CITY OF YORK, PENNSYLVANIA

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2011

CITY OF YORK, PENNSYLVANIA

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Maillie
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Independent Auditors' Report

To the Members of City Council
City of York, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of York, Pennsylvania as of December 31, 2011, and for the year then ended, which collectively comprise the City of York, Pennsylvania'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. 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, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through xx, budgetary comparison information on pages 78 and 79, schedules of historical pension information on pages 80 through 82 and schedule of historical other post-employment benefits information on page 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Members of City Council
City of York, Pennsylvania

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 financial statements and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and budgetary comparison information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Maillie LLP

Oaks, Pennsylvania
May 28, 2013

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011

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, 2011. 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 $64,698,901 (Net Assets).
    - Invested in capital assets, net of related debt, in the amount of $92,503,447, includes all capital assets including infrastructure.
    - Restricted net assets with external restrictions imposed by creditors or laws or regulations of other governments amounted to $14,803,261.
    - Unrestricted net assets, which are net assets not restricted for any particular purpose, were ($42,607,807).

- Over 2011, the City of York's net assets increased by $1,195,592. The business-type activities net assets increased by $6,706,952 primarily due to capital grants and contributions $2,597,518, unrestricted investment earnings of $1,776,852, and transfers of $1,816,967. Governmental activities net assets decreased by $5,511,360 primarily due to the increase in other post-employment liability of $2,710,106, accretion of capital appreciation debt in the amount of $2,650,179, and depreciation expense of $3,821,592.

- At December 31, 2011, the fund balances of the City of York's governmental funds were $(740,928). This was an increase of $312,847 from December 31, 2010.

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 auditors' 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, 2011

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 three major governmental funds: (1) the General Fund, which accounts for all financial resources of the general government except those accounted for in another fund; (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; and (3) the Capital Projects Fund, which accounts for the proceeds of debt issuances restricted for the acquisition and construction of capital facilities and other capital assets (excluding capital related costs financed by proprietary and fiduciary funds). 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.

- o The City's proprietary fund statements follow the governmental fund statements and include the statement of net assets, the statement of revenue, expenses, and changes in net assets, and the statement of cash flows. The City maintains two different types of proprietary funds.

  - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Intermunicipal Sewer Fund, Sewer Fund, Ice Rink Fund, Sewer Transportation Fund, and White Rose Community Television Fund.

  - Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the financing of insurance services, human resource services, information services, central services and business administration services provided to the other funds of the City, both governmental and enterprise, on a cost reimbursement basis.

  The City's major proprietary funds include the 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 enterprise funds.

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

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

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

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

Other supplementary information, consisting of combining statements referred to earlier in connection with non-major governmental funds, trust funds and agency funds, is 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, occupational 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, 2011

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, 2011 AND 2010

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Assets:						
Cash and investments	$ 8,104,809	$ 4,747,322	$ 19,598,288	$ 34,694,976	$ 27,703,097	$ 39,442,298
Other assets	9,682,277	11,518,004	39,503,196	38,055,882	49,185,473	49,573,886
Capital assets	51,748,315	47,663,266	93,246,387	74,418,280	144,994,702	122,081,546
Total Assets	69,535,401	63,928,592	152,347,871	147,169,138	221,883,272	211,097,730
Liabilities:						
Other liabilities	14,167,089	12,661,939	2,693,433	3,264,233	16,860,522	15,926,172
Long-term liabilities	73,970,742	64,357,723	66,353,107	67,310,526	140,323,849	131,668,249
Total Liabilities	88,137,831	77,019,662	69,046,540	70,574,759	157,184,371	147,594,421
Net Assets:						
Capital assets, net of related debt	26,460,627	30,288,176	66,042,820	60,707,836	92,503,447	90,996,012
Restricted	2,376,241	1,033,782	12,427,020	12,599,636	14,803,261	13,633,418
Unrestricted	(47,439,298)	(44,413,028)	4,831,491	3,286,907	(42,607,807)	(41,126,121)
Total Net Assets	$(18,602,430)	$(13,091,070)	$ 83,301,331	$ 76,594,379	$ 64,698,901	$ 63,503,309

Overall, total City assets and liabilities increased by $10,785,542 and $9,589,950, respectively, for the year ended December 31, 2011. The increase in the City's total assets is the result of the following: increase in capital assets in the amount of $22,913,156 (as explained in "Capital Assets" section) and total decrease in cash and investments in the amount of $11,739,201 (in association with capital asset acquisitions, as explained in "Capital Assets" section, as well as debt issuances, as described in "Long-Term Debt" section). The increase in the City's total liabilities is the result of the following: total debt increase in the amount of $5,824,425 (as described in "Long-Term Debt" section) and the increase in other post-employment liability in the amount of $2,765,888.

Cash and investments represent 11.66% and 7.43% of the City's total governmental activities assets at December 31, 2011 and 2010, respectively. Of this amount, 79.10% or $6,410,927, at December 31, 2011, and 91.18% or $4,328,829, at December 31, 2010, is restricted, primarily for financing the workers compensation and financing projects out of the capital projects fund. Additionally, the City operates and maintains the York City WWTP, 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 $17,522,944 and $34,694,976 at December 31, 2011 and 2010, respectively, in cash and investments allows for future maintenance, repair and replacement as well as improvement to the City's sewer facilities.

The governmental activities capital assets value is net of $68,242,320, or 56.87% and $64,749,105, or 57.60% of accumulated depreciation at December 31, 2011 and 2010. For the business-type activities the capital asset value is net of $58,535,698, or 38.57% and $55,385,155, or 42.67% of accumulated depreciation at December 31, 2011 and 2010. 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.

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 $64,698,901 and $63,503,309 for years ending December 31, 2011 and 2010.

By far the largest portion of the City's net assets, 142.97% at December 31, 2011 and 143.29% at December 31, 2010, 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 (22.88% and 21.47% at December 31, 2011 and 2010, respectively) represents resources that are subject to external restrictions on how they may be used. Of the $14,803,261 that is restricted at December 31, 2011: $9,533,498 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, insurance, and construction. Of the $13,633,418 that is restricted at December 31, 2010: $8,428,500 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 ($42,607,807) and ($41,126,121) at December 31, 2011 and 2010, 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 $32,338,721 and $33,053,904, respectively. Additionally, the unrestricted net assets for the years ended December 31, 2011 and 2010 included the increase of the unfunded other post-employment liabilities in the amount of $12,340,282 and $9,574,394, respectively.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011

TABLE 2

CONDENSED STATEMENT CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenue:						
Charges for services	$ 14,110,582	$ 12,736,428	$ 18,164,424	$ 16,077,208	$ 32,275,006	$ 28,813,636
Operating grants and contributions	7,401,007	7,908,848	80,825	13,139	7,481,832	7,921,987
Capital grants and contributions	2,102,779	704,466	2,597,518	17,695,119	4,700,297	18,399,585
Property taxes	17,221,122	15,102,354	-	-	17,221,122	15,102,354
Payment in lieu of taxes	392,659	393,999	-	-	392,659	393,999
Business taxes	2,952,011	2,693,497	-	-	2,952,011	2,693,497
Personal taxes	3,449,975	3,221,868	-	-	3,449,975	3,221,868
Unrestricted grants	2,965,017	1,779,163	-	-	2,965,017	1,779,163
Unrestricted investment earnings	123,265	96,961	1,776,852	1,010,075	1,900,117	1,107,036
Total revenues	50,718,417	44,637,584	22,619,619	34,795,541	73,338,036	79,433,125
Expenses:						
General government	2,821,550	2,618,186	-	-	2,821,550	2,618,186
Sanitation	3,126,079	2,983,154	-	-	3,126,079	2,983,154
Public safety	29,017,318	29,065,075	-	-	29,017,318	29,065,075
Highways and streets	1,593,414	1,415,646	-	-	1,593,414	1,415,646
Public works	5,671,785	5,219,296	-	-	5,671,785	5,219,296
Parks and recreation	2,095,861	2,007,692	-	-	2,095,861	2,007,692
Community development and planning	4,491,079	5,733,897	-	-	4,491,079	5,733,897
Other departments and programs	2,300,353	1,805,810	-	-	2,300,353	1,805,810
Interest on long-term debt	3,295,371	2,777,582	-	-	3,295,371	2,777,582
Intermunicipal sewer	-	-	6,290,864	6,131,550	6,290,864	6,131,550
Sewer	-	-	9,715,709	8,088,576	9,715,709	8,088,576
Ice rink	-	-	1,570,199	1,609,238	1,570,199	1,609,238
Other enterprise funds	-	-	152,862	149,514	152,862	149,514
Total expenses	54,412,810	53,626,338	17,729,634	15,978,878	72,142,444	69,605,216
Change in net assets before transfers	(3,694,393)	(8,988,754)	4,889,985	18,816,663	1,195,592	9,827,909
Transfers	(1,816,967)	764,487	1,816,967	(764,487)	-	-
Change in net assets	(5,511,360)	(8,224,267)	6,706,952	18,052,176	1,195,592	9,827,909
Net assets, beginning of year	(13,091,070)	(4,866,803)	76,594,379	58,542,203	63,503,309	53,675,400
Net assets, end of year	$ (18,602,430)	$ (13,091,070)	$ 83,301,331	$ 76,594,379	$ 64,698,901	$ 63,503,309

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 capital assets is allocated over their estimated useful life and reported as depreciation expense.

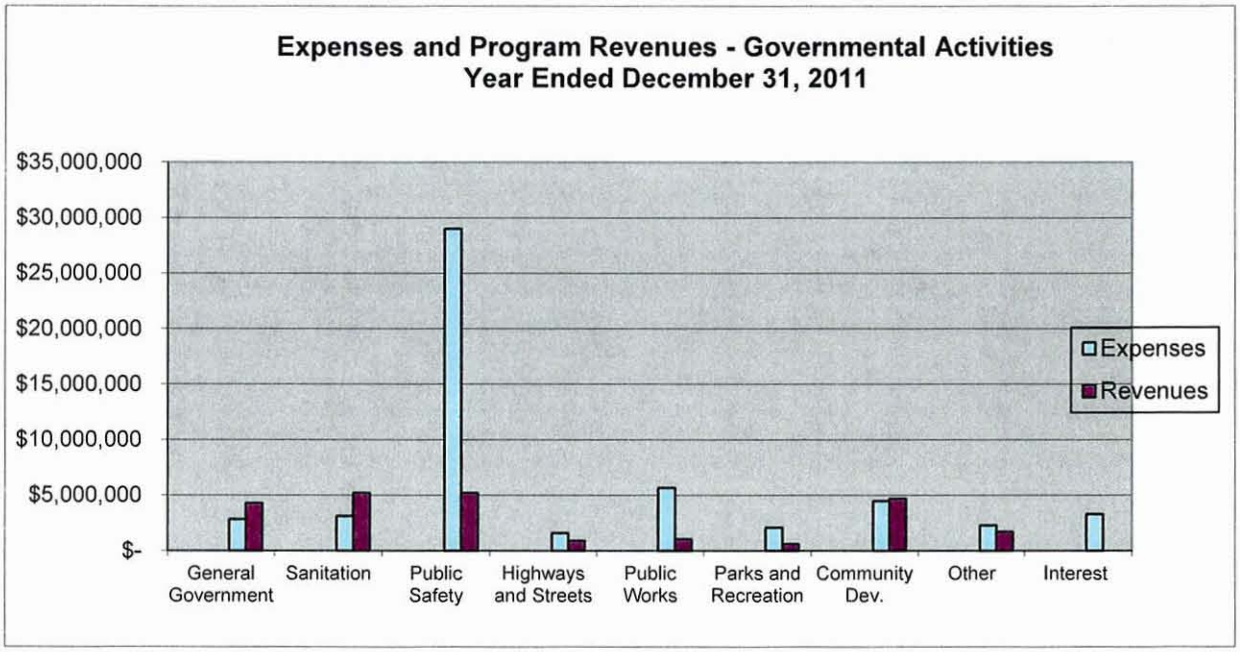
For the year ended December 31, 2011, the decrease in net assets of governmental activities resulted primarily from the accretion of capital appreciation debt in the amount of $2,650,179 and issuance of debt in the amount of $20,085,574, offset by principal payments on long-term debt of $15,898,032; depreciation of capital assets in the amount of $3,821,592, offset against purchases of capital assets of $7,943,078; and the accrual of other post-employment liabilities in the amount of $2,710,106. The other post-employment cost was allocated to all general government departments based on current employment.

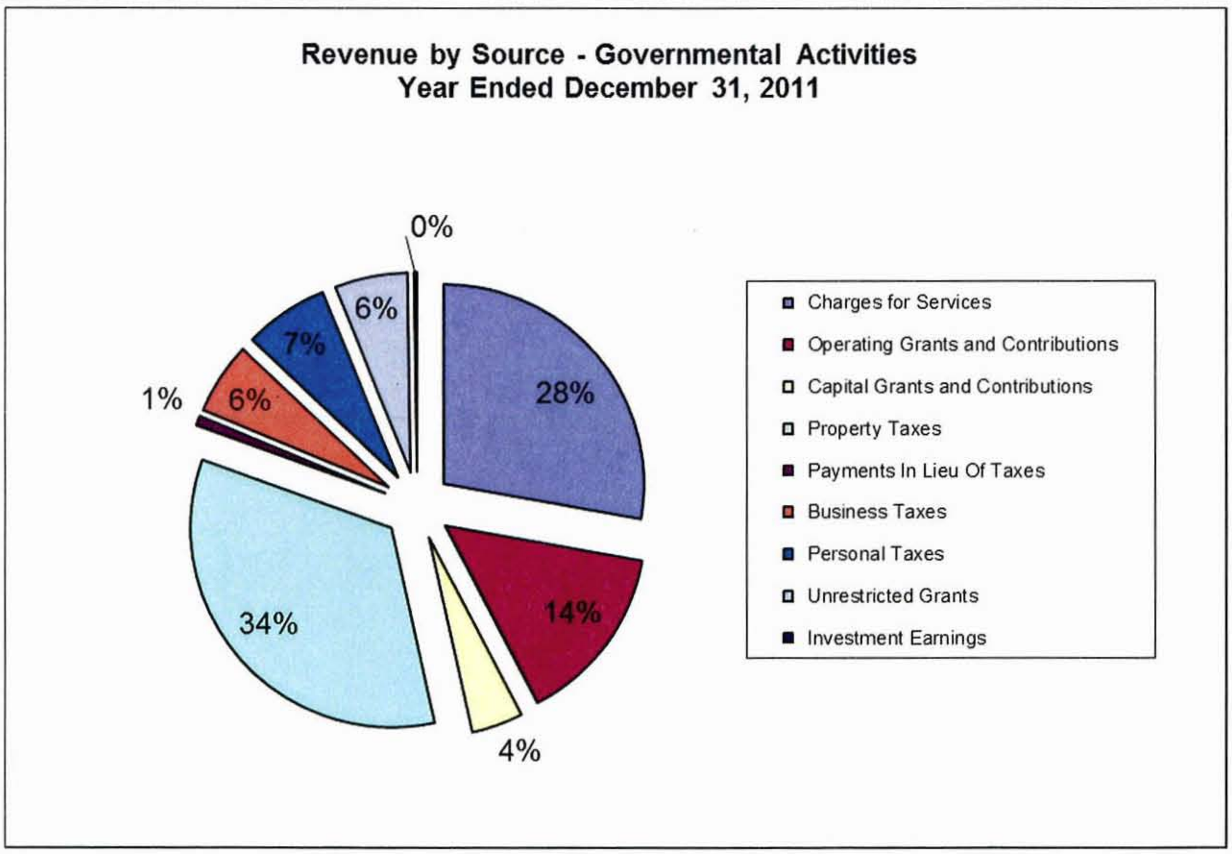
For the year ended December 31, 2010, the decrease in net assets of governmental activities resulted primarily from the accretion of capital appreciation debt in the amount of $2,349,051 and issuance of debt in the amount of $6,324,158, offset by principal payments on long-term debt of $4,945,452; depreciation of capital assets in the amount of $3,830,407, offset against purchases of capital assets of $2,359,389; and the accrual of other post-employment liabilities in the amount of $3,319,464. The other post-employment cost was allocated to all general government departments based on current employment.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011





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.

