

CITY OF YORK, PENNSYLVANIA
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2013



Certified Public Accountants and Business Consultants

Independent Auditors' Report

To the Members of City Council
City of York, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of York, Pennsylvania as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of York, Pennsylvania's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of York, Pennsylvania's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Members of City Council
City of York, Pennsylvania

Emphasis of Matter

For the year ended December 31, 2013, the City of York, Pennsylvania adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through xxix, budgetary comparison information on pages 75 and 76, schedules of historical pension information on pages 77 through 79 and schedule of historical other post-employment benefits information on page 80 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.

Other Information

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 and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of the City of York, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of York, Pennsylvania's internal control over financial reporting and compliance.

Maillie LLP

Oaks, Pennsylvania
September 26, 2014

CITY OF YORK, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2013

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CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

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, 2013. Please read it in conjunction with the City's financial statements, which begin with the Statement of Net Position 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 exceeded its liabilities by \$62,731,593 (Net Position).
 - Net investment in capital assets, in the amount of \$91,191,824, includes all capital assets including infrastructure.
 - Restricted net position with external restrictions imposed by creditors or laws or regulations of other governments amounted to \$13,321,702.
 - Unrestricted net position, which is net position not restricted for any particular purpose, was (\$41,781,933).
- Over 2013, the City's net position decreased by \$1,144,934. The business-type activities net position decreased by \$1,441,649, primarily due to increase in budgeted transfers of \$605,791, increase interest expense of \$685,992, in accordance with applicable maturity schedules, and an increase in depreciation expense of \$319,477, due to the completion of a large infrastructure project during the year ended December 31, 2013. Governmental activities net position increased by \$296,715.
- At December 31, 2013, the fund balances of the City's governmental funds were (\$4,560,438). This was a decrease of \$2,066,055 from December 31, 2012.

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, 2013

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 Position 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

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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data for each of these non-major governmental funds is provided in the form of combining statements in supplementary information.

- The City's proprietary fund financial statements follow the governmental fund financial statements and include the statement of net position, the statement of revenue, expenses, and changes in net position, 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.

- 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.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 Position. 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 position 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, the City is divided 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 Position 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, 2013

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

TABLE 1
CONDENSED STATEMENT OF NET POSITION
DECEMBER 31, 2013 AND 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Assets:						
Cash and investments	\$ 3,692,796	\$ 3,316,914	\$ 15,734,463	\$ 16,065,199	\$ 19,427,259	\$ 19,382,113
Other assets	13,454,253	13,629,872	37,924,967	38,874,315	51,379,220	52,504,187
Capital assets	53,340,399	51,872,250	88,518,301	92,324,874	141,858,700	144,197,124
Total Assets	70,487,448	68,819,036	142,177,731	147,264,388	212,665,179	216,083,424
Liabilities:						
Other liabilities	16,568,561	14,750,175	841,477	930,474	17,410,038	15,680,649
Long-term liabilities	73,126,671	73,573,360	59,396,877	62,952,888	132,523,548	136,526,248
Total Liabilities	89,695,232	88,323,535	60,238,354	63,883,362	149,933,586	152,206,897
Net Position:						
Net investment in capital assets	28,176,611	27,356,555	63,015,213	64,751,378	91,191,824	92,107,933
Restricted	1,503,700	1,429,818	11,818,002	12,228,198	13,321,702	13,658,016
Unrestricted	(48,888,095)	(48,290,872)	7,106,162	6,401,450	(41,781,933)	(41,889,422)
Total Net Position	\$(19,207,784)	\$(19,504,499)	\$ 81,939,377	\$ 83,381,026	\$ 62,731,593	\$ 63,876,527

Overall, total City assets and liabilities decreased by \$3,418,245 and \$2,273,311, respectively, for the year ended December 31, 2013. The decrease in the City's total assets is the result of the following: total decrease in capital assets in the amount of \$2,338,424 due to total capital outlays of \$5,488,757 (as explained in "Capital Assets" section) and depreciation expense of \$7,824,299. The decrease in the City's total liabilities is the result of the following: increase in other liabilities totaling \$1,729,389, total debt decrease in the amount of \$6,690,941 (as described in "Long-Term Debt" section), and the increase in other post-employment liability in the amount of \$2,626,109.

Cash and investments represent 5.24% and 4.83% of the City's total governmental activities assets at December 31, 2013 and 2012, respectively. Of this amount, 38.06% or \$1,017,932, at December 31, 2013, and 27.77% or \$921,050, at December 31, 2012, is restricted, primarily for financing the workers compensation and debt service payments. 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 six municipalities in addition to the City. The \$12,855,766 and \$13,121,127 at December 31, 2013 and 2012, respectively, in cash and investments allows for future maintenance, repair and replacement as well as improvement to the City's sewer facilities.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

The governmental activities capital assets value is net of \$75,446,387, or 58.58% and \$71,900,865, or 58.09% of accumulated depreciation at December 31, 2013 and 2012, respectively. For the business-type activities, the capital asset value is net of \$66,537,876, or 42.91% and \$62,380,135, or 40.32% of accumulated depreciation at December 31, 2013 and 2012. 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 position may serve over time as a useful indicator of the government's financial position. The City's assets exceeded its liabilities by \$62,731,593 and \$63,876,527 for the years ending December 31, 2013 and 2012, respectively.

By far the largest portion of the City's net position, 145.37% at December 31, 2013 and 144.20% at December 31, 2012, is the City's investment in capital assets. (e.g., 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 position (21.24% and 21.38% at December 31, 2013 and 2012, respectively) represents resources that are subject to external restrictions on how they may be used. Of the \$13,321,702 that is restricted at December 31, 2013: \$7,645,487 is the value of bond related accounts held for debt service payments, while the remaining amount is restricted to use for public works, community planning and development, workers' compensation insurance, revolving loans, and construction. Of the \$13,658,016 that is restricted at December 31, 2012: \$8,136,289 is the value of bond related accounts held for debt service payments, while the remaining amount is restricted to use for community planning and development, workers' compensation insurance, and construction.

The City's unrestricted net position balance of (\$41,781,933) and (\$41,889,422) at December 31, 2013 and 2012, results from the recording of unfunded pension bonds, General Obligation Bonds, Series A of 1995 and Series B of 1998, in the amount of \$30,108,049 and \$31,436,595, respectively. Additionally, the unrestricted net position for the years ended December 31, 2013 and 2012 included unfunded other post-employment liabilities in the amount of \$17,384,781 and \$14,758,672, respectively.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

TABLE 2
CONDENSED STATEMENT CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2013 AND 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenue:						
Charges for services	\$ 12,894,711	\$ 13,813,062	\$ 18,518,894	\$ 18,504,147	\$ 31,413,605	\$ 32,317,209
Operating grants and contributions	5,521,385	6,402,852	57,172	63,379	5,578,557	6,466,231
Capital grants and contributions	2,526,228	2,375,868	-	-	2,526,228	2,375,868
Property taxes	20,008,775	19,913,861	-	-	20,008,775	19,913,861
Payment in lieu of taxes	207,222	534,397	-	-	207,222	534,397
Business taxes	3,676,483	3,308,332	-	-	3,676,483	3,308,332
Personal taxes	4,056,825	2,958,738	-	-	4,056,825	2,958,738
Unrestricted grants	1,961,601	1,938,251	-	-	1,961,601	1,938,251
Unrestricted investment earnings	187,779	123,098	1,418,234	1,374,785	1,606,013	1,497,883
Total revenues	51,041,009	51,368,459	19,994,300	19,942,311	71,035,309	71,310,770
Expenses:						
General government	2,678,467	3,616,306	-	-	2,678,467	3,616,306
Sanitation	3,068,955	3,143,849	-	-	3,068,955	3,143,849
Public safety	29,981,637	28,364,190	-	-	29,981,637	28,364,190
Highways and streets	1,367,076	1,203,236	-	-	1,367,076	1,203,236
Public works	5,130,373	5,571,956	-	-	5,130,373	5,571,956
Parks and recreation	1,877,564	2,225,990	-	-	1,877,564	2,225,990
Community development and planning	3,586,481	4,677,708	-	-	3,586,481	4,677,708
Other departments and programs	1,648,604	1,675,881	-	-	1,648,604	1,675,881
Interest on long-term debt	3,985,679	3,766,163	-	-	3,985,679	3,766,163
Intermunicipal sewer	-	-	6,362,961	6,264,826	6,362,961	6,264,826
Sewer	-	-	10,849,564	10,012,896	10,849,564	10,012,896
Ice rink	-	-	1,480,417	1,451,119	1,480,417	1,451,119
Other enterprise funds	-	-	162,465	159,024	162,465	159,024
Total expenses	53,324,836	54,245,279	18,855,407	17,887,865	72,180,243	72,133,144
Change in net position before transfers	(2,283,827)	(2,876,820)	1,138,893	2,054,446	(1,144,934)	(822,374)
Transfers	2,580,542	1,974,751	(2,580,542)	(1,974,751)	-	-
Change in net position	296,715	(902,069)	(1,441,649)	79,695	(1,144,934)	(822,374)
Net position, beginning of year	(19,504,499)	(18,602,430)	83,381,026	83,301,331	63,876,527	64,698,901
Net position, end of year	\$ (19,207,784)	\$ (19,504,499)	\$ 81,939,377	\$ 83,381,026	\$ 62,731,593	\$ 63,876,527

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

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 position 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 position 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, 2013, the increase in net position of governmental activities resulted primarily from the increase in personal taxes approximating \$1 million from the prior year due to Act 32 and the method by which earned income tax collections were remitted to the City. This increase was offset by the accrual of \$448,479 for interest on 2012 and 2013 minimum municipal obligation late payments.

