice Rink Fund at December 31, 2007 amounted to \$-, \$15,216,939 and (\$352,235), respectively. The total increase in net assets for these funds for the year ended December 31, 2008 was \$42,589, \$109,559 and \$7,992, respectively. The total increase/ (decrease) in net assets for these funds for the year ended December 31, 2007 was \$332,493, \$5,252,155 and (\$20,072), respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2008

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, 2008, the final revenue, including transfers-in, budget was \$33,609,771 and the final expenditure, including transfers-out, budget was \$33,577,498.

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 2008, the single largest revenue item in General Fund was taxes at \$17,225,485. Actual taxes included \$11,193,309 in real estate taxes, \$2,496,607 in business taxes, \$3,360,395 in income and emergency municipal service taxes. The second largest item includes charges for services which at \$7,547,436 includes sanitation fees of \$4,371,677. Grants and Contributions, at \$1,870,160, include \$455,339 of payments in lieu of taxes.

The City had a significant negative variance between final budget and actual in the taxes line item in the amount of \$530,026. The Admissions Tax was unenforced, because enforcement personnel were short-staffed during 2008 and, those who were employed, were assigned to higher priority projects. Additionally, a change in Pennsylvania law regarding earned income limits and changes in collection procedures over Local Services Tax, resulted in significantly reduced revenue. Finally, mercantile taxes were lower than budget, because of the downturn in the economy during the latter part of 2008. The City also had a significant negative variance between final budget and actual in the grants and contributions line item in the amount of \$542,411. This shortfall represents the difference between budget and actual in several grant programs. Budget amounts are estimates that are made based on information available at the time. Actual amounts result from factors that are not predictable at the time that the budget estimates are made. Licenses and permits were \$105,653 under-budget. This line item was budgeted based on historical trends, but cable franchise fees were significantly impacted by the trend to satellite television from traditional cable services. Loan repayments were under budget by \$115,431, because the owner of a building stopped making payments to the City, when a tenant who occupied 60% of the property, vacated. The City has commenced legal action. Finally, interest income is \$141,370 less than budget, due to the overall decline in economic conditions.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Total General Fund expenditures were \$33,171,857 for the year ended December 31, 2008. The single most expensive activity in the general fund is public safety, which is comprised of police and fire-rescue services, which amount to \$22,899,499, or 69.03% of the General Fund actual expenditures for the year ended December 31, 2008.

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, 2008 and 2007 amounts to \$103,931,011 and \$102,088,345, respectively. This investment in capital assets includes land, buildings, land improvements, equipment and furniture and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was 1.80 percent (a 1.72 percent increase for governmental activities and a 1.88 percent increase for business-type activities).

Major capital asset events during the year ended December 31, 2008 included the following:

- Various infrastructure projects, including road and walkway improvements, were completed at a cost of \$2,080,392.
- The City purchased several vehicles, including a \$138,015 street sweeper, \$38,783 brush chipper, and police and fire vehicles in the amount of \$79,325 and \$49,833.
- The City purchased energy performance equipment and a shotspotter through capital leases totaling \$1,165,623 and \$573,340, respectively.
- The City improved two parks totaling \$227,979.
- Various building and system additions and improvements were completed in the Sewer Fund's waste water treatment plant, including a re-roofing project, at a cost of \$4,165,370.
- Sewer infrastructure projects, including replacement of storm sewers, were completed at a cost of \$438,511.

Major capital asset events during the year ended December 31, 2007 included the following:

- Various infrastructure projects, including road and walkway improvements, were completed at a cost of \$2,168,381
- The City purchased several vehicles, including a \$246,952 street tractor, \$52,789 recreation dump truck, and police vehicles in the amount of \$70,150.
- The City purchased camera equipment for police vehicles totaling \$106,106.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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- The City purchased \$111,650 worth of police and fire radio equipment.
- Various building and system additions and improvements were completed in the Sewer Fund's waste water treatment plant at a cost of \$2,955,342.

Additional information on the City's capital assets can be found in note 10 on page 40 of this report.

Long-Term Debt

At December 31, 2008 and 2007, the City had total general obligation bonded debt outstanding of \$45,028,506 and \$46,679,746, respectively. Revenue bonds in the amount of \$41,468,536 and \$39,505,429, respectively, represent bonds secured solely by specified revenue sources.

The City's total debt decreased by \$1,589,704 during the year ended December 31, 2008. The City entered into several capital leases during 2008, to the acquire energy performance equipment, a hydraulic lift, a vehicle, a front end loader and a shotspotter, in the aggregate amount of \$2,505,470. This increase, in addition to \$4.1 million in accretion of capital appreciation bonds, was offset by \$8.6 million in debt repayments.

The City's total debt increased by \$6,228,300 during the year ended December 31, 2007. The City issued Series 2007 Guaranteed Sewer Revenue Bonds, in the amount of \$10,000,000, in order to provide funds for the planning, design and construction of additions, improvements, renovations and extraordinary repairs to, and the acquisition and installation of related equipment, machinery and furnishings for various buildings and facilities of the sewer system. This increase, in addition to \$4.1 million in accretion of capital appreciation bonds, was offset by \$8.5 million in debt repayments. Additionally, the City entered into several capital leases during 2007, to the acquisition of a mower, radio equipment, five vehicles, street cleaning truck, and a spectrometer, in the aggregate amount of \$507,136.

Additional information on the City's long-term debt can be found in note 13 on page 44 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES:

In Mid October 2008, the City of York suspended payments to its pension funds for two reasons: 1. the freeze in the credit market spurred concerns that the City would be unable to obtain a tax anticipation loan in January to cover operating expenses for the first four months of the year, and 2. a concern about the cost of employee health care and the potential that the costs would significantly exceed budget. Fortunately, the City was able to obtain the loan in January and the City paid the amount due the pension fund by mid-January. Unfortunately, health care costs did exceed budget by over \$800,000.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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There are several major challenges to delivering municipal services in York, Pennsylvania: employee health care, public safety pensions, the Act 111 labor relations process and the antiquated and inadequate methods by which revenue is raised to pay for municipal services.

From 2003 to 2008, total health care costs have gone from \$4 million to \$6.8 million. The costs are projected to be \$6.8 million for 2009 and budgeted at the same amount for 2010. The City anticipates that the health care changes that have been put into place will slow the rate of growth over the next few years.

Public safety costs, particularly police and fire fighter labor costs, continue to rise greater than the rate of inflation. In 2001, public safety consumed 60% of the City's General Fund Budget and in 2010 it is projected to consume 68.5% of the General Fund Budget. If the trend continues, then by 2020 public safety will consume 80% of the General Fund Budget.

The Act 111 public safety arbitration process continues to contribute to the steep rise in public safety costs. Notwithstanding the \$27 million unfunded liability in the police pension fund, an arbitrator awarded enhanced pension benefits to police officers including a Deferred Retirement Option Plan and what is called a Pittsburgh Plan. The Pittsburgh Plan allows an officer with twenty years six months of service to leave the police force and continue to contribute to the fund the amount that would have been contributed if s/he continued to work. When s/he reaches the age of retirement, the pension benefit will be based upon what the officer would have been earning if s/he had remained on the force to age 50. Since the officers contributions are significantly less than the annual normal cost, the City is forced to fund a pension benefit for an employee who is no longer providing service to the City.

In 2005, the City contribution to the employee pension funds was \$2,034,131. In 2006, the obligation was \$4,863,063. In 2007, \$4,960,833 and in 2008, it is calculated to be \$5,069,057. 98% of this contribution comes from the General Fund. For 2009, the MMO will be \$5.25 million and in 2010, the MMO will be \$5.4 million. The 2010 MMO is based on the 2007 valuation. The 2011 MMO will be based on the 2009 valuation so the potential for a significant increase is strong.

In 2005, the City conducted an in depth financial study and prepared a five year budget projection. The City employed the aid of a public finance consultant, Public Financial Management (PFM). PFM made suggestions and recommendations to reduce costs and increase revenue. Since that time, the City has made efforts and progress on implementing most of those suggestions and recommendations. A key recommendation was to reduce labor costs by modifying the employee health plan design and by limiting wage increases over the coming years.

The City hired Riverside Consulting to assist in developing a strategy to reduce the rate of increase in health care costs. After an in depth analysis of cost and usage trends and member demographics, Riverside developed a new employee health care plan, a true Preferred Provider Organization, that includes wellness programs and incentives. Riverside assisted the City in doing a request for proposals to hire a new third party administrator. Resulting from that process was the retention of Capital Blue Cross for three years, 2008-2010, as the City's TPA. Hiring CBC as the City's TPA gives the City access to the claims processing experience and infrastructure and the contractual

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service and product discounts of a major health care insurer while retaining the significant cost savings of self insurance. Finally, Riverside aided the City in the development of a pharmacy benefit program that included a three tier co-pay structure, mandatory generic usage, a step therapy program and a direct contract with the pharmacy benefit administrator that resulted in bigger discounts and rebates than were previously enjoyed.

The new health care plan, including increases in premium sharing, has been implemented for non-union employees, the blue collar Teamsters bargaining unit, International Brotherhood of Electrical Workers and the Fraternal Order of Police. It is anticipated that the IAFF and the Clerical union will be in the new PPO health care plan by the end of 2012. Because of the reluctance of Act 111 arbitrators to impose premium sharing on police, the health care plan for the FOP for the remainder of this contract term will likely see very few officers paying a premium for coverage.

To meet rising obligations, the City has increased fees, fines and taxes. Any revenue source of the City has been evaluated to determine whether it can be increased by the City. Some rates cannot be increased such as Business Privilege Tax and Mercantile Tax and PST tax, while others can be increased like real estate taxes and some fines and fees. The EMST brought in almost \$1.6 million each in 2006 and 2007. In 2007, the Commonwealth adopted certain amendments for 2008 that reduced the revenue from what is now the PST by almost 35%.

Over the course of the past six years, the City has increased the real estate tax rate from the 2002 total millage of 11.39 to a 2008 total millage of 14.67. This is a 29% increase over the period and includes an adjustment of the rate downward to account for a 10% increase in real estate tax revenue resulting from a reassessment implemented in 2006. In 2009, the real estate tax rate was increased to 15.64, a 6.6% increase over the 2008 rate.

For 2007, the administration proposed to City Council that the City adopt a policy that each year the City would increase rates for taxes, fees and fines, in every class of revenue which the City can increase, by a factor related to the Consumer Price Index. This resulted in a real estate tax increase of 0.5 mil, bringing the real estate tax rate to 13.67 mils for 2007. For 2008, the rate increased by 7.32% and in 2009 the rate increased by 6.6%, both of which were higher than the CPI. For 2010, the City is projecting a 0% tax rate increase to be consistent with the flat CPI.

It is difficult to determine the impact that the economic recession of 2008-2009 will have on the City's financial health. Because real estate tax assessments are not done often and because real estate values in the City did not soar to suburban heights, it is not likely that the real estate aspect of the recession will have much impact. As of late 2009, there has not been a loss of Earned Income nor of Business Privilege/Mercantile Tax revenue. While the City projected a 20-30% drop in the PST revenue in 2008 due to 2007 amendments to the law, the drop in revenue was closer to 35%. The shortfall in prediction may be due to inadequate data upon which to build the forecast, or the impact of the amendments could have been exacerbated by the recession. Time will tell when the economy has returned to normalcy.

The costs of providing City services rise faster than the revenue that is necessary to pay for the services. The City's financial challenges remain rooted in the disjuncture of its revenue sources and

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DECEMBER 31, 2008

expenditure obligations. General revenue is primarily generated from taxes: real estate, earned income, business privilege and mercantile and municipal services. The tax bases from which these revenues flow are highly local. Costs, on the other hand, are global: energy, materials, insurance, labor, and money are highly influenced by the global economy. So long as Pennsylvania's structure for providing and paying for municipal services remains rooted in a colonial era governmental and tax structure a Herculean effort will be the annual demand upon the energy and creativity of urban municipal officials. Until there is fundamental change in this structure the, City of York will search for creative ways to raise revenue and reduce costs and keep the City on its current course of revitalization.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Primary Government				
	Governmental Activities	Business-type Activities	Total	Component Units	Total
ASSETS					
Cash and cash equivalents	\$ 4,183,715	\$ 7,137,988	\$ 11,321,703	\$ 797,486	\$ 12,119,189
Receivables, net of allowance for uncollectible accounts:					
Taxes	5,984,973	-	5,984,973	-	5,984,973
Accounts	2,420,378	1,520,471	3,940,849	22,125	3,962,974
Loans	3,584,193	-	3,584,193	75,100	3,659,293
Interest	-	21,732	21,732	5,833	27,565
Internal balances	(1,039,382)	1,039,382	-	-	-
Due from component unit	299,153	-	299,153	-	299,153
Due from other governments	-	-	-	5,689,280	5,689,280
Inventory	-	5,854	5,854	-	5,854
Prepaid expenses	41,781	13,419	55,200	25,306	80,506
Restricted assets:					
Cash and cash equivalents	549,624	3,368,844	3,918,468	2,386,981	6,305,449
Investments, at fair value	-	11,659,035	11,659,035	-	11,659,035
Notes receivable - due from component unit	2,183,989	-	2,183,989	-	2,183,989
Lease rentals receivable	-	17,210,781	17,210,781	-	17,210,781
Capital assets, less accumulated depreciation and amortization	48,577,231	55,353,780	103,931,011	5,477,678	109,408,689
Land held for development	-	-	-	125,000	125,000
Deferred charges, net of accumulated amortization	-	-	-	182,253	182,253
Total assets	66,785,655	97,331,286	164,116,941	14,787,042	178,903,983
LIABILITIES					
Accounts payable and other current liabilities	2,491,432	598,439	3,089,871	171,031	3,260,902
Accrued liabilities	1,051,128	178,828	1,229,956	-	1,229,956
Due to primary government	-	-	-	299,153	299,153
Due to other governments	80,590	704,157	784,747	104,157	888,904
Due to City of York pension trust funds	3,680,199	-	3,680,199	-	3,680,199
Deferred revenue	6,015,118	32,569	6,047,687	451,698	6,499,385
Environmental remediation liabilities	-	-	-	1,115,625	1,115,625
Line of credit	-	-	-	4,833,640	4,833,640
Noncurrent liabilities:					
Due within one year	4,618,320	4,297,691	8,916,011	95,000	9,011,011
Due within one year - due to primary government	-	-	-	683,585	683,585
Due in more than one year	48,861,532	35,996,679	84,858,211	3,197,164	88,055,375
Due in more than one year - due to primary government	-	-	-	1,500,404	1,500,404
Total liabilities	66,798,319	41,808,363	108,606,682	12,451,457	121,058,139

See accompanying notes to basic financial statements.