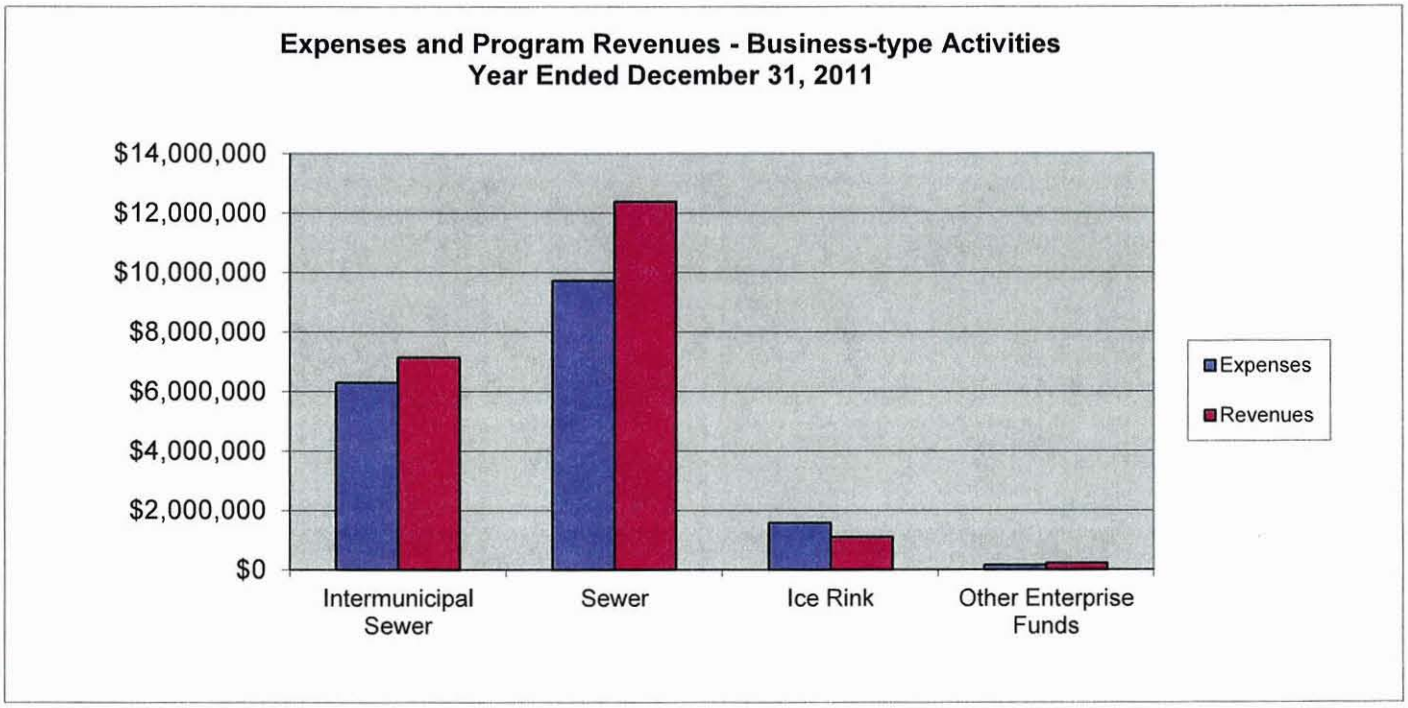
80.30% of the revenue for business-type activities is derived from charges for services. The City's sewer system is comprised of the sewage collection infrastructure, one pumping station and the staff and equipment for the maintenance thereof. Expenses include the City's share of the annual debt payment on the Wastewater Treatment Plant (WWTP) and the costs of treatment of the wastewater. The costs of treatment are paid to the Intermunicipal Sewer Fund toward the cost of the operation of the WWTP and the debt service is paid to the Sewer Authority. Sewer rates last increased in January 2012.

The City operates a state of the art regional WWTP 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 wastewater 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 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 exercised its remedies under the lease and loan agreement with the YCRC and 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.



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, 2011 and 2010, the City's governmental funds reported combined ending fund balances of $(740,928) and $(1,053,775). The City's unassigned fund balance (deficit), which is available for spending at the government's discretion, was $(7,150,597) and $(5,058,193) at December 31, 2011 and 2010. The remainder of the fund balance at December 31, 2011 and 2010 is restricted for 1) public works in the amount of $369,411 and zero, respectively, 2) community development in the amount of $108,760 and $372,125, respectively, 3) debt service in the amount of $1,441,293 and $39,898, respectively, and 4) capital projects in the amount of $4,490,205 and $3,592,395, respectively.

The general fund is the chief operating fund of the City. At December 31, 2011 and 2010, unassigned fund balance of the general fund was $(5,576,043) and $(4,511,439).

The fund balance of the City's general fund decreased by $1,064,604 during the year ended December 31, 2011. Key factors in this decrease are as follows:

- Accrual of $423,282 for interest on 2011 minimum municipal obligation late payment.
- Rising pension costs and rising health care costs for all City employees.
- Rising fuel costs
- Antiquated tax structure.

The fund balance of the City's general fund decreased by $3,490,341 during the year ended December 31, 2010. Key factors in this decrease are as follows:

- Accrual of $488,457 for interest on 2010 minimum municipal obligation late payment.
- Accrual of $272,702 of professional services for community development and planning projects.
- $900,000 shortfall in tax revenue due to the economy
- $1,000,000 shortfall in fees for services due to failure to increase refuse rates and the economy.
- Rising wages and rising health care costs for all City employees.
- Antiquated tax structure.

The debt service fund has a total fund balance of $1,441,293 and $39,898 for the years ended December 31, 2011 and 2010, respectively. The net increase in fund balance for the year ended December 31, 2011 and 2010 in the debt service fund was $1,401,395 and $98,094. These increases were because of the 2011 one-time increase in pension state aid distributed to the City from the Commonwealth of Pennsylvania.

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, 2011 amounted to zero, $3,461,097, and $(899,712), respectively. Unrestricted net assets of the Intermunicipal Sewer Fund, the Sewer Fund and the Ice Rink Fund at December 31, 2010 amounted to zero, $1,897,576 and ($761,282), respectively. The total increase/(decrease) in net assets for these funds for the year ended December 31, 2011 was $98,047, $6,450,681 and $(39,353), respectively. The total increase/(decrease) in net assets for these funds for the year ended December 31, 2010 was $135,613, $18,193,658, and $(94,365), respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

General Fund

Revenue and expenditures for most of the City's general operations are accounted in the City's General Fund. These operations include general government, sanitation, public safety, highways and streets, public works, community development and planning and other departments and programs. For the year ended December 31, 2011, the final revenue, including transfers-in, budget was $42,869,734 and the final expenditure, including transfers-out, budget was $39,473,526.

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 2011, the single largest revenue item in General Fund was taxes at $20,135,399. Actual taxes included $13,722,946 in real estate taxes, $2,520,052 in business taxes, $3,674,475 in income and local service taxes. The second largest item includes charges for services which at $8,928,729 includes sanitation fees of $5,048,730.

The City had a significant negative variance between final budget and actual in the grants and contributions line item in the amount of $5,531,924 due primarily to a $5,000,000 RACP grant which was originally budgeted in the General Fund but its costs were incurred and the revenue recorded in the Capital Projects Fund, as well as a $200,000 pending police grant that was not received and a shortfall of approximately $200,000 in CDBG admin reimbursements. Fines and forfeits were under budget by $144,443 due to shortfall in ticket notice fees and fines remitted by the magistrates.

Total General Fund expenditures were $37,160,765 for the year ended December 31, 2011. The single most expensive activity in the general fund is public safety, which is comprised of police and fire-rescue services, which amount to $26,547,070, or 71.44% of the General Fund actual expenditures for the year ended December 31, 2011.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011

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, 2011 and 2010 amounts to $144,994,702 and $122,081,546, 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 18.77 percent (an 9.25 percent increase for governmental activities and a 25.30 percent increase for business-type activities).

Major capital asset events during the year ended December 31, 2011 included the following:

- 101 South George Street building acquisition and renovations totaling $4,010,895.
- Acquisition of the Northwest Triangle land at a cost of $550,000.
- Various vehicle purchases, including $335,490 for a Camel Model 200 Vactor Truck and $172,124 for an International Dump Truck.
- Various building and system addition and improvements were completed in the Sewer Fund's WWTP at a cost of $12,192,039.
- Poorhouse Siphon replacement of sewer system totaling $4,007,013.
- Co-Generation System replacement of sewer system totaling $3,993,953.

Major capital asset events during the year ended December 31, 2010 included the following:

- The City purchased several vehicles, including a $121,258 dump truck with plow, streets and highways department truck in the amount of $53,393, and police vehicles in the amount of $103,832.
- Street improvements and streetscape projects totaling $1,781,777.
- Various building and system additions and improvements were completed in the Sewer Fund's WWTP, including a re-roofing project, at a cost of $10,771,881.
- Sewer infrastructure projects, including the Northwest Triangle Interceptor replacement project, were completed at a cost of $1,107,910.

Additional information on the City's capital assets can be found in note 11 on page 43 of this report.

Long-Term Debt

At December 31, 2011 and 2010, the City had total general obligation bonds and notes outstanding of $53,606,557 and $46,162,472, respectively. Revenue bonds in the amount of $65,479,600 and $66,975,428, respectively, represent bonds secured solely by specified revenue sources.

The City's total debt increased by $5,824,425 during the year ended December 31, 2011. The City issued General Obligation Bonds, Series of 2011, as well as Series A and Series B of 2011, in the aggregate amount of $14,050,550 to be used for various capital projects and to currently refund the General Obligation Notes, Series A and B of 2010 (Series A and B 2010 Notes). The City also issued Guaranteed Sewer Revenue Bonds Series of 2011 in the amount of $1,500,000. These Bonds were issued for the utilization, development, and construction of alternative lean energy projects. The City also entered into new capital leases during 2011, the largest of which was for the purchase of a Camel Model 200 in the amount of $335,490. These increases, in addition to an additional drawdown in the amount of $5,753,765 of the Series A and B 2010 Notes (prior to the current refunding) and an increase of $3,936,072 in accretion of capital appreciation bonds, was offset by $20.2 million in debt repayments (including the refunding of $10.57 million, as explained previously).

The City's total debt increased by $28,890,302 during the year ended December 31, 2010. The City issued the Series A and B 2010 Notes to provide funds for various capital projects, including purchasing and furnishing a building, renovating an existing City building, paying the City's share of the Poor House Run sewer project, the Arch Street interceptor project, the Ohio Blenders acquisition, and paying related financing costs. The amount drawn down during 2010 on the Series A and B 2010 Notes totaled $4,819,507. The City also issued Guaranteed Sewer Revenue Bonds Series of 2010, as well as Series A of 2010, in the aggregate amount of $33,285,000. These Bonds were issued to finance projects of the Authority and to refund the Guaranteed Sewer Revenue Bonds, Series of 2007, which amounted to $10,000,000. An additional $5,258,769 was drawn down on the Series 2008 Revenue Bonds during the year ended December 31, 2010. The City also entered into new capital leases during 2010, the largest of which was for the purchase of a dump truck in the amount of $121,258. These increases, in addition to an additional drawdown in the amount of $1,330,000 of the Section 108 loan and an increase of $3,804,408 in accretion of capital appreciation bonds, was offset by $9.4 million in debt repayments (not including the refunding of $10 million, as explained previously).

Additional information on the City's long-term debt can be found in note 13 on page 47 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES:

The City finished 2010 with a $(4,511,439) accumulated deficit in the General Fund. The deficit grew by $1,064,604 in 2011 resulting in an accumulated deficit at the end of 2011 of $(5,576,043). In 2012 and 2013, the City budgeted to reduce the accumulated deficits. Since 2008, the City has avoided fiscal calamity by delaying the payment of its pension minimum municipal obligation (MMO) to the subsequent year. However, as the shortfall approaches the full amount of the MMO, the ability of the City to continue unreduced operations becomes more tenuous. Eventually resources will be exhausted before the City reaches the end of the year and services will be drastically reduced. So things are not getting much better.

Balancing a municipal budget is a challenge in the best of situations. Even when revenue generating methods are adequate to the level needed to fund the public services that most agree are necessary, arguments are made pro and con for every revenue raising and expense reducing method. Every government initiative has its interest group and its challengers. The situation facing Pennsylvania cities is that, if left alone, revenue stays stagnant and expenses grow. This makes balancing a Pennsylvania city budget a most arduous task.

Like 2008-2010, 2011 was a challenging year for the City of York's governmental funds. The continuing trend is for costs to increase, and for revenue to remain steady, as impacted by local trends and the physical and legal conditions that prevail in Pennsylvania. The challenge is to find a way to make an antiquated revenue generating system yield adequate revenue to pay rising costs without further impoverishing the local population while, at the same time, struggling to wring every penny of savings from the City's expenditure obligations. 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 continue to work together to challenge the City officials' creativity in balancing revenue and expenditures.

Since 2008, the City has avoided fiscal calamity by delaying the payment of its pension MMO to the subsequent year. However, as the shortfall approaches the full amount of the MMO, the ability of the City to continue unreduced operations becomes more tenuous. Eventually resources will be exhausted before we reach the end of the year and services will be drastically reduced. Delaying the MMO payment also ends up costing the City in interest payments. Although the delayed payment of the 2011 MMO reduced stress on cash flow, that stress reduction came at a cost of almost $500,000 in interest. Additionally, the 2011 MMO was not fully paid until the beginning of 2013. Although this is the only method of assuring adequate cash flow available to the City, short of a calamitous increase in taxes, it is not sustainable over the long term.

Public safety costs, particularly police and fire fighter labor costs, continue to rise greater than the rate of inflation. Between 2001 and 2011, the police department budget increased by an average 9.6% per year while the fire department budget increased by an average 9.8% per year. The General Fund, however, only increased on average 7.5% per year and real estate taxes only increased by an average 5.5% per year. One result of this trend is that while in 2001 total taxes made up 56% of the General Fund revenue, in the 2011 budget total taxes were only 46% of the General Fund revenue. Another result of the trend is that the share of resources devoted to other general fund activities has shrunk: the Elected Appointed in 2001 was 4.9% of the General Fund budget while in 2011 it is 3.37% of the General Fund budget, Business Administration in 2001 was 6.1% while in 2011 it is 5.31%, Public Works in 2001 was 22% while in 2011 it is 15.98%, Economic Development in 2001 was 1.9% while in 2011 it is 1.79%, Community Development in 2001 was 4.7% while in 2011 it is 4.7%. In 2001, Public Safety consumed 60% of the City's General Fund budget and in 2010 it consumed about 72% of the General Fund budget. In 2011, public safety costs consumed just under 72% of the general fund budget but this was due to a large increase in real estate tax rate and not a decrease in expenses. If the trend continues, then by 2020 Public Safety will consume more than 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.

Until recently, Act 47 has been a tool for municipalities to consider in its efforts to avert fiscal distress. Two of the three most valuable tools in Act 47 are the recovery plan supremacy over collective bargaining and the ability to implement a commuter tax. These two tools are virtually unavailable now given the decision of the Supreme Court in the Scranton cases and the Legislature's actions in the Harrisburg Act 47 situation. The chronic common problems of the 3rd class cities in Pennsylvania include legacy costs such as pensions and retiree health care, a public safety labor relations process that is unfair to employers, and a revenue generating system that is antiquated, insufficient, and overly dependent upon the real estate tax. The commuter tax and collective bargaining provisions were aimed at addressing two of the chronic common problems of 3rd class city fiscal malaise. Under the current circumstances, these two tools are not available.

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 was calculated to be $5,069,057. 98% of this contribution comes from the General Fund. For 2009, the MMO was $5.25 million and, in 2010, the MMO was $5.4 million. The 2010 MMO is based on the 2007 valuation. The 2011 MMO will be based upon the 2009 valuation, a time at which pension assets were at their lowest. Utilizing the 130% asset smoothing, the City's pension has been designated as moderately distressed. If the funds had been valued at market value, they would have been designated severely distressed. Using the market value of the fund assets, the 2011 MMO would be $8,349,760, an increase of almost $3,000,000. Using the 130% asset smoothing method reduces the 2011 MMO to $6,620,000, an increase of $1,200,000. The level of distress also provides a 75% MMO relief for years 2011-2014 for moderate distress level II. Using the smoothing method of valuation and taking advantage of the MMO relief, the City MMO for 2011 was $5,859,263 and for 2012 the MMO was $6,028,300. In 2013, the MMO dropped by $300,000 to $5,708,572.

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. In 2010, the City hired PFM to update the study and develop a new 5 year projection for the non public safety departments. That new report was delivered, with revisions, on November 1, 2011. The analysis and recommendations are under review for implementation in 2011 and 2012. The report includes strong recommendations that the growth in the City's personnel costs must be reined in. However, a comparison of the growth in the City's personnel costs are not out of line with either the CPI, nor with household growth trends in the surrounding region. So the recommendation begs the question of how the City is to remain competitive in the employment market if it is hold the growth of wages down.

The City hired Public Safety Solutions Inc. (PSSI) in 2009 to conduct a study of the York City Fire Department. The City has studied the recommendations and has, or is in the process of, implementing many of them. As a result of the Study, the City has joined with North York to provide fire protection services for an annual fee and the City has taken a piece of apparatus out of service with the expectation of saving about $400,000 per year in overtime costs.