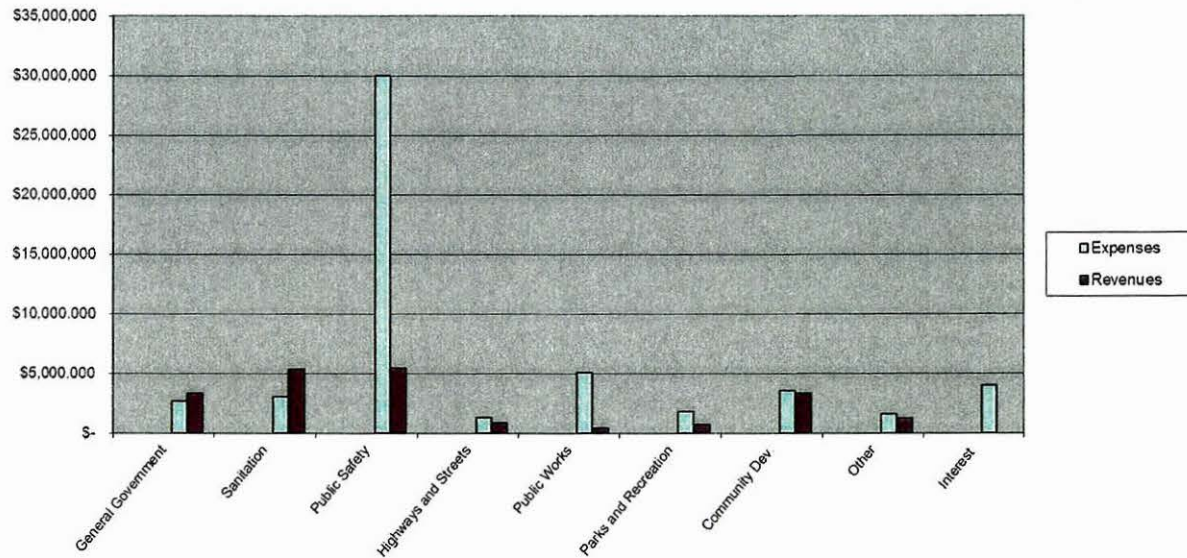
For the year ended December 31, 2012, the decrease in net position of governmental activities resulted primarily from the accrual of other post-employment liabilities in the amount of \$2,363,838 and the accrual of \$473,784 for interest on 2011 and 2012 minimum municipal obligation late payments. The other post-employment cost was allocated to all general government departments based on current employment. Personal taxes also decreased by \$491,237 from the prior year due to Act 32 and the method by which earned income tax collections were remitted to the City. These amounts were offset by the increase in property taxes in the amount of \$2,697,729, due to an increase in millage from 17.39 to 20.37.

CITY OF YORK, PENNSYLVANIA

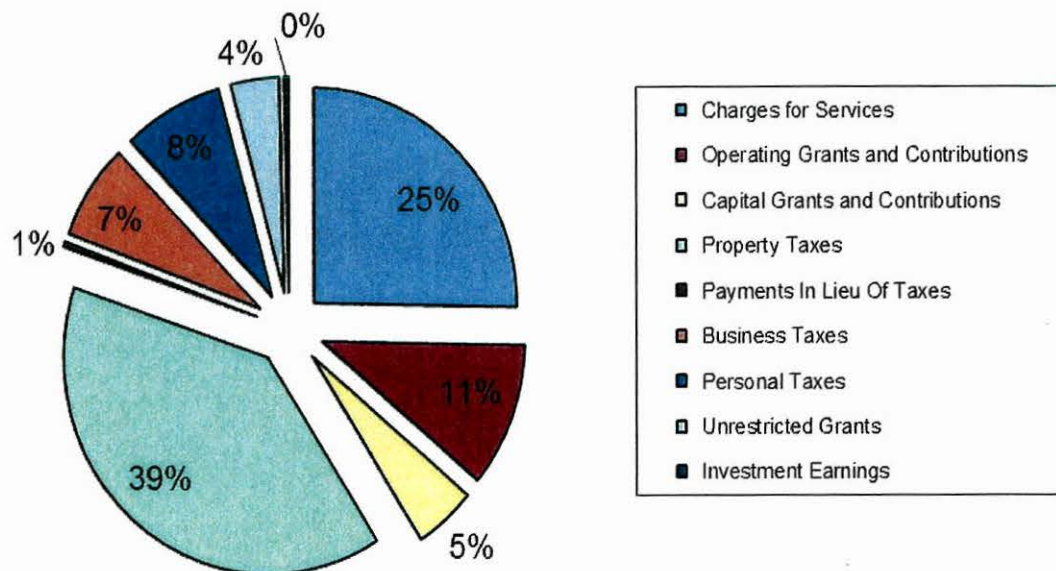
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

Expenses and Program Revenues - Governmental Activities
Year Ended December 31, 2013



Revenue by Source - Governmental Activities
Year Ended December 31, 2013



CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

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.

92.62% 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 City of York Sewer Authority.

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.

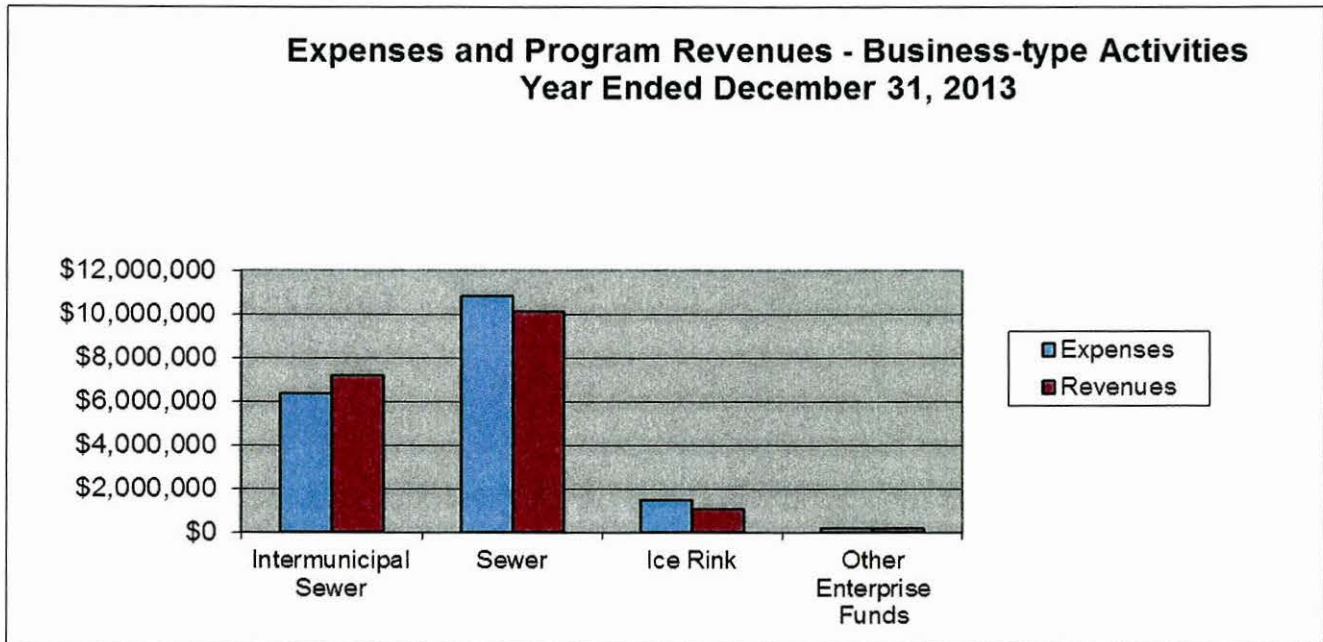
In November 2003, the YCRC notified the City that it was unable to meet its bond payment obligation. The City honored the loan guarantee and transferred resources into the debt service account at M&T Bank to make the bond payments. The City exercised its remedies under the lease and loan agreement with 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

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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, unassigned 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, 2013 and 2012, the City's governmental funds reported combined ending fund balances of (\$4,560,438) and (\$2,494,383), respectively. The City's unassigned fund balance (deficit), which is available for spending at the government's discretion, was (\$6,654,646) and (\$6,168,929) at December 31, 2013 and 2012, respectively. The remainder of the fund balance at December 31, 2013 and 2012 is restricted for 1) public works in the amount of \$379,564 and \$359,759, respectively, 2) community development in the amount of \$86,041 and \$128,899, respectively, 3) debt service in the amount of \$581,869 and \$483,552, respectively, and 4) capital projects in the amount of \$1,046,734 and \$2,702,336, respectively.

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The general fund is the chief operating fund of the City. At December 31, 2013 and 2012, unassigned fund balance of the general fund was (\$5,715,996) and (\$4,948,629), respectively.

The fund balance of the City's general fund decreased by \$767,367 during the year ended December 31, 2013. Key factors in this increase are as follows:

- Accrual of \$448,479 for interest on 2012 and 2013 minimum municipal obligation late payments.
- Rising pension costs and rising health care costs for all City employees.

The fund balance of the City's general fund decreased by \$627,414 during the year ended December 31, 2012. Key factors in this decrease are as follows:

- Increase in real estate tax revenue of \$2,687,101 due to an increase in millage from 17.39 to 20.37.
- Accrual of \$473,784 for interest on 2011 and 2012 minimum municipal obligation late payments.
- Rising pension costs and rising health care costs for all City employees.

The debt service fund has a total fund balance of \$581,869 and \$483,522 for the years ended December 31, 2013 and 2012, respectively. The net increase (decrease) in fund balance for the year ended December 31, 2013 and 2012 in the debt service fund was \$98,317 and (\$957,741), respectively. The increase for the year ended December 31, 2013 is due to lease payment revenue totaling \$147,712, which was previously recorded in the general fund. The decrease for the year ended December 31, 2012 is due to debt service payments increasing by \$824,241 in 2012.

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 position of the Intermunicipal Sewer Fund, the Sewer Fund, and the Ice Rink Fund at December 31, 2013 amounted to zero, \$4,834,659, and (\$850,178), respectively. Unrestricted net position of the Intermunicipal Sewer Fund, the Sewer Fund, and the Ice Rink Fund at December 31, 2012 amounted to zero, \$4,365,878, and (\$779,444), respectively. The total increase (decrease) in net position for these funds for the year ended December 31, 2013 was \$73,969, (\$1,999,033), and \$71,796, respectively. The total increase (decrease) in net position for these funds for the year ended December 31, 2012 was \$175,705, (\$957,958), and \$252,097, respectively. The Sewer Fund's net decrease in net position for the year ended December 31, 2013 increased by over \$1 million from the prior year mainly due to an increase in interest expense of \$685,992, in accordance with applicable maturity schedules, and an increase in transfers out of \$478,710, in accordance with budgeted transfers. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

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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, 2013, the final revenue budget, including transfers-in, was \$39,740,876 and the final expenditure budget, including transfers-out, was \$39,326,461.

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 expenditures 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 2013, the single largest revenue item in General Fund was taxes at \$23,039,253. Actual taxes included \$15,701,033 in real estate taxes, \$3,293,121 in business taxes, \$4,045,099 in income and local service taxes. The second largest item includes charges for services, which at \$8,440,547 includes sanitation fees of \$5,318,562.