	Primary Government			Component Units	Total
	Governmental Activities	Business-type Activities	Total		
NET ASSETS					
Invested in capital assets, net of related debt	34,129,726	32,571,243	66,700,969	1,003,558	67,704,527
Restricted for:					
Community development and planning	136,675	-	136,675	-	136,675
Health initiatives	153,594	-	153,594	-	153,594
Highways and streets	248,751	-	248,751	-	248,751
Workers' compensation	549,624	-	549,624	-	549,624
Debt service	-	3,419,961	3,419,961	16,660	3,436,621
Construction	-	3,203,793	3,203,793	-	3,203,793
Unrestricted	(35,231,034)	16,327,926	(18,903,108)	1,315,367	(17,587,741)
Total net assets	<u>\$ (12,664)</u>	<u>\$ 55,522,923</u>	<u>\$ 55,510,259</u>	<u>\$ 2,335,585</u>	<u>\$ 57,845,844</u>

CITY OF YORK, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,586,631	\$ 2,361,434	\$ 73,915	\$ -
Sanitation	3,102,156	4,470,285	28,564	-
Public safety	26,850,652	3,649,193	869,522	12,500
Highways and streets	1,069,072	115,106	802,576	-
Public works	5,078,097	113,905	152,333	1,140,018
Parks and recreation	1,856,006	438,654	173,317	-
Community development and planning	5,089,778	1,416,530	3,905,368	209,124
Other departments and programs	1,738,341	3,999	1,466,880	-
Interest on long-term debt	2,949,697	-	-	-
Total governmental activities	50,320,430	12,569,106	7,472,475	1,361,642
Business-type activities:				
Intermunicipal sewer	5,214,213	5,592,069	-	-
Sewer	7,894,622	7,324,541	-	246,956
Ice rink	1,627,972	1,201,397	-	-
Other enterprise funds	119,310	138,436	1,475	-
Total business-type activities	14,856,117	14,256,443	1,475	246,956
Total primary government	\$ 65,176,547	\$ 26,825,549	\$ 7,473,950	\$ 1,608,598
Component units:				
Redevelopment Authority	\$ 1,793,617	\$ 300,180	\$ 2,785,947	\$ -
General Authority	1,533,731	2,096,244	-	-
Total component units	\$ 3,327,348	\$ 2,396,424	\$ 2,785,947	\$ -
General revenues:				
Property taxes				
Occupational privilege taxes				
Earned income taxes				
Business privilege taxes				
Franchise taxes				
Public utility realty taxes				
Beverage taxes				
Payments in lieu of taxes				
Grants and contributions not restricted to specific functions				
Miscellaneous revenue				
Unrestricted investment earnings				
Transfers - internal activities				
Total general revenues and transfers				
Change in net assets (deficits)				
Net assets - beginning of year - restated				
Net assets - end of year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	Total
Governmental Activities	Business-type Activities	Total		
\$ (151,282)	\$ -	\$ (151,282)	\$ -	\$ (151,282)
1,396,693	-	1,396,693	-	1,396,693
(22,319,437)	-	(22,319,437)	-	(22,319,437)
(151,390)	-	(151,390)	-	(151,390)
(3,671,841)	-	(3,671,841)	-	(3,671,841)
(1,244,035)	-	(1,244,035)	-	(1,244,035)
441,244	-	441,244	-	441,244
(267,462)	-	(267,462)	-	(267,462)
(2,949,697)	-	(2,949,697)	-	(2,949,697)
(28,917,207)	-	(28,917,207)	-	(28,917,207)
-	377,856	377,856	-	377,856
-	(323,125)	(323,125)	-	(323,125)
-	(426,575)	(426,575)	-	(426,575)
-	20,601	20,601	-	20,601
-	(351,243)	(351,243)	-	(351,243)
(28,917,207)	(351,243)	(29,268,450)	-	(29,268,450)
-	-	-	1,292,510	1,292,510
-	-	-	562,513	562,513
-	-	-	1,855,023	1,855,023
14,340,168	-	14,340,168	-	14,340,168
1,093,121	-	1,093,121	-	1,093,121
2,070,819	-	2,070,819	-	2,070,819
2,493,029	-	2,493,029	-	2,493,029
294,141	-	294,141	-	294,141
22,308	-	22,308	-	22,308
18,425	-	18,425	-	18,425
455,339	-	455,339	-	455,339
1,645,273	-	1,645,273	-	1,645,273
-	-	-	105,624	105,624
396,130	2,143,538	2,539,668	57,157	2,596,825
1,273,373	(1,273,373)	-	-	-
24,102,126	870,165	24,972,291	162,781	25,135,072
(4,815,081)	518,922	(4,296,159)	2,017,804	(2,278,355)
4,802,417	55,004,001	59,806,418	317,781	60,124,199
\$ (12,664)	\$ 55,522,923	\$ 55,510,259	\$ 2,335,585	\$ 57,845,844

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,485,132	\$ -	\$ 4,272	\$ 2,489,404
Receivables:				
Loans (less allowance for doubtful accounts of \$33,000 in the General Fund, \$629,957 in Other Governmental Funds)	370,847	-	3,213,346	3,584,193
Taxes (less allowance for doubtful accounts of \$930,287 in the General Fund, \$185,146 in the Debt Service Fund, \$87,969 in the Other Governmental Funds)	5,680,357	207,183	97,433	5,984,973
Accounts (less allowance for doubtful accounts of \$3,407,009 in the General Fund)	1,389,949	-	941,691	2,331,640
Notes receivable	-	2,183,989	-	2,183,989
Due from other funds	1,665,646	-	208,102	1,873,748
Due from component units	299,153	-	-	299,153
Total assets	<u>\$ 11,891,084</u>	<u>\$ 2,391,172</u>	<u>\$ 4,464,844</u>	<u>\$ 18,747,100</u>
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable and accrued expenses	\$ 777,644	\$ 502	\$ 338,171	\$ 1,116,317
Accrued wages payable	802,795	-	75,455	878,250
Due to other funds	4,351,502	126,805	758,253	5,236,560
Due to other governments	-	-	80,590	80,590
Deferred revenues	4,993,405	2,369,136	3,548,249	10,910,790
Total liabilities	<u>10,925,346</u>	<u>2,496,443</u>	<u>4,800,718</u>	<u>18,222,507</u>
Fund balances (deficits):				
Reserved for:				
Health initiatives	-	-	153,594	153,594
Community development	-	-	136,675	136,675
Unreserved, reported in:				
General fund	965,738	-	-	965,738
Debt service fund	-	(105,271)	-	(105,271)
Special revenue funds	-	-	(481,882)	(481,882)
Capital projects funds	-	-	(144,261)	(144,261)
Total fund balances (deficits)	<u>965,738</u>	<u>(105,271)</u>	<u>(335,874)</u>	<u>524,593</u>
Total liabilities and fund balances (deficits)	<u>\$ 11,891,084</u>	<u>\$ 2,391,172</u>	<u>\$ 4,464,844</u>	<u>\$ 18,747,100</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS****DECEMBER 31, 2008**

Fund balances - total governmental funds \$ 524,593

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	\$ 105,769,138	
Less accumulated depreciation	<u>(57,191,907)</u>	48,577,231

Other long-term assets are not available to pay for
current-period expenditures and, therefore, are
deferred in the funds. 4,895,672

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	(33,941,048)	
Notes payable	(10,021,718)	
Other post-employment liability	(3,506,521)	
Loans from other governmental entities	(1,300,000)	
Capitalized lease obligation	(2,526,181)	
Compensated absences	(1,058,141)	
Accrued interest payable	<u>(147,061)</u>	(52,500,670)

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 assets and liabilities of the internal
service fund are included in governmental activities
in the statement of net assets.

Internal service fund net assets	(152,721)	
Adjustment related to enterprise funds	<u>(1,356,769)</u>	<u>(1,509,490)</u>

Net assets of governmental activities \$ (12,664)

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) -
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 17,225,485	\$ 2,253,460	\$ 985,450	\$ 20,464,395
Licenses and permits	1,805,142	-	-	1,805,142
Fines and forfeits	1,499,138	-	-	1,499,138
Grants and contributions	1,870,160	1,647,332	7,340,048	10,857,540
Charges for services	7,547,436	-	584,223	8,131,659
Loan repayments	10,569	775,985	159,097	945,651
Interest	213,630	3,172	24,911	241,713
Miscellaneous	246,390	-	143,139	389,529
Total revenues	30,417,950	4,679,949	9,236,868	44,334,767
Expenditures:				
Current:				
General government	1,931,680	24,210	235,078	2,190,968
Sanitation	3,029,542	-	-	3,029,542
Public safety	22,899,499	-	78,563	22,978,062
Highways and streets	539,188	-	384,230	923,418
Public works	2,331,564	-	44,078	2,375,642
Parks and recreation	-	-	1,517,766	1,517,766
Community development and planning	2,354,484	-	2,665,507	5,019,991
Other departments and programs	85,900	-	1,530,583	1,616,483
Debt service:				
Principal retirements	-	3,840,000	397,703	4,237,703
Interest	-	508,825	123,581	632,406
Capital outlay	-	-	4,350,799	4,350,799
Total expenditures	33,171,857	4,373,035	11,327,888	48,872,780
Excess (deficiency) of revenues over (under) expenditures	(2,753,907)	306,914	(2,091,020)	(4,538,013)
Other financing sources (uses):				
Proceeds from the issuance of debt	-	-	2,200,928	2,200,928
Transfers in	1,710,788	324,584	815,239	2,850,611
Transfers out	(405,944)	(621,211)	(550,083)	(1,577,238)
Total other financing sources (uses)	1,304,844	(296,627)	2,466,084	3,474,301
Net change in fund balances (deficits)	(1,449,063)	10,287	375,064	(1,063,712)
Fund balances (deficits) - beginning of year	2,414,801	(115,558)	(710,938)	1,588,305
Fund balances (deficits) - end of year	\$ 965,738	\$ (105,271)	\$ (335,874)	\$ 524,593

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, 2008

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

Net change in fund balances (deficits) - total governmental funds	\$	(1,063,712)
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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	\$	4,377,402	
Depreciation expense		<u>(3,557,168)</u>	820,234

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(118,248)
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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	(2,200,928)	
Principal repayments	<u>4,237,703</u>	2,036,775

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

Change in compensated absences	(88,199)	
Change in accrued interest	57,409	
Other post-employment liability	(3,506,521)	
Amortization of bond discounts	<u>(2,306,981)</u>	(5,844,292)

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	(347,238)	
Adjustment related to enterprise funds	<u>(298,600)</u>	<u>(645,838)</u>