The City hired the Police Executive Research Forum with York Counts, a local grass roots strategic planning group, to study the potential to create a Metro York Police Department. The Study included recommendations for individual departments to enhance efficiency. The study was completed in mid-2012 and the recommendations are under review by the City Police Department. York Counts has taken over responsibility to promote regionalization of the Metro York police departments and has met with quite a bit of resistance from neighboring communities.

Employee health care continues to be one of the key drivers of the increases in the cost of the delivery of municipal services. In 2007, 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, and 2011-2013, as the City's TPA. Hiring CBC as the City's TPA gave the City access to the claims processing experience and infrastructure and the contractual 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. The Clerical union will be in the new PPO health care plan effective January 1, 2013. 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.

From 2003 to 2008, total health care costs went from $4 million to $6.8 million. In 2008, health care was budgeted at $5,595,000, but the actual costs were $6,818,622, almost $1,200,000 over budget. In 2009 health care costs were budgeted at $6,275,000 and came in at $6,313,480. While the actual came in about $40,000 over budget, it was $550,000 below the actual for 2008. For 2010, the City budgeted $6,547,500 and finished the year at $6,472,871, about $75,000 under budget. In 2011, the City budgeted $6,784,600 and spent $8,401,106. The expenditures in excess of budget are largely due to several high cost participant health issues. 12 high cost claimants alone incurred $2,260,000 in expenses and the top four claimants cost $1,300,000. The City received a payment from the Stop Loss carrier of $736,500. However, the City anticipates that the impact will be significant on the 2012 budget as the conditions are ongoing and the City anticipates lasering of those participants with higher deductibles. 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. The City is currently reviewing the plan to identify other cost saving measures, including further raising premiums for employees, mandatory spousal use of own coverage and some increases in deductibles and co-insurance.

2011 saw some significant achievements in the City. The City acquired a building for a new City Hall and undertook renovations. The City renovated four community centers: Sylvia Newcomb Center, Rotary Kranich Center, Yorktown Center, and the Princess Street Center. The City completed important projects for the Northwest Triangle including the acquisition of the last parcel of land, installation of a new sewer line, completion of the Beaver Street streetscape, and completion of environmental remediation. The commercial sector of the Triangle is now occupied and 80% of the residential portion is under option to two developers. The Poorhouse run sewer line replacement is well underway and was completed in early 2012.

The Salem Square Revitalization project converting multi-unit rental properties back to eleven single family houses and installation of a new streetscape along the 600 block of West Princess Street and three blocks of South Penn Street including new sidewalks, streetlights and trees was completed during the year. With State RACP money, the City has commenced the Market District Revitalization project that includes renovation of the Central Market, the Farmers Market, and construction of the Market View Eagles Art Center.

The General Authority completed renovation of the Market Street Garage and commenced major renovations of the Philadelphia and King Street Garages. At the WWTP, the City began the Ostara process that extracts phosphorous from wastewater to be resold as fertilizer and installed new micro turbines to capture methane gas and use it to generate power to operate the facility.

The Sylvia Newcomb Center has been fitted with a new HVAC system, including a new boiler, making it attractive for the continued occupancy of the Children's Home of York. The Rotary-Kranich Center has been renovated to accommodate a day care center that is paying rent to the City. It has also been renovated to house the new WRCT studio. Renovated with revenue from a line of credit and equipped with money from Comcast, the WRCT studio will provide a well-equipped base from which the station can continue its community work and will provide a resource for broadcast enthusiasts to create local programming. The roof has been replaced on the Princess Street Center and new windows have been installed in the Yorktown Center.

In 2011, a ten-year effort culminated in the City acquiring the old York Federal Savings and Loan Building at 101 South George Street to be used for the new City Hall. Agreement was reached with the win/win strategy of offering Sovereign Bank the ability to enter into a long-term lease with the City so they could stay at their present location. In addition to the acquisition of the building, renovations were undertaken to fit the building to the use of the City for City Hall. The renovations and the move into the new City Hall were completed in March of 2012. This move has had no tax impact on the taxpayers and no financial impact on operating costs of the City since the money previously spent on rent plus the new revenue from leasing part of the building back to Sovereign Bank are adequate to pay the debt service for acquisition and renovation of the new building. Upon completion of the new City Hall, the City commenced renovation of the previous City Hall at 50 West King Street into a modern police station. The cost to do so is estimated to be $5,000,000 to be paid by a RACP grant from the Commonwealth of Pennsylvania. The City issued approximately $14,000,000 in debt. This debt is to put permanent financing into place for the new City Hall, the community Centers, the final acquisition of the last piece of the North West Triangle, and the two sewer projects.

The antiquated tax structure of Pennsylvania continues to strangle its 3rd class cities. 37% of the real estate tax base value in the City is tax exempt. The exempt property includes county, state and federal real estate, hospitals, churches, colleges and social service agencies. Every one of these tax exempt entities serves a majority of clients/parishioners/students who are from outside the City, outside the county, outside the Commonwealth, and outside of the country. Why are the most impoverished of the Commonwealth's taxpayers being forced to subsidize services for people who have no real connection to the City? This dysfunctional system caused a combined tax rate increase of 30.25%. This is a further burden on a population that has been bearing a crushing tax burden disproportionate to other municipalities in the region,

Likewise the earned income tax structure is flawed. In Pennsylvania, the earned income tax is paid to the place you live and none to the place that you work. In 2011, York City residents had a combined taxable earned income of $299,000,000 while 38,000 commuters earned more than $1,100,000,000 in the City and paid no earned income tax revenue to the City to help offset the cost of services and infrastructure that they use for their jobs and professions. Again, the less affluent members of the community are paying to provide services to the more affluent members of the community. It is regressive taxation at its worst. Even more disheartening is that from 2007-2011earned income of city residents declined by 12.06% while earned income of suburban residents in all contiguous municipalities rose by as much as 20%.

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 expenditure obligations. General revenue is primarily generated from taxes: real estate, earned income, business privilege, mercantile, and municipal services taxes. The tax bases from which these revenues flow are highly local and based upon an antiquated concept of economic activity. 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, City leadership will be challenged to maintain the level of services necessary to a healthy community while holding the tax burden at a manageable level.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government				
	Governmental Activities	Business-type Activities	Total	Component Units	Total
ASSETS					
Cash and cash equivalents	$ 1,693,882	$ 2,075,344	$ 3,769,226	$ 887,150	$ 4,656,376
Receivables, net of allowance for uncollectible accounts:					
Taxes	4,919,048	-	4,919,048	-	4,919,048
Accounts	3,016,708	2,621,380	5,638,088	133,291	5,771,379
Loans	2,967,140	-	2,967,140	1,034,340	4,001,480
Interest	-	-	-	5,776	5,776
Note	-	-	-	149,745	149,745
Internal balances	(2,970,678)	2,970,678	-	-	-
Due from component unit	115,293	-	115,293	-	115,293
Due from other governments, net of allowance	1,210,585	1,085,762	2,296,347	3,062,492	5,358,839
Inventory	-	7,896	7,896	-	7,896
Prepaid expenses	23,445	19,333	42,778	1,201	43,979
Restricted assets:					
Cash and cash equivalents	6,410,927	15,375,055	21,785,982	1,090,661	22,876,643
Investments, at fair value	-	2,147,889	2,147,889	-	2,147,889
Lease rentals receivable	-	31,911,692	31,911,692	-	31,911,692
Capital assets, less accumulated depreciation and amortization	51,748,315	93,246,387	144,994,702	9,624,217	154,618,919
Deferred charges, net of accumulated amortization	400,736	886,455	1,287,191	89,603	1,376,794
Total assets	69,535,401	152,347,871	221,883,272	16,078,476	237,961,748
LIABILITIES					
Accounts payable and other current liabilities	4,080,791	2,547,307	6,628,098	498,121	7,126,219
Accrued liabilities	397,193	95,024	492,217	-	492,217
Due to primary government	-	-	-	115,293	115,293
Due to other governments	87,750	-	87,750	104,157	191,907
Due to City of York pension trust funds	6,370,844	-	6,370,844	-	6,370,844
Deferred revenue	3,230,511	51,102	3,281,613	568,392	3,850,005
Line of credit	-	-	-	3,462,712	3,462,712
Noncurrent liabilities:					
Due within one year	5,271,684	4,530,415	9,802,099	409,118	10,211,217
Due in more than one year	68,699,058	61,822,692	130,521,750	7,550,882	138,072,632
Total liabilities	88,137,831	69,046,540	157,184,371	12,708,675	169,893,046

	Primary Government				
	Governmental Activities	Business-type Activities	Total	Component Units	Total
NET ASSETS					
Invested in capital assets net of related debt	26,460,627	66,042,820	92,503,447	2,155,944	94,659,391
Restricted for:					
Public works	369,411	-	369,411	-	369,411
Community development and planning	108,760	-	108,760	-	108,760
Workers' compensation	456,777	-	456,777	-	456,777
Debt service	1,441,293	8,092,205	9,533,498	19,169	9,552,667
Revolving loan	-	-	-	1,000,000	1,000,000
Construction	-	4,334,815	4,334,815	-	4,334,815
Unrestricted	(47,439,298)	4,831,491	(42,607,807)	194,688	(42,413,119)
Total net assets	$ (18,602,430)	$ 83,301,331	$ 64,698,901	$ 3,369,801	$ 68,068,702

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 2,821,550	$ 2,759,125	$ 301,119	$ 1,210,585
Sanitation	3,126,079	5,166,046	40,702	-
Public safety	29,017,318	4,437,495	750,635	-
Highways and streets	1,593,414	123,609	770,340	-
Public works	5,671,785	124,155	39,883	892,194
Parks and recreation	2,095,861	442,226	183,104	-
Community development and planning	4,491,079	1,057,781	3,614,733	-
Other departments and programs	2,300,353	145	1,700,491	-
Interest on long-term debt	3,295,371	-	-	-
Total governmental activities	54,412,810	14,110,582	7,401,007	2,102,779
Business-type activities:				
Intermunicipal sewer	6,290,864	7,140,272	-	-
Sewer	9,715,709	9,780,409	-	2,597,518
Ice rink	1,570,199	1,104,594	-	-
Other enterprise funds	152,862	139,149	80,825	-
Total business-type activities	17,729,634	18,164,424	80,825	2,597,518
Total primary government	$ 72,142,444	$ 32,275,006	$ 7,481,832	$ 4,700,297
Component units:				
Redevelopment Authority	$ 860,104	$ 272,924	$ 2,413,265	$ -
General Authority	1,983,892	1,696,268	283,000	-
Total component units	$ 2,843,996	$ 1,969,192	$ 2,696,265	$ -

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 (deficits) - beginning of year, restated

Net assets (deficits) - end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	Total
$ 1,449,279	$ -	$ 1,449,279	$ -	$ 1,449,279
2,080,669	-	2,080,669	-	2,080,669
(23,829,188)	-	(23,829,188)	-	(23,829,188)
(699,465)	-	(699,465)	-	(699,465)
(4,615,553)	-	(4,615,553)	-	(4,615,553)
(1,470,531)	-	(1,470,531)	-	(1,470,531)
181,435	-	181,435	-	181,435
(599,717)	-	(599,717)	-	(599,717)
(3,295,371)	-	(3,295,371)	-	(3,295,371)
(30,798,442)	-	(30,798,442)	-	(30,798,442)
-	849,408	849,408	-	849,408
-	2,662,218	2,662,218	-	2,662,218
-	(465,605)	(465,605)	-	(465,605)
-	67,112	67,112	-	67,112
-	3,113,133	3,113,133	-	3,113,133
(30,798,442)	3,113,133	(27,685,309)	-	(27,685,309)
-	-	-	1,826,085	1,826,085
-	-	-	(4,624)	(4,624)
-	-	-	1,821,461	1,821,461
17,221,122	-	17,221,122	-	17,221,122
1,049,293	-	1,049,293	-	1,049,293
2,400,682	-	2,400,682	-	2,400,682
2,588,989	-	2,588,989	-	2,588,989
309,392	-	309,392	-	309,392
31,830	-	31,830	-	31,830
21,800	-	21,800	-	21,800
392,659	-	392,659	-	392,659
2,965,017	-	2,965,017	-	2,965,017
-	-	-	28,111	28,111
123,265	1,776,852	1,900,117	33,935	1,934,052
(1,816,967)	1,816,967	-	-	-
25,287,082	3,593,819	28,880,901	62,046	28,942,947
(5,511,360)	6,706,952	1,195,592	1,883,507	3,079,099
(13,091,070)	76,594,379	63,503,309	1,486,294	64,989,603
$ (18,602,430)	$ 83,301,331	$ 64,698,901	$ 3,369,801	$ 68,068,702

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 20,126	$ -	$ -	$ 952,508	$ 972,634
Cash and cash equivalents - restricted	-	1,473,058	4,481,092	-	5,954,150
Receivables:					
Loans (less allowance for doubtful accounts of $33,000 in the General Fund and $1,394,188 in Other Governmental Funds)	370,847	-	-	2,596,293	2,967,140
Taxes (less allowance for doubtful accounts of $1,219,477 in the General Fund, $198,176 in the Debt Service Fund, and $110,629 in the Other Governmental Funds)	4,579,871	219,045	-	120,132	4,919,048
Accounts (less allowance for doubtful accounts of $4,816,545 in the General Fund)	2,152,079	-	157,182	255,457	2,564,718
Due from other funds	342,201	-	44,124	60,000	446,325
Due from component units	83,109	-	-	32,184	115,293
Due from other governments	-	-	1,210,585	-	1,210,585
Total assets	$ 7,548,233	$ 1,692,103	$ 5,892,983	$ 4,016,574	$ 19,149,893
Liabilities and Fund Balances (Deficits)					
Liabilities:					
Accounts payable and accrued expenses	$ 863,288	$ 52,634	1,402,778	$ 831,368	$ 3,150,068
Accrued wages payable	354,030	-	-	27,629	381,659
Due to other funds	7,266,421	-	-	1,386,117	8,652,538
Due to other governments	-	-	-	87,750	87,750
Deferred revenues	4,640,537	198,176	-	2,780,093	7,618,806
Total liabilities	13,124,276	250,810	1,402,778	5,112,957	19,890,821
Fund balances (deficits):					
Restricted for:					
Public works	-	-	-	369,411	369,411
Community development	-	-	-	108,760	108,760
Debt service	-	1,441,293	-	-	1,441,293
Capital projects	-	-	4,490,205	-	4,490,205
Unassigned	(5,576,043)	-	-	(1,574,554)	(7,150,597)
Total fund balances (deficits)	(5,576,043)	1,441,293	4,490,205	(1,096,383)	(740,928)
Total liabilities and fund balances (deficits)	$ 7,548,233	$ 1,692,103	$ 5,892,983	$ 4,016,574	$ 19,149,893

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Fund balances - total governmental funds		$ (740,928)
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	$ 119,990,635	
Less accumulated depreciation	(68,242,320)	51,748,315
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		4,388,295
Bond issuance costs are not recorded as assets in the governmental funds; however, these items are capitalized and amortized in the government-wide financial statements.		400,736
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	(46,389,271)	
Notes payable	(6,552,877)	
Other post-employment liability	(11,933,752)	
Loans from other governmental entities	(3,390,000)	
Capitalized lease obligation	(3,687,128)	
Compensated absences	(1,176,312)	
Accrued interest payable	(3,761)	(73,133,101)
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	1,144,554	
Adjustment related to enterprise funds	(2,410,301)	(1,265,747)
Net assets of governmental activities		$ (18,602,430)

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, 2011

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 20,135,399	$ 2,280,100	$ -	$ 1,227,128	$ 23,642,627
Licenses and permits	1,642,890	-	-	-	1,642,890
Fines and forfeits	1,918,957	-	-	-	1,918,957
Grants and contributions	1,667,681	2,965,017	2,034,542	6,051,844	12,719,084
Charges for services	8,928,729	-	-	589,927	9,518,656
Loan repayments	-	819,780	-	264,719	1,084,499
Interest	210	-	-	671	881
Miscellaneous	79,423	184	-	157,974	237,581
Total revenues	34,373,289	6,065,081	2,034,542	8,292,263	50,765,175
Expenditures:					
Current:					
General government	1,875,290	17,356	335,753	270,995	2,499,394
Sanitation	3,074,541	-	-	-	3,074,541
Public safety	26,547,070	-	-	73,455	26,620,525
Highways and streets	603,327	-	-	777,149	1,380,476
Public works	2,720,867	-	-	64,260	2,785,127
Parks and recreation	-	-	-	1,577,389	1,577,389
Community development and planning	2,146,151	-	-	2,342,373	4,488,524
Other departments and programs	193,519	-	-	1,914,125	2,107,644
Debt service:					
Principal retirements	-	4,295,000	11,079,990	380,905	15,755,895
Interest	-	54,903	795,266	155,286	1,005,455
Capital outlay	-	-	6,038,787	1,387,178	7,425,965
Total expenditures	37,160,765	4,367,259	18,249,796	8,943,115	68,720,935
Excess (deficiency) of revenues over (under) expenditures	(2,787,476)	1,697,822	(16,215,254)	(650,852)	(17,955,760)
Other financing sources (uses):					
Proceeds from the issuance of debt	-	-	20,085,574	-	20,085,574
Transfers in	2,403,536	324,584	717,474	236,624	3,682,218
Transfers out	(680,664)	(621,011)	(3,689,984)	(507,526)	(5,499,185)
Total other financing sources (uses)	1,722,872	(296,427)	17,113,064	(270,902)	18,268,607
Net change in fund balances (deficits)	(1,064,604)	1,401,395	897,810	(921,754)	312,847
Fund balances (deficits) - beginning of year	(4,511,439)	39,898	3,592,395	(174,629)	(1,053,775)
Fund balances (deficits) - end of year	$ (5,576,043)	$ 1,441,293	$ 4,490,205	$ (1,096,383)	$ (740,928)