The City had a significant negative variance between final budget and actual in the grants and contributions line item in the amount of \$653,430 due to receiving approximately \$596,000 less of contributions in lieu of taxes than anticipated. Charges for services were under budget by \$540,451 due to shortfall of police reimbursements of approximately \$448,500. Fines and forfeits were under budget by \$195,463 due to shortfall in ticket notice fees and fines remitted by the magistrates.

Total General Fund expenditures were \$38,497,911 for the year ended December 31, 2013. The single most expensive activity in the general fund is public safety, which is comprised of police and fire-rescue services, which amount to \$27,994,840, or 72.72% of the General Fund actual expenditures for the year ended December 31, 2013. Public safety expenditures were \$1,654,996 over budget during the year ended December 31, 2013 mainly as a result of an arbitration award totaling \$1,263,664 to City fire employees for retroactive payroll.

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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, 2013 and 2012 amounts to \$141,858,700 and \$144,197,124, respectively. This investment in capital assets includes land, buildings, land improvements, equipment and furniture, and infrastructure. The total decrease in the City's investment in capital assets for the current fiscal year was 1.62% (a 2.83% increase for governmental activities and a 4.12% decrease for business-type activities).

Major capital asset events during the year ended December 31, 2013 included the following:

- 101 South George Street building renovations totaling \$3,826,434.
- 50 West King Street building renovations totaling \$41,090.
- Roosevelt Avenue improvements totaling \$72,430.
- Street improvements totaling \$316,859
- Police station security cameras totaling \$70,000.
- Roof replacement totaling \$149,761.
- Dell PC workstations totaling \$149,065.

Major capital asset events during the year ended December 31, 2012 included the following:

- 101 South George Street building renovations totaling \$2,343,117.
- 50 West King Street building renovations totaling \$356,306.
- Memorial Park improvements totaling \$260,824.
- White Rose Community Television equipment totaling \$120,452.
- South Pine Streetscape improvements totaling \$104,738.
- Roosevelt Avenue Channel totaling \$111,461.
- Various building and system addition and improvements were completed in the Sewer Fund's WWTP at a cost of \$1,853,953.

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- Poorhouse Siphon replacement of sewer system totaling \$106,801.

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, 2013 and 2012, the City had total general obligation bonds and notes outstanding of \$49,045,171 and \$51,508,736, respectively. Revenue bonds in the amount of \$58,695,910 and \$62,194,243, respectively, represent bonds secured solely by specified revenue sources.

The City's total debt decreased by \$6,690,941 during the year ended December 31, 2013. The City entered into a new capital lease during 2013 for Dell PC workstations for \$149,065. An increase of \$3,194,118 in accretion of capital appreciation bonds, was offset by \$10,034,124 in debt repayments.

The City's total debt decreased by \$6,156,878 during the year ended December 31, 2012. The City entered into new capital leases during 2013 for ten Mitsubishi Outlanders for \$146,100. An increase of \$3,476,647 in accretion of capital appreciation bonds, was offset by \$9,779,625 in debt repayments.

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:

As 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 minimizing the loss of City residents seeking to escape a crushing property tax burden. This burden is made heavy by the need to provide expensive public safety services to non-residents working in the city and to property owners exempt from payment of real estate taxes. Notwithstanding the obstacles, City officials will continue to strive to provide City residents with the best quality of life, safety and public amenities possible with the resources available.

Ironically, the loss of City residents due to the real estate tax burden is increasing the need for substantial infrastructure improvements in areas that were formerly sparsely populated. Suburban sprawl is directing development away from areas already served by the public improvements that support human activities. The concentration of infrastructure in the core urban area of the City has the capacity to handle additional residents and tax generating businesses. There is a high proportion of unoccupied space in the core downtown area, but the vicious cycle of high levels of additional out-migration and stagnant assessed value of taxable properties perpetuates more out-migration. There is a downside to the concentration of residential, commercial and industrial activity in an urban environment, surrounded by suburban areas, especially in a state like Pennsylvania where the primary funding source to pay for public services is real estate tax. A community of forty three thousand people with thirty thousand commuters will need more public safety resources, more waste water treatment capacity, more school facilities and resources than a community with half the population.

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But a concentration of population does not translate into larger amounts of resources to pay for public services because many users are not being required to pay for these services through a fair share of taxes.

A good example of the fiscal strains brought on by the reliance on real estate tax combined with urban density of population is a comparison of school district student populations and tax base.

2012 Real Estate Tax Base per Student			
School District	R/E Tax Base	Student Population	Tax Base/Student
York City	\$ 1,010,000,000	7,658	\$ 131,888
York Suburban	\$ 1,780,977,643	3,000	\$ 593,659
Central York	\$ 2,871,702,764	5,572	\$ 515,381
West York	\$ 1,534,054,155	3,000	\$ 511,351

The York City School District tax base is about \$1 billion dollars and that tax base must support over 7,600 students. Since 2008, the median sales price of a home in York City declined from \$68,000 to \$30,161 or 55%. In contrast, the York Suburban tax base is approximately \$1.8 billion dollars and must support about 3,000 students. Likewise, Central York School District has about 5,600 students and a tax base of \$2.8 billion to pay for their education. Obviously, the York City School District suffers the burdens of fiscal imbalance that do not stress the surrounding suburban districts.

The stress of the fiscal imbalance is exacerbated by the concentration of poverty in the City. The rate of poverty in the City approaches 40% but the rate of poverty amongst students in the York City School District approaches 90%. The rates of poverty continue to grow because of the concentration of low income housing, social services, public transportation, etc., in the City.

Year	Total Gross Wages	% Change	# of Tax Filings Income > 0	% Change	Avg Income: Income > 0	% Change
2004	\$ 348,336,648		15,814		\$ 22,027	
2005	345,775,612	(0.74)	15,418	(2.50)	22,427	1.81
2006	352,547,701	1.96	15,207	(1.37)	23,183	3.37
2007	357,036,125	1.27	15,004	(1.33)	23,796	2.64
2008	356,049,258	(0.28)	14,363	(4.27)	24,789	4.17
2009	322,392,518	(9.45)	13,036	(9.24)	24,731	(0.24)
2010	311,264,991	(3.45)	12,529	(3.89)	24,844	0.46
2011	307,941,919	(1.07)	12,178	(2.80)	25,287	1.78
2012	289,989,938	(5.83)	11,215	(7.91)	25,857	2.26

Source: York Adams Tax Bureau

Based on the above summary data provided by the York Adams Tax Bureau, the average income of taxpayers whose taxable income is greater than \$0 has steadily increased since 2004 at an average rate of 2.03%. However, this growth is not enough to offset the decline in the total gross wage base averaging (2.2%) over the same period.

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The same kind of fiscal imbalance plagues the City municipal government. Details of the imbalance are a little different and involve the City as the hub of the metropolitan area. Although the population of the City is a bit over forty three thousand, on any given business day there are approximately an additional thirty thousand non-resident commuters in the City for the majority of the day. Furthermore, this number more than doubles to account for transients such as customers, clients, patients, citizens, etc. being served by the businesses, professionals, educational or government facilities located in the City.

Because the City is the county seat and the urban hub of the metropolitan area, over thirty seven percent of the real estate value in the City is tax exempt. The tax exempt real estate consists of post-secondary schools, county, state and federal government buildings, a hospital, churches, social service agencies, non-school educational venues and charities, etc. Moreover the agencies that occupy the tax exempt real estate serve large populations who do not live in the City. Every non-city resident who attends college, receives health care, uses state and county government services, attends religious services, receives social services, enjoys entertainment at certain venues, or receives charitable assistance has that service subsidized by the tax paying residents of the City. The City has made a concerted effort to collect payments in lieu of taxes from tax exempt properties but these efforts have netted only about \$300,000 or just 3% of the revenue lost by tax exemptions.

2014 City of York Real Estate Tax Base

<i>Type</i>	<i>Units</i>	<i>Value</i>	<i>% Split</i>
Apartments	234	\$ 46,071,617	2.91%
Commercial	1,226	233,596,280	14.76%
Industrial	335	83,174,149	5.26%
Residential	12,600	627,688,347	39.67%
Exempt	916	591,775,364	37.40%
Total	15,311	\$ 1,582,305,757.00	100.00%

Source: York City Treasurer

With over a third of the real estate tax base being exempt from tax collections, city residents and businesses alike burden a disproportionate share of taxation comparable to most third class Pennsylvania cities. In contrast, the following table lists the York County municipalities with the five largest real estate tax base values and their respective percentage of tax exempt.

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Largest R/E Tax Bases in York County

<i>Municipality</i>	<i>Tax Base</i>	<i>% Exempt</i>
Springettsbury	2,283,058,204	9.5%
York Township	2,186,370,145	5.4%
Manchester Township	1,689,223,297	6.1%
Fairview	1,603,437,825	19.3%
West Manchester	1,468,520,903	5.1%
Dover	1,135,524,044	3.2%

Source: York City Treasurer

Likewise the earned income tax structure is flawed. In 2013, City residents received earned income of about \$344 million dollars while commuters earned \$773 million in the City. The only tax revenue received from the commuters is a \$52 annual tax called a Local Services Tax. Each commuter paid \$1 per week to the City, totaling about approximately \$38 thousand dollars per week in 2013. However, the cost of providing services such as public safety, traffic signals, street lights, storm water management, etc. was \$750 thousand dollars per week in 2013. Less affluent City residents are forced to subsidize the conditions that the more affluent non-city residents rely upon for their livelihood. Many of those commuters are employed by the very agencies that occupy the tax exempt real estate. In Pennsylvania, all of the earned income tax is generally paid to the place you live, none to the place that you work. Commuters pay no earned income taxes to the City to help offset the cost of services and infrastructure that they have available at their place of employment.

As shown below, 88% of City gross wages are earned by this commuter group.

2013 Gross Wages

	Wages	% of Total
York City Residents working in York City	\$ 90,793,782	10%
York City Residents (Self Employed/Self Pay)	18,809,199	2%
Non-Residents taxable wages in York City (total)	773,021,750	88%
	<u>\$ 882,624,731</u>	<u>100%</u>

Source: York Adams Tax Bureau.

This regressive taxation is further exacerbated by a 12.06% decline in city resident earned income from 2007-2011, while earned income of suburban residents in all contiguous municipalities rose by as much as 20%.