Change in net assets of governmental activities	<u>\$</u>	<u>(4,815,081)</u>
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See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS (DEFICITS) - PROPRIETARY FUNDS
DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds					
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Funds	Total	Internal Services Fund
Assets						
Current assets:						
Cash and cash equivalents	\$ 3,021,548	\$ 2,017,629	\$ -	\$ 2,098,811	\$ 7,137,988	\$ 1,694,311
Receivables:						
Lease rentals, current	-	1,131,620	-	-	1,131,620	-
Accrued interest receivable	-	21,732	-	-	21,732	-
Accounts receivable (less allowance for doubtful accounts of \$5,045,176)	173,051	1,283,610	50,492	13,318	1,520,471	88,738
Inventory	-	-	5,854	-	5,854	-
Prepaid expenses	-	-	13,419	-	13,419	41,781
Due from other funds	549,320	-	-	-	549,320	-
Total current assets	3,743,919	4,454,591	69,765	2,112,129	10,380,404	1,824,830
Restricted assets:						
Cash and cash equivalents	-	3,368,844	-	-	3,368,844	549,624
Investments	-	11,659,035	-	-	11,659,035	-
Total restricted assets	-	15,027,879	-	-	15,027,879	549,624
Noncurrent assets:						
Lease rentals receivable, long-term	-	16,079,161	-	-	16,079,161	-
Capital assets, net of accumulated depreciation	-	50,511,396	4,842,384	-	55,353,780	-
Total noncurrent assets	-	66,590,557	4,842,384	-	71,432,941	-
Total assets	3,743,919	86,073,027	4,912,149	2,112,129	96,841,224	2,374,454
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	195,419	339,938	47,202	15,880	598,439	1,375,115
Accrued wages payable	90,228	19,448	16,558	2,674	128,908	25,817
Accrued interest	-	-	49,920	-	49,920	-
Due to other funds	-	549,320	317,387	-	866,707	-
Deferred revenue	-	-	32,569	-	32,569	-
Due to other governments	704,157	-	-	-	704,157	-
Total current liabilities	989,804	908,706	463,636	18,554	2,380,700	1,400,932
Current liabilities payable from restricted assets:						
Current portion of capitalized lease obligations	-	84,914	7,777	-	92,691	-
Current portion of bonds and notes payable	-	3,875,000	330,000	-	4,205,000	125,527
Total current liabilities payable from restricted resources	-	3,959,914	337,777	-	4,297,691	125,527
Noncurrent liabilities:						
Accrued compensated absences	139,465	27,105	-	-	166,570	30,177
Other post-employment liability	105,263	26,547	-	2,672	134,482	30,326
Capitalized lease obligations	-	124,349	270,849	-	395,198	-
Bonds and notes outstanding	-	29,780,429	5,520,000	-	35,300,429	940,213
Total noncurrent liabilities	244,728	29,958,430	5,790,849	2,672	35,996,679	1,000,716
Total liabilities	1,234,532	34,827,050	6,592,262	21,226	42,675,070	2,527,175
Net Assets (Deficits)						
Invested in capital assets, net of related debt	-	33,857,485	(1,286,242)	-	32,571,243	-
Restricted:						
Debt service	-	3,419,961	-	-	3,419,961	-
Construction	2,509,387	694,406	-	-	3,203,793	-
Workers' compensation	-	-	-	-	-	549,624
Unrestricted	-	13,274,125	(393,871)	2,090,903	14,971,157	(702,345)
Total net assets (deficits)	\$ 2,509,387	\$ 51,245,977	\$ (1,680,113)	\$ 2,090,903	\$ 54,166,154	\$ (152,721)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					1,356,769	
Net assets of business-type activities					\$ 55,522,923	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS (DEFICITS) - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds					
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Funds	Total	Internal Service Fund
Operating revenues:						
Charges for services	\$ 5,583,106	\$ 6,448,974	\$ 626,943	\$ 43,952	\$ 12,702,975	\$ 9,214,763
Rental income	-	-	574,454	-	574,454	-
Revenue from other local governments	-	-	-	64,008	64,008	-
Operating Grants	-	-	-	30,476	30,476	-
Miscellaneous income	8,963	44,567	-	-	53,530	298
Total operating revenues	5,592,069	6,493,541	1,201,397	138,436	13,425,443	9,215,061
Operating expenses:						
Personnel services	1,858,574	403,925	358,469	65,742	2,686,710	861,411
Utilities	745,530	-	159,769	-	905,299	-
Treatment costs	-	1,841,644	-	-	1,841,644	-
Contractual services	214,774	205,950	41,421	-	462,145	-
Professional services	171,070	342,561	60,549	5,000	579,180	223,018
Materials and supplies	357,831	29,835	205,275	10,672	603,613	159,005
Sludge	503,912	-	-	-	503,912	-
Administrative	456,567	544,460	202,347	31,289	1,234,663	337,446
Health insurance claims	-	-	-	-	-	5,825,678
Insurance premiums	-	-	26,403	-	26,403	805,128
Workers' compensation insurance	-	-	-	-	-	664,789
Depreciation	-	1,817,834	266,624	-	2,084,458	-
Miscellaneous	1,136,147	251,478	3,135	6,607	1,397,367	638,979
Total operating expenses	5,444,405	5,437,687	1,323,992	119,310	12,325,394	9,515,454
Operating income (loss)	147,664	1,055,854	(122,595)	19,126	1,100,049	(300,393)
Nonoperating revenue (expenses):						
Investment income	57,157	2,038,860	7,940	39,581	2,143,538	20,874
Contributions	-	-	-	1,475	1,475	-
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Interest expense	-	(2,525,343)	(303,980)	-	(2,829,323)	(67,719)
Total nonoperating revenue (expenses)	57,157	344,517	(296,040)	41,056	146,690	(46,845)
Change in net assets before transfers and contributed capital	204,821	1,400,371	(418,635)	60,182	1,246,739	(347,238)
Transfers in	-	162,232	426,627	-	588,859	-
Transfers out	(162,232)	(1,700,000)	-	-	(1,862,232)	-
Change in net assets before contributed capital	42,589	(137,397)	7,992	60,182	(26,634)	(347,238)
Contributed capital	-	246,956	-	-	246,956	-
Change in net assets (deficits)	42,589	109,559	7,992	60,182	220,322	(347,238)
Net assets (deficits) - beginning of year - as restated	2,466,798	51,136,418	(1,688,105)	2,030,721		194,517
Net assets (deficits) - end of year	\$ 2,509,387	\$ 51,245,977	\$ (1,680,113)	\$ 2,090,903		\$ (152,721)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					298,600	
Change in net assets (deficits) of business-type activities					\$ 518,922	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds					
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Funds	Total	Internal Services Fund
Cash flows from operating activities:						
Receipts from customers and users	\$ 6,426,045	\$ 6,327,748	\$ 1,197,828	\$ 172,938	\$ 14,124,559	\$ 9,398,915
Payments to suppliers	(4,554,357)	(2,662,822)	(641,542)	(44,233)	(7,902,954)	(8,440,804)
Payments to employees	(1,738,146)	(386,836)	(357,900)	(64,295)	(2,547,177)	(811,822)
Net cash provided by operating activities	133,542	3,278,090	198,386	64,410	3,674,428	146,289
Cash flows from noncapital financing activities:						
Transfers in	-	162,232	426,627	-	588,859	-
Transfers out	(162,232)	(1,700,000)	-	-	(1,862,232)	-
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Net cash provided by (used in) noncapital financing activities	(162,232)	(706,768)	426,627	-	(442,373)	-
Cash flows from capital and related financing activities:						
Capital outlays	-	(2,554,140)	(1,252)	-	(2,555,392)	-
Contributions	-	-	-	1,475	1,475	-
Proceeds from the issuance of debt	-	461,514	-	-	461,514	-
Principal receipts on lease rentals receivable	-	809,985	-	-	809,985	-
Principal payments on bonds and notes	-	(3,875,000)	(315,000)	-	(4,190,000)	(118,221)
Principal payments on capital lease	-	(83,124)	-	-	(83,124)	-
Interest paid	-	(759,964)	(306,211)	-	(1,066,175)	(67,719)
Net cash provided by (used in) capital and related financing activities	-	(6,000,729)	(622,463)	1,475	(6,621,717)	(185,940)
Cash flows from investing activities:						
Proceeds from sale of investment securities	-	3,034,069	-	-	3,034,069	-
Investment income	57,157	2,045,823	7,940	39,581	2,150,501	20,874
Net cash provided by investing activities	57,157	5,079,892	7,940	39,581	5,184,570	20,874
Net increase (decrease) in cash and cash equivalents	28,467	1,650,485	10,490	105,466	1,794,908	(18,777)
Cash and cash equivalents - beginning of year	2,993,081	3,735,988	(10,490)	1,993,345	8,711,924	2,262,712
Cash and cash equivalents - end of year	\$ 3,021,548	\$ 5,386,473	\$ -	\$ 2,098,811	\$ 10,506,832	\$ 2,243,935
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 147,664	\$ 1,055,854	\$ (122,595)	\$ 19,126	\$ 1,100,049	\$ (300,393)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	-	1,817,834	266,624	-	2,084,458	-
(Increase) decrease in:						
Accounts receivable	2,923	(165,793)	2,701	34,502	(125,667)	183,854
Inventory	-	-	317	-	317	-
Prepaid expenses	-	-	830	-	830	41,174
Due from other funds	(549,320)	575,316	-	-	25,996	-
Due from other governments	126,896	-	-	-	126,896	-
Increase (decrease) in:						
Accounts payable and accrued expenses	(66,005)	(552,656)	(19,684)	9,335	(629,010)	172,065
Accrued wages payable	24,850	5,404	569	(567)	30,256	9,200
Other post-employment liabilities	105,263	26,547	-	2,672	134,482	30,326
Accrued compensated absences	(9,685)	(14,862)	-	(658)	(25,205)	10,063
Deferred revenue	-	-	(6,270)	-	(6,270)	-
Due to other funds	(353,201)	530,446	75,894	-	253,139	-
Due to other governments	704,157	-	-	-	704,157	-
Net cash provided by operating activities	\$ 133,542	\$ 3,278,090	\$ 198,386	\$ 64,410	\$ 3,674,428	\$ 146,289
Non-cash items:						
Proceeds from capital lease obligations	\$ -	\$ 25,916	\$ 278,626	\$ -	\$ 304,542	\$ -
Acquisition of equipment through capital lease obligations	\$ -	\$ 25,916	\$ 278,626	\$ -	\$ 304,542	\$ -

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2008

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 204,389	\$ 265,622
Investments, at fair value	57,236,761	-
Due from City of York	3,680,199	-
Total assets	61,121,349	265,622
Liabilities		
Accounts payable and accrued expenses	-	265,622
Total liabilities	-	\$ 265,622
Net assets		
Held in trust for pension benefits	\$ 61,121,349	

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, 2008

Additions:

Contributions

Employee contributions	\$ 611,142
Employer contributions	<u>5,069,057</u>

Total contributions	<u>5,680,199</u>
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Investment income:

Interest and dividend income	3,179,051
Net depreciation of investments	<u>(31,196,745)</u>

(28,017,694)

Less investment expense	<u>(506,286)</u>
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Net investment income (loss)	<u>(28,523,980)</u>
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Total additions	<u>(22,843,781)</u>
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Deductions:

Benefit payments	<u>5,963,834</u>
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Total deductions	<u>5,963,834</u>
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Net decrease	(28,807,615)
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Net assets held in trust for pension benefits, beginning of year	<u>89,928,964</u>
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Net assets held in trust for pension benefits, end of year	<u><u>\$ 61,121,349</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, 2008

	Redevelopment Authority	General Authority	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 513,154	\$ 284,332	\$ 797,486
Loans receivable, net of allowance	75,100	-	75,100
Due from other governments	5,689,280	-	5,689,280
Restricted cash and cash equivalents	-	2,386,981	2,386,981
Accounts receivable	22,125	-	22,125
Accrued interest	-	5,833	5,833
Prepaid expenses	25,306	-	25,306
Total current assets	6,324,965	2,677,146	9,002,111
Noncurrent assets:			
Capital assets (net of accumulated depreciation of \$846,018 and \$6,441,364)	2,679,047	2,798,631	5,477,678
Land held for development	125,000	-	125,000
Capitalized bond costs (net of accumulated amortization of \$28,827 and \$377,030)	74,686	107,567	182,253
Total noncurrent assets	2,878,733	2,906,198	5,784,931
Total assets	9,203,698	5,583,344	14,787,042
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	30,791	140,240	171,031
Due to primary government	2,000	297,153	299,153
Due to other governments	104,157	-	104,157
Deferred revenues	43,218	408,480	451,698
Environmental remediation liability	1,115,625	-	1,115,625
Line of credit	4,833,640	-	4,833,640
Current portion of bonds payable	95,000	-	95,000
Current portion of note payable	-	683,585	683,585
Total current liabilities	6,224,431	1,529,458	7,753,889
Noncurrent liabilities:			
Bonds payable	3,165,000	-	3,165,000
Note payable	-	1,532,568	1,532,568
Total noncurrent liabilities	3,165,000	1,532,568	4,697,568
Total liabilities	9,389,431	3,062,026	12,451,457
Net Assets			
Invested in capital assets, net of related debt	(506,267)	1,509,825	1,003,558
Restricted:			
Debt service	16,660	-	16,660
Unrestricted	303,874	1,011,493	1,315,367
Total net assets	\$ (185,733)	\$ 2,521,318	\$ 2,335,585

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF ACTIVITIES - COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2008

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Redevelopment Authority	General Authority	Total
Redevelopment Authority	\$ 1,793,617	\$ 300,180	\$ 2,785,947	\$ 1,292,510	\$ -	\$ 1,292,510
General Authority	1,533,731	2,096,244	-	-	562,513	562,513
Total component units	<u>\$ 3,327,348</u>	<u>\$ 2,396,424</u>	<u>\$ 2,785,947</u>	<u>1,292,510</u>	<u>562,513</u>	<u>1,855,023</u>
General revenues:						
Miscellaneous revenue				86,687	18,937	105,624
Unrestricted investment earnings				5,264	51,893	57,157
Total general revenues				<u>91,951</u>	<u>70,830</u>	<u>162,781</u>
Change in Net Assets				1,384,461	633,343	2,017,804
Net assets - beginning of year, restated				<u>(1,570,194)</u>	<u>1,887,975</u>	<u>317,781</u>
Net assets - end of year				<u>\$ (185,733)</u>	<u>\$ 2,521,318</u>	<u>\$ 2,335,585</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

- 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.

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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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.

The Redevelopment Authority of the City of York (Authority) was formed in 1950 under the Pennsylvania Urban Redevelopment Law, Act of 1945 (Public Law – 991, as amended). A five-member board administers the Authority, all of who are appointed by the City of York (City) Mayor. The Authority strategically acquires underutilized, blighted and vacant parcels throughout the City for the purpose of promoting residential, commercial, and industrial redevelopment projects in the municipality. The Authority, in January of 2002, issued debt for the purpose of constructing the Susquehanna Commerce Center Parking Garage. The Redevelopment Authority publishes separate financial statements which are available in the City's Accounting Office.

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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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.

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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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.

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 - 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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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 (FASB) 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.

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.

Cash and Cash Equivalents

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 Cash, Cash Equivalents, and Investments

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

Cash 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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.

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 or in the aggregate 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:

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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

Because the mission of the Redevelopment Authority is to acquire blighted residential, commercial, and former industrial properties for the City to land bank, rehabilitate, or strategically purchase for future redevelopment projects ranging from for sale low-to moderate income home buyers or market rate mixed use development projects, which it does at little or no profit, such purchases are expensed at the time of acquisition.

However, during the year ended December 31, 2007, the Redevelopment Authority entered into an agreement to sell certain property acquisitions for \$125,000. Therefore, the Redevelopment Authority has reported the acquisition price as an asset in the amount of \$125,000, which is presented on the Statement of Net Assets as Land held for development.

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.

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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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, 2008.

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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 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.
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.
-

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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 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.

3. FUND DEFICITS/DEFICIT NET ASSETS

As of December 31, 2008, 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:

Debt Service Fund - The fund deficit, at December 31, 2008, of \$105,271, is financed by loans from the general fund as a result of revenue falling short of the budget.

Recreation Fund - The fund deficit, at December 31, 2008, of \$704,754, 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, 2008, of \$24,829, is a result of a loan guaranteed by the land proceeds fund. The City will eliminate the deficit through charges to other funds.