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, 2011

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances (deficits) - total governmental funds		$ 312,847
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	$ 7,943,078	
Depreciation expense	(3,821,592)	4,121,486
In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change differs by the net book value of the capital assets disposed of.		(36,437)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(46,817)
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	(20,085,574)	
Debt issuance costs	400,736	
Principal repayments	15,755,895	(3,928,943)
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	(57,943)	
Change in accrued interest	1,629	
Other post-employment liability	(2,682,503)	
Amortization of bond discounts	(2,650,179)	(5,388,996)
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	(316,673)	
Adjustment related to enterprise funds	(227,827)	(544,500)
Change in net assets of governmental activities		$ (5,511,360)

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS (DEFICITS) - PROPRIETARY FUNDS
DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds					
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Funds	Total	Internal Service Fund
Assets						
Current assets:						
Cash and cash equivalents	$ 1,325,789	$ 583,895	$ 165,660	$ -	$ 2,075,344	$ 721,248
Receivables:						
Lease rentals, current	-	1,457,823	-	-	1,457,823	-
Accounts receivable (less allowance for doubtful accounts of $7,410,600)	254,647	2,327,245	3,626	35,862	2,621,380	451,990
Inventory	-	-	7,896	-	7,896	-
Prepaid expenses	-	-	19,333	-	19,333	23,445
Due from other governments	946,551	139,211	-	-	1,085,762	-
Due from other funds	903,947	1,581,868	-	-	2,485,815	2,097,473
Total current assets	3,430,934	6,090,042	196,515	35,862	9,753,353	3,294,156
Restricted assets:						
Cash and cash equivalents	-	13,716,597	-	1,658,458	15,375,055	456,777
Investments	-	2,147,889	-	-	2,147,889	-
Total restricted assets	-	15,864,486	-	1,658,458	17,522,944	456,777
Noncurrent assets:						
Lease rentals receivable, long-term	-	30,453,869	-	-	30,453,869	-
Capital assets, net of accumulated depreciation	-	89,190,154	4,043,781	12,452	93,246,387	-
Deferred charges (net of accumulated amortization of $112,898)	-	886,455	-	-	886,455	-
Total noncurrent assets	-	120,530,478	4,043,781	12,452	124,586,711	-
Total assets	3,430,934	142,485,006	4,240,296	1,706,772	151,863,008	3,750,933
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	337,356	2,078,270	127,372	4,309	2,547,307	930,723
Accrued wages payable	38,235	8,055	4,808	1,834	52,932	11,773
Accrued interest	-	-	42,092	-	42,092	-
Due to other funds	-	903,947	870,853	150,638	1,925,438	822,481
Deferred revenue	-	-	51,102	-	51,102	-
Total current liabilities	375,591	2,990,272	1,096,227	156,781	4,618,871	1,764,977
Current liabilities payable from restricted assets:						
Current portion of capitalized lease obligations	-	123,690	15,615	-	139,305	-
Current portion of bonds and notes payable	-	4,011,110	380,000	-	4,391,110	151,144
Total current liabilities payable from restricted resources	-	4,134,800	395,615	-	4,530,415	151,144
Noncurrent liabilities:						
Accrued compensated absences	147,063	31,131	-	3,583	181,777	67,379
Other post-retirement liability	231,923	49,300	-	15,693	296,916	109,614
Capitalized lease obligations	-	400,517	225,996	-	626,513	-
Bonds and notes outstanding	-	56,282,486	4,435,000	-	60,717,486	513,265
Total noncurrent liabilities	378,986	56,763,434	4,660,996	19,276	61,822,692	690,258
Total liabilities	754,577	63,888,506	6,152,838	176,057	70,971,978	2,606,379
Net Assets (Deficits)						
Invested in capital assets, net of related debt	-	67,043,198	(1,012,830)	12,452	66,042,820	-
Restricted:						
Debt service	-	8,092,205	-	-	8,092,205	-
Construction	2,676,357	-	-	1,658,458	4,334,815	-
Workers' compensation	-	-	-	-	-	456,777
Unrestricted	-	3,461,097	(899,712)	(140,195)	2,421,190	687,777
Total net assets (deficits)	$ 2,676,357	$ 78,596,500	$ (1,912,542)	$ 1,530,715	$ 80,891,030	$ 1,144,554
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					2,410,301	
Net assets of business-type activities					$ 83,301,331	

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, 2011

	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	$ 7,114,146	$ 8,948,807	$ 649,495	$ 57,726	$ 16,770,174	$ 12,467,259
Rental income	-	-	450,290	-	450,290	-
Revenue from other local governments	-	-	-	81,423	81,423	-
Miscellaneous income	26,126	602	4,809	-	31,537	-
Total operating revenues	7,140,272	8,949,409	1,104,594	139,149	17,333,424	12,467,259
Operating expenses:						
Personnel services	1,933,767	402,899	332,242	102,767	2,771,675	1,461,004
Utilities	890,400	-	180,327	-	1,070,727	-
Treatment costs	-	2,183,727	-	-	2,183,727	-
Contractual services	614,481	183,316	27,563	-	825,360	-
Professional services	100,017	184,975	57,600	6,579	349,171	365,868
Materials and supplies	456,112	77,644	195,550	9,315	738,621	224,349
Sludge	529,741	-	-	-	529,741	-
Administrative	537,588	652,484	205,544	30,235	1,425,851	340,106
Health insurance claims	-	-	-	-	-	7,824,885
Insurance premiums	-	-	20,354	-	20,354	919,969
Workers' compensation insurance	-	-	-	-	-	638,449
Depreciation	-	2,980,783	281,315	-	3,262,098	-
Miscellaneous	1,464,850	291,128	232	3,966	1,760,176	967,358
Total operating expenses	6,526,956	6,956,956	1,300,727	152,862	14,937,501	12,741,988
Operating income (loss)	613,316	1,992,453	(196,133)	(13,713)	2,395,923	(274,729)
Nonoperating revenue (expenses):						
Grants	-	1,218,001	-	30,000	1,248,001	-
Investment income	2,282	1,772,663	152	1,755	1,776,852	158
Contributions	-	-	-	50,825	50,825	-
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Interest expense	-	(2,750,488)	(269,472)	-	(3,019,960)	(42,102)
Total nonoperating revenue (expenses)	2,282	1,071,176	(269,320)	82,580	886,718	(41,944)
Change in net assets before transfers and contributed capital	615,598	3,063,629	(465,453)	68,867	3,282,641	(316,673)
Transfers in	-	4,207,535	426,100	-	4,633,635	-
Transfers out	(517,551)	(2,200,000)	-	(99,117)	(2,816,668)	-
Change in net assets before contributed capital	98,047	5,071,164	(39,353)	(30,250)	5,099,608	(316,673)
Contributed capital	-	1,379,517	-	-	1,379,517	-
Change in net assets (deficits)	98,047	6,450,681	(39,353)	(30,250)	6,479,125	(316,673)
Net assets (deficits) - beginning of year	2,578,310	72,145,819	(1,873,189)	1,560,965		1,461,227
Net assets (deficits) - end of year	$ 2,676,357	$ 78,596,500	$ (1,912,542)	$ 1,530,715		$ 1,144,554
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					227,827	
Change in net assets (deficits) of business-type activities					$ 6,706,952	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds					
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Funds	Total	Internal Service Fund
Cash flows from operating activities:						
Receipts from customers and users	$ 5,697,493	$ 7,962,104	$ 1,116,539	$ 148,102	$ 14,924,238	$ 12,149,481
Payments to suppliers	(4,726,678)	(5,353,078)	(33,879)	58,962	(10,054,673)	(10,372,647)
Payments to employees	(1,895,050)	(390,982)	(331,760)	(94,895)	(2,712,687)	(1,425,847)
Net cash provided by (used in) operating activities	(924,235)	2,218,044	750,900	112,169	2,156,878	350,987
Cash flows from noncapital financing activities:						
Transfers in	-	4,207,535	426,100	-	4,633,635	-
Transfers out	(517,551)	(2,200,000)	-	(99,117)	(2,816,668)	-
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Net cash provided by (used in) noncapital financing activities	(517,551)	2,838,535	426,100	(99,117)	2,647,967	-
Cash flows from capital and related financing activities:						
Capital outlays	-	(20,545,771)	(5,451)	-	(20,551,222)	-
Grants and contributions	-	2,829,757	-	50,825	2,880,582	-
Proceeds from the issuance of debt	-	1,500,000	-	-	1,500,000	-
Principal receipts on lease rentals receivable	-	2,914,932	-	-	2,914,932	-
Principal payments on bonds and notes	-	(3,921,721)	(360,000)	-	(4,281,721)	(142,137)
Principal payments on capital lease	-	(79,230)	(14,941)	-	(94,171)	-
Interest paid	-	(1,822,600)	(272,292)	-	(2,094,892)	(51,109)
Net cash provided by (used in) capital and related financing activities	-	(19,124,633)	(652,684)	50,825	(19,726,492)	(193,246)
Cash flows from investing activities:						
Sales of investment securities	-	9,056,758	-	-	9,056,758	-
Investment income	2,282	179,578	152	1,755	183,767	158
Net cash provided by investing activities	2,282	9,236,336	152	1,755	9,240,525	158
Net increase (decrease) in cash and cash equivalents	(1,439,504)	(4,831,718)	524,468	65,632	(5,681,122)	157,899
Cash and cash equivalents - beginning of year	2,765,293	19,132,210	(358,808)	1,592,826	23,131,521	1,020,126
Cash and cash equivalents - end of year	$ 1,325,789	$ 14,300,492	$ 165,660	$ 1,658,458	$ 17,450,399	$ 1,178,025
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$ 613,316	$ 1,992,453	$ (196,133)	$ (13,713)	$ 2,395,923	$ (274,729)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	-	2,980,783	281,315	-	3,262,098	-
Grants	-	-	-	30,000	30,000	-
(Increase) decrease in:						
Accounts receivable	(55,548)	(987,305)	9,051	(21,047)	(1,054,849)	(317,778)
Inventory	-	-	(628)	-	(628)	-
Prepaid expenses	-	-	(12,639)	-	(12,639)	106,076
Due from other governments	(946,551)	-	-	-	(946,551)	-
Due from other funds	(56,468)	(1,581,868)	-	-	(1,638,336)	(193,028)
Increase (decrease) in:						
Accounts payable and accrued expenses	(133,489)	(254,404)	37,198	(3,194)	(353,889)	172,808
Accrued wages payable	1,810	793	482	26	3,111	305
Other post-employment liabilities	43,031	8,488	-	4,263	55,782	27,603
Accrued compensated absences	(6,124)	2,636	-	3,583	95	7,249
Deferred revenue	-	-	2,894	-	2,894	-
Due to other funds	-	56,468	629,360	112,251	798,079	822,481
Due to other governments	(384,212)	-	-	-	(384,212)	-
Net cash provided by (used in) operating activities	$ (924,235)	$ 2,218,044	$ 750,900	$ 112,169	$ 2,156,878	$ 350,987
Non-cash items:						
Proceeds from capital lease obligations	$ -	$ 540,565	$ -	$ -	$ 540,565	$ -
Acquisition of equipment through capital lease obligations	$ -	$ 540,565	$ -	$ -	$ 540,565	$ -

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2011

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ -	$ 720,246
Investments, at fair value	75,038,306	-
Due from City of York	6,370,844	-
Total assets	81,409,150	720,246
Liabilities		
Accounts payable and accrued expenses	-	720,246
Total liabilities	-	$ 720,246
Net assets		
Held in trust for pension benefits	$ 81,409,150	

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, 2011

Additions:	
Contributions	
Employee contributions	$ 676,357
Employer contributions	5,859,263
Total contributions	6,535,620
Investment income:	
Interest and dividend income	1,429,926
Net depreciation of investments	(2,751,975)
	(1,322,049)
Less investment expense	(339,259)
Net investment income (loss)	(1,661,308)
Total additions	4,874,312
Deductions:	
Benefit payments	6,467,830
Total deductions	6,467,830
Change in net assets	(1,593,518)
Net assets held in trust for pension benefits, beginning of year	83,002,668
Net assets held in trust for pension benefits, end of year	$ 81,409,150

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS - COMPONENT UNITS
DECEMBER 31, 2011

	Redevelopment Authority	General Authority	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 827,934	$ 59,216	$ 887,150
Loans receivable, net of allowance	1,034,340	-	1,034,340
Note receivable	-	149,745	149,745
Due from other governments (net of allowance of $644,643 and zero)	2,779,492	283,000	3,062,492
Restricted cash and cash equivalents	-	1,090,661	1,090,661
Accounts receivable	108,420	24,871	133,291
Accrued interest	-	5,776	5,776
Prepaid expenses	1,201	-	1,201
Total current assets	4,751,387	1,613,269	6,364,656
Noncurrent assets:			
Capital assets (net of accumulated depreciation of $1,269,027 and $7,445,335)	2,256,038	7,368,179	9,624,217
Deferred charges (net of accumulated amortization of $41,250 and $494,960)	62,263	27,340	89,603
Total noncurrent assets	2,318,301	7,395,519	9,713,820
Total assets	7,069,688	9,008,788	16,078,476
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	3,700	494,421	498,121
Due to primary government	2,000	113,293	115,293
Due to other governments	104,157	-	104,157
Deferred revenues	76,207	492,185	568,392
Line of credit	3,462,712	-	3,462,712
Current portion of bonds payable	115,000	-	115,000
Current portion of note payable	-	294,118	294,118
Total current liabilities	3,763,776	1,394,017	5,157,793
Noncurrent liabilities:			
Bonds payable	2,845,000	-	2,845,000
Note payable	-	4,705,882	4,705,882
Total noncurrent liabilities	2,845,000	4,705,882	7,550,882
Total liabilities	6,608,776	6,099,899	12,708,675
Net Assets			
Invested in capital assets, net of related debt	(641,699)	2,797,643	2,155,944
Restricted:			
Debt service	19,169	-	19,169
Revolving loan	1,000,000	-	1,000,000
Unrestricted	83,442	111,246	194,688
Total net assets	$ 460,912	$ 2,908,889	$ 3,369,801

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF ACTIVITIES - COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2011

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Redevelopment Authority	General Authority	Total
Redevelopment Authority	$ 860,104	$ 272,924	$ 2,413,265	$ 1,826,085	$ -	$ 1,826,085
General Authority	1,983,892	1,696,268	283,000	-	(4,624)	(4,624)
Total component units	$ 2,843,996	$ 1,969,192	$ 2,696,265	1,826,085	(4,624)	1,821,461
General revenues:						
Miscellaneous revenue				28,111	-	28,111
Unrestricted investment earnings				33,376	559	33,935
Total general revenues				61,487	559	62,046
Change in net assets				1,887,572	(4,065)	1,883,507
Net assets - beginning of year, restated				(1,426,660)	2,912,954	1,486,294
Net assets - end of year				$ 460,912	$ 2,908,889	$ 3,369,801

See accompanying notes to basic financial statements.

1. Summary of Significant Accounting Policies

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

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

Reporting Entity

The criteria used by the City to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the City reviews the applicability of the following criteria.

The City is financially accountable for:

- Organizations that make up the legal City entity.
- Legally separate organizations if City officials appoint a voting majority of the organization's governing body and the City is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the City as defined below.
  - *Impose its Will* – If the City can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
  - *Financial Benefit or Burden* – Exists if the City (1) is entitled to the organization's resources, or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.
- Organizations that are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, or set rates or charges, or issue bonded debt without approval by the City.

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's) operations and so data from these units are combined with data of the City. The component unit which meets these 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, constructing, improving, and leasing the sewer systems and sewer treatment works to the City. The five-member board is nominated by the Mayor and appointed by City Council (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 these 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 Council. The General Authority's primary operations to date have been to operate and maintain a municipal parking system and issue conduit debt. 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 was formed in 1950 under the Pennsylvania Urban Redevelopment Law, Act of 1945 (Public Law – 991, as amended). A five-member board administers the Redevelopment Authority, all of whom are appointed by the City Mayor. The Redevelopment 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 Redevelopment 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

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 are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges to external parties for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

The City reports the following major governmental funds:

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

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

Capital Projects Fund – The Capital Projects Fund is used to account for the proceeds of debt issuances restricted for the acquisition and construction of capital facilities and other capital assets (excluding capital related costs financed by proprietary and fiduciary funds).