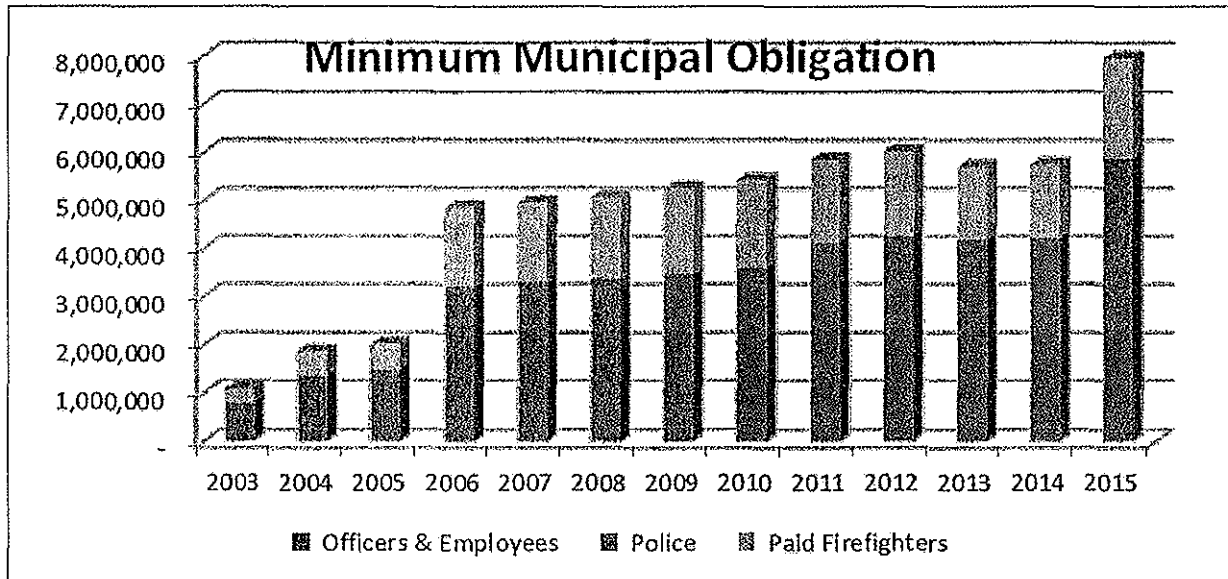
The City finished 2012 with a (\$4,948,629) accumulated deficit in the general fund. The deficit increased by \$767,367 in 2013 resulting in an accumulated deficit at the end of 2013 of (\$5,715,996). In 2014, firefighters received an arbitration award resulting in \$1.3 million in accrued wages payable as of year-end 2013.

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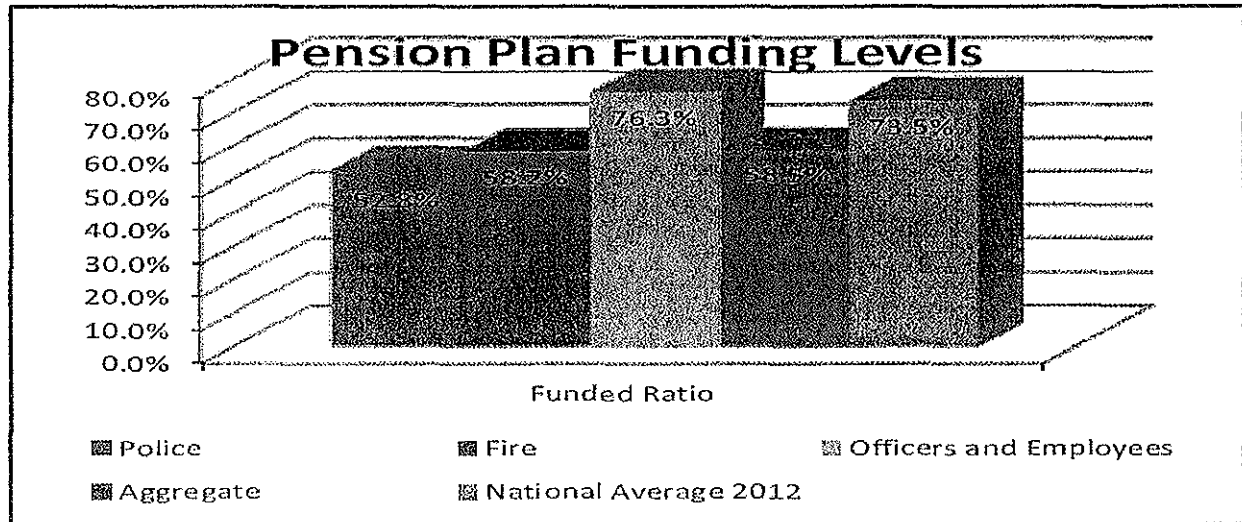
Since 2008, the City has maintained cash flow by delaying the payment of its pension minimum municipal obligation (MMO) to the subsequent year. However, as the delayed payment approaches the full amount of the MMO, the ability of the City to continue unreduced operations becomes more tenuous. Eventually resources will be exhausted before the City reaches the end of the year and services will be drastically reduced.



Source: Conrad Siegel Actuaries

Delaying the MMO payment also ends up costing the City in interest payments. Although the delayed MMO payments reduce stress on cash flow, that stress reduction comes at a high cost. As of December 31, 2013, total interest owed on delayed MMO payments was \$963,315. The one saving benefit of the late payment of the MMO, as opposed to borrowing from an outside entity is that the 8% interest paid to the fund is paid into the pension fund and is sometimes the best performing fixed income investment. Additionally, the City pension funds were underfunded by approximately \$65 million as of January 1, 2013. Over time, the interest payments will accelerate the reduction of that underfunding. The 2012 MMO was not fully paid until the beginning of 2014. The 2013 MMO will not be fully paid until early 2015.

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Source: Conrad Siegel Actuaries. Funding levels are as of January 1, 2013.

Like 2008-2012, 2013 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.

Except for the real estate tax, the admissions tax and the parking tax, tax rates are fixed by statute. The City may reduce the rates, but may not increase the rates for earned income tax, the business privilege and mercantile taxes, and the local services tax. The City's current parking tax rate is 15% and has no limit. However, there are market limits and, at about \$215,000 per year, it is a small part of the total general revenue of the City.

The admissions tax rate is 5%. The current real estate tax rate is 20.37 mils. This rate was set in 2012 and has remained the same for 2013 and 2014. From 2005 to 2012, the real estate tax rate increased by almost 51%. The municipal tax rate in York City is currently 71% higher than the next highest tax rate in the county (York Haven). The following table is a summary of the real estate tax rates in the municipalities immediately surrounding the City.

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Surrounding Municipalities Composite Real Estate Tax Rates

Rank	District	Munic.	School	County	Total
1	York City	20.37	33.74	4.52	58.63
2	York Haven	4.00	25.61	4.52	34.13
4	West York	6.50	21.77	4.52	32.79
21	North York	6.00	18.22	4.52	28.74
23	Spring Garden	2.44	21.48	4.52	28.44
31	York Township	0.70	22.26	4.52	27.48
38	Springettsbury	1.00	21.50	4.52	27.02
48	West Manchester	0.21	21.77	4.52	26.50
58	Manchester	1.00	18.22	4.52	23.74

Source: Rock Real Estate Website Tax Calculator

These tax increases are driven by many different pressures, but the fundamental issue is that there is no natural growth in the City tax base and, thus, no natural growth in tax revenue. On the other hand, costs increase in response to local, state, national and international trends. While the City has been able to hold the rate steady for three years, cost pressures are going to make that very difficult in 2015.

The minimum municipal annual pension obligation payments (MMO) is supported by the City general fund. In 2005, the City contribution to the employee pension funds was \$2 million. Largely due to factors outside of the control of the administration such as market performance and the negative long term financial impacts of arbitrated labor negotiations, the annual obligation increased over 140% to \$4.9 million in 2006. The next few years continued to see steady increases in the annual obligation. However, in 2011, the MMO rose by 44% to \$7.8 million annually in response to the effect the housing market crash had on the pension fund investments.

Due to its relatively high level of unfunded pension liabilities, Pennsylvania categorizes the City's pension plans as "moderately distressed". Subsequently, the City was been permitted through Act 44 to make use of several capabilities to relieve the financial stress of high MMO payments. For example, the City was allowed to reduce its normal MMO payments by 25% for a four year period beginning in 2011. Taking advantage of these special forms of MMO relief, the City MMO for 2011 was \$5.9 million and was \$6.0 million in 2012. In 2013, the MMO dropped by \$300,000 to \$5.7 million. In 2014, the MMO increased by just under \$50,000 to approximately \$5.8 million. With the expiration of the relief provided by Act 44 of 2010, the 2015 MMO is projected to rise by \$2.44 million dollars in addition to a \$345,000 rise in the City's 1995 pension bond annual payment.

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Public safety costs, particularly police and firefighter labor costs, continue to rise faster than the rate of inflation. The following table summarizes general fund expenditures from 2004-2013.

General Fund Expenditures 2004-2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	3,469	5,181	2,022	2,033	1,932	2,077	2,045	1,875	2,057	1,772
Sanitation	2,673	2,614	2,842	2,960	3,030	2,982	3,000	3,075	3,107	3,028
Public Safety	16,514	17,312	21,005	21,914	22,899	24,794	25,844	26,547	26,984	27,995
Highways & Streets	503	504	569	537	539	549	529	603	635	688
Public Works	1,932	1,858	1,943	2,009	2,332	2,292	2,334	2,721	2,798	2,555
DECD	1,542	1,992	2,161	2,072	2,354	2,242	2,506	2,146	2,175	2,233
Other Departments	92	116	120	95	86	117	128	194	203	195
Total Current	<u>26,725</u>	<u>29,577</u>	<u>30,663</u>	<u>31,620</u>	<u>35,180</u>	<u>35,051</u>	<u>36,387</u>	<u>37,161</u>	<u>37,961</u>	<u>38,466</u>

**Expenditures (excludes debt service)*

****All \$ shown in the following table is reported on a 1,000 scale**

Source: City of York Annual Financial Audits

Outside of public safety costs, the general fund budget has increased by 2.54% over a 10 year period. The administration has managed to keep costs in check with an annual growth rate of approximately 0.25%. And despite reductions in staffing and equipment for the Fire and Police departments, legacy costs continue to increase annual operating expenses at an unsustainable rate far exceeding inflation and the consumer price index.

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Another result of the trends is that the share of resources devoted to other general fund activities has shrunk or remained stagnant. The following table illustrates what percentage of the general fund budget is allocated to each major area of operation.