Capital Projects Fund - The fund deficit, at December 31, 2008, of \$144,261, is financed by loans from the general fund as a result of revenue falling short of budget.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Conduit Fund - The fund deficit, at December 31, 2008, of \$1,050, is financed by loans from the general fund as a result of revenue falling short of budget.

Ice Rink Fund - The fund deficit, at December 31, 2008, of \$1,680,113, is a result of assuming the capital assets and debt of the York Recreation Corporation and continuing losses. To assist in reducing the deficit, the City has hired a private company with expertise in operating public ice skating rinks nationally.

During 2008, the City overspent available funds in several of its funds resulting in large cash deficits. The City's general fund had sufficient funds to cover the cash overdrafts.

Early Intervention Program

In 2005, the City 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 (DCED), 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'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. Although the changes do not eliminate the projected deficits, they are significantly reduced. While it may be necessary in the future for the City to evaluate whether it should file for distressed municipality status under Act 47, that action is not currently under consideration.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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 14.67 mills including amounts for debt service and recreation.

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 2008 was as follows:

February 15, 2008	—	levy date
February 15 – April 15, 2008	—	2% discount period
April 16 – June 15, 2008	—	face payment period
June 16 – December 31, 2008	—	10% penalty period
January 1, 2009	—	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

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. Any investment authorized by 20 Pa. C.S. Ch. 73 (relating to fiduciaries' investments) shall be an authorized investment for any pension fund.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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. 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.

A. *Deposits*

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a custodial credit risk policy for deposits. As of December 31, 2008, the City's book balance was \$12,108,639 and the bank balance was \$12,823,578. Of the bank balance, \$1,047,379 was covered by federal depository insurance. The remaining balance of \$11,776,199 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

Cash and cash equivalents per financial statement:

Governmental activities:	
Unrestricted	\$ 4,183,715
Restricted	549,624
Business-type activities:	
Unrestricted	7,137,988
Restricted	3,368,844
Fiduciary funds:	
Pension trust funds	204,389
Agency funds	265,622
	<hr/>
	15,710,182
Less money market funds	(3,601,543)
	<hr/>
Total deposits	<u>\$ 12,108,639</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

B. Investments

The fair value of the investments of the City at December 31, 2008, was as follows:

	<u>Fair Value</u>
Governmental activities:	
Unrestricted - Money market funds	\$ 124,000
Restricted - Money market funds	<u>549,624</u>
Total governmental activities	<u>673,624</u>
Business-type activities:	
Restricted:	
Money market funds	2,723,530
U.S. Government obligations	7,980,032
Guaranteed investment contracts	<u>3,679,003</u>
Total business-type activities	<u>14,382,565</u>
Fiduciary funds:	
Pension trust funds:	
Money market funds	204,389
Fixed income mutual funds	19,610,689
Real estate investment trust	2,903,682
Equity mutual funds	31,716,376
Common stock	<u>3,006,014</u>
Total fiduciary funds	<u>57,441,150</u>
Total investments	<u>\$ 72,497,339</u>

Custodial credit risk. Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The City does not have an investment policy for custodial credit risk. The City's investment in U.S. Government obligations and common stock are held by the counterparty's trust department or agent not in the City's name. The City's remaining investments are not exposed to custodial credit risk because they are not evidenced by securities in book entry or paper form.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

The U.S. government obligations of the business-type activities are comprised of U.S. Treasury principal-only STRIPS and U.S. Treasury Investment Growth Receipts (TIGR). These particular STRIPS and TIGR's have little credit and legal risk while the market risk is significant as principal-only STRIPS and TIGR's are more sensitive to fluctuations in interest rates than other traditional investments. The carrying amount of these STRIPS and TIGR's at December 31, 2008 was \$3,231,754 and is reported as part of restricted investments on the statement of net assets.

Concentration of credit risk. The City places no limit on the amount the City may invest in any one issuer. At December 31, 2008, more than 5 percent of the City's investments were held with the following issuer:

Issuer	Fair Value	Percentage
Guaranteed investment contracts:		
MBIA Investment Management	\$ 3,679,003	5.07%

Credit risk. The City does not have a formal policy that would limit its investment choices with regard to credit risk. The City's investments had the following level of exposure to credit risk as of December 31, 2008:

	Fair Value	Rating
Money market funds	\$ 3,397,154	AAA
Money market funds	\$ 204,389	Unrated
Fixed income mutual funds	\$ 6,429,635	AAA
Fixed income mutual funds	\$ 9,271,412	AA
Fixed income mutual funds	\$ 3,909,642	AA-
Guaranteed investment contracts	\$ 3,679,003	Unrated
Real estate investment trust	\$ 2,903,682	Unrated

In June 2008, MBIA, the issuer of the Authority's guaranteed investment contract, experienced a downgrade in rating by Moody's Investor Service, Inc. In January 2009, MBIA was downgraded by Standard & Poor's Corporation. As a result of these downgrades, the Authority was not in compliance with bond indentures, which resulted in the Authority terminating the guaranteed investment contract in February 2009.

At December 31, 2008, MBIA is rated Baal and AA by Moody's Investor Service, Inc. and Standard & Poor's Corporation, respectively.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Interest rate risk. The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following is a list of the City's money market and fixed income investments and their related average maturities:

	Fair Value	Investment Maturity (In Years)			
		Less than 1	1-5	6-10	10+
Money market funds	\$ 3,601,543	\$ 3,601,543	\$ -	\$ -	\$ -
U.S. Government obligations	7,980,032	5,183,724	2,069,988	726,320	-
Fixed income mutual funds	19,610,689	-	-	15,701,047	3,909,642
Guaranteed investment contracts	3,679,003	-	-	3,679,003	-
	<u>\$ 34,871,267</u>	<u>\$ 8,785,267</u>	<u>\$ 2,069,988</u>	<u>\$ 20,106,370</u>	<u>\$ 3,909,642</u>

Component Units

General Authority

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

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The General Authority does not have a deposit policy for custodial credit risk. As of December 31, 2008, the General Authority's book balance was \$284,332 and the bank balance was \$167,065. The entire bank balance was covered by federal depository insurance.

Investments

At December 31, 2008, the fair value of the General Authority's investment in money market funds was \$2,386,981.

Credit risk - The General Authority does not have a formal policy that would limit its investment choices with regard to credit risk. At December 31, 2008, the money market funds were rated AAA by Standard & Poor's.

Interest rate risk - The General Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The General Authority's money market funds had a weighted average maturity of less than one year.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Redevelopment Authority

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

Deposits

Custodial Credit Risk - The Redevelopment Authority does not have a deposit policy for custodial credit risk. As of December 31, 2008, the Redevelopment Authority's book balances were \$496,493 and the bank balance was \$522,003. The entire bank balance was covered by federal depository insurance.

Investments

At December 31, 2008, the fair value of the Redevelopment Authority's investment in money market funds was \$16,661.

Credit risk – The Redevelopment Authority does not have a formal policy that would limit its investment choices with regard to credit risk. At December 31, 2008, the money market funds were rated AAA by Standard & Poor's.

Interest rate risk – The Redevelopment Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Redevelopment Authority's money market funds had a weighted average maturity of less than one year.

6. DUE FROM OTHER GOVERNMENTS

Due from other governments in the amount of \$5,689,280 is composed of governmental grants as detailed below:

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Contract for Industrial Sites Reuse (ISR) Program	
Environmental Assessment Fund - Commonwealth	
of Pennsylvania Department of Community	
and Economic Development (DCED)	\$ 29,559
Brownfield Growing Greener II Grant –	
Department of Environmental Protection	1,050,000
Redevelopment Assistance Capital Program –	
Renovation and Construction of Northwest Triangle	
Project – Commonwealth of Pennsylvania	4,609,721
Total Due from Other Governments	<u>\$ 5,689,280</u>

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

Redevelopment Assistance Capital Program Renovation – Northwest Triangle Project

The Northwest Triangle (Triangle) project is an urban revitalization project that covers more than 45 acres. The Triangle encompasses an underutilized, largely heavy industrial zoning district within a rail corridor. The goal of the project is to acquire, assemble, remediate, and make 'shovel ready' land within the redevelopment area. Once this separate and distinct project is complete, the City's hope is that it will be revitalized into a mixed-use neighborhood development that will include residential, recreation, and commercial office space components.

The Authority has entered into a RACP (Redevelopment Assistance Capital Project) grant agreement with the Commonwealth of Pennsylvania to provide assistance for the acquisition of land and related infrastructure improvements that are required to get the land ready for future reuse. The discrete horizontal portion of the project has an approximate estimated cost of \$14,200,000 of which \$7,000,000 is earmarked as RACP assistance and the remaining portion is to be provided from a local match.

As of December 31, 2008, the Authority has recorded a receivable for cost incurred that was submitted for reimbursement under the RACP program in the amount of \$4,609,721. No receipts have been received on this RACP grant as of the report date and the amounts to be received are subject to approval by the Commonwealth of Pennsylvania.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

The Authority has incurred cost on behalf of this project and utilized a non revolving line of credit to fund the costs. This line of credit has a balance of \$4,833,640 as of December 31, 2008. It is the Authority's intention to use the reimbursement from the RACP grant to pay the outstanding balance on the line of credit.

7. 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's historic west end. The loans for the projects are as follows:

In September of 2001, the City entered into a promissory note agreement to lend \$1,000,000 to a local non-profit corporation for the purpose of rehabilitating, 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 in the fund financial statements as of December 31, 2008.

In September of 2001, the City entered into a promissory note agreement to lend \$335,000 to a Pennsylvania limited partnership for the purpose of rehabilitating six 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 in the fund financial statements as of December 31, 2008.

In September of 2001, the City entered into a promissory note agreement to lend \$220,000 to a local non-profit corporation for the purpose of rehabilitating six commercial properties within the City. The loan is secured by a mortgage with

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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 in the fund financial statements as of December 31, 2008.

Historic Fairmount Project Loan

In November of 2002, the City 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. The loan bears no interest and the principal shall be due and payable December 31, 2035. As of December 31, 2008, 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, 2008.

8. DUE TO/FROM AND INTERFUND TRANSFERS

Individual due to/from other fund balances at December 31, 2008 were as follows:

	Due From Other Funds	Due To Other Funds
General fund	\$ 1,665,646	\$ 4,351,502
Debt service fund	-	126,805
Other governmental funds	208,102	758,253
Intermunicipal sewer fund	549,320	-
Sewer fund	-	549,320
Ice rink fund	-	317,387
Pension trust funds	3,680,199	-
Total primary government	<u>\$ 6,103,267</u>	<u>\$ 6,103,267</u>

Primarily, interfund balances represent short term borrowings between funds for the purpose of eliminating negative cash. Additionally, the amount due to the pension trust

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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funds from the general fund is for a portion of the 2008 minimum municipal obligation and the participants 2008 contributions that had not been transferred to the pension trust funds at December 31, 2008.

A reconciliation of the interfund transfers for the year ended December 31, 2008, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 1,710,788	\$ 405,944
Debt service fund	324,584	621,211
Other governmental funds	815,239	550,083
Intermunicipal sewer fund	-	162,232
Sewer fund	162,232	1,700,000
Ice rink fund	426,627	-
Total primary government	<u>\$ 3,439,470</u>	<u>\$ 3,439,470</u>

Transfers are used to (1) reimburse funds for expenses incurred on behalf of other funds, (2) move receipts for payment of debt service, and (3) fulfill budgetary transfer requirements.

9. 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, Series of 1992, Series of 2007, and Series of 2008, 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Minimum lease rentals receivable as of December 31, 2008 are:

<u>Years Ending December 31,</u>	<u>Amount</u>
2009	\$ 2,178,603
2010	2,178,603
2011	2,178,603
2012	2,175,794
2013	2,175,794
2014	2,178,603
2015	2,178,603
2016	2,175,794
2017	2,021,953
2018	2,021,803
2019	1,840,568
2020	67,482
2021	67,482
2022	<u>67,485</u>
Total minimum lease rentals receivable	23,507,170
Less amount representing interest (at an average rate of 5.6%)	<u>(6,296,389)</u>
Present value of minimum lease rentals receivable	17,210,781
Less current installments of lease rentals	<u>(1,131,620)</u>
Lease rentals, excluding current installments	<u>\$ 16,079,161</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

10. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 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
Construction in progress	161,453	-	(161,453)	-
Total capital assets, not being depreciated	5,646,834	-	(161,453)	5,485,381
Capital assets, being depreciated:				
Buildings	8,818,973	5,330	-	8,824,303
Land improvements	3,659,730	227,979	-	3,887,709
Equipment and furniture	13,353,445	2,225,153	(34,808)	15,543,790
Infrastructure	69,947,562	2,080,393	-	72,027,955
Total capital assets, being depreciated	95,779,710	4,538,855	(34,808)	100,283,757
Less accumulated depreciation for:				
Buildings	(3,378,781)	(159,148)	-	(3,537,929)
Land improvements	(1,884,955)	(180,248)	-	(2,065,203)
Equipment and furniture	(10,205,698)	(810,671)	34,808	(10,981,561)
Infrastructure	(38,200,113)	(2,407,101)	-	(40,607,214)
Total accumulated depreciation	(53,669,547)	(3,557,168)	34,808	(57,191,907)
Total capital assets, being depreciated, net	42,110,163	981,687	-	43,091,850
Governmental activities capital assets, net	\$ 47,756,997	\$ 981,687	\$ (161,453)	\$ 48,577,231