The City reports the following major proprietary funds:

Intermunicipal Sewer Fund – The Intermunicipal 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 – Account for the accumulation of resources for pension benefit payments and the withdrawals of qualified distributions for members of the City police force, City firefighters, City officers, and employees. The City sponsors and administers these plans, which are defined benefit plans covering substantially all employees.

Agency Funds – Account 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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 Services Fund that are reserved for workers' compensation claims are restricted to the purposes set forth in the City's workers' compensation insurance binder.

Investments

Investments are stated at fair value.

Allowance for Doubtful Accounts

The City's policy is to provide an allowance for loans, taxes, and accounts receivable based on past collection experience. The Redevelopment Authority has estimated the allowance for uncollectible amounts based upon currently known facts and circumstances.

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 cost of more than $5,000, individually or in the aggregate, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

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. An additional agreement was entered into on December 15, 2009 to sell additional property acquisitions for $125,000; however, the developer withdrew from the project during the year ended December 31, 2010. The land was turned over to the developer during the year ended December 31, 2011.

Capitalization of Interest

Interest expense that relates to the cost of acquiring or constructing capital assets by the City is capitalized. Interest is capitalized in the enterprise fund financial statements. The total interest capitalized during the year ended December 31, 2011 was $475,494.

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.

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.

In the fund financial statements, governmental funds report fund balance in categories based on the level of constraint placed upon the funds. These levels are as follows:

> ***Restricted Fund Balance*** – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties.
>
> ***Unassigned Fund Balance*** – This category represents all other funds not otherwise defined.

The City's policy is to use funds in the order of the most restrictive to the least restrictive.

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 Services 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 for the Redevelopment Authority is unavailable at December 31, 2011. The amount of nonrecourse debt issues for the General Authority is $11,800,000 at December 31, 2011.

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.

Pending Pronouncements

GASB Statement No. 61, *"The Financial Reporting Entity."* The objective of this Statement is to have financial reporting entity financial statements be more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement will become effective for the City's calendar year 2013.

GASB Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."* Statement No. 63 provides guidance on reporting deferred inflows and outflows of resources, which are distinctly different from assets and liabilities. As a result of reporting these additional elements, the residual balances will be considered as net position, rather than net assets. This statement will become effective for the City's calendar year 2012.

GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities."* Statement No. 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. This statement will become effective for the City's calendar year 2013.

GASB Statements No. 67 and 68, *"Financial Reporting for Pension Plans"* and *"Accounting and Financial Reporting for Pensions."* These Statements revise and establish reporting requirements for most governments that provide their employees with pension benefits. These statements will become effective for the City's calendar years 2014 and 2015.

GASB issued Statement No. 70, *"Accounting and Financial Reporting for Nonexchange Financial Guarantees."* Statement No. 70 improves accounting and financial reporting by governments that extend and receive nonexhange financial guarantees. This statement will become effective for the City's calendar year 2014.

The effect of implementation of these statements has not yet been determined.

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/her 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. 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 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.

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, State Liquid Fuels Tax, Community Development Block Grant Fund, and the State Health 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, 2011, six 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:

General Fund - The fund deficit, at December 31, 2011, is $5,576,043. As a result of declining revenues due to the antiquated tax structure, national economic recession, deferred revenues from unpaid invoices, and State budget cuts, the City has been evaluating the revenue and expenditure history and the operations structure of the City to develop a long-term strategy for deficit reduction. Potential strategies include rate increases for taxes, fees and fines, workforce reduction, and workforce consolidation. In the short-term, the City has closely monitored cash flow projections, operational expenditures, and is allowing the work force to shrink through attrition. For 2011, the City raised tax rates by more than 11% and raised sewer rates by a similar proportion. The Mayor and City Council have been advised that a tax increase of a similar size must be implemented for 2012. The City has undertaken three studies of General Fund Departments: A regional study of the Police Department is underway and studies of the Fire Department and the non-Police General Fund Departments have been completed. The Fire Department Study was completed by Public Safety Solutions, Inc. As a result of that study, the City has reduced overtime expenditures, has closed a fire station, and taken a piece of apparatus out of service. The City is also undertaking a study to find a more efficient method of enforcing tenant occupied structure licensing. The City commissioned a study by Public Financial Management in 2010. The study was completed and delivered to the City in mid-October 2011. The City is reviewing that study and preparing to implement appropriate recommendations.

Recreation Fund - The fund deficit of this fund, which is included in other governmental funds at December 31, 2011, of $928,990, is financed by loans from the General Fund as a result of revenue falling short of the budget. The City adopted a .25 mill tax increase in 2011 and has dedicated the revenue from that levy to reduce the deficit in the Recreation Fund.

State Liquid Fuels Tax Fund - The fund deficit, which is included in other governmental funds at December 31, 2011, of $338,930, is financed by loans from the General Fund as a result of revenue falling short of the budget. This deficit will be eliminated by expending less from that fund than the revenue that is received in subsequent years.

State Grant Health Funds - The fund deficit, which is included in other governmental funds at December 31, 2011, of $306,634, is financed by loans from the General Fund as a result of revenue falling short of the budget. The budget was based on state communications about the amount of the grant to be received but the actual received was less than the original communication. The deficit will be eliminated by expending less than the revenue received in that fund in future budgets.

Ice Rink Fund - The fund deficit, at December 31, 2011, of $1,912,542, is a result of assuming the capital assets and debt of the York Recreation Corporation and continuing losses. Although the ice rink has generated adequate revenue to pay the operating expenses and to make a contribution to the debt service, it has not generated adequate revenue to cover the full debt service. To assist in reducing the deficit, the City has hired a private company with expertise in operating public ice skating rinks nationally. The City is considering refinancing the outstanding debt to reduce the annual debt service, although in the long run it will cost more in interest.

White Rose Cable TV Fund - The fund deficit, which is included in other enterprise funds at December 31, 2011, of $145,816, is financed by loans from the General Fund as a result of revenue falling short of budget. Efforts are underway to establish an independent funding source for this fund. In 2011, a single benefactor donated $48,000 to keep the White Rose Cable TV on the air. When an independent source of funding is established, the deficit will be eliminated.

During 2011, the City overspent available cash in several of its funds, resulting in large cash deficits. Some of these overdrafts have been carried from prior years. The City's Internal Services Fund and Sewer Fund had sufficient funds to cover the cash overdrafts.

Early Intervention Program

In 2005, the City participated in the Commonwealth of Pennsylvania's (Commonwealth) 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 projected that if no changes were made, by 2010 the City would 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. Moreover, the recession has aggravated the deficits.

The City received a grant from DCED in 2010 to update the EIP report. The City is partnering with York County for a study by the Police Executive Research Fellowship to complete a study on the City and regional police departments and the possible creation of a regional department. The City has retained Public Safety Solutions, Inc. for a comprehensive study of the Department of Fire-Rescue Services and is awaiting the final report. The City retained Public Financial Management (PFM) to study and report on all other aspects of the City government.

The Fire Department Study was delivered in the beginning of 2011. As a result of that study, the City closed a station and took a piece of apparatus out of service. It is projected that this will save over $400,000 dollars in overtime expense. The PFM report was delivered in mid-October 2011 and the recommendations therein are under consideration. The Police Study is not anticipated to be complete until the first half of 2012. The study was to focus on opportunities for the creation of a metro York police department and potential improvements and opportunities for cooperation amongst various departments in the region. The police department command staff is studying the recommendations for departmental efficiencies. York Counts, a grassroots strategic planning organization managed by the York Community Foundation, has taken on the responsibility to promote regionalization of the metro York area police departments. York Counts funded the local match for the police study.

4. Property Taxes

The City is permitted by the Third Class City Code of the Commonwealth 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 17.39 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 2011 was as follows:

February 16, 2011	–	levy date
February 16 – April 15, 2011	–	2% discount period
April 16 – June 15, 2011	–	face payment period
June 16 – December 31, 2011	–	10% penalty period
January 1, 2012	–	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. The types of 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 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.

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, 2011, the City's book balance was $12,119,750 and the bank balance was $12,665,681. Of the bank balance, $577,112 was covered by federal depository insurance, $12,028,569 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 and $60,000 was uncollateralized.

Cash and cash equivalents per financial statement:	
Governmental activities:	
Unrestricted	$ 1,693,882
Restricted	6,410,927
Business-type activities:	
Unrestricted	2,075,344
Restricted	15,375,055
Fiduciary funds:	
Agency funds	720,246
	26,275,454
Less money market funds	(14,155,704)
Total deposits	$ 12,119,750

B. Investments

The fair value of the investments of the City at December 31, 2011 was as follows:

	Fair Value
Governmental activities:	
Restricted - Money market funds	$ 439,107
Total governmental activities	439,107
Business-type activities:	
Restricted:	
Money market funds	13,716,597
U.S. Government obligations	2,147,889
Total business-type activities	15,864,486
Fiduciary funds:	
Pension trust funds:	
Fixed income mutual funds	21,364,663
Other investments	365,983
Collective investment trusts	6,045,819
Equity mutual funds	43,796,335
Common stock	3,465,506
Total fiduciary funds	75,038,306
Total investments	$ 91,341,899

In addition, at December 31, 2011, the City had $105,000 held in money market funds, which had a book balance of zero.

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.

The U.S. government obligations of the business-type activities are comprised of U.S. Treasury bills, 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, 2011 was $2,147,889 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, 2011, there were no investments held by the City that exceeded five percent of the City's total portfolio.

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, 2011:

	Fair Value	Rating
Money market funds	$ 14,260,704	AAA
Fixed income mutual funds	$ 11,683,120	AAA
Fixed income mutual funds	$ 310,222	A1+
Fixed income mutual funds	$ 4,748,541	AA
Fixed income mutual funds	$ 4,622,780	A
Other investments	$ 365,983	Unrated
Collective investment trusts	$ 6,045,819	Unrated

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:

		Investment Maturity			
	Fair Value	2012	2013-2017	2018-2022	2023+
Money market funds	$ 14,260,704	$ 14,260,704	$ -	$ -	$ -
U.S. Government obligations	2,147,889	653,309	1,494,580	-	-
Fixed income mutual funds	21,364,663	310,222	7,026,448	9,405,213	4,622,780
	$ 37,773,256	$ 15,224,235	$ 8,521,028	$ 9,405,213	$ 4,622,780

<u>Component Units</u>

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, 2011, the General Authority's book balance was $78,086 and the bank balance was $202,390. The full bank balance was covered by federal depository insurance.

Investments

At December 31, 2011, the fair value of the General Authority's investment in money market funds was $1,071,791.

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, 2011, the money market funds were rated AAAm 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.

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, 2011, the Redevelopment Authority's book and bank balances were $808,764. A total of $719,702 of the bank balance was covered by federal depository insurance at December 31, 2011, and the remaining $89,062 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.

Investments

At December 31, 2011, the fair value of the Redevelopment Authority's investment in money market funds was $19,170.

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, 2011, the money market funds were rated AAAm 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 – COMPONENT UNITS

Due from other governments in the amount of $3,062,492 is composed of the following:

County of York	$ 283,000
Redevelopment Assistance Capital Program – Renovation and Construction of Northwest Triangle Project – Commonwealth of Pennsylvania, net of allowance of $644,643	2,779,492
Total Due from Other Governments	$ 3,062,492

Grants received are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. The Redevelopment Authority has used its best estimate to report an allowance based on currently known facts and circumstances.

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 Redevelopment Authority has entered into a Redevelopment Assistance Capital Project (RACP) grant agreement with the Commonwealth 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 $14,650,000 of which $7,000,000 is earmarked as RACP assistance and the remaining portion is to be provided from a local match.

The grant receivable currently recorded for the period ending December 31, 2011, in the net amount of $2,779,492, is based on the costs incurred to date which are expected to be reimbursed under the RACP grant. In order for the Redevelopment Authority to receive the full amount of the reimbursement, the local match requirement must be satisfied in accordance with the grant agreement. The matching fund requirement for the Redevelopment Authority is $7,000,000, as outlined in the grant guidelines. As of the report date, the Redevelopment Authority believes they will secure the local match fund commitments required to meet the conditions of the grant. The City and the Redevelopment Authority currently have a planned local match of $7,650,000.

During the year ended December 31, 2011, an allowance in the amount of $644,643, was established for costs incurred under the RACP project, but not yet recognized as reimbursable by the Commonwealth of Pennsylvania. Total amounts received under the RACP grant during the year ended December 31, 2011 amounted to $1,118,989.

Reimbursements under the grant are based upon the satisfaction of various special conditions of the grant and the Commonwealth's approval of the reimbursement requests.

Grants received or amounts expected to be received are subject to audit and adjustment by the Commonwealth. Any disallowed claims may constitute a liability or reduction of a receivable. The amount, if any, of expenditures that may be disallowed by the Commonwealth cannot be determined at this time. However, the Redevelopment Authority has used its best estimate to report an allowance based on currently known facts and circumstances.

The Redevelopment Authority has incurred costs 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 $3,424,135 as of December 31, 2011. It is the Redevelopment 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 six 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, 2011.

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, 2011.

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 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, 2011.

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, 2011, 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 in the fund financial statement as of December 31, 2011.

Shady Oak Apartments Limited Partnership

In November of 1993, the City entered into a promissory note agreement with a Pennsylvania limited partnership in which the City has agreed to lend $600,000 of funds from the Home Program for the purpose of rehabilitation, preservation, and enhancement of primarily rental residential real property containing 35 dwelling units for rent or lease to tenants. The loan is secured by a mortgage, with interest charged at 1% per annum. The full amount of the note, plus accrued interest, was originally due and payable December 1, 2009. This loan has been extended for an additional 15 years, and the full amount of the note, plus accrued interest, is due and payable on December 1, 2024. An allowance of the full amount of the loan is recorded within the Home Fund as of December 31, 2011.

Component Units

Redevelopment Authority

Loans receivable in the amount of $1,034,340 at December 31, 2011 are composed of:

The following loans were made utilizing funds received from the Commonwealth of Pennsylvania Department of Community and Economic Development (DCED) for Housing and Redevelopment and Assistance program (HRA):	
HRA 2009 loan bearing interest at 5% per annum with interest only paid annually until maturity date in 2018, at which time the entire $500,000 is due	$ 500,000
HRA 2010 loan bearing interest at rates varying from 1% to 3% per annum paid annually until maturity date in 2020, at which time the entire $500,000 is due	500,000
Multiple revolving loans made under a United States Department of Agriculture grant program with varying terms	34,340
Total loans receivable	$ 1,034,340

8. NOTE RECEIVABLE

The General Authority entered into a Note Receivable Agreement (Note) with a long-term tenant of the King Street Garage, whereby, the tenant will reimburse the General Authority for the cost associated with a renovation project. Under the Note, the tenant will pay the General Authority $2,741 per month including interest at 3.75% and principal, commencing on July 1, 2012 and monthly thereafter until June 1, 2017. A corresponding deferred revenue has been recorded for the amount of the Note, which will be amortized over the life of the renovations, once they are placed in service.

9. DUE TO/FROM AND INTERFUND TRANSFERS

Individual due to/from other fund balances at December 31, 2011 were as follows:

	Due From Other Funds	Due To Other Funds
General Fund	$ 342,201	$ 7,266,421
Capital Projects Fund	44,124	-
Other governmental funds	60,000	1,386,117
Intermunicipal Sewer Fund	903,947	-
Sewer Fund	1,581,868	903,947
Ice Rink Fund	-	870,853
Other enterprise funds	-	150,638
Internal Service Fund	2,097,473	822,481
Pension Trust Funds	6,370,844	-
Total primary government	$ 11,400,457	$ 11,400,457

Primarily, interfund balances represent short term borrowings between funds for the purpose of eliminating negative cash. Additionally, the amount due to the Pension Trust Funds from the General Fund is for a portion of the 2011 minimum municipal obligation plus accrued interest and the participants' December 2011 contributions that had not been transferred to the Pension Trust Funds at December 31, 2011.

A reconciliation of the interfund transfers for the year ended December 31, 2011 is as follows:

	Transfers In	Transfers Out
General Fund	$ 2,403,536	$ 680,664
Debt Service Fund	324,584	621,011
Capital Projects Fund	717,474	3,689,984
Other governmental funds	236,624	507,526
Intermunicipal Sewer Fund	-	517,551
Sewer Fund	4,207,535	2,200,000
Ice Rink Fund	426,100	-
Other enterprise funds	-	99,117
Total primary government	$ 8,315,853	$ 8,315,853

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.

10. 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 2008, Series of 2010, Series 2010A, and Series 2011, and pay a service charge based on usage for the express purpose of maintenance, repair, and replacement of the existing interceptor system. This service charge is accounted for in the Sewer Fund.