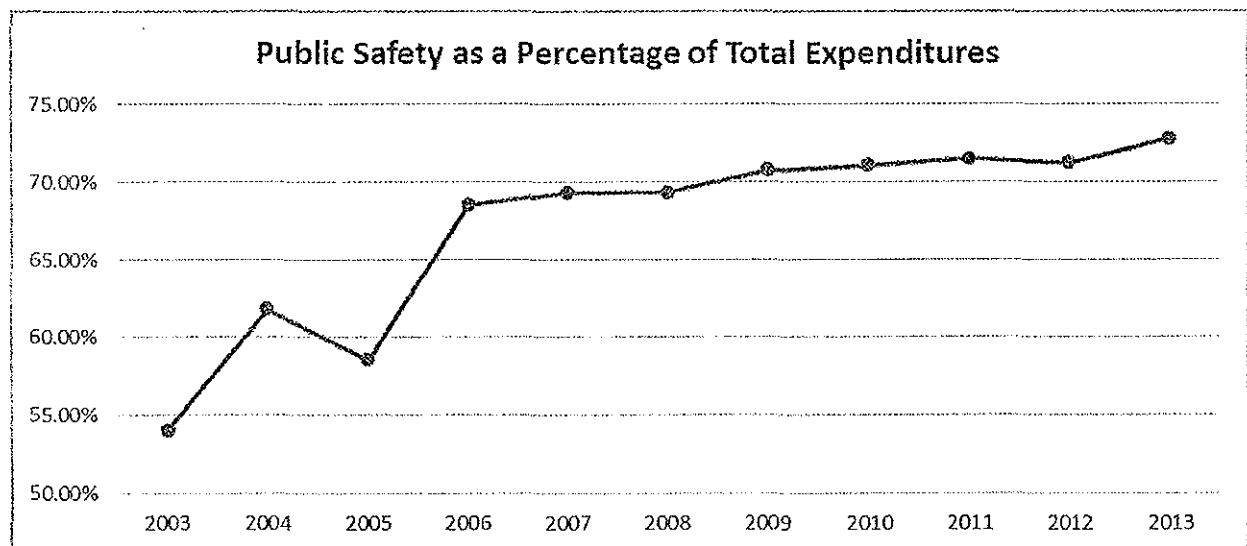
General Fund Expenditures 2004-2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	13.0%	17.5%	6.6%	6.4%	5.5%	5.9%	5.6%	5.0%	5.4%	4.6%
Sanitation	10.0%	8.8%	9.3%	9.4%	8.6%	8.5%	8.2%	8.3%	8.2%	7.9%
Public Safety	61.8%	58.5%	68.5%	69.3%	65.1%	70.7%	71.0%	71.4%	70.9%	72.8%
Highways & Streets	1.9%	1.7%	1.9%	1.7%	1.5%	1.6%	1.5%	1.6%	1.7%	1.8%
Public Works	7.2%	6.3%	6.3%	6.4%	6.6%	6.5%	6.4%	7.3%	7.3%	6.6%
DECD	5.8%	6.7%	7.0%	6.6%	6.7%	6.4%	6.9%	5.8%	5.7%	5.8%
Other Departments	0.3%	0.4%	0.4%	0.3%	0.2%	0.3%	0.4%	0.5%	0.5%	0.5%
Total Current	100%	100%	100%	100%	94%	100%	100%	100%	100%	100%

**Expenditures (excludes debt service)*

Source: City of York Annual Financial Audits

With the \$2.4 million dollar increase in the MMO for 2015, the City anticipates that the public safety share of general resources will rise to nearly 75%. If this trend continues, then by 2020 Public Safety will consume more than 80% of the general fund budget.



Source: City of York Annual Financial Audits

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The Act 111 public safety arbitration process continues to contribute to the steep rise in public safety costs. Notwithstanding the high MMO payments to reduce the \$39.5 million unfunded liability at January 1, 2013 in the police pension fund, the arbitration process awarded enhanced pension benefits to police officers. These enhanced benefits included 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 must fund a pension benefit for an employee who is no longer providing service to the City and, at the same time, funding their replacement. A coalition of government and business organizations is working to convince the General Assembly to make changes to Act 111, but no legislation has resulted from those efforts yet.

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 were reviewed and many of them were implemented in 2011 and 2012. The report included strong recommendations that the growth in the City's personnel costs should be slowed. In analyzing this recommendation, City staff contracted with the Waters Consulting Group, Inc. in 2012 to compare the wage growth of City employees as compared to other external indices. A comparison of the growth in the City's personnel costs determined that they were not out of line with either growth in the Consumer Price Index (CPI), nor with household salary growth trends in the surrounding region. Indeed, City employee compensation in both public safety and non-public safety personnel is beneath that in the surrounding municipalities.

The following table contains data produced by the Economic Research Institute (ERI). ERI is a trusted source that compiles robust salary survey, job competency, cost of living and executive compensation data. This methodology assigns a score to each organizations compensation package that can be compared to other organizations. The ERI Indicator was used by the Waters Consulting Group to compare the City compensation of uniform and non-uniform personnel to selected neighboring municipalities. This data is summarized in the following table and illustrates that the City of York is in-line with market averages.

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CITY OF YORK, PA

Geographical Differentials for Benchmark Organizations

		ERI Indicator
City of York, PA		96.9
Benchmark Organization	ERI Indicator	Geo Diff %
Borough of Columbia, PA	95.8	1.1%
Borough of Hanover, PA	95.7	1.2%
Borough of Norristown, PA	106.5	-9.6%
City of Bethlehem, PA	99.2	-2.3%
City of Cranberry, PA	90.6	6.3%
City of Hagerstown, MD	95.1	1.8%
City of Lancaster, PA	96.1	0.8%
City of Wilkes-Barre, PA	91.6	5.3%
County of York, PA	96.9	0.0%
Lower Paxton Township, PA	97.2	-0.3%
Muhlenberg Township, PA	99.1	-2.2%
Penn Township, PA	96.9	0.0%
Southwestern Regional Police	96.7	0.2%
Spring Garden Township, PA	96.9	0.0%
Springettsbury Township, PA	96.9	0.0%
York Area Regional Police	96.9	0.0%
Average	96.8	0.14%

The City hired Public Safety Solutions Inc. (PSSI) in 2009 to conduct a study of the City Fire Department. The City studied the recommendations and has implemented 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 of \$75,000, has taken a piece of firefighting apparatus out of service and has made scheduling changes designed to reduce overtime. In 2002, the City employed 75 firefighters. In 2014 the City employs 58 firefighters, a 23% reduction.

Additionally, the City hired the Police Executive Research Forum of York Counts, a local volunteer 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.

In 2007, the City hired Riverside Consulting (now Evolution Benefits Consulting, EBC) 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, EBC developed a new employee health care plan, a

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true Preferred Provider Organization, that includes wellness programs and incentives. EBC 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 two 3-year terms from 2008-2010, and 2011-2013, as the City's Third Party Administrator (TPA).

After an RFP process and consideration of three finalists, the City again retained Capital Blue Cross for the period 2014-2016. Hiring EBC as the City's TPA has given 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. EBC also helped 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. These changes resulted in bigger discounts and rebates than were previously enjoyed. In 2014, the City moved to participate with a coalition of employers for our pharmacy benefit program and will realize substantial savings from the new contractual terms including higher rebates and lower prices.

At this time, all of the employee groups are in the City's PPO plan that started in 2008. The FOP continues to be the only group that does not pay a premium for coverage. New contracts were negotiated with the AFSCME, Teamster, and IBEW bargaining units that took effect January 1, 2013. The contracts provide for higher premiums, significant increases in co-pays, and modifications to plan structure, all of which are aimed at controlling costs for the City while at the same time providing world class health care to our employees, their families and our retirees. The City is currently reviewing plan offerings to identify other cost saving measures for the new FOP contractive effective January 1, 2015.

During the 2014 budget season, the City continued the commitment to increased efficiency through automation by contracting with McGladrey Consultants to upgrade the Microsoft Great Plains financial management system to Microsoft Dynamics AX II. This was a recommendation from the 2011 PFM study referenced earlier and the City was awarded a \$150,000 grant from the state of Pennsylvania for this project. Replacing a system acquired in 1998, this system will be built on a Microsoft SQL Server database consolidating the general ledger, sewer & refuse, parking, and real estate tax into one central database. The platform will provide the necessary infrastructure for sustainable, continued growth as more department functions can be added at a later date. The Dynamics AX environment sets the foundation to interface with SharePoint and CRM. Which in the future, will provide City departments the efficiency necessary to streamline costs and exploit talents providing advanced support to field agents in Permits, Planning & Zoning performing inspections, Public Works department employees, Community Development through complaint tracking, Housing and Economic Development by having all available City residences, vendors and customers tied to addresses and cross referenced with search queries available by name, parcel identification number and other fields.

Ultimately, this new financial system will increase revenue by improving collections above existing rates. CRM's ability to turn bits of data into useful information creates a stronger tax collector. The system is able to proactively turn information into educational opportunities, outreach and/or audits for non-compliance. Savings will also be experienced by the ability to print timely financial

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statements in house. Budget decisions will be improved based on timely reporting of year to date revenues and expenses, cash flow projections and regular monthly/quarterly financial reporting to the Administration and Council. The system will also reduce or eliminate the City's current reliance on external contractors to produce annual financial statements. The system will also improve management's ability to make tough fiscal decisions mid-year and improve our ability to meet SEC bond filing continuing disclosure requirements to have the annual audit completed by June 30th each year.

The City has made significant strides over the past year in pursuit of the goals set by the Administration for the Department of Economic and Community Development (DECD). Through partnerships, creativity and community involvement DECD has been able to make strides in its efforts to build a sustainable local economy that has a positive impact on our residents in the form of jobs created, improved housing stock and an ever increasing standard of living for City residents. The department has also excelled in identifying and engaging in projects with objectives to stabilize neighborhoods that have suffered from disinvestment. Furthermore, through its ability to leverage City funds the department has been able make indelible impacts across the community. Some of these projects include:

- **Royal Square** – The City has continued to support the efforts spearheaded by Royal Square Development Corporation in conjunction with the YWCA. This partnership includes submitting a funding request to the Commonwealth's Department of Community and Economic Development for Neighborhood Partnership Program (NPP) funding in the amount of \$1,250,000. The equity funds will be derived from five tax credit investors that have a strong belief in the future impacts this project will have on the neighborhood and the City. In addition to this financing component the City, through its Redevelopment Authority, purchased five problematic properties in the area that will be ultimately renovated to a higher more productive use - including two bars located at 105-107 S. Duke Street and 117 East Princess Street.
- **Salem Square** – The City in partnership with Salem Square Community Association and members of the faith based community continue to push forward with the redevelopment of Gus' Bar into residential and commercial spaces. The department secured grant funding from the Commonwealth's Department of Economic and Community Development and the U.S. Department of Housing and Urban Development to underwrite the costs to fully renovate the property in order to alleviate any financial burden to the city. Upon completion, this project is anticipated to provide a focal point of community efforts to abate crime and improve quality of life in the neighborhood.
- **Northeast Neighborhood Association** – The City's Redevelopment Authority has continued its efforts to strategically acquire vacant and blighted properties in this neighborhood to spur investment from the private sector and further instill investor confidence. A new developer named "Think Loud Development" has made a significant investment in the neighborhood with the purchase of 210 York Street, transforming a former printing facility into an adaptive reuse project of Class-A commercial office space. At full build out, it is anticipated that the

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facility will house five businesses that will hire up to forty full time employees. Project such as this will continue to add stability to the community and serve to anchor the neighborhood in such a way that it will increase the surrounding values of the remaining property owners.