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

	Beginning of Year	Additions	Retirements and Dispositions	End of Year
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 17,445	\$ -	\$ -	\$ 17,445
Construction in progress	2,388,205	1,865,081	(1,899,587)	2,353,699
Total capital assets, not being depreciated	2,405,650	1,865,081	(1,899,587)	2,371,144
Capital assets, being depreciated:				
Buildings	81,004,630	2,367,837	-	83,372,467
Land improvements	22,145	-	-	22,145
Equipment and furniture	3,518,431	353,034	-	3,871,465
Infrastructure	16,101,546	420,525	-	16,522,071
Total capital assets being depreciated	100,646,752	3,141,396	-	103,788,148
Less accumulated depreciation for:				
Buildings	(38,895,365)	(1,571,103)	-	(40,466,468)
Land improvements	(4,779)	(1,107)	-	(5,886)
Equipment and furniture	(1,963,797)	(251,991)	-	(2,215,788)
Infrastructure	(7,857,113)	(260,257)	-	(8,117,370)
Total accumulated depreciation	(48,721,054)	(2,084,458)	-	(50,805,512)
Total capital assets, being depreciated, net	51,925,698	1,056,938	-	52,982,636
Business-type activities capital assets, net	\$ 54,331,348	\$ 2,922,019	\$ (1,899,587)	\$ 55,353,780

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 28,609
Sanitation	32,622
Public safety	500,813
Highways and streets	134,212
Public works	2,562,853
Parks and recreation	256,806
Community development and planning	28,031
Other departments and programs	<u>9,395</u>

Total depreciation expense – governmental activities	3,553,341
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Internal service fund depreciation expense allocated to governmental activities	<u>3,827</u>
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Total depreciation expense for governmental activities	<u><u>\$ 3,557,168</u></u>
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Business-type activities:

Sewer	\$ 1,817,834
Ice rink	<u>266,624</u>

Total depreciation and amortization expenses – enterprise funds	<u><u>\$ 2,084,458</u></u>
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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Component Units

	Beginning of Year	Increases	Decreases	End of Year
Redevelopment Authority:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,525,065	\$ -	\$ -	\$ 3,525,065
Less accumulated depreciation	(705,015)	(141,003)	-	(846,018)
Redevelopment Authority:				
Capital assets, net	<u>\$ 2,820,050</u>	<u>\$ (141,003)</u>	<u>\$ -</u>	<u>\$ 2,679,047</u>
General Authority:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,960,815	\$ 279,180	\$ -	\$ 9,239,995
Less accumulated depreciation	(6,131,398)	(309,966)	-	(6,441,364)
General Authority:				
Capital assets, net	<u>\$ 2,829,417</u>	<u>\$ (30,786)</u>	<u>\$ -</u>	<u>\$ 2,798,631</u>

11. LOAN GUARANTEES

As of December 31, 2008, the City has granted loan guarantees aggregating approximately \$62,500 on borrowings by several local businesses. It is 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.

12. TAX ANTICIPATION NOTES OF 2008

In January of 2008, the City borrowed \$6,400,000 in the form of a Tax and Revenue Anticipation Note, Series of 2008, bearing interest at an annual rate of 3.7% 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 \$233,511. The entire balance of the note was paid in full by the City in December of 2008.

Tax anticipation note transactions for the year ended December 31, 2008 were as follows:

Outstanding at December 31, 2007	\$ -
New borrowings	6,400,000
Repayments	<u>(6,400,000)</u>
Outstanding at December 31, 2008	<u>\$ -</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

13. LONG TERM LIABILITIES

Long-term liability activity for the year ended December 31 2008, was as follows:

Primary Government

Governmental Activities:	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Loans from other governmental entities	\$ 1,403,488	\$ -	\$ -	\$ (103,488)	\$ 1,300,000	\$ 100,000
General Obligation Notes	12,554,413	-	391,266	(1,858,221)	11,087,458	1,710,527
General Obligation Bonds	34,125,333	-	1,915,715	(2,100,000)	33,941,048	2,420,000
Capitalized lease obligation	619,468	2,200,928	-	(294,215)	2,526,181	387,793
Vested compensated absences	990,056	98,262	-	-	1,088,318	-
Other post-employment liability	-	4,637,788	-	(1,100,941)	3,536,847	-
	<u>\$ 49,692,758</u>	<u>\$ 6,936,978</u>	<u>\$ 2,306,981</u>	<u>\$ (5,456,865)</u>	<u>\$ 53,479,852</u>	<u>\$ 4,618,320</u>
Business-type Activities:	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Sewer Revenue Bonds	\$ 35,303,536	\$ 461,514	\$ 1,765,379	\$ (3,875,000)	\$ 33,655,429	\$ 3,875,000
Recreation Revenue Bonds	6,165,000	-	-	(315,000)	5,850,000	330,000
Capitalized lease obligations	266,471	304,542	-	(83,124)	487,889	92,691
Vested compensated absences	191,775	-	-	(25,205)	166,570	-
Other post-employment liability	-	170,756	-	(36,274)	134,482	-
	<u>\$ 41,926,782</u>	<u>\$ 936,812</u>	<u>\$ 1,765,379</u>	<u>\$ (4,334,603)</u>	<u>\$ 40,294,370</u>	<u>\$ 4,297,691</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Component Units

	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Redevelopment Authority:						
Revenue bonds	\$ 3,350,000	\$ -	\$ -	\$ (90,000)	\$ 3,260,000	\$ 95,000
General Authority:						
Notes payable	\$ 2,835,778	\$ 32,164	\$ -	\$ (651,789)	\$ 2,216,153	\$ 683,585

Loans from Other Governmental Entities

The City received a \$500,000 loan from the Commonwealth of Pennsylvania through the 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 the DCED. The final payment was made during the year ended December 31, 2008.

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, 2008, was \$1,300,000. The annual principal and interest requirements for amounts due from the City under loans from other governmental entities as of December 31, 2008 are as follows:

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Years Ending December 31,	Principal	Interest
2009	\$ 100,000	\$ 70,440
2010	100,000	66,010
2011	100,000	61,340
2012	100,000	56,490
2013	100,000	51,500
2014 - 2018	500,000	175,540
2019 - 2020	300,000	29,930
	<u>\$ 1,300,000</u>	<u>\$ 511,250</u>

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, 2008 is comprised of:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
General Obligation Refunding Notes, Series D of 1998	\$ 7,634,459	Thru 2023	0%	\$ 10,695,000
General Obligation Notes, Series of 2002	\$ 5,285,000	Thru 2013	3.00% - 3.80%	2,885,000
General Obligation Notes, Series of 2006	\$ 1,337,500	Thru 2015	6.25%	<u>1,065,740</u>
General Obligation Notes at December 31, 2008				14,645,740
Less unamortized discount on zero coupon notes				<u>(3,558,282)</u>
General Obligation Notes, net of discount, at December 31, 2008				<u>\$ 11,087,458</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

The annual principal and interest requirements for amounts due from the City under general obligation notes at December 31, 2008 are as follows:

Years Ending December 31,	Principal	Interest
2009	\$ 1,710,527	\$ 159,566
2010	1,603,667	133,623
2011	1,552,137	106,012
2012	1,451,144	76,446
2013	1,145,633	44,397
2014 - 2018	2,437,632	33,862
2019 - 2023	4,745,000	-
	14,645,740	553,906
Unamortized discount	(3,558,282)	-
	<u>\$ 11,087,458</u>	<u>\$ 553,906</u>

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, 2008:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
1995A	\$ 76,030,000	Thru 2022	0.00% - 6.5%	\$ 50,980,000
1998B	\$ 4,440,000	Thru 2024	0.00%	4,440,000
General Obligation Bonds at December 31, 2008				55,420,000
Less unamortized discount on zero coupon notes				
(Series A of 1995)				(18,994,423)
(Series B of 1998)				(2,484,529)
General Obligation Bonds, net of discount, at December 31, 2008				<u>\$ 33,941,048</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

The annual principal and interest requirements for amounts due from the City under general obligation bonds at December 31, 2008 are as follows:

Years Ending December 31,	Principal	Interest
2009	\$ 2,420,000	\$ 254,845
2010	2,720,000	88,400
2011	2,885,000	-
2012	3,015,000	-
2013	3,355,000	-
2014 - 2018	19,665,000	-
2019 - 2023	17,010,000	-
2024	4,350,000	-
	<u>55,420,000</u>	<u>343,245</u>
Unamortized discount	(21,478,952)	-
	<u>\$ 33,941,048</u>	<u>\$ 343,245</u>

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, 2008, the following defeased debt was outstanding:

	Funds Escrowed as of December 31, 2008	Defeased Debt Outstanding as of December 31, 2008
General Obligation Bonds, Series A of 1995	\$ 7,573,914	\$ 4,848,331
Guaranteed Sewer Revenue Bonds, Series of 1977	<u>476,653</u>	<u>490,000</u>
	<u>\$ 8,050,567</u>	<u>\$ 5,338,331</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Guaranteed Sewer Revenue Bonds

The guaranteed sewer revenue bonds outstanding are backed by the full faith and credit of the City.

Guaranteed sewer revenue bonds payable at December 31, 2008 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
Guaranteed Sewer Revenue Bonds - Series of 1990	\$ 69,775,000	2016	0.00%	\$ 30,985,000
Guaranteed Sewer Revenue Bonds - Series of 2007	10,000,000	2019	4.20%	10,000,000
Guaranteed Sewer Revenue Bonds - Series of 2008	10,000,000 - as of 12/31/08, only \$461,514 has been drawn down.	2022	4.04%	<u>461,514</u>
Guaranteed Sewer Revenue Bonds at December 31, 2008				41,446,514
Less unamortized discount on zero coupon bonds				<u>(7,791,085)</u>
General Sewer Revenue Bonds, net of discount, at December 31, 2008				<u><u>\$ 33,655,429</u></u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

The annual principal and interest requirements for amounts due from the City under the guaranteed sewer revenue bonds at December 31, 2008 are as follows:

Years Ending December 31,	Principal	Interest
2009	\$ 3,875,000	\$ 438,645
2010	3,875,000	438,645
2011	3,875,000	438,645
2012	3,870,000	438,645
2013	3,870,000	438,645
2014 - 2018	18,440,000	2,052,946
2019 - 2022	3,641,514	176,490
	<u>41,446,514</u>	<u>4,422,661</u>
Unamortized discount	<u>(7,791,085)</u>	<u>-</u>
	<u>\$ 33,655,429</u>	<u>\$ 4,422,661</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.

Guaranteed Sewer Revenue Bonds Debt Service Reserve Fund Deficiency

As of December 31, 2008 the fair market value of the investments held within the debt service reserve fund was less than the amount required under the bond indentures. The York City Sewer Authority addressed this issue and in June of 2009 transferred a balance of approximately \$131,000 from the Bond Redemption and Improvement Fund to the Debt Service Reserve Fund in order to bring the Debt Service Reserve Fund to the required balance in compliance with the bond indentures.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

York City Recreation Corporation Guaranteed Revenue Bonds, Series of 2001

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, 2008 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>
2001	\$ 7,305,000	Thru 2021	4.10% - 5.15%	<u>\$ 5,850,000</u>

The annual principal and interest requirements for amounts due from the City under the guaranteed recreation revenue bonds at December 31, 2008 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 330,000	\$ 292,258
2010	345,000	277,235
2011	360,000	261,013
2012	380,000	243,765
2013	395,000	225,597
2014 - 2018	2,330,000	775,000
2019 - 2021	<u>1,710,000</u>	<u>133,900</u>
	<u>\$ 5,850,000</u>	<u>\$ 2,208,768</u>

Capitalized Lease Obligations

The City leases certain equipment under long-term lease agreements which are classified as capital leases. As of December 31, 2008, the governmental activities and the business-type activities include equipment and furniture under capital leases with a net book value of \$2,612,430 and \$580,806, respectively. The future minimum payments under capital leases and the present value of the future minimum lease payments at December 31, 2008 are as follows:

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	Year ending December 31,	Governmental Activities	Business-type Activities	Total
	2009	\$ 529,205	\$ 120,372	\$ 649,577
	2010	453,958	108,241	562,199
	2011	443,973	59,378	503,351
	2012	303,674	38,035	341,709
	2013	192,347	30,648	222,995
	2014 - 2018	640,050	131,095	771,145
	2019 - 2023	640,050	131,095	771,145
Total minimum lease payments		3,203,257	618,864	3,822,121
Less amount representing interest		(677,076)	(130,975)	(808,051)
Present value of future minimum lease payments		<u>\$ 2,526,181</u>	<u>\$ 487,889</u>	<u>\$ 3,014,070</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.

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

The Redevelopment Authority entered into a management agreement with Creekside Investors L.P. (Manager), whereby Creekside Investors, L.P. managed and operated the parking facilities on behalf of the Redevelopment Authority. Under the agreement, the Manager, on behalf of the Redevelopment Authority, collected all parking fees, rents, charges, and other income attributable to the parking facilities. The Manager deposited 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 Redevelopment Authority, pays amounts due to the trustee. Effective February 2009, Creekside Investors, L.P. submitted a Parking Assignment Agreement to the Redevelopment Authority since Creekside Investors, L.P. dissolved. The assignment is to Susquehanna Commerce Center Condominium Association, Inc. The management agreement term ends January 1, 2016 or such earlier time as mutually agreeable to both the Manager and the Authority.

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NOTES TO BASIC FINANCIAL STATEMENTS

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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 bonds payable at December 31, 2008 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
			Variable (1.35% at 12-31-08)	
2002	\$ 3,725,000	Thru 2027		<u>\$ 3,260,000</u>

The annual principal and interest requirements for amounts due from the Redevelopment Authority under the 2002 revenue bonds using the 1.35% interest rate in effect at December 31, 2008 are as follows:

Years Ending December 31,	Principal	Interest
2009	\$ 95,000	\$ 43,743
2010	100,000	42,446
2011	105,000	41,082
2012	115,000	39,637
2013	120,000	38,070
2014 - 2018	730,000	163,389
2019 - 2023	980,000	106,931
2024 - 2027	1,015,000	32,515
	<u>\$ 3,260,000</u>	<u>\$ 507,813</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

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General Authority Parking System Revenue Note Payable

In 1998, the 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, 2008 is \$2,183,989 and is recorded as a receivable in the City's debt service fund.