Minimum lease rentals receivable as of December 31, 2011 are:

Years Ending December 31,	Amount
2012	$ 2,959,302
2013	2,959,303
2014	3,002,244
2015	3,022,244
2016	3,019,956
2017	2,864,189
2018	2,866,061
2019	2,625,628
2020	853,671
2021	840,474
2022	2,202,000
2023	5,006,894
2024	5,010,874
2025	3,823,600
2026	2,796,122
2027	1,227,533
Total minimum lease rentals receivable	45,080,095
Less amount representing interest (at an average rate of 3.2%)	(13,168,403)
Present value of minimum lease rentals receivable	31,911,692
Less current installments of lease rentals	(1,457,823)
Lease rentals, excluding current installments	$ 30,453,869

11. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

Primary Government

	Beginning of Year	Additions/ Transfers In	Retirements and Dispositions/ Transfers Out	End of Year
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 5,485,381	$ 550,000	$ -	$ 6,035,381
Construction in progress	426,196	1,706,014	(426,196)	1,706,014
Total capital assets, not being depreciated	5,911,577	2,256,014	(426,196)	7,741,395
Capital assets, being depreciated:				
Buildings	8,914,760	3,157,201	-	12,071,961
Land improvements	4,346,614	284,094	-	4,630,708
Equipment and furniture	18,776,324	378,832	(364,814)	18,790,342
Infrastructure	74,463,096	2,293,133	-	76,756,229
Total capital assets, being depreciated	106,500,794	6,113,260	(364,814)	112,249,240
Less accumulated depreciation for:				
Buildings	(3,860,087)	(198,991)	-	(4,059,078)
Land improvements	(2,437,493)	(163,608)	-	(2,601,101)
Equipment and furniture	(12,638,084)	(945,613)	328,377	(13,255,320)
Infrastructure	(45,813,441)	(2,513,380)	-	(48,326,821)
Total accumulated depreciation	(64,749,105)	(3,821,592)	328,377	(68,242,320)
Total capital assets, being depreciated, net	41,751,689	2,291,668	(36,437)	44,006,920
Governmental activities capital assets, net	$47,663,266	$ 4,547,682	$ (462,633)	$51,748,315

	Beginning of Year	Additions/ Transfers In	Retirements and Dispositions/ Transfers Out	End of Year
Business-type activities:				
Capital assets, not being depreciated				
Land	$ 17,445	$ -	$ -	$ 17,445
Construction in progress	3,242,789	15,825,344	(1,791,698)	17,276,435
Total capital assets, not being depreciated	3,260,234	15,825,344	(1,791,698)	17,293,880
Capital assets, being depreciated:				
Buildings	105,102,152	7,303,050	-	112,405,202
Land improvements	22,145	-	-	22,145
Equipment and furniture	3,800,357	590,992	(111,555)	4,279,794
Infrastructure	17,618,547	162,517	-	17,781,064
Total capital assets being depreciated	126,543,201	8,056,559	(111,555)	134,488,205
Less accumulated depreciation for:				
Buildings	(44,178,749)	(2,705,465)	-	(46,884,214)
Land improvements	(8,100)	(1,107)	-	(9,207)
Equipment and furniture	(2,571,066)	(282,421)	111,555	(2,741,932)
Infrastructure	(8,627,240)	(273,105)	-	(8,900,345)
Total accumulated depreciation	(55,385,155)	(3,262,098)	111,555	(58,535,698)
Total capital assets, being depreciated, net	71,158,046	4,794,461	-	75,952,507
Business-type activities capital assets, net	$74,418,280	$ 20,619,805	$ (1,791,698)	$93,246,387

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	$ 28,393
Sanitation	27,772
Public safety	602,960
Highways and streets	146,244
Public works	2,711,015
Parks and recreation	248,598
Community development and planning	42,534
Other departments and programs	8,186
Total depreciation expense – governmental activities	3,815,702
Internal services fund depreciation expense allocated to governmental activities	5,890
Total depreciation expense for governmental activities	$ 3,821,592
Business-type activities:	
Sewer	$ 2,980,783
Ice rink	281,315
Total depreciation and amortization expenses – enterprise funds	$ 3,262,098

Component Units

	Beginning of Year	Additions/ Transfers In	Retirements and Distributions/ Transfers Out	End of Year
Redevelopment Authority:				
Capital assets, being depreciated:				
Buildings and improvements	$ 3,525,065	$ -	$ -	$ 3,525,065
Less accumulated depreciation	(1,128,024)	(141,003)	-	(1,269,027)
Redevelopment Authority: Capital assets, net	$ 2,397,041	$ (141,003)	$ -	$ 2,256,038
General Authority:				
Capital assets, not being depreciated				
Construction in progress	$ 5,156,118	$ 761,709	$ (4,712,342)	$ 1,205,485
Total capital assets, not being depreciated	5,156,118	761,709	(4,712,342)	1,205,485
Capital assets, being depreciated:				
Buildings and improvements	9,030,207	4,721,482	(143,660)	13,608,029
Less accumulated depreciation	(7,038,013)	(518,032)	110,710	(7,445,335)
Total capital assets, being depreciated, net	1,992,194	4,203,450	(32,950)	6,162,694
General Authority: Capital assets, net	$ 7,148,312	$ 4,965,159	$ (4,745,292)	$ 7,368,179

12. TAX ANTICIPATION NOTE OF 2011

In January of 2011, the City borrowed $8,140,000 in the form of a Tax and Revenue Anticipation Note, Series of 2011, bearing interest at a fixed rate of 1.81% per annum, to cover the shortfall of revenues in excess of expenditures from January 1 through mid-April, when real estate tax revenues become available. Total interest paid during the year was $136,693. The entire balance of the note was paid in full by the City in December of 2011.

Tax anticipation note transactions for the year ended December 31, 2011 were as follows:

Outstanding at December 31, 2010	$ -
New borrowings	8,140,000
Repayments	(8,140,000)
Outstanding at December 31, 2011	$ -

13. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2011 was as follows:

Primary Government

Governmental Activities:	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Loans from other governmental entities	$ 3,630,000	$ -	$ -	$ (240,000)	$ 3,390,000	$ 240,000
General Obligation Notes	13,108,568	5,753,765	480,362	(12,125,409)	7,217,286	1,451,144
General Obligation Bonds	33,053,904	14,050,550	2,169,817	(2,885,000)	46,389,271	3,015,000
Capitalized lease obligation	4,053,492	281,259	-	(647,623)	3,687,128	565,540
Vested compensated absences	1,178,499	65,192	-	-	1,243,691	-
Other post-employment liability	9,333,260	5,081,313	-	(2,371,207)	12,043,366	-
	$ 64,357,723	$ 25,232,079	$ 2,650,179	$ (18,269,239)	$ 73,970,742	$ 5,271,684

Business-type Activities:	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Sewer Revenue Bonds	$ 61,800,428	$ 1,500,000	$ 1,285,893	$ (3,921,721)	$ 60,664,600	$ 4,011,110
Unamortized discount	(407,142)	-	-	36,138	(371,004)	-
Recreation Revenue Bonds	5,175,000	-	-	(360,000)	4,815,000	380,000
Capitalized lease obligations	319,424	540,565	-	(94,171)	765,818	139,305
Vested compensated absences	181,682	95	-	-	181,777	-
Other post-employment liability	241,134	104,588	-	(48,806)	296,916	-
	$ 67,310,526	$ 2,145,248	$ 1,285,893	$ (4,388,560)	$ 66,353,107	$ 4,530,415

Component Units

	Beginning of Year	Additions	Retirements	End of Year	Current Portion
Redevelopment Authority:					
Revenue bonds	$ 3,065,000	$ -	$ (105,000)	$ 2,960,000	$ 115,000
General Authority:					
Notes payable	$ 5,445,800	$ 339,581	$ (785,381)	$ 5,000,000	$ 294,118

Loans from Other Governmental Entities

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, 2011, was $1,000,000.

In 2009, 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 to be used for the paving of City streets and various improvements to City-owned buildings. The City has pledged its full faith and credit towards the repayment of the Section 108 loan obligation, should the City's Community Development Block Grant funds be insufficient to meet the debt service requirements of the Section 108 loan. The balance due, as of December 31, 2011, was $2,390,000.

The annual principal and interest requirements for amounts due from the City under loans from other governmental entities as of December 31, 2011 are as follows:

Years Ending December 31,	Principal	Interest
2012	$ 240,000	$ 132,636
2013	240,000	126,442
2014	240,000	119,276
2015	240,000	111,326
2016	240,000	102,686
2017-2021	1,203,000	358,428
2022-2026	705,000	147,346
2027-2028	282,000	18,303
	$ 3,390,000	$ 1,116,443

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, 2011 is comprised of:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
General Obligation Refunding Notes, Series D of 1998	$ 7,634,459	Thru 2023	0.00%	$ 7,900,000
General Obligation Notes, Series of 2002	$ 5,285,000	Thru 2013	3.00% - 3.80%	1,215,000
General Obligation Notes, Series of 2006	$ 1,337,500	Thru 2015	6.25%	664,409
General Obligation Notes at December 31, 2011				9,779,409
Less unamortized discount on zero coupon notes				(2,562,123)
General Obligation Notes, net of discount, at December 31, 2011				$ 7,217,286

The annual principal and interest requirements for amounts due from the City under general obligation notes at December 31, 2011 are as follows:

Years Ending December 31,	Principal	Interest
2012	$ 1,451,144	$ 76,446
2013	1,145,633	44,397
2014	1,025,901	22,346
2015	691,731	11,516
2016	360,000	-
2017-2021	840,000	-
2022-2023	4,265,000	-
	9,779,409	154,705
Unamortized discount	(2,562,123)	-
	$ 7,217,286	$ 154,705

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, 2011:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
1995A	$ 76,030,000	Thru 2022	0.00% - 6.50%	$ 42,955,000
1998B	$ 4,440,000	Thru 2024	0.00%	4,440,000
2011	$ 11,265,000	Thru 2041	7.25%	11,265,000
2011A	$ 585,550	Thru 2013	Variable (2.796% at December 31, 2011	585,550
2011B	$ 2,200,000	Thru 2027	9.00%	2,200,000
General Obligation Bonds at December 31, 2011				61,445,550
Less unamortized discount on zero coupon notes				
(Series A of 1995)				(12,900,007)
(Series B of 1998)				(2,156,272)
General Obligation Bonds, net of discount, at December 31, 2011				$ 46,389,271

The annual principal and interest requirements for amounts due from the City under general obligation bonds at December 31, 2011 are as follows:

Years Ending December 31,	Principal	Interest
2012	$ 3,015,000	$ 908,297
2013	4,185,550	1,029,284
2014	3,750,000	995,200
2015	4,115,000	974,962
2016	4,285,000	953,100
2017-2021	22,690,000	4,385,576
2022-2026	11,240,000	3,581,026
2027-2031	2,060,000	2,641,590
2032-2036	2,525,000	1,873,400
2037-2041	3,580,000	814,897
	61,445,550	18,157,332
Unamortized discount	(15,056,279)	-
	$ 46,389,271	$ 18,157,332

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, 2011, the following defeased debt was outstanding:

	Escrowed as of December 31, 2011	Outstanding as of December 31, 2011
General Obligation Bonds, Series A of 1995	$ 9,724,888	$ 5,927,171

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, 2011 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%	$ 19,360,000
Guaranteed Sewer Revenue Bonds - Series of 2008	$ 10,000,000	2022	4.04%	10,000,000
Guaranteed Sewer Revenue Bonds - Series of 2010	$ 22,745,000	2027	4.50-5.00%	22,745,000
Guaranteed Sewer Revenue Bonds - Series A of 2010	$ 10,540,000	2019	2.50-4.00%	10,540,000
Guaranteed Sewer Revenue Bonds - Series of 2011	$ 1,500,000	2021	1.00%	1,453,281
Guaranteed Sewer Revenue Bonds at December 31, 2011				64,098,281
Less unamortized discount on zero coupon bonds				(3,433,681)
Guaranteed Sewer Revenue Bonds, net of discount, at December 31, 2011				$ 60,664,600

The annual principal and interest requirements for amounts due from the City under the guaranteed sewer revenue bonds at December 31, 2011 are as follows:

Years Ending December 31,	Principal	Interest
2012	$ 4,011,110	$ 1,761,763
2013	4,012,588	1,760,285
2014	4,094,040	1,758,833
2015	4,135,507	1,754,741
2016	4,136,966	1,749,257
2017-2021	10,963,070	7,818,509
2022-2026	30,555,000	4,652,414
2027	2,190,000	104,025
	64,098,281	21,359,827
Unamortized discount	(3,433,681)	-
	$ 60,664,600	$ 21,359,827

Economic Defeasance of Guaranteed Sewer Revenue Bonds

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

York City Recreation Corporation Guaranteed Revenue Bonds, Series of 2001

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, 2011 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
2001	$ 7,305,000	Thru 2021	4.10-5.15%	$ 4,815,000

The annual principal and interest requirements for amounts due from the City under the guaranteed recreation revenue bonds at December 31, 2011 are as follows:

Years Ending December 31,	Principal	Interest
2012	$ 380,000	$ 243,765
2013	395,000	225,597
2014	415,000	204,803
2015	440,000	181,290
2016	465,000	156,403
2017-2021	2,720,000	366,405
	$ 4,815,000	$ 1,378,263

Capitalized Lease Obligations

The City leases certain equipment under long-term lease agreements which are classified as capital leases. As of December 31, 2011, the governmental activities and the business-type activities include equipment and furniture under capital leases with a net book value of $3,510,551 and $816,345, respectively.

The future minimum payments under capital leases and the present value of the future minimum lease payments at December 31, 2011 are as follows:

	Year ending December 31,	Governmental Activities	Business-type Activities	Total
	2012	$ 724,099	$ 157,554	$ 881,653
	2013	612,449	150,168	762,617
	2014	509,708	145,741	655,449
	2015	473,084	141,568	614,652
	2016	410,430	96,957	507,387
	2017-2021	1,487,310	131,095	1,618,405
	2022-2023	256,020	52,438	308,458
Total minimum lease payments		4,473,100	875,521	5,348,621
Less amount representing interest		(785,972)	(109,703)	(895,675)
Present value of future minimum lease payments		$ 3,687,128	$ 765,818	$ 4,452,946

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 Redevelopment Authority.

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

The Redevelopment Authority bonds payable at December 31, 2011 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
2002 Revenue Bonds	$ 3,725,000	Thru 2027	Variable (0.20% at December 31, 2011)	$ 2,960,000

The annual principal and interest requirements for amounts due from the Redevelopment Authority under the 2002 Revenue Bonds using the 0.20% interest rate in effect at December 31, 2011 are as follows:

Years Ending December 31,	Principal	Interest
2012	$ 115,000	$ 5,872
2013	120,000	5,640
2014	130,000	5,396
2015	135,000	5,134
2016	145,000	4,860
2017-2021	875,000	19,485
2022-2026	1,160,000	9,547
2027	280,000	443
	$ 2,960,000	$ 56,377

General Authority Series of 2008 Promissory Note

In 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, 2011, the General Authority had fully drawn-down 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.

The annual principal and interest requirements for amounts due from the General Authority under the Promissory Note using the fixed rate in effect at December 31, 2011 are as follows:

Years Ending December 31,	Principal	Interest
2012	$ 294,118	$ 168,187
2013	294,118	212,808
2014	294,118	199,078
2015	294,118	185,349
2016	294,118	171,619
2017-2021	1,470,590	652,154
2022-2026	1,470,590	308,913
2027-2028	588,230	27,459
	$ 5,000,000	$ 1,925,567

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% was payable monthly. On December 21, 2009, a loan modification agreement was approved to extend the maturity date of the line of credit to December 5, 2012 and to reduce the interest rate to 5.4%, commencing the day after the bank receives a payment of no less than $1 million from the RACP grant proceeds. Such a payment was received in October 2010, in the amount of $2,456,873. The line of credit has been paying the expenses associated with the Redevelopment Authority's RACP grant funded by the Commonwealth. It is the Redevelopment Authority's intention to use the reimbursement from the RACP grant to pay the outstanding balance on the line of credit. As of December 31, 2011, the balance outstanding on the line of credit was $3,424,135.

On January 16, 2009, the Redevelopment Authority entered into a $750,000 revolving line of credit agreement with a local bank through June 30, 2010. In June 2010, a modification agreement was approved, which extended the maturity date to June 30, 2011. During 2011, the local bank allowed an extension of the maturity date, although no modification agreements were officially approved by the bank. Variable interest of prime plus 0.50%, not to exceed 5.75%, is payable monthly. The line of credit has been paying for expenses associated with construction costs relative to the environmental remediation of the Northwest Triangle Project. The amount drawn shall never exceed the amount remaining under the Redevelopment Authority's $1,050,000 Growing Greener II Grant (Growing Greener), funded by the Commonwealth. As of December 31, 2011, there was an outstanding balance of $38,577 on the line of credit.