- **Northwest Triangle (NWT)** – The City continues its push to create a market for investment into the “shovel ready” NWT redevelopment area. An agreement has been reached with CODO Development Group to develop 80-90 rental residential units on the former Weaver’s lot which would aid in attracting human capital to the city looking for live - work opportunities. Additionally, the development of Keystone Kidspace will transform the former Keystone Colorworks site into a family destination to complement the growing entertainment venues throughout downtown York.
- **City Revitalization Improvements Zone (CRIZ)** - City officials along with the Commonwealth’s Department of Economic and Community Development are working diligently together to obtain a CRIZ designation for the City of York. As part of these efforts, the City, in partnership with members of the York County Economic Alliance has identified 130 acres of development opportunities in the City that could benefit from the 5:1 leveraging deal structure that could turn these areas from fallow sites into thriving employment centers.

In summary, the City has taken many proactive steps to improve its financial health and put in place the structure necessary for future economic and human capital growth. While the challenges are great, the City is fortunate to have a community of business leaders, a strong community foundation and City leaders who see the incredible potential of the City if its financial challenges can be conquered. These disparate groups agree on the need to dramatically reduce, not just stabilize, city real estate tax rates – both school district and municipal. Until this done, the success of the core urban center will continue to be limited.

The antiquated tax structure of Pennsylvania continues to strangle all of its third class cities like York. Similar to these other urban areas, 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, or students who are from outside the City and even outside the state. The City taxpayers with very limited financial resources are subsidizing services for people who make almost no financial contributions to the City’s revenue base. This dysfunctional system caused a combined city / school / county property tax rate for city homeowners of 58.63 mils (5.86% of assessed value). This is a huge financial burden on a population which is disproportionate to other municipalities in the region.

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.

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Ironically the financial challenges of the City grow more burdensome at the same time that many businesses in the City flourish. The non-city resident employees of these businesses flourish too: medical professionals, lawyers, bank executives, police officers, teachers, college professors, and others, deliver their earned income tax to their communities of residence, while the residents of the City pay for the public infrastructure supporting the economic activity of non-residents.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government				
	Governmental Activities	Business-type Activities	Total	Component Units	Total
Assets					
Cash and cash equivalents	\$ 2,674,864	\$ 2,878,697	\$ 5,553,561	\$ 1,107,808	\$ 6,661,369
Receivables, net of allowance for uncollectible accounts:					
Taxes	5,825,236	-	5,825,236	-	5,825,236
Accounts	2,710,981	2,715,502	5,426,483	67,376	5,493,859
Loans	3,743,593	-	3,743,593	1,056,988	4,800,581
Interest	-	-	-	5,776	5,776
Note	-	-	-	107,233	107,233
Internal balances	(4,074,650)	4,074,650	-	-	-
Due from component unit	734,717	-	734,717	-	734,717
Due from other governments, net of allowance	4,488,668	1,629,788	6,118,456	1,732,931	7,851,387
Inventory	-	9,780	9,780	-	9,780
Prepaid expenses	25,708	30,790	56,498	962	57,460
Restricted assets:					
Cash and cash equivalents	1,017,932	10,557,879	11,575,811	1,624,850	13,200,661
Investments, at fair value	-	2,297,887	2,297,887	-	2,297,887
Lease rentals receivable	-	28,894,144	28,894,144	-	28,894,144
Capital assets, less accumulated depreciation and amortization	53,340,399	88,518,301	141,858,700	8,609,864	150,468,564
Prepaid debt insurance	-	570,313	570,313	-	570,313
Total assets	70,487,448	142,177,731	212,665,179	14,313,788	226,978,967
Liabilities					
Accounts payable and other current liabilities	3,677,889	635,109	4,312,998	81,681	4,394,679
Accrued liabilities	1,909,626	118,081	2,027,707	-	2,027,707
Due to primary government	-	-	-	734,717	734,717
Due to other governments	73,583	-	73,583	104,157	177,740
Due to City of York pension trust funds	6,934,223	-	6,934,223	-	6,934,223
Unearned revenue	3,973,240	88,287	4,061,527	610,813	4,672,340
Noncurrent liabilities:					
Due within one year	6,059,736	4,639,364	10,699,100	2,710,500	13,409,600
Due in more than one year	67,066,935	54,757,513	121,824,448	7,474,500	129,298,948
Total liabilities	89,695,232	60,238,354	149,933,586	11,716,368	161,649,954

	Primary Government			Component Units	Total
	Governmental Activities	Business-type Activities	Total		
Net Position					
Net investment in capital assets	28,176,611	63,015,213	91,191,824	1,374,864	92,566,688
Restricted for:					
Public works	379,564	-	379,564	-	379,564
Community development and planning	86,041	-	86,041	-	86,041
Workers' compensation	456,226	-	456,226	-	456,226
Debt service	581,869	7,063,618	7,645,487	21,672	7,667,159
Revolving loan	-	-	-	1,000,000	1,000,000
Construction	-	4,754,384	4,754,384	-	4,754,384
Unrestricted	(48,888,095)	7,106,162	(41,781,933)	200,884	(41,581,049)
Total net position	<u>\$ (19,207,784)</u>	<u>\$ 81,939,377</u>	<u>\$ 62,731,593</u>	<u>\$ 2,597,420</u>	<u>\$ 65,329,013</u>

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	Total
Governmental Activities	Business-type Activities	Total		
\$ 649,634	\$ -	\$ 649,634	\$ -	\$ 649,634
2,347,127	-	2,347,127	-	2,347,127
(24,533,131)	-	(24,533,131)	-	(24,533,131)
(463,771)	-	(463,771)	-	(463,771)
(4,683,546)	-	(4,683,546)	-	(4,683,546)
(1,123,167)	-	(1,123,167)	-	(1,123,167)
(220,930)	-	(220,930)	-	(220,930)
(369,049)	-	(369,049)	-	(369,049)
(3,985,679)	-	(3,985,679)	-	(3,985,679)
(32,382,512)	-	(32,382,512)	-	(32,382,512)
-	829,947	829,947	-	829,947
-	(726,588)	(726,588)	-	(726,588)
-	(424,987)	(424,987)	-	(424,987)
-	42,287	42,287	-	42,287
-	(279,341)	(279,341)	-	(279,341)
(32,382,512)	(279,341)	(32,661,853)	-	(32,661,853)
-	-	-	(56,503)	(56,503)
-	-	-	(108,005)	(108,005)
-	-	-	(164,508)	(164,508)
20,008,775	-	20,008,775	-	20,008,775
1,203,488	-	1,203,488	-	1,203,488
2,853,337	-	2,853,337	-	2,853,337
3,315,224	-	3,315,224	-	3,315,224
312,708	-	312,708	-	312,708
35,651	-	35,651	-	35,651
12,900	-	12,900	-	12,900
207,222	-	207,222	-	207,222
1,961,601	-	1,961,601	-	1,961,601
-	-	-	3,500	3,500
187,779	1,418,234	1,606,013	35,134	1,641,147
2,580,542	(2,580,542)	-	-	-
32,679,227	(1,162,308)	31,516,919	38,634	31,555,553
296,715	(1,441,649)	(1,144,934)	(125,874)	(1,270,808)
(19,504,499)	83,381,026	63,876,527	2,723,294	66,599,821
\$ (19,207,784)	\$ 81,939,377	\$ 62,731,593	\$ 2,597,420	\$ 65,329,013

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 187,027	\$ -	\$ -	\$ 754,564	\$ 941,591
Cash and cash equivalents - restricted	-	561,706	-	-	561,706
Receivables:					
Loans (less allowance for doubtful accounts of \$33,000 in the General Fund and \$513,260 in the Other Governmental Funds)	370,847	-	-	3,372,746	3,743,593
Taxes (less allowance for doubtful accounts of \$1,531,059 in the General Fund, \$249,345 in the Debt Service Fund, and \$124,754 in the Other Governmental Funds)	5,416,253	272,404	-	136,579	5,825,236
Accounts (less allowance for doubtful accounts of \$4,047,413 in the General Fund)	1,979,990	-	186,272	429,636	2,595,898
Due from other funds	341,493	-	12,777	60,000	414,270
Due from component units	734,717	-	-	-	734,717
Due from other governments	-	-	4,488,668	-	4,488,668
Total assets	<u>\$ 9,030,327</u>	<u>\$ 834,110</u>	<u>\$ 4,687,717</u>	<u>\$ 4,753,525</u>	<u>\$ 19,305,679</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)					
Liabilities:					
Accounts payable and accrued expenses	\$ 1,171,433	\$ 2,896	458,124	\$ 273,791	\$ 1,906,244
Accrued wages payable	1,724,764	-	-	41,556	1,766,320
Due to other funds	6,481,699	-	3,182,859	1,300,693	10,965,251
Due to other governments	-	-	-	73,583	73,583
Unearned revenues	561,047	-	-	3,412,193	3,973,240
Total liabilities	<u>9,938,943</u>	<u>2,896</u>	<u>3,640,983</u>	<u>5,101,816</u>	<u>18,684,638</u>
Deferred inflows of resources:					
Unavailable revenue - taxes	<u>4,807,380</u>	<u>249,345</u>	<u>-</u>	<u>124,754</u>	<u>5,181,479</u>
Fund balances (deficits):					
Restricted for:					
Public works	-	-	-	379,564	379,564
Community development	-	-	-	86,041	86,041
Debt service	-	581,869	-	-	581,869
Capital projects	-	-	1,046,734	-	1,046,734
Unassigned	<u>(5,715,996)</u>	<u>-</u>	<u>-</u>	<u>(938,650)</u>	<u>(6,654,646)</u>
Total fund balances (deficits)	<u>(5,715,996)</u>	<u>581,869</u>	<u>1,046,734</u>	<u>(473,045)</u>	<u>(4,560,438)</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 9,030,327</u>	<u>\$ 834,110</u>	<u>\$ 4,687,717</u>	<u>\$ 4,753,525</u>	<u>\$ 19,305,679</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2013

Fund balances - total governmental funds \$ (4,560,438)

Amounts reported for governmental activities in the statement of net position 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	\$ 128,637,721	
Less accumulated depreciation	<u>(75,431,480)</u>	53,206,241

Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.