General Authority Series of 2008 Promissory Note

In December 2008, the General Authority issued the Series of 2008 Promissory Note in the amount of \$5,000,000, the proceeds of which are to be used to finance the renovation to the Market Street Garage, along with improvements to the General Authority's other assets. The loan is interest-only for three years during the draw-down period, followed by seventeen years of amortization, maturing December 23, 2028. Quarterly payment of interest-only is due during the draw-down period. Upon amortization, quarterly interest and semi-annual principal will be required. At December 31, 2008, the General Authority had drawn-down \$32,164 on the Series of 2008 Promissory Note.

Interest is payable at an initial rate of 4.65% per annum until December 15, 2015. Thereafter, the rate changes to 75% of the Bank's prime rate as in effect from time to time, but in no event less than 2.75% or above 12% per annum, and may adjust as often as daily, provided that the General Authority may elect to pay interest at a fixed rate offered by the Bank for such additional term or terms as the General Authority and the Bank may agree.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

The annual principal and interest requirements for amounts due from the General Authority under the Parking System Revenue Note and Promissory Note at December 31, 2008 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 683,585	\$ 97,146
2010	715,023	67,208
2011	785,381	35,892
2012	1,272	1,469
2013	1,332	1,408
2014 - 2018	7,675	6,030
2019 - 2023	9,678	4,024
2024 - 2025	12,207	1,498
	<u>\$ 2,216,153</u>	<u>\$ 214,675</u>

14. REDEVELOPMENT AUTHORITY LINE OF CREDIT

In November 2006, the Redevelopment Authority entered into a \$5.5 million non-revolving line of credit agreement with a local bank through November 2009. In March 2008, a loan modification agreement was approved to extend the line of credit up to \$7 million. Fixed interest of 6.4% is payable monthly. The balance outstanding under the agreement as of December 31, 2008 was \$4,833,640. The line of credit has been paying the expenses associated with the Redevelopment Authority's Redevelopment Assistance Capital Program Grant (RACP) grant funded by the Commonwealth of Pennsylvania. It is the Redevelopment Authority's intention is use the reimbursement from the RACP grant to pay the outstanding balance on the line of credit.

15. EMPLOYEE RETIREMENT PLANS (PENSION TRUST FUNDS)

Description of the Plans

The City maintains single-employer defined benefit plans for Officers and Employees, Police, and Paid Firefighters, 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 financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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The plans are governed by the Third Class City Code of the Commonwealth of Pennsylvania, as amended. At January 1, 2007, 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 Firefighters Pension Plan
Retirees and beneficiaries			
currently receiving benefits	67	113	80
Terminated employees entitled to deferred benefits	25	4	-
Active employees:			
Vested	84	50	40
Partially vested	90	45	28
Total	<u>266</u>	<u>212</u>	<u>148</u>

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 on or before January 1, 1978, or after completion of 20 years and 6 months service if hired after January 1, 1978. Paid Firefighters are eligible for normal retirement at age 50 and 20 years service if hired before January 1, 1988, or after completion of 20 years and 6 months of 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.

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 firefighters pension plan members and 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.

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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 2008, state aid of \$1,647,332 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 74 to 76 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 Firefighters Pension Plan
Annual pension cost	\$ 335,270	\$ 3,052,400	\$ 1,681,387
Contributions made	\$ 335,270	\$ 3,052,400	\$ 1,681,387
Actuarial valuation date	1/1/2007	1/1/2007	1/1/2007
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Asset valuation method	Market Value	Market Value	Market Value
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increases			
includes inflation	5%	5%	5%
Cost of living adjustment	-	5%	5%

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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	2008	\$ 335,270	100%	-
	2007	\$ 331,360	100%	-
	2006	\$ 291,572	100%	-
Police Pension Plan	2008	\$ 3,052,400	100%	-
	2007	\$ 2,988,309	100%	-
	2006	\$ 2,949,964	100%	-
Paid Firefighters Pension Plan	2008	\$ 1,681,387	100%	-
	2007	\$ 1,641,164	100%	-
	2006	\$ 1,621,527	100%	-

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 money market funds, mutual funds, and common stocks.

As previously discussed, certain pension information and calculations are based upon an actuarial valuation performed as of January 1, 2007. The next actuarial valuation will be performed as of January 1, 2009 and will take into account subsequent declines in the market value of investments being held in the plans. While the exact impact is not known, it is expected that the market declines will negatively impact the funding status of the plans and increase the future funding requirement of the plans.

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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.

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 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.

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 increased approximately \$1.3 million, excluding annual normal costs, for the year ended December 31, 2006. 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.

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The combining information for the plans is as follows:

	Officers and Employees Pension Plan	Police Pension Plan	Paid Firefighters Pension Plan
Cash and cash equivalents	\$ 53,574	\$ 91,701	\$ 59,114
Investments	15,002,753	25,679,820	16,554,188
Due from City of York	141,268	2,269,957	1,268,974
Total assets	<u>\$ 15,197,595</u>	<u>\$ 28,041,478</u>	<u>\$ 17,882,276</u>
Net assets	<u>\$ 15,197,595</u>	<u>\$ 28,041,478</u>	<u>\$ 17,882,276</u>

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	Officers and Employees Pension Plan	Police Pension Plan	Paid Firefighters Pension Plan
Additions:			
Contributions:			
Employee contributions	\$ 141,268	\$ 283,808	\$ 186,066
Employer contributions	335,270	3,052,400	1,681,387
Total contributions	476,538	3,336,208	1,867,453
Investment income:			
Interest and dividend income	812,580	1,437,989	928,482
Net depreciation of investments	(8,145,104)	(14,014,827)	(9,036,814)
	(7,332,524)	(12,576,838)	(8,108,332)
Less investment expenses	(129,409)	(229,010)	(147,867)
Net investment income (loss)	(7,461,933)	(12,805,848)	(8,256,199)
Total additions	(6,985,395)	(9,469,640)	(6,388,746)
Deductions:			
Benefit payments	803,265	3,166,716	1,993,853
Total deductions	803,265	3,166,716	1,993,853
Net decrease	(7,788,660)	(12,636,356)	(8,382,599)
Net assets, beginning of year	22,986,255	40,677,834	26,264,875
Net assets, end of year	\$ 15,197,595	\$ 28,041,478	\$ 17,882,276

16. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City adopted GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," prospectively for the year ended December 31, 2008.

Plan Descriptions

In addition to the retirement benefits described in Note 15, the City provides single-employer health care benefits for all retired employees and their spouses under the various union contracts and City policy for non-organized employees. These benefit provisions and all other requirements are established under the various union contracts and City policy for non-organized employees. The retired employees are required to pay

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monthly to the City, one-half of the actual cost subject to annual co-payment limitation established in each of the union contracts and by City Council for non-organized employees. The plans do not issue separate financial statements

Non-Organized Employees and Supervisory Personnel Plan, York Public Employee Association Plan, and Electrical Workers Plan:

Benefits are payable for members who retire from the City after attainment of age 60 and completion of five years of service or upon completion of 40 years of service, regardless of age. Benefits are also payable for members who suffer a permanent disability before age 55 after completion of 15 years of service.

Eligible retirees may participate in the City's group medical plan. The group medical plan includes medical, prescription drug, dental, and vision benefits. At age 65 and greater, the plan becomes secondary to Medicare and has a \$5,000 lifetime maximum. There are no prescription drug, dental, and vision benefits after age 65. Spouses are covered under the plan indefinitely.

Police Plan:

Benefits are payable for members who retire from the City after attainment of age 50 and completion of 20 (or 20.5 if hired after January 1, 1978) years of service. Benefits are also payable for members who suffer a permanent disability after completion of 15 years of service.

Eligible retirees may participate in the City's group medical plan. The group medical plan includes medical, prescription drug, dental, and vision benefits. At age 65 and greater, the plan becomes secondary to Medicare. Spouses are covered under the plan indefinitely.

Teamsters Plan:

Benefits are payable for members who retire from the City after attainment of combined age and service totaling 80 years. Benefits are also payable for members who suffer a permanent disability before age 55 after completion of 15 years of service.

Eligible retirees may participate in the City's group medical plan. The group medical plan includes medical, prescription drug, dental, and vision benefits. At age 65 and greater, the plan becomes secondary to Medicare and has a \$5,000 lifetime maximum. There are no prescription drug, dental and vision benefits after age 65. Spouses are covered under the plan indefinitely.

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Firefighters Plan:

Benefits are payable for members who retire from the City after attainment of age 50 and completion of 20 (or 20.5 if hired after January 1, 1978) years of service. Benefits are also payable for members who suffer a permanent disability after completion of 15 years of service.

Eligible retirees may participate in the City's group medical plan. The group medical plan includes medical, prescription drug, dental, and vision benefits. At age 65 and greater, the plan becomes secondary to Medicare and has a lifetime maximum on major medical. Prescription drug, dental, and vision coverage are available for the lifetime of the member or spouse. Spouses are covered under the plan indefinitely.

The York Public Employee Association, Police, Teamsters, Electrical Workers, and Firefighter union labor contracts for the uniformed and nonuniformed employees establish the post-employment health care plan provisions. Such union contracts may be amended through future negotiations. The post-employment health care plan provisions for non-union employees are established by City Council.

Funding Policy and Annual OPEB Costs

The City's contribution is based on projected pay-as-you-go financing requirements through the Internal Service Fund. For the year ended December 31, 2008, the City's net cost of providing full health care benefits for retired employees was \$1,137,215. Plan members receiving benefits contributed \$161,143, through their contributions as required by the cost sharing provisions of the plans.

Union labor contracts and City Council establish and amend the obligations of the plan members and the City to contribute to the plans.

Eligible retirees may participate in the City's group medical plan. In order to maintain coverage, retirees must make the following annual contributions in accordance with the Plans:

Non-Organized Employees and Supervisory Personnel Plan - For retirees under the age of 65, the annual contributions are \$700 for the retiree and \$700 for spouses/dependents. For retirees over the age of 65, the annual contributions are \$103.32 for retirees and \$103.32 for spouses/dependents.

York Public Employee Association Plan - For retirees under the age of 65, the annual contributions are \$900 for the retiree and \$700 for spouses/dependents. For

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retirees over the age of 65, the annual contributions are \$103.32 for retirees and \$103.32 for spouses/dependents.

Electrical Workers Plan - For retirees under the age of 65, the annual contributions are \$750 for the retiree and \$750 for spouses/dependents. For retirees over the age of 65, the annual contributions are \$103.32 for retirees and \$103.32 for spouses/dependents.

Police Plan - For retirees under the age of 65, the annual contributions are \$700 for the retiree and \$700 for spouses/dependents. For retirees over the age of 65, the annual contributions are \$103.32 for retirees and \$103.32 for spouses/dependents.

Teamsters Plan - For retirees under the age of 65, the annual contributions are \$900 for the retiree and \$700 for spouses/dependents. For retirees over the age of 65, the annual contributions are \$103.32 for retirees and \$103.32 for spouses/dependents.

Firefighters Plan - For retirees under the age of 65, the annual contributions are \$700 for the retiree and \$700 for spouses/dependents. For retirees over the age of 65, the annual contributions are \$405.36 for retirees and \$469.44 for spouses/dependents.

The City's annual OPEB costs (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of the valuation and on the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculation. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Information as of the latest actuarial valuation follows:

Valuation date	1/1/2007
Actuarial cost method	Entry age normal, level dollar
Actuarial assumptions	
Interest rate	4.5%
Salary increases	5% per year.
Medical inflation	9% in 2007, gradually decreasing by 0.5% per year to an ultimate rate of 5% in 2015 and later.
Amortization period	30 years, open period

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB costs and net OPEB obligations to the plan for the year ended December 31, 2008 were as follows:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 4,637,788	\$ 170,756	\$ 4,808,544
Contribution made	(1,100,941)	(36,274)	(1,137,215)
Change in Net OPEB Obligation	3,536,847	134,482	3,671,329
Net OPEB Obligation, beginning	-	-	-
Net OPEB Obligation, ending	<u>\$ 3,536,847</u>	<u>\$ 134,482</u>	<u>\$ 3,671,329</u>

Three-Year Trend Information

Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
2008	\$ 4,808,544	23.65%	\$ 3,671,329
2007	N/A	N/A	N/A
2006	N/A	N/A	N/A

N/A - Not Applicable; 2008 is implementation year for GASB Statement No. 45.

Funded Status and Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets (a)	Liability (AAL) - Entry Age (b)	AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	of Covered Payroll (b-a/c)
1/1/2007	\$ -	\$ 48,995,002	\$ 48,995,002	0.00%	\$ 15,047,604	325.60%

Note: Valuations as of 1/1/2007 represent the initial valuations for the plans as required under GASB Statement No. 45.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

17. 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 \$150,000 up to a maximum of \$1,000,000. 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, 2008, were as follows:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2007	\$ 865,980	\$ 6,044,814	\$ 6,405,890	\$ 504,904
2008	\$ 504,904	\$ 5,825,678	\$ 5,669,031	\$ 661,551

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, 2008, 2007, and 2006 with the exception of the pension litigation disclosed in Note 15.

18. 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 through May 2007. Currently, office spaces are leased on a month-to-month basis with monthly payments of \$12,164. Rent expenditures under this agreement totaled \$145,698 for the

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

year ended December 31, 2008. This lease may be increased annually based on the Consumer Price Index (CPI).

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.

Contract Commitment

During 2008, the City entered into two contracts to purchase certain fire apparatus and equipment in the amount of \$1,233,735.

During 2008, the Sewer Authority began upgrading projects to the waste water treatment plant. As a result, the Sewer Authority entered into contracts with several construction contractors totaling \$4,545,565. At December 31, 2008, \$211,182 was included in accounts payable. The commitment remaining on the contracts at December 31, 2008 was \$3,393,694.

Redevelopment Authority

The Redevelopment Authority adopted GASB Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*," prospectively for the year ended December 31, 2008.