The Redevelopment Authority's line of credit activity for the year ended December 31, 2011 was as follows:

	Beginning of Year	Issued	Redeemed	End of Year
RACP Line of Credit	$ 4,470,397	$ 72,727	$ (1,118,989)	$ 3,424,135
Growing Greener Line of Credit	-	232,404	(193,827)	38,577
Total	$ 4,470,397	$ 305,131	$ (1,312,816)	$ 3,462,712

15. EMPLOYEE RETIREMENT PLANS (PENSION TRUST FUNDS)

Description of the Plans

The City maintains single-employer defined benefit plans (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.

The plans are governed by the Third Class City Code of the Commonwealth of Pennsylvania, as amended. At January 1, 2011, 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	89	111	77
Terminated employees entitled to deferred benefits	27	9	-
Active employees:			
Vested	99	54	14
Partially vested	92	45	53
Total	307	219	144

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 after completion of 20 years and six months of service. Paid Firefighters are eligible for normal retirement at age 50, after completion of 20 years of 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, after completion of 20 years of service if hired before January 1, 1978, or completion of 5 years of service if hired on or after January 1, 1978, or after 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, 5% of salary if hired on or after January 1, 1988, and 6% of salary if hired on or after January 1, 2007. Officers and Employees contributions are 2% plus 1/2% of salary for service increment (if opted) if hired before January 1, 1978, or 2% of salary if hired on or after January 1, 1978.

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

In 2011, state aid of $3,016,476 was deposited into the Debt Service Fund to pay the debt service payments for the 1995 general obligation bonds issued to help fund the pension plan. Pages 80 to 82 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	$ 759,447	$ 3,384,038	$ 1,715,778
Contributions made by December 31, 2011	-	-	-
Annual pension cost due at December 31, 2011	$ 759,447	$ 3,384,038	$ 1,715,778
Due from City of York:			
Portion of 2011 minimum municipal obligation funded subsequent to December 31, 2011	$ 759,447	$ 3,384,038	$ 1,715,778
Accumulated interest on minimum municipal obligation funded subsequent to December 31, 2011	63,034	280,873	142,409
Employee withholding not deposited in trust as of December 31, 2011	5,857	12,561	6,847
Total due from City of York as of December 31, 2011	$ 828,338	$ 3,677,472	$ 1,865,034

	Officers and Employees Pension Plan	Police Pension Plan	Paid Firefighters Pension Plan
Actuarial valuation date	1/1/2011	1/1/2011	1/1/2011
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar closed, Level percentage of projected payroll for Initial Base Closed	Level dollar closed, Level percentage of projected payroll for COLA amendment closed	Level dollar closed, Level percentage of projected payroll for COLA amendment closed
Remaining amortization period	19 years	24 years	24 years
Asset valuation method	Five year smoothed method with the value of assets at a maximum of 130% and a minimum of 70% of market value	Five year smoothed method with the value of assets at a maximum of 130% and a minimum of 70% of market value	Five year smoothed method with the value of assets at a maximum of 130% and a minimum of 70% of 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%

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	2011	$ 759,447	100%	$ -
	2010	376,684	100%	-
	2009	344,088	100%	-
Police Pension Plan	2011	$ 3,384,038	100%	$ -
	2010	3,244,828	100%	-
	2009	3,120,389	100%	-
Paid Firefighters Pension Plan	2011	$ 1,715,778	100%	$ -
	2010	1,805,386	100%	-
	2009	1,785,031	100%	-

Funding Status and Schedule of Funding Progress:

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Officers and Employees Pension Plan:						
1/1/2011	$ 21,366,032	$ 24,567,150	$ 3,201,118	87.0%	$ 7,600,411	42.1%
Police Pension Plan:						
1/1/2011	$ 42,073,130	$ 76,631,555	$ 34,558,425	54.9%	$ 6,250,388	552.9%
Paid Firefighters Pension Plan:						
1/1/2011	$ 26,159,700	$ 43,362,544	$ 17,202,844	60.3%	$ 3,869,316	444.6%

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 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.

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 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.

The combining information for the plans is as follows:

	Officers and Employees Pension Plan	Police Pension Plan	Paid Firefighters Pension Plan
Investments, at fair value	$ 18,349,542	$ 35,056,058	$ 21,632,706
Due from City of York	828,338	3,677,472	1,865,034
Total assets	$ 19,177,880	$ 38,733,530	$ 23,497,740
Net assets	$ 19,177,880	$ 38,733,530	$ 23,497,740

	Officers and Employees Pension Plan	Police Pension Plan	Paid Firefighters Pension Plan
Additions:			
Contributions:			
Employee contributions	$ 152,348	$ 333,134	$ 190,875
Employer contributions	759,447	3,384,038	1,715,778
Total contributions	911,795	3,717,172	1,906,653
Investment income:			
Interest and dividend income	299,836	716,207	413,883
Net depreciation of investments	(674,230)	(1,284,461)	(793,284)
	(374,394)	(568,254)	(379,401)
Less investment expenses	(86,021)	(155,621)	(97,617)
Net investment income (loss)	(460,415)	(723,875)	(477,018)
Total additions	451,380	2,993,297	1,429,635
Deductions:			
Benefit payments	1,072,655	3,237,691	2,157,484
Total deductions	1,072,655	3,237,691	2,157,484
Change in net assets	(621,275)	(244,394)	(727,849)
Net assets, beginning of year	19,799,155	38,977,924	24,225,589
Net assets, end of year	$ 19,177,880	$ 38,733,530	$ 23,497,740

16. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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 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 Council for non-organized employees. The plan does 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 5 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.

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, 1988) 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. 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 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, 2011, the City's net cost of providing full health care benefits for retired employees was $2,420,013. Plan members receiving benefits contributed $167,159, 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 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 as follows:

Date of Hire	Date of Retirement	Retirees	Spouses/ Dependents
Prior to 9/1/08	Prior to 9/1/08	$ 750	$ 750
Prior to 9/1/08	9/1/08 - 12/31/08	900	700
Prior to 9/1/08	1/1/09 - 12/31/09	1,000	800
Prior to 9/1/08	1/1/10 - 12/31/10	1,100	900
Prior to 9/1/08	1/1/11 - 12/31/11	1,200	1,000
Prior to 9/1/08	1/1/12 - 12/31/12	1,300	1,100
9/1/08 and later		COBRA rate	COBRA rate

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

Police Plan – For all retirees, the annual contributions are as follows:

Date of Retirement	Retirees	Spouses/ Dependents
Prior to 1/1/07	$ 700	$ 700
7/1/07 and later	1,100	1,100

Teamsters Plan – For retirees under the age of 65, the annual contributions are as follows:

Date of Hire	Date of Retirement	Retirees	Spouses/ Dependents
Prior to 7/25/08	Prior to 12/31/08	$ 900	$ 700
Prior to 7/25/08	1/1/09 - 12/31/09	1,000	800
Prior to 7/25/08	1/1/10 - 12/31/10	1,100	900
Prior to 7/25/08	1/1/11 - 12/31/11	1,200	1,000
Prior to 7/25/08	1/1/12 - 12/31/12	1,300	1,100
7/25/08 and later		COBRA rate	COBRA rate

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 who retired prior to January 1, 2007, the annual contributions are $700 for the retiree and $700 for spouses/dependents. For retirees under the age of 65 who retired on or after January 1, 2007, the annual contributions for the retiree and spouse are determined at the time of retirement. An independent audit will be performed each year to determine the average cost per participant incurred in the plan and the third previous year. The retiree and spouse will be responsible to contribute 25% of the cost determined in the audit. The contribution for the retiree and spouse determined at the time of retirement can be no more than 10% higher than the contribution determined for a participant that retired in the previous year.

For all 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. 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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:

Actuarial valuation date	1/1/2009
Actuarial cost method	Entry age normal, level dollar
Amortization period	30 years, open period
Actuarial assumptions:	
Interest rate	4.5%
Salary increases	5% per year
Medical inflation	8% in 2009, decreasing by 0.5% per year to to 5.5% in 2014; rates gradually decrease from 5.3% in 2015 to 4.2% in 2099 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model

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, 2011 were as follows:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	$ 5,236,813	$ 107,789	$ 5,344,602
Interest on net OPEB obligation	426,897	8,786	435,683
Adjustment to annual required contribution	(582,397)	(11,987)	(594,384)
Annual OPEB Cost	5,081,313	104,588	5,185,901
Contribution made	(2,371,207)	(48,806)	(2,420,013)
Change in Net OPEB obligation	2,710,106	55,782	2,765,888
Net OPEB obligation, beginning	9,333,260	241,134	9,574,394
Net OPEB obligation, ending	$ 12,043,366	$ 296,916	$ 12,340,282

Three-Year Trend Information

Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2011	$ 5,185,901	46.67%	$ 12,340,282
2010	5,243,228	35.35%	9,574,394
2009	4,756,307	38.44%	6,184,618

Funded Status and Schedule of Funding Progress

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2009	$ -	$ 52,664,914	$ 52,664,914	0.00%	$ 17,256,761	305.18%

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 three years ended December 31, 2011 were as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Year Liability
2010	$ 437,636	$ 6,299,592	$ 6,338,476	$ 398,752
2011	398,752	7,824,885	7,792,762	430,875

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, 2011, 2010, and 2009 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 $145,968 for the year ended December 31, 2011. 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. However, the Redevelopment Authority has used its best estimate to report an allowance based on currently known facts and circumstances.

Contract Commitment

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 $37,858,507. At December 31, 2011, $1,853,798 was included in accounts payable. The commitment remaining on the contracts at December 31, 2011 was $1,955,956.

Redevelopment Authority

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 was required to remediate the properties.

During 2011, the third and final stage of the environmental remediation process was completed, resulting in no ending balance of the contamination liability at December 31, 2011. The Redevelopment Authority did not receive insurance recoveries during the year ended December 31, 2011.

General Authority

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. The General Authority had expended approximately $314,446 as of December 31, 2011 towards the Northwest Triangle Initiative.

During 2011, the General Authority entered into contracts with construction contractors totaling $696,355 for the rehabilitation of the King Street Parking Garage. At December 31, 2011, $413,969 was included in accounts payable. The remaining commitment on these contracts at December 31, 2011 was $24,370.

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 $743,992 in operating expenses and received $962,843 in fees under the management agreement in 2011. The City received $141,000 in administrative fees under an administration agreement in 2011. A receivable of $113,293 is recorded in the General Fund for fees that were earned under these agreements, but unpaid at December 31, 2011.

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 2012, the City borrowed $9,480,000 in the form of a Tax and Revenue Anticipation Note, Series of 2012, bearing interest at an annual rate of 4.81%.

In February of 2013, the City borrowed $5,700,000 in the form of a Tax and Revenue Anticipation Note, Series of 2013, bearing interest at an annual rate of 0.95% until June 2013, and thereafter at a variable rate equal to LIBOR plus 0.75%.

In October of 2012, the Redevelopment Authority borrowed $2,450,000 in the form of a non-revolving time loan, for a period of 12 months, with the option to extend for one additional 12-month period, bearing interest at an annual rate of 3.75%, to be repaid with RACP grant funding. The loan proceeds were utilized to pay off the original non-revolving line of credit agreement entered in November 2006 to finance the Northwest Triangle Project, as indicated in Note 14.

In May of 2012, the Redevelopment Authority entered into a new promissory note agreement whereby the Redevelopment Authority borrowed $500,000 with interest at 5% per annum, with interest only paid annually until the maturity date in 2018, at which time the entire $500,000 is due. The note payable is secured by a pledge of installment payments of principal and interest for which the Redevelopment Authority is owed under the 2009 HRA loan, as referenced in Note 7.

22. RESTATEMENT

During the year ended December 31, 2011, the Redevelopment Authority determined that grant revenue and loans receivable were understated at December 31, 2010 by $500,000. The beginning of year Redevelopment Authority net assets have been increased from ($1,926,660) to ($1,426,660). Had the loans receivable been properly stated, the change in net assets for the Redevelopment Authority would have been ($1,901,881) for the year ended December 31, 2010, $500,000 more 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, 2011

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	$ 20,171,572	$ 20,171,572	$ -	$ 20,135,399	$ (36,173)
Licenses and permits	1,593,400	1,593,400	-	1,642,890	49,490
Fines and forfeits	2,063,400	2,063,400	-	1,918,957	(144,443)
Grants and contributions	6,901,320	7,199,605	298,285	1,667,681	(5,531,924)
Charges for services	8,969,405	8,999,405	30,000	8,928,729	(70,676)
Interest	20,000	20,000	-	210	(19,790)
Miscellaneous	52,350	52,350	-	79,423	27,073
Total revenues	39,771,447	40,099,732	328,285	34,373,289	(5,726,443)
Expenditures:					
General government	2,088,709	1,967,689	121,020	1,875,290	92,399
Sanitation	3,202,765	3,070,073	132,692	3,074,541	(4,468)
Public safety	27,040,473	27,738,847	(698,374)	26,547,070	1,191,777
Highways and streets	607,848	603,935	3,913	603,327	608
Public works	2,488,180	2,724,188	(236,008)	2,720,867	3,321
Community development and planning	2,405,441	2,360,261	45,180	2,146,151	214,110
Other departments and programs	201,707	193,805	7,902	193,519	286
Total expenditures	38,035,123	38,658,798	(623,675)	37,160,765	1,498,033
Excess (deficiency) of revenues over (under) expenditures	1,736,324	1,440,934	(295,390)	(2,787,476)	(4,228,410)
Other financing sources (uses):					
Transfers in	2,677,509	2,770,002	92,493	2,403,536	(366,466)
Transfers out	(1,026,518)	(814,728)	211,790	(680,664)	134,064
Total other financing sources (uses)	1,650,991	1,955,274	304,283	1,722,872	(232,402)
Net change in fund balance	$ 3,387,315	$ 3,396,208	$ 8,893	$ (1,064,604)	$ (4,460,812)

1. Budgetary Data

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

2. Budget to Actual Comparisons

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

3. Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations

	Appropriation	Expenditure
Sanitation	$ 3,070,073	$ 3,074,541

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund.

CITY OF YORK, PENNSYLVANIA

REQUIRED SUPPLEMENTARY DATA
SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM THE EMPLOYER
OFFICERS' AND EMPLOYEES' PENSION PLAN
(UNAUDITED - SEE ACCOMPANYING AUDITORS' 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)
1/1/02	$ 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%
1/1/09	19,756,874	22,301,395	(1)	(2,544,521)	88.6%	7,387,463	(34.4%)
1/1/11	21,366,032	24,567,150		(3,201,118)	87.0%	7,600,411	(42.1%)

Schedule of Contributions from the Employer

Calendar Year		Annual Required Contribution	Contributions from Employer	Percentage Contributed
2006		$ 291,572	$ 291,572	100%
2007		331,360	331,360	100%
2008		335,270	335,270	100%
2009		344,088	344,088	100%
2010		376,684	376,684	100%
2011	(2)	759,447	759,447	100%

(1) The actuarial accrued liability increase on the January 1, 2009 actuarial valuation is due to a change in the asset valuation method from the market value method to the five-year smoothing method.

(2) $759,447 was funded in 2012; amount of the total required contribution was accrued as of December 31, 2011.

CITY OF YORK, PENNSYLVANIA
REQUIRED SUPPLEMENTARY DATA
SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM THE EMPLOYER
POLICE PENSION PLAN
(UNAUDITED - SEE ACCOMPANYING AUDITORS' 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)
1/1/02	$ 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	(1)	(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%)
1/1/09	36,453,921	71,734,278	(2)	(35,280,357)	50.8%	6,218,166	(567.4%)
1/1/11	42,073,130	76,631,555		(34,558,425)	54.9%	6,250,388	(552.9%)

Schedule of Contributions from the Employer

Calendar Year		Annual Required Contribution	Contributions from Employer	Percentage Contributed
2006		$ 2,949,964	$ 2,949,964	100%
2007		2,988,309	2,988,309	100%
2008	(3)	3,052,400	3,052,400	100%
2009	(4)	3,120,389	3,120,389	100%
2010	(5)	3,244,828	3,244,828	100%
2011	(6)	3,384,038	3,384,038	100%

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

(2) The actuarial accrued liability increase on the January 1, 2009 actuarial valuation is due to a change in the asset valuation method from the market value method to the five-year smoothing method.

(3) $1,066,251 was funded as of December 31, 2008 and $1,986,149 was funded in 2009; amount of the total required contribution was accrued as of December 31, 2008.

(4) $417,160 was funded as of December 31, 2009 and $2,703,229 was funded in 2010; amount of the total required contribution was accrued as of December 31, 2009.

(5) $400,480 was funded as of December 31, 2010 and $2,844,348 was funded in 2011; amount of the total required contribution was accrued as of December 31, 2010.