5,181,479

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	(43,913,599)	
Notes payable	(4,778,940)	
Other post-employment liability	(16,855,915)	
Loans from other governmental entities	(2,910,000)	
Capitalized lease obligation	(2,749,974)	
Compensated absences	(1,238,423)	
Accrued interest payable	<u>(124,400)</u>	(72,571,251)

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 position.

Internal service fund net position	2,862,923	
Adjustment related to enterprise funds	<u>(3,326,738)</u>	<u>(463,815)</u>

Net position of governmental activities \$ (19,207,784)

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, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 23,039,253	\$ 2,989,073	\$ -	\$ 1,215,474	\$ 27,243,800
Licenses and permits	1,702,577	-	-	-	1,702,577
Fines and forfeits	1,650,787	-	-	-	1,650,787
Grants and contributions	1,374,377	1,961,601	2,692,126	4,128,685	10,156,789
Charges for services	8,440,547	147,712	-	714,530	9,302,789
Loan repayments	-	-	-	108,986	108,986
Interest	14,894	36,678	265	1,335	53,172
Miscellaneous	212,693	-	-	155,096	367,789
Total revenues	36,435,128	5,135,064	2,692,391	6,324,106	50,586,689
Expenditures:					
Current:					
General government	1,771,795	5,996	197,219	149,107	2,124,117
Sanitation	3,027,744	-	-	-	3,027,744
Public safety	27,994,840	-	-	26,914	28,021,754
Highways and streets	687,982	-	-	573,346	1,261,328
Public works	2,554,872	-	-	34,529	2,589,401
Parks and recreation	-	-	-	1,468,337	1,468,337
Community development and planning	2,232,993	-	-	1,462,271	3,695,264
Other departments and programs	195,405	-	-	1,368,136	1,563,541
Debt service:					
Principal retirements	27,391	4,585,000	412,255	306,976	5,331,622
Interest	4,889	1,024,692	145,281	129,595	1,304,457
Capital outlay	-	-	4,393,113	452,608	4,845,721
Total expenditures	38,497,911	5,615,688	5,147,868	5,971,819	55,233,286
Excess (deficiency) of revenues over (under) expenditures	(2,062,783)	(480,624)	(2,455,477)	352,287	(4,646,597)
Other financing sources (uses):					
Transfers in	2,654,767	1,199,537	799,875	90,458	4,744,637
Transfers out	(1,359,351)	(620,596)	-	(184,148)	(2,164,095)
Total other financing sources (uses)	1,295,416	578,941	799,875	(93,690)	2,580,542
Net change in fund balances (deficits)	(767,367)	98,317	(1,655,602)	258,597	(2,066,055)
Fund balances (deficits) - beginning of year	(4,948,629)	483,552	2,702,336	(731,642)	(2,494,383)
Fund balances (deficits) - end of year	\$ (5,715,996)	\$ 581,869	\$ 1,046,734	\$ (473,045)	\$ (4,560,438)

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, 2013

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

Net change in fund balances (deficits) - total governmental funds		\$ (2,066,055)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	\$ 4,985,642	
Depreciation expense	<u>(3,651,651)</u>	1,333,991
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		448,601
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 position.		
Amortization of prepaid debt insurance	(380,984)	
Principal repayments	<u>5,331,622</u>	4,950,638
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	(58,022)	
Change in accrued interest	4,177	
Other post-employment liability	(2,575,291)	
Amortization of bond discounts	<u>(2,282,069)</u>	(4,911,205)
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 position	908,594	
Adjustment related to enterprise funds	<u>(367,849)</u>	540,745
Change in net position of governmental activities		<u>\$ 296,715</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2013

	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	\$ 2,198,055	\$ 680,642	\$ -	\$ -	\$ 2,878,697	\$ 1,733,273
Receivables:						
Lease rentals, current	-	1,707,324	-	-	1,707,324	-
Accounts receivable (less allowance for doubtful accounts of \$6,497,538)	338,554	2,283,504	50,254	43,190	2,715,502	115,083
Inventory	-	-	9,780	-	9,780	-
Prepaid expenses	-	-	30,790	-	30,790	25,708
Due from other governments	1,629,788	-	-	-	1,629,788	-
Due from other funds	-	2,040,320	-	-	2,040,320	3,394,147
Total current assets	4,166,397	6,711,790	90,824	43,190	11,012,201	5,268,211
Restricted assets:						
Cash and cash equivalents	-	8,729,526	-	1,828,353	10,557,879	456,226
Investments	-	2,297,887	-	-	2,297,887	-
Total restricted assets	-	11,027,413	-	1,828,353	12,855,766	456,226
Noncurrent assets:						
Lease rentals receivable, long-term	-	27,186,820	-	-	27,186,820	-
Capital assets, net of accumulated depreciation	-	84,994,644	3,511,205	12,452	88,518,301	134,158
Prepaid debt insurance	-	570,313	-	-	570,313	-
Total noncurrent assets	-	112,751,777	3,511,205	12,452	116,275,434	134,158
Total assets	4,166,397	130,490,980	3,602,029	1,883,995	140,143,401	5,858,595
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	376,786	93,964	155,155	9,204	635,109	1,771,645
Accrued wages payable	58,335	12,257	8,797	2,656	82,045	18,906
Accrued interest	-	-	36,036	-	36,036	-
Due to other funds	428,393	-	652,727	211,288	1,292,408	525,301
Unearned revenue	-	-	88,287	-	88,287	-
Total current liabilities	863,514	106,221	941,002	223,148	2,133,885	2,315,852
Current liabilities payable from restricted assets:						
Current portion of capitalized lease obligations	-	110,466	17,055	-	127,521	34,582
Current portion of bonds and notes payable	-	4,096,843	415,000	-	4,511,843	170,901
Total current liabilities payable from restricted resources	-	4,207,309	432,055	-	4,639,364	205,483
Noncurrent liabilities:						
Accrued compensated absences	73,653	31,075	-	5,097	109,825	80,239
Other post-employment liability	303,199	67,742	-	20,002	390,943	137,923
Capitalized lease obligations	-	178,785	192,621	-	371,406	74,444
Bonds and notes outstanding	-	50,260,339	3,625,000	-	53,885,339	181,731
Total noncurrent liabilities	376,852	50,537,941	3,817,621	25,099	54,757,513	474,337
Total liabilities	1,240,366	54,851,471	5,190,678	248,247	61,530,762	2,995,672
Net Position						
Net investment in capital assets	-	63,741,232	(738,471)	12,452	63,015,213	-
Restricted:						
Debt service	-	7,063,618	-	-	7,063,618	-
Construction	2,926,031	-	-	1,828,353	4,754,384	-
Workers' compensation	-	-	-	-	-	456,226
Unrestricted	-	4,834,659	(850,178)	(205,057)	3,779,424	2,406,697
Total net position	\$ 2,926,031	\$ 75,639,509	\$ (1,588,649)	\$ 1,635,748	\$ 78,612,639	\$ 2,862,923
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					3,326,738	
Net position of business-type activities					\$ 81,939,377	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

	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	\$ 7,183,789	\$ 9,237,785	\$ 588,722	\$ 59,563	\$ 17,069,859	\$ 13,056,424
Rental income	-	-	463,442	2,790	466,232	-
Revenue from other local governments	-	-	-	85,227	85,227	-
Miscellaneous income	9,119	54,191	3,266	-	66,576	-
Total operating revenues	7,192,908	9,291,976	1,055,430	147,580	17,687,894	13,056,424
Operating expenses:						
Personnel services	2,030,472	458,049	346,495	101,712	2,936,728	1,481,328
Utilities	671,387	-	175,860	-	847,247	-
Treatment costs	-	2,020,578	-	-	2,020,578	-
Contractual services	852,492	157,511	29,181	-	1,039,184	-
Professional services	129,789	215,178	57,600	7,706	410,273	679,069
Materials and supplies	381,394	56,844	198,147	13,263	649,648	262,321
Sludge	490,021	-	-	-	490,021	-
Administrative	653,541	774,594	141,171	34,927	1,604,233	347,766
Health insurance claims	-	-	-	-	-	6,926,351
Insurance premiums	-	-	30,265	-	30,265	965,241
Workers' compensation insurance	-	-	-	-	-	670,224
Depreciation	-	3,888,951	268,790	-	4,157,741	14,907
Miscellaneous	1,498,746	345,092	213	4,857	1,848,908	784,035
Total operating expenses	6,707,842	7,916,797	1,247,722	162,465	16,034,826	12,131,242
Operating income (loss)	485,066	1,375,179	(192,292)	(14,885)	1,653,068	925,182
Nonoperating revenue (expenses):						
Grants	-	-	-	54,000	54,000	-
Investment income	1,699	1,414,953	99	1,483	1,418,234	5,758
Contributions	-	-	-	3,172	3,172	-
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Interest expense	-	(2,955,735)	(232,695)	-	(3,188,430)	(22,346)
Total nonoperating revenue (expenses)	1,699	(709,782)	(232,596)	58,655	(882,024)	(16,588)
Change in net position before transfers	486,765	665,397	(424,888)	43,770	771,044	908,594
Transfers in	-	412,796	496,684	-	909,480	-
Transfers out	(412,796)	(3,077,226)	-	-	(3,490,022)	-
Change in net position	73,969	(1,999,033)	71,796	43,770	(1,809,498)	908,594
Net position - beginning of year	2,852,062	77,638,542	(1,660,445)	1,591,978		1,954,329
Net position - end of year	\$ 2,926,031	\$ 75,639,509	\$ (1,588,649)	\$ 1,635,748		\$ 2,862,923
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					367,849	
Change in net position of business-type activities					\$ (1,441,649)	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