During 2007, the Redevelopment Authority assumed and acquired the title of four properties and an additional block of properties in 2008, which required environmental remediation. These properties were acquired by the Redevelopment Authority to be sold for residential use. In order to sell the properties with a clean title, the Redevelopment Authority is required to remediate the properties and intends to do so to the highest standards.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

As a result of adopting GASB 49 prospectively for the year ended December 31, 2008, beginning net assets decreased by \$1,050,000 to record the beginning balance of the contamination liability. This amount is the total known costs of remediating the four properties as of January 1, 2008.

The \$1,115,625 ending balance of the contamination liability is estimated based upon several vendor contracts approved by the Board and the two DCED approved grants that will be used to finance the project. The Redevelopment Authority does not expect to receive insurance recoveries that have the potential to reduce the recorded liability. The estimated liability may potentially change due to factors such as price increases or changes in technology.

The Redevelopment Authority has completed the first and second stage of the remediation process is expected to begin the third and final stage during 2009.

General Authority

On March 15, 2007, the General Authority declared its intention to contribute funds to the Downtown Collaborative Initiative. The General Authority agreed to contribute funds in the amount of \$35,000 per annum for a period of three years, payable quarterly. The first payment, in the amount of \$35,000, was paid during 2008. The remaining \$70,000 will be paid in 2009 and 2010.

During October 2007, the General Authority's Board of Directors adopted a resolution to contribute \$500,000 to the Northwest Triangle Initiative, one of the City's economic development projects, which is being significantly funded through Redevelopment Assistance Capital Program Grant (RACP) to the Redevelopment Authority. Under the RACP application, \$500,000 of local match is for the acquisition, design, related soft costs, and/or construction of parking related controls and/or facilities within the Northwest Triangle. The General Authority, in its sole discretion, will determine monthly rental rates and special event parking fees and will be responsible for staffing and maintenance of the digital meters and/or lot(s) or other parking facilities after title is conveyed to it; the General Authority and the Redevelopment Authority agree that the \$500,000 contribution may also be in the way of repairs, renovations, or expansions of existing General Authority-owned facilities, or improvements to or replacement of such facilities. This contribution is contingent on the continuation of the Northwest Triangle Initiative. As of December 31, 2008, the Authority had expended approximately \$70,500 towards the Northwest Triangle Initiative.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

19. MANAGEMENT'S AGREEMENT WITH THE GENERAL AUTHORITY

The City has entered into a management and an administration agreement with the General Authority to operate, manage and administer the General Authority's parking system. The management agreement requires that the General Authority pay the City a management fee to the general fund in twelve equal installments. The City incurred \$696,540 in operating expenses and received \$761,497 in fees under the management agreement in 2008. The City received \$141,000 in administrative fees under an administration agreement in 2008. A receivable of \$297,153 is recorded in the general fund for fees which were earned under these agreements, but unpaid at December 31, 2008.

20. 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 15.

21. SUBSEQUENT EVENTS

In January of 2009, the City borrowed \$7,000,000 in the form of a Tax and Revenue Anticipation Note, Series of 2009, bearing interest at a variable rate of interest equal to 1.961% plus 65% of 30 day LIBOR, not to exceed 10% nor be less than 2%.

In January 2009, the City entered into a grant agreement with the Commonwealth of Pennsylvania for redevelopment assistance projects for up to \$2,750,000. The City entered into a sub-grant agreement with Crispus Attucks Association of York Pennsylvania, who will be responsible for the development and execution of the projects.

In February of 2008, the City applied for a Section 108 Loan for the Rebuild York Initiative in the amount of \$2,530,000, to be repaid over a twenty-year period. This loan will allow for substantial streets street improvements within the City. The grant was approved by the U.S. Department of Housing and Urban Development in March 2009.

In September 2008, City entered into a contract to purchase a new fire truck, two engines, and equipment. In June 2009, the City entered into a ten year lease purchase agreement in the amount of \$2,256,850, with a fixed interest rate of 4.3%, in order to finance this purchase. Annual lease payments commence in June 2010.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

General Authority

During February 2009, the General Authority entered into approximately \$3.8 million in construction contracts for the rehabilitation of the Market Street Parking Garage.

22. RESTATEMENT

During 2008, the City determined that the amount accrued as a liability for self-insured healthcare claims was understated at December 31, 2007 by \$191,885. The beginning of year governmental activities and internal service fund net assets have been reduced by \$191,885, from \$4,994,302 to \$4,802,417 and from \$386,402 to \$194,517, respectively. Had the liability been properly stated, the change in net assets for governmental activities and internal service fund would have been \$504,249 and (\$644,743) for the year ended December 31, 2007, \$191,885 less than originally reported.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 17,641,243	\$ 17,755,511	\$ 114,268	\$ 17,225,485	\$ (530,026)
Licenses and permits	1,755,100	1,910,795	155,695	1,805,142	(105,653)
Fines and forfeits	1,533,200	1,533,200	-	1,499,138	(34,062)
Grants and contributions	2,182,556	2,412,571	230,015	1,870,160	(542,411)
Charges for services	7,560,552	7,686,446	125,894	7,547,436	(139,010)
Loan repayments	126,000	126,000	-	10,569	(115,431)
Interest	355,000	355,000	-	213,630	(141,370)
Miscellaneous	76,920	76,920	-	246,390	169,470
Total revenues	<u>31,230,571</u>	<u>31,856,443</u>	<u>625,872</u>	<u>30,417,950</u>	<u>(1,438,493)</u>
Expenditures:					
General government	1,856,384	1,927,637	(71,253)	1,931,680	(4,043)
Sanitation	3,106,328	3,027,789	78,539	3,029,542	(1,753)
Public safety	22,450,974	22,884,187	(433,213)	22,899,499	(15,312)
Highways and streets	562,489	536,599	25,890	539,188	(2,589)
Public works	2,191,734	2,357,698	(165,964)	2,331,564	26,134
Community development and planning	2,290,064	2,351,080	(61,016)	2,354,484	(3,404)
Other departments and programs	85,377	85,992	(615)	85,900	92
Total expenditures	<u>32,543,350</u>	<u>33,170,982</u>	<u>(627,632)</u>	<u>33,171,857</u>	<u>(875)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,312,779)</u>	<u>(1,314,539)</u>	<u>(1,760)</u>	<u>(2,753,907)</u>	<u>(1,439,368)</u>
Other financing sources (uses):					
Transfers in	1,724,828	1,753,328	28,500	1,710,788	(42,540)
Transfers out	(404,128)	(406,516)	(2,388)	(405,944)	572
Total other financing sources (uses)	<u>1,320,700</u>	<u>1,346,812</u>	<u>26,112</u>	<u>1,304,844</u>	<u>(41,968)</u>
Net change in fund balance	<u>\$ 7,921</u>	<u>\$ 32,273</u>	<u>\$ 24,352</u>	<u>\$ (1,449,063)</u>	<u>\$ (1,481,336)</u>

See notes to required supplementary information.

CITY OF YORK, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2008

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 AUDITOR'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)
1/1/00	\$ 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%
1/1/07	21,302,613	19,688,657	1,613,956	108.2%	6,238,323	25.9%

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
2003	\$ 86,651	\$ 86,651	100%
2004	295,282	295,282	100%
2005	316,290	316,290	100%
2006	291,572	291,572	100%
2007	331,360	331,360	100%
2008	335,270	335,270	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, 2007) follows:

Actuarial cost method	Entry age normal
Asset valuation method	Market 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 AUDITOR'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)
1/1/00	\$ 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	39,534,359	(7,201,597)	81.8%	5,304,211	(135.8%)
1/1/05	33,350,980	60,516,086 (2)	(27,165,106)	55.1%	5,143,232	(528.2%)
1/1/07	36,900,720	64,763,758	(27,863,038)	57.0%	5,324,403	(523.3%)

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
2003	\$ 719,845	\$ 719,845	100%
2004	1,087,478	1,087,478	100%
2005	1,172,257	1,172,257	100%
2006	2,949,964	2,949,964	100%
2007	2,988,309	2,988,309	100%
2008	3,052,400	3,052,400	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, 2007) follows:

Actuarial cost method	Entry age normal
Asset valuation method	Market 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)

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

(2) The actuarial accrued liability increase on the January 1, 2005 actuarial valuation is due to a change in the postretirement cost of living benefit.

CITY OF YORK, PENNSYLVANIA
REQUIRED SUPPLEMENTARY DATA
SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM THE EMPLOYER
PAID FIREFIGHTERS' PENSION PLAN
(UNAUDITED - SEE ACCOMPANYING AUDITOR'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)
1/1/00	\$ 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	25,337,706	(3,177,054)	87.5%	3,398,215	(93.5%)
1/1/05	22,436,006	38,117,710 (2)	(15,681,704)	58.9%	3,496,489	(448.5%)
1/1/07	24,114,327	40,781,209	(16,666,882)	59.1%	3,634,509	(458.6%)

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
2003	\$ 293,896	\$ 293,896	100%
2004	509,242	509,242	100%
2005	545,584	545,584	100%
2006	1,621,527	1,621,527	100%
2007	1,641,164	1,641,164	100%
2008	1,681,387	1,681,387	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, 2007) follows:

Actuarial cost method	Entry age normal
Asset valuation method	Market 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)

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

(2) The actuarial accrued liability increase on the January 1, 2005 actuarial valuation is due to a change in the postretirement cost of living benefit.

SUPPLEMENTARY INFORMATION

CITY OF YORK, PENNSYLVANIA
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	Recreation Fund	Community Development Loan Fund	Community Development Block Grant	Conduit Fund	Section 108 Fund
Assets					
Cash and cash equivalents	\$ (640,459)	\$ 165,654	\$ 25,709	\$ 186,920	\$ 105,688
Receivables:					
Loans (less allowance for doubtful accounts of \$277,692 in CD Loan, \$183,636 in CDBG, \$106,213 in Section 108 and \$62,416 in HOME)	-	889,303	1,349,427	-	620,924
Taxes (less allowance for doubtful accounts of \$87,969 in recreation)	97,433	-	-	-	-
Accounts, notes, and grants	39,012	-	108,000	37,731	370
Due from other funds	60,000	-	18,921	-	-
Total assets	\$ (444,014)	\$ 1,054,957	\$ 1,502,057	\$ 224,651	\$ 726,982
Liabilities and Fund Balances (Deficits)					
Liabilities:					
Accounts payable and accrued expenses	\$ 41,233	\$ 1,156	\$ 52,630	\$ 84,825	\$ -
Accrued wages payable	30,976	-	-	-	-
Due to other funds	100,562	18,921	100,000	-	-
Due to other governments	-	8,902	-	-	-
Deferred revenues	87,969	889,303	1,349,427	140,876	726,982
Total liabilities	260,740	918,282	1,502,057	225,701	726,982
Fund balances (deficits):					
Reserved for health initiatives	-	-	-	-	-
Reserved for community development	-	136,675	-	-	-
Unreserved, reported in:					
Special revenue funds	(704,754)	-	-	(1,050)	-
Capital projects funds	-	-	-	-	-
Total fund balances (deficits)	(704,754)	136,675	-	(1,050)	-
Total liabilities and fund balances (deficits)	\$ (444,014)	\$ 1,054,957	\$ 1,502,057	\$ 224,651	\$ 726,982

Special Revenue							Total Nonmajor Governmental Funds
State Liquid Fuels Tax Fund	Special Projects Fund	HOME Fund	State Grant Health Funds	Weyer Trust	Total	Capital Projects	
\$ 249,216	\$ 19,886	\$ 71,688	\$ (178,822)	\$ (1,208)	\$ 4,272	\$ -	\$ 4,272
-	-	353,692	-	-	3,213,346	-	3,213,346
-	-	-	-	-	97,433	-	97,433
11,188	37,995	-	339,863	34,736	608,895	332,796	941,691
-	-	-	-	-	78,921	129,181	208,102
<u>\$ 260,404</u>	<u>\$ 57,881</u>	<u>\$ 425,380</u>	<u>\$ 161,041</u>	<u>\$ 33,528</u>	<u>\$ 4,002,867</u>	<u>\$ 461,977</u>	<u>\$ 4,464,844</u>
\$ 3,513	\$ 20,997	\$ -	\$ 4,636	\$ -	\$ 208,990	\$ 129,181	\$ 338,171
8,140	-	-	33,197	3,142	75,455	-	75,455
-	61,713	-	-	-	281,196	477,057	758,253
-	-	71,688	-	-	80,590	-	80,590
-	-	353,692	-	-	3,548,249	-	3,548,249
<u>11,653</u>	<u>82,710</u>	<u>425,380</u>	<u>37,833</u>	<u>3,142</u>	<u>4,194,480</u>	<u>606,238</u>	<u>4,800,718</u>
-	-	-	123,208	30,386	153,594	-	153,594
-	-	-	-	-	136,675	-	136,675
248,751	(24,829)	-	-	-	(481,882)	-	(481,882)
-	-	-	-	-	-	(144,261)	(144,261)
<u>248,751</u>	<u>(24,829)</u>	<u>-</u>	<u>123,208</u>	<u>30,386</u>	<u>(191,613)</u>	<u>(144,261)</u>	<u>(335,874)</u>
<u>\$ 260,404</u>	<u>\$ 57,881</u>	<u>\$ 425,380</u>	<u>\$ 161,041</u>	<u>\$ 33,528</u>	<u>\$ 4,002,867</u>	<u>\$ 461,977</u>	<u>\$ 4,464,844</u>

CITY OF YORK, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) - OTHER GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2008