(6) $3,095,191 was funded in 2012 and $288,847 was funded in 2013; amount of the total required contribution was accrued as of December 31, 2011.

CITY OF YORK, PENNSYLVANIA
REQUIRED SUPPLEMENTARY DATA
SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM THE EMPLOYER
PAID FIREFIGHTERS PENSION PLAN
(UNAUDITED - SEE ACCOMPANYING AUDITORS' REPORT)

The following schedule represents the funding progress and contributions from the City for the Paid Firefighters 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)
1/1/02	$ 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	(1)	(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%)
1/1/09	23,246,959	42,684,783	(2)	(19,437,824)	54.5%	3,800,645	(511.4%)
1/1/11	26,159,700	43,362,544		(17,202,844)	60.3%	3,869,316	(444.6%)

Schedule of Contributions from the Employer

Calendar Year		Annual Required Contribution	Contributions from Employer	Percentage Contributed
2006		$ 1,621,527	$ 1,621,527	100%
2007		1,641,164	1,641,164	100%
2008	(3)	1,681,387	1,681,387	100%
2009	(4)	1,785,031	1,785,031	100%
2010	(5)	1,805,386	1,805,386	100%
2011	(6)	1,715,778	1,715,778	100%

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

(2) The actuarial accrued liability increase on the January 1, 2009 actuarial valuation is due to a change in the asset valuation method from the market value method to the five-year smoothing method.

(3) $598,479 was funded as of December 31, 2008 and $1,082,908 was funded in 2009; amount of the total required contribution was accrued as of December 31, 2008.

(4) $238,752 was funded as of December 31, 2009 and $1,546,279 was funded in 2010; amount of the total required contribution was accrued as of December 31, 2009.

(5) $222,836 was funded as of December 31, 2010 and $1,582,550 was funded in 2011; amount of the total required contribution was accrued as of December 31, 2010.

(6) $1,538,377 was funded in 2012 and $177,401 was funded in 2013; amount of the total required contribution was accrued as of December 31, 2011.

CITY OF YORK, PENNSYLVANIA
REQUIRED SUPPLEMENTARY DATA
SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM THE EMPLOYER
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
(UNAUDITED - SEE ACCOMPANYING AUDITORS' REPORT)

Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/07	$ -	$ 48,995,002	$ 48,995,002	0.00%	$ 15,047,604	325.60%
1/1/09	-	52,664,914	52,664,914	0.00%	17,256,761	305.18%

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Percentage Contributed
2008	$ 4,808,544	23.65%
2009	4,808,544	38.02%
2010	5,344,602	34.68%
2011	5,344,602	45.28%

Supplementary Information

CITY OF YORK, PENNSYLVANIA
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Recreation Fund	Community Development Loan Fund	Community Development Block Grant	Conduit Fund	Section 108 Fund
Assets					
Cash and cash equivalents	$ -	$ 110,706	$ 176,125	$ 123,441	$ 1
Receivables:					
Loans (less allowance for doubtful accounts of $625,559 in Community Development Block Grant Fund, $106,213 in Section 108 Fund, and $662,416 in HOME Fund)	-	748,989	891,735	-	601,877
Taxes (less allowance for doubtful accounts of $110,629 in recreation)	120,132	-	-	-	-
Accounts, notes, and grants	9,999	-	18,392	29,809	-
Due from other funds	60,000	-	-	-	-
Due from component unit	-	-	-	-	-
Total assets	$ 190,131	$ 859,695	$ 1,086,252	$ 153,250	$ 601,878
Liabilities and Fund Balances (Deficits)					
Liabilities:					
Accounts payable and accrued expenses	$ 44,749	$ 121	$ 94,517	$ 142,423	$ -
Accrued wages payable	11,235	-	-	-	-
Due to other funds	952,508	-	100,000	708	-
Due to other governments	-	8,902	-	8,419	-
Deferred revenues	110,629	748,989	891,735	771	601,878
Total liabilities	1,119,121	758,012	1,086,252	152,321	601,878
Fund balances (deficits):					
Restricted for:					
Public works	-	-	-	-	-
Community development	-	101,683	-	929	-
Unassigned	(928,990)	-	-	-	-
Total fund balances (deficits)	(928,990)	101,683	-	929	-
Total liabilities and fund balances (deficits)	$ 190,131	$ 859,695	$ 1,086,252	$ 153,250	$ 601,878

Special Revenue						
Section 108 - Rebuild York Fund	State Liquid Fuels Tax Fund	Special Projects Fund	HOME Fund	State Grant Health Funds	Weyer Trust	Total Nonmajor Governmental Funds
$ 90,493	$ (73,815)	$ 570,620	$ 70,429	$ (123,596)	$ 8,104	$ 952,508
-	-	-	353,692	-	-	2,596,293
-	-	-	-	-	-	120,132
-	-	17,115	539	179,603	-	255,457
-	-	-	-	-	-	60,000
-	-	32,184	-	-	-	32,184
$ 90,493	$ (73,815)	$ 619,919	$ 424,660	$ 56,007	$ 8,104	$ 4,016,574
$ 87,220	$ 264,064	$ 181,382	$ 539	$ 15,539	$ 814	$ 831,368
-	1,051	-	-	14,201	1,142	27,629
-	-	-	-	332,901	-	1,386,117
-	-	-	70,429	-	-	87,750
-	-	72,399	353,692	-	-	2,780,093
87,220	265,115	253,781	424,660	362,641	1,956	5,112,957
3,273	-	366,138	-	-	-	369,411
-	-	-	-	-	6,148	108,760
-	(338,930)	-	-	(306,634)	-	(1,574,554)
3,273	(338,930)	366,138	-	(306,634)	6,148	(1,096,383)
$ 90,493	$ (73,815)	$ 619,919	$ 424,660	$ 56,007	$ 8,104	$ 4,016,574

CITY OF YORK, PENNSYLVANIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) - OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011

	Recreation Fund	Community Development Loan Fund	Community Development Block Grant	Conduit Fund	Section 108 Fund
Revenues:					
Taxes	$ 1,227,128	$ -	$ -	$ -	$ -
Grants and contributions	800	-	1,882,096	273,155	-
Charges for services	510,897	-	41,651	-	-
Loan repayments	-	264,719	-	-	-
Interest	-	134	-	-	-
Miscellaneous	51,712	-	-	-	-
Total revenues	1,790,537	264,853	1,923,747	273,155	-
Expenditures:					
Current:					
General government	-	-	-	-	-
Highways and streets	-	-	-	-	-
Parks and recreation	1,517,613	-	-	-	-
Public safety	-	-	-	13,839	-
Public works	-	-	-	-	-
Community development and planning	-	5,954	1,207,716	220,845	-
Other departments and programs	-	-	-	-	-
Debt service:					
Principal retirements	-	-	240,000	-	-
Interest	-	-	140,407	-	-
Capital outlay	5,750	-	473,131	-	-
Total expenditures	1,523,363	5,954	2,061,254	234,684	-
Excess of revenues over (under) expenditures	267,174	258,899	(137,507)	38,471	-
Other financing sources (uses):					
Transfers in	-	-	137,507	-	-
Transfers out	(166,483)	(290,369)	-	(50,674)	-
Total other financing sources (uses)	(166,483)	(290,369)	137,507	(50,674)	-
Net change in fund balances (deficits)	100,691	(31,470)	-	(12,203)	-
Fund balances (deficits) - beginning of year	(1,029,681)	133,153	-	13,132	-
Fund balances (deficits) - end of year	$ (928,990)	$ 101,683	$ -	$ 929	$ -

Special Revenue						
Section 108 - Rebuild York Fund	State Liquid Fuels Tax Fund	Special Projects Fund	HOME Fund	State Grant Health Funds	Weyer Trust	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ 1,227,128
-	765,463	525,990	781,536	1,700,491	122,313	6,051,844
-	-	37,379	-	-	-	589,927
-	-	-	-	-	-	264,719
19	506	12	-	-	-	671
-	4,877	101,321	-	64	-	157,974
19	770,846	664,702	781,536	1,700,555	122,313	8,292,263
-	-	270,995	-	-	-	270,995
-	777,149	-	-	-	-	777,149
-	-	59,776	-	-	-	1,577,389
-	-	59,616	-	-	-	73,455
43,824	-	20,436	-	-	-	64,260
-	-	20,982	781,536	-	105,340	2,342,373
-	-	-	-	1,914,125	-	1,914,125
-	140,905	-	-	-	-	380,905
-	14,879	-	-	-	-	155,286
537,637	165,812	204,848	-	-	-	1,387,178
581,461	1,098,745	636,653	781,536	1,914,125	105,340	8,943,115
(581,442)	(327,899)	28,049	-	(213,570)	16,973	(650,852)
-	-	99,117	-	-	-	236,624
-	-	-	-	-	-	(507,526)
-	-	99,117	-	-	-	(270,902)
(581,442)	(327,899)	127,166	-	(213,570)	16,973	(921,754)
584,715	(11,031)	238,972	-	(93,064)	(10,825)	(174,629)
$ 3,273	$ (338,930)	$ 366,138	$ -	$ (306,634)	$ 6,148	$ (1,096,383)

CITY OF YORK, PENNSYLVANIA

STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
DEBT SERVICE FUND - MAJOR GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	$ 2,277,866	$ 2,277,866	$ -	$ 2,280,100	$ 2,234
Grants and contributions	1,780,000	1,780,000	-	2,965,017	1,185,017
Loan repayments	819,780	819,780	-	819,780	-
Miscellaneous	-	-	-	184	184
Total revenues	4,877,646	4,877,646	-	6,065,081	1,187,435
Expenditures:					
Current:					
General government	17,586	17,586	-	17,356	230
Debt service	4,349,904	4,349,904	-	4,349,903	1
Total expenditures	4,367,490	4,367,490	-	4,367,259	231
Excess (deficiency) of revenues (under) expenditures	510,156	510,156	-	1,697,822	1,187,666
Other financing sources (uses):					
Transfers in	324,584	324,584	-	324,584	-
Transfers out	(621,013)	(621,013)	-	(621,011)	2
Total other financing sources (uses)	(296,429)	(296,429)	-	(296,427)	2
Net change in fund balance	$ 213,727	$ 213,727	$ -	$ 1,401,395	$ 1,187,668

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND -
MAJOR GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2011

	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	$ 1,723,033	$ 1,773,033	$ 50,000	$ 2,034,542	$ 261,509
Total revenues	1,723,033	1,773,033	50,000	2,034,542	261,509
Expenditures:					
Current:					
General government	-	-	-	335,753	(335,753)
Debt service	-	-	-	11,875,256	(11,875,256)
Capital outlay	7,976,875	8,807,168	(830,293)	6,038,787	2,768,381
Total expenditures	7,976,875	8,807,168	(830,293)	18,249,796	(9,442,628)
Excess (deficiency) of revenues over (under) expenditures	(6,253,842)	(7,034,135)	(780,293)	(16,215,254)	(9,181,119)
Other financing sources (uses):					
Proceeds from the issuance of debt	4,900,000	5,522,949	622,949	20,085,574	14,562,625
Transfers in	727,291	884,635	157,344	717,474	(167,161)
Transfers out	-	-	-	(3,689,984)	(3,689,984)
Total other financing sources (uses)	5,627,291	6,407,584	780,293	17,113,064	10,705,480
Net change in fund balance	$ (626,551)	$ (626,551)	$ -	$ 897,810	$ 1,524,361

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
RECREATION FUND - OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	$ 1,229,291	$ 1,229,291	$ -	$ 1,227,128	$ (2,163)
Grants and contributions	-	-	-	800	800
Charges for services	609,130	609,130	-	510,897	(98,233)
Miscellaneous	71,000	71,000	-	51,712	(19,288)
Total revenues	1,909,421	1,909,421	-	1,790,537	(118,884)
Expenditures:					
Current:					
Parks and recreation	1,622,600	1,626,143	(3,543)	1,517,613	108,530
Capital outlay	-	-	-	5,750	(8,000)
Total expenditures	1,622,600	1,626,143	(3,543)	1,523,363	100,530
Excess (deficiency) of revenues (under) expenditures	286,821	283,278	(3,543)	267,174	(16,104)
Other financing sources (uses):					
Transfers out	(193,533)	(202,964)	(9,431)	(166,483)	36,481
Total other financing sources (uses)	(193,533)	(202,964)	(9,431)	(166,483)	36,481
Net change in fund balance	$ 93,288	$ 80,314	$ (12,974)	$ 100,691	$ 20,377

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2011

	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	$ 2,678,206	$ 2,901,193	$ 222,987	$ 1,882,096	$ (1,019,097)
Charges for services	-	-	-	41,651	41,651
Total revenues	2,678,206	2,901,193	222,987	1,923,747	(977,446)
Expenditures:					
Current:					
Community development and planning	2,070,698	2,274,824	(204,126)	1,207,716	1,067,108
Debt service	563,390	562,251	1,139	380,407	181,844
Capital outlay	44,118	64,118	(20,000)	473,131	(409,013)
Total expenditures	2,678,206	2,901,193	(222,987)	2,061,254	839,939
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(137,507)	(137,507)
Other financing sources (uses):					
Transfers in	-	-	-	137,507	137,507
Total other financing sources (uses)	-	-	-	137,507	137,507
Change in net assets	$ -	$ -	$ -	$ -	$ -

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
STATE LIQUID FUELS TAX FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2011

	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	$ 744,887	$ 744,887	$ -	$ 765,463	$ 20,576
Interest	2,000	2,000	-	506	(1,494)
Miscellaneous	-	-	-	4,877	4,877
Total revenues	746,887	746,887	-	770,846	23,959
Expenditures:					
Current:					
Highways and streets	735,809	779,337	(43,528)	777,149	2,188
Debt service	160,000	155,983	4,017	155,784	199
Capital outlay	165,812	165,812	-	165,812	-
Total expenditures	1,061,621	1,101,132	(39,511)	1,098,745	2,387
Net change in fund balance	$ (314,734)	$ (354,245)	$ (39,511)	$ (327,899)	$ 26,346

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
STATE HEALTH GRANT FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2011

	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	$ 1,999,293	$ 2,110,319	$ 111,026	$ 1,700,491	$ (409,828)
Miscellaneous	6,500	6,500	-	64	(6,436)
Total revenues	2,005,793	2,116,819	111,026	1,700,555	(416,264)
Expenditures:					
Current:					
Other departments and programs	1,992,414	2,103,442	(111,028)	1,914,125	189,317
Total expenditures	1,992,414	2,103,442	(111,028)	1,914,125	189,317
Net change in fund balance	$ 13,379	$ 13,377	$ (2)	$ (213,570)	$ (226,947)

CITY OF YORK, PENNSYLVANIA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - PENSION TRUST FUNDS
DECEMBER 31, 2011

	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total
Assets				
Investments, at fair value	$ 18,349,542	$ 35,056,058	$ 21,632,706	$ 75,038,306
Due from City of York	828,338	3,677,472	1,865,034	6,370,844
Total assets	19,177,880	38,733,530	23,497,740	81,409,150
Net Assets				
Held in trust for pension benefits	$ 19,177,880	$ 38,733,530	$ 23,497,740	$ 81,409,150

CITY OF YORK, PENNSYLVANIA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
DECEMBER 31, 2011

	Fire Escrow	Escrow Fund	Total
Assets			
Cash and cash equivalents	$ 453,793	$ 266,453	$ 720,246
Total assets	453,793	266,453	720,246
Liabilities			
Accounts payable and accrued expenses	453,793	266,453	720,246
Total liabilities	$ 453,793	$ 266,453	$ 720,246

CITY OF YORK, PENNSYLVANIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUNDS
YEAR ENDED DECEMBER 31, 2011

	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total
Additions:				
Contributions:				
Employee contributions	$ 152,348	$ 333,134	$ 190,875	$ 676,357
Employer contributions	759,447	3,384,038	1,715,778	5,859,263
Total contributions	911,795	3,717,172	1,906,653	6,535,620
Investment income:				
Interest and dividend income	299,836	716,207	413,883	1,429,926
Net depreciation of investments	(674,230)	(1,284,461)	(793,284)	(2,751,975)
	(374,394)	(568,254)	(379,401)	(1,322,049)
Less investment expenses	(86,021)	(155,621)	(97,617)	(339,259)
Net investment income (loss)	(460,415)	(723,875)	(477,018)	(1,661,308)
Total additions	451,380	2,993,297	1,429,635	4,874,312
Deductions:				
Benefit payments	1,072,655	3,237,691	2,157,484	6,467,830
Total deductions	1,072,655	3,237,691	2,157,484	6,467,830
Change in net assets	(621,275)	(244,394)	(727,849)	(1,593,518)
Net assets held in trust for pension benefits, beginning of year	19,799,155	38,977,924	24,225,589	83,002,668
Net assets held in trust for pension benefits, end of year	$ 19,177,880	$ 38,733,530	$ 23,497,740	$ 81,409,150