	Recreation Fund	Community Development Loan Fund	Community Development Block Grant	Conduit Fund	Section 108 Fund
Revenues:					
Taxes	\$ 985,450	\$ -	\$ -	\$ -	\$ -
Grants and contributions	7,245	-	2,016,003	300,605	174,600
Charges for services	539,601	-	-	-	-
Loan repayments	-	159,097	-	-	-
Interest	-	2,968	-	-	-
Miscellaneous	47,023	-	-	-	-
Total revenues	1,579,319	162,065	2,016,003	300,605	174,600
Expenditures:					
Current:					
General government	-	-	-	-	-
Highways and streets	-	-	-	-	-
Parks and recreations	1,509,421	-	-	-	-
Public safety	-	-	-	57,797	-
Public works	-	-	-	-	-
Community development and planning	-	16,233	1,830,180	233,162	-
Other departments and programs	-	-	-	-	-
Debt service:					
Principal retirements	-	3,488	-	-	100,000
Interest	-	11	-	-	74,600
Capital outlays	9,065	-	341,593	9,646	-
Total expenditures	1,518,486	19,732	2,171,773	300,605	174,600
Excess of revenues over (under) expenditures	60,833	142,333	(155,770)	-	-
Other financing sources (uses):					
Proceeds from the issuance of debt	-	-	-	-	-
Transfers in	-	-	155,770	-	-
Transfers out	(130,000)	(155,770)	-	(10,789)	-
Total other financing sources (uses)	(130,000)	(155,770)	155,770	(10,789)	-
Net change in fund balance	(69,167)	(13,437)	-	(10,789)	-
Fund balances (deficits) - beginning of year	(635,587)	150,112	-	9,739	-
Fund balances (deficits) - end of year	\$ (704,754)	\$ 136,675	\$ -	\$ (1,050)	\$ -

Special Revenue						Total	
State Liquid Fuels Tax Fund	Special Projects Fund	HOME Fund	State Grant Health Funds	Weyer Trust	Total	Capital Projects	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 985,450	\$ -	\$ 985,450
802,234	1,164,039	420,213	1,462,246	138,943	6,486,128	853,920	7,340,048
-	39,624	4,998	-	-	584,223	-	584,223
-	-	-	-	-	159,097	-	159,097
17,008	4,793	-	-	142	24,911	-	24,911
10,729	78,733	-	6,654	-	143,139	-	143,139
829,971	1,287,189	425,211	1,468,900	139,085	8,382,948	853,920	9,236,868
-	87,926	-	-	-	87,926	147,152	235,078
384,230	-	-	-	-	384,230	-	384,230
-	8,345	-	-	-	1,517,766	-	1,517,766
-	20,766	-	-	-	78,563	-	78,563
-	44,078	-	-	-	44,078	-	44,078
-	23,080	425,211	-	137,641	2,665,507	-	2,665,507
-	-	-	1,530,583	-	1,530,583	-	1,530,583
108,358	-	-	-	-	211,846	185,857	397,703
13,043	-	-	-	-	87,654	35,927	123,581
598,933	707,307	-	10,117	-	1,676,661	2,674,138	4,350,799
1,104,564	891,502	425,211	1,540,700	137,641	8,284,814	3,043,074	11,327,888
(274,593)	395,687	-	(71,800)	1,444	98,134	(2,189,154)	(2,091,020)
138,015	-	-	-	-	138,015	2,062,913	2,200,928
-	-	-	-	-	155,770	659,469	815,239
-	(253,524)	-	-	-	(550,083)	-	(550,083)
138,015	(253,524)	-	-	-	(256,298)	2,722,382	2,466,084
(136,578)	142,163	-	(71,800)	1,444	(158,164)	533,228	375,064
385,329	(166,992)	-	195,008	28,942	(33,449)	(677,489)	(710,938)
\$ 248,751	\$ (24,829)	\$ -	\$ 123,208	\$ 30,386	\$ (191,613)	\$ (144,261)	\$ (335,874)

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
DEBT SERVICE FUND - MAJOR GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 2,257,713	\$ 2,257,713	\$ -	\$ 2,253,460	\$ (4,253)
Grants and contributions	1,612,815	1,612,815	-	1,647,332	34,517
Loan repayments	775,985	775,985	-	775,985	-
Interest	-	-	-	3,172	3,172
Total revenues	<u>4,646,513</u>	<u>4,646,513</u>	<u>-</u>	<u>4,679,949</u>	<u>33,436</u>
Expenditures:					
Current					
General government	27,913	27,913	-	24,210	3,703
Debt service	<u>4,348,825</u>	<u>4,348,825</u>	<u>-</u>	<u>4,348,825</u>	<u>-</u>
Total expenditures	<u>4,376,738</u>	<u>4,376,738</u>	<u>-</u>	<u>4,373,035</u>	<u>3,703</u>
Excess (deficiency) of revenues (under) expenditures	<u>269,775</u>	<u>269,775</u>	<u>-</u>	<u>306,914</u>	<u>37,139</u>
Other financing sources (uses):					
Transfers in	360,480	360,480	-	324,584	(35,896)
Transfers out	<u>(621,211)</u>	<u>(621,211)</u>	<u>-</u>	<u>(621,211)</u>	<u>-</u>
Total other financing sources (uses)	<u>(260,731)</u>	<u>(260,731)</u>	<u>-</u>	<u>(296,627)</u>	<u>(35,896)</u>
Net change in fund balance	<u>\$ 9,044</u>	<u>\$ 9,044</u>	<u>\$ -</u>	<u>\$ 10,287</u>	<u>\$ 1,243</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
RECREATION FUND - OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 965,849	\$ 965,849	\$ -	\$ 985,450	\$ 19,601
Grants and contributions	7,500	7,500	-	7,245	(255)
Charges for services	619,250	625,175	5,925	539,601	(85,574)
Miscellaneous	44,000	44,000	-	47,023	3,023
Total revenues	<u>1,636,599</u>	<u>1,642,524</u>	<u>5,925</u>	<u>1,579,319</u>	<u>(63,205)</u>
Expenditures:					
Current:					
Parks and recreation	1,504,301	1,510,125	(5,824)	1,509,421	704
Capital outlay	-	-	-	9,065	(9,065)
Total expenditures	<u>1,504,301</u>	<u>1,510,125</u>	<u>(5,824)</u>	<u>1,518,486</u>	<u>(8,361)</u>
Excess (deficiency) of revenues (under) expenditures	<u>132,298</u>	<u>132,399</u>	<u>101</u>	<u>60,833</u>	<u>(71,566)</u>
Other financing sources (uses):					
Transfers out	<u>(130,000)</u>	<u>(130,000)</u>	<u>-</u>	<u>(130,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(130,000)</u>	<u>(130,000)</u>	<u>-</u>	<u>(130,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ 2,298</u>	<u>\$ 2,399</u>	<u>\$ 101</u>	<u>\$ (69,167)</u>	<u>\$ (71,566)</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2008

	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	\$ 2,553,549	\$ 2,700,248	\$ 146,699	\$ 2,016,003	\$ (684,245)
Charges for services	-	-	-	-	-
Total revenues	<u>2,553,549</u>	<u>2,700,248</u>	<u>146,699</u>	<u>2,016,003</u>	<u>(684,245)</u>
Expenditures:					
Current:					
Community development and planning	2,353,699	2,456,905	(103,206)	1,830,180	626,725
Debt service	181,850	181,850	-	-	181,850
Capital outlay	<u>428,000</u>	<u>471,493</u>	<u>(43,493)</u>	<u>341,593</u>	<u>129,900</u>
Total expenditures	<u>2,963,549</u>	<u>3,110,248</u>	<u>(146,699)</u>	<u>2,171,773</u>	<u>938,475</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(410,000)</u>	<u>(410,000)</u>	<u>-</u>	<u>(155,770)</u>	<u>254,230</u>
Other financing sources (uses):					
Transfers in	<u>410,000</u>	<u>410,000</u>	<u>-</u>	<u>155,770</u>	<u>(254,230)</u>
Total other financing sources (uses)	<u>410,000</u>	<u>410,000</u>	<u>-</u>	<u>155,770</u>	<u>(254,230)</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
STATE LIQUID FUELS TAX FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2008

	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	\$ 792,497	\$ 792,497	\$ -	\$ 802,234	\$ 9,737
Interest	6,500	6,500	-	17,008	10,508
Miscellaneous	9,880	9,880	-	10,729	849
Total revenues	808,877	808,877	-	829,971	21,094
Expenditures:					
Highways and streets	798,368	946,832	(148,464)	384,230	562,602
Debt service	-	-	-	121,401	(121,401)
Capital outlay	151,000	152,537	(1,537)	598,933	(446,396)
Total expenditures	949,368	1,099,369	(150,001)	1,104,564	(5,195)
Excess (deficiency) of revenues over (under) expenditures	(140,491)	(290,492)	(150,001)	(274,593)	15,899
Other financing sources (uses):					
Proceeds from issuance of debt	-	-	-	138,015	138,015
Total other financing sources (uses)	-	-	-	138,015	138,015
Changes in net assets	\$ (140,491)	\$ (290,492)	\$ (150,001)	\$ (136,578)	\$ 153,914

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
STATE HEALTH GRANT FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2008

	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	\$ 1,670,063	\$ 1,806,584	\$ 136,521	\$ 1,462,246	\$ (344,338)
Miscellaneous	6,500	6,500	-	6,654	154
Total revenues	<u>1,676,563</u>	<u>1,813,084</u>	<u>136,521</u>	<u>1,468,900</u>	<u>(344,184)</u>
Expenditures:					
Other departments and programs	1,659,150	1,795,787	(136,637)	1,530,583	265,204
Capital outlay	-	-	-	10,117	(10,117)
Total expenditures	<u>1,659,150</u>	<u>1,795,787</u>	<u>(136,637)</u>	<u>1,540,700</u>	<u>255,087</u>
Net change in fund balance	<u>\$ 17,413</u>	<u>\$ 17,297</u>	<u>\$ (116)</u>	<u>\$ (71,800)</u>	<u>\$ (89,097)</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2008

	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	\$ 2,005,000	\$ 2,042,860	\$ 37,860	\$ 853,920	\$ (1,188,940)
Total revenues	2,005,000	2,042,860	37,860	853,920	(1,188,940)
Expenditures:					
General government	-	-	-	147,152	(147,152)
Debt service	-	-	-	221,784	(221,784)
Capital outlay	2,159,128	2,882,104	(722,976)	2,674,138	207,966
Total expenditures	2,159,128	2,882,104	(722,976)	3,043,074	(160,970)
Excess (deficiency) of revenues over (under) expenditures	(154,128)	(839,244)	(685,116)	(2,189,154)	(1,349,910)
Other financing sources (uses):					
Proceeds from the issuance of debt	-	-	-	2,062,913	2,062,913
Transfers in	404,128	1,089,244	685,116	659,469	(429,775)
Total other financing sources (uses)	404,128	1,089,244	685,116	2,722,382	1,633,138
Net change in fund balance	\$ 250,000	\$ 250,000	\$ -	\$ 533,228	\$ 283,228

CITY OF YORK, PENNSYLVANIA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
PENSION TRUST FUNDS
DECEMBER 31, 2008

	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total
<hr/> Assets <hr/>				
Cash and cash equivalents	\$ 53,574	\$ 91,701	\$ 59,114	\$ 204,389
Investments, at fair value	15,002,753	25,679,820	16,554,188	57,236,761
Due from City of York	<u>141,268</u>	<u>2,269,957</u>	<u>1,268,974</u>	<u>3,680,199</u>
Total assets	<u>15,197,595</u>	<u>28,041,478</u>	<u>17,882,276</u>	<u>61,121,349</u>
<hr/> Net Assets <hr/>				
Held in trust for pension benefits	<u>\$ 15,197,595</u>	<u>\$ 28,041,478</u>	<u>\$ 17,882,276</u>	<u>\$ 61,121,349</u>

CITY OF YORK, PENNSYLVANIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS

DECEMBER 31, 2008

	Fire Escrow	Escrow Fund	Total
<hr/>			
Assets			
Cash and cash equivalents	\$ 235,583	\$ 30,039	\$ 265,622
Total assets	235,583	30,039	265,622
<hr/>			
Liabilities			
Accounts payable and accrued expenses	235,583	30,039	265,622
Total liabilities	\$ 235,583	\$ 30,039	\$ 265,622
	<hr/>	<hr/>	<hr/>

CITY OF YORK, PENNSYLVANIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2008

	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total
Additions:				
Contributions:				
Employee contributions	\$ 141,268	\$ 283,808	\$ 186,066	\$ 611,142
Employer contributions	<u>335,270</u>	<u>3,052,400</u>	<u>1,681,387</u>	<u>5,069,057</u>
Total contributions	<u>476,538</u>	<u>3,336,208</u>	<u>1,867,453</u>	<u>5,680,199</u>
Investment income:				
Interest and dividend income	812,580	1,437,989	928,482	3,179,051
Net depreciation of investments	<u>(8,145,104)</u>	<u>(14,014,827)</u>	<u>(9,036,814)</u>	<u>(31,196,745)</u>
	(7,332,524)	(12,576,838)	(8,108,332)	(28,017,694)
Less investment expenses	<u>(129,409)</u>	<u>(229,010)</u>	<u>(147,867)</u>	<u>(506,286)</u>
Net investment income (loss)	<u>(7,461,933)</u>	<u>(12,805,848)</u>	<u>(8,256,199)</u>	<u>(28,523,980)</u>
Total additions	<u>(6,985,395)</u>	<u>(9,469,640)</u>	<u>(6,388,746)</u>	<u>(22,843,781)</u>
Deductions:				
Benefit payments	<u>803,265</u>	<u>3,166,716</u>	<u>1,993,853</u>	<u>5,963,834</u>
Total deductions	<u>803,265</u>	<u>3,166,716</u>	<u>1,993,853</u>	<u>5,963,834</u>
Net decrease	(7,788,660)	(12,636,356)	(8,382,599)	(28,807,615)
Net assets held in trust for pension benefits, beginning of year	<u>22,986,255</u>	<u>40,677,834</u>	<u>26,264,875</u>	<u>89,928,964</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 15,197,595</u>	<u>\$ 28,041,478</u>	<u>\$ 17,882,276</u>	<u>\$ 61,121,349</u>