	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	\$ 7,303,689	\$ 9,221,204	\$ 1,043,454	\$ 220,298	\$ 17,788,645	\$ 13,064,447
Payments to suppliers	(4,430,469)	(4,566,135)	(548,666)	(21,460)	(9,566,730)	(11,256,058)
Payments to employees	(1,991,838)	(446,933)	(344,429)	(98,539)	(2,881,739)	(1,455,573)
Net cash provided by operating activities	881,382	4,208,136	150,359	100,299	5,340,176	352,816
Cash flows from noncapital financing activities:						
Transfers in	-	412,796	496,684	-	909,480	-
Transfers out	(412,796)	(3,077,226)	-	-	(3,490,022)	-
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Net cash provided by (used in) noncapital financing activities	(412,796)	(1,833,430)	496,684	-	(1,749,542)	-
Cash flows from capital and related financing activities:						
Capital outlays	-	(354,578)	-	-	(354,578)	-
Grants and contributions	-	-	-	3,172	3,172	-
Principal receipts on lease rentals receivable	-	2,960,685	-	-	2,960,685	-
Principal payments on bonds and notes	-	(4,015,382)	(395,000)	-	(4,410,382)	(160,633)
Principal payments on capital lease	-	(111,266)	(16,320)	-	(127,586)	(40,039)
Interest paid	-	(1,772,757)	(235,822)	-	(2,008,579)	(32,614)
Net cash provided by (used in) capital and related financing activities	-	(3,293,298)	(647,142)	3,172	(3,937,268)	(233,286)
Cash flows from investing activities:						
Purchases of investment securities	-	(568,102)	-	-	(568,102)	-
Investment income	1,699	12,617	99	1,483	15,898	5,758
Net cash provided by (used in) investing activities	1,699	(555,485)	99	1,483	(552,204)	5,758
Net increase (decrease) in cash and cash equivalents	470,285	(1,474,077)	-	104,954	(898,838)	125,288
Cash and cash equivalents - beginning of year	1,727,770	10,884,245	-	1,723,399	14,335,414	2,064,211
Cash and cash equivalents - end of year	\$ 2,198,055	\$ 9,410,168	\$ -	\$ 1,828,353	\$ 13,436,576	\$ 2,189,499
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 485,066	\$ 1,375,179	\$ (192,292)	\$ (14,885)	\$ 1,653,068	\$ 925,182
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	-	3,888,951	268,790	-	4,157,741	14,907
Grants	-	-	-	54,000	54,000	-
(Increase) decrease in:						
Accounts receivable	(157,658)	(111,813)	(5,563)	18,718	(256,316)	8,023
Inventory	-	-	(1,497)	-	(1,497)	-
Prepaid expenses	-	-	5,196	-	5,196	2,495
Due from other governments	268,439	41,041	-	-	309,480	-
Due from other funds	-	(900,515)	-	-	(900,515)	(1,056,503)
Increase (decrease) in:						
Accounts payable and accrued expenses	(16,413)	(95,823)	7,484	7,486	(97,266)	747,185
Accrued wages payable	16,479	2,251	2,066	423	21,219	4,597
Other post-employment liability	29,837	8,023	-	1,615	39,475	11,343
Accrued compensated absences	(7,682)	842	-	1,135	(5,705)	9,815
Unearned revenue	-	-	(6,413)	-	(6,413)	-
Due to other funds	263,314	-	72,588	31,807	367,709	(314,228)
Net cash provided by operating activities	\$ 881,382	\$ 4,208,136	\$ 150,359	\$ 100,299	\$ 5,340,176	\$ 352,816
Noncash Capital Financing and Related Financing Activities:						
Proceeds from capital lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,065

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2013

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ 692,008
Investments, at fair value	95,900,443	-
Accounts receivable	-	6,529
Due from City of York	6,934,223	-
Total assets	102,834,666	698,537
Liabilities		
Accounts payable and accrued expenses	-	698,537
Total liabilities	-	\$ 698,537
Net Position		
Restricted for pension benefits	\$ 102,834,666	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUNDS**
YEAR ENDED DECEMBER 31, 2013

Additions:	
Contributions	
Employee contributions	\$ 668,150
Employer contributions	<u>5,708,552</u>
Total contributions	<u>6,376,702</u>
Investment income:	
Interest and dividend income	1,796,677
Net appreciation of investments	<u>11,453,349</u>
	13,250,026
Less investment expense	<u>(341,509)</u>
Net investment income	<u>12,908,517</u>
Total additions	<u>19,285,219</u>
Deductions:	
Benefit payments	<u>7,054,409</u>
Total deductions	<u>7,054,409</u>
Change in net position	12,230,810
Net position restricted for pension benefits, beginning of year	<u>90,603,856</u>
Net position restricted for pension benefits, end of year	<u><u>\$ 102,834,666</u></u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET POSITION - COMPONENT UNITS
DECEMBER 31, 2013

	Redevelopment Authority	General Authority	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,049,541	\$ 58,267	\$ 1,107,808
Due from other governments (net of allowance of \$644,643 and zero)	1,732,931	-	1,732,931
Restricted cash and cash equivalents	-	1,624,850	1,624,850
Accounts receivable	65,640	1,736	67,376
Accrued interest	-	5,776	5,776
Prepaid expenses	962	-	962
Total current assets	2,849,074	1,690,629	4,539,703
Noncurrent assets:			
Loans receivable, net of allowance	1,056,988	-	1,056,988
Note receivable	-	107,233	107,233
Capital assets (net of accumulated depreciation of \$1,551,033 and \$8,332,591)	1,974,032	6,635,832	8,609,864
Total noncurrent assets	3,031,020	6,743,065	9,774,085
Total assets	5,880,094	8,433,694	14,313,788
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	25,670	56,011	81,681
Due to primary government	2,000	732,717	734,717
Due to other governments	104,157	-	104,157
Unearned revenues	42,000	568,813	610,813
Current portion of loan payable	2,450,000	-	2,450,000
Current portion of bonds payable	130,000	-	130,000
Current portion of note payable	-	130,500	130,500
Total current liabilities	2,753,827	1,488,041	4,241,868
Noncurrent liabilities:			
Bonds payable	2,595,000	-	2,595,000
Note payable	500,000	4,379,500	4,879,500
Total noncurrent liabilities	3,095,000	4,379,500	7,474,500
Total liabilities	5,848,827	5,867,541	11,716,368
Net Position			
Net investment in capital assets	(750,968)	2,125,832	1,374,864
Restricted:			
Debt service	21,672	-	21,672
Revolving loan	1,000,000	-	1,000,000
Unrestricted	(239,437)	440,321	200,884
Total net position	\$ 31,267	\$ 2,566,153	\$ 2,597,420

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2013

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Redevelopment Authority	General Authority	Total
Redevelopment Authority	\$ 1,226,954	\$ 1,085,449	\$ 85,002	\$ (56,503)	\$ -	\$ (56,503)
General Authority	1,847,075	1,739,070	-	-	(108,005)	(108,005)
Total component units	<u>\$ 3,074,029</u>	<u>\$ 2,824,519</u>	<u>\$ 85,002</u>	<u>(56,503)</u>	<u>(108,005)</u>	<u>(164,508)</u>
General revenues:						
Miscellaneous revenue				3,500	-	3,500
Unrestricted investment earnings				30,866	4,268	35,134
Total general revenues				<u>34,366</u>	<u>4,268</u>	<u>38,634</u>
Change in net position				(22,137)	(103,737)	(125,874)
Net position - beginning of year				<u>53,404</u>	<u>2,669,890</u>	<u>2,723,294</u>
Net position - end of year				<u>\$ 31,267</u>	<u>\$ 2,566,153</u>	<u>\$ 2,597,420</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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 position 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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 pension trust 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 taxes, earned income taxes, mercantile taxes, 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, employer pension contributions, and other post-employment benefits are reported to the extent that they mature each period.

Unavailable revenue is recorded for governmental fund receivables that are not both measurable and available. Unavailable revenue consists of real estate taxes, earned income taxes, and mercantile taxes. Collections of real estate taxes and earned income taxes are recognized as revenue in the year in which they are measurable and available.

Inflows that do not yet meet the criteria for revenue recognition, such as grant monies received prior to the incurrence of qualifying expenditures, are recorded as unearned revenue for both the government-wide and the governmental fund financial statements. For the General Authority, parking fees are recognized in the period when such revenues pertain. Any amounts collected in advance of such periods are reflected in the statement of net position as unearned revenue.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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 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.

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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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 Sewer Transportation Fund, which is included in other enterprise funds, that are surcharges imposed on municipalities connected to the City's system are restricted for future upgrades to the system.

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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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 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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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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.

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 pension trust 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 position. Bond premiums and discounts, as well as prepaid debt insurance costs, are amortized over the life of the related obligation using the effective interest method. Debt is reported net of the applicable bond premium or discount. Prepaid debt insurance costs are reported as assets 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 prepaid debt insurance 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. Prepaid debt insurance 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

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NOTES TO BASIC FINANCIAL STATEMENTS

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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 Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. 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 Position – 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 Position – This category represents the net position of the City, which is 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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 position. The amount of nonrecourse debt issues for the Redevelopment Authority is unavailable at December 31, 2013. The amount of nonrecourse debt issues for the General Authority is \$6,480,000 at December 31, 2013.

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, liabilities, and deferred inflows of resources and disclosure of contingent assets, liabilities, and deferred inflows of resources at the date of the financial statements and reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Adoption of Governmental Accounting Standards Board (GASB) Statement

The City has adopted GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement reclassifies certain items that were reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. As a result of this statement, reclassifications have been made. Under GASB Statement No. 65, debt issuance costs, excluding debt insurance, are fully expensed in the year of issuance.

Pending Pronouncements

In June 2012, the GASB has issued Statements No. 67 and No. 68, "Financial Reporting for Pension Plans," and "Accounting and Financial Reporting for Pensions." In addition, in November 2013, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." The objective of these Statements is to revise and establish reporting requirements for most governments that provide their employees with pension benefits. The provisions of these Statements are effective for the City's December 31, 2014 and 2015 financial statements.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

In April 2013, the GASB issued Statement No. 70, *"Accounting and Financial Reporting for Nonexchange Financial Guarantees."* The objective of this Statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for the City's December 31, 2014 financial statements.

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.
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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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, 2002, and 2011 Debt Service Funds.
4. Capital Projects Fund.
5. All proprietary funds.

3. FUND DEFICITS/DEFICIT NET POSITION

As of December 31, 2013, six funds each had a deficit fund balance or net position. 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, 2013, is \$5,715,996. As a result of stagnant revenues due to the antiquated tax structure, national economic recession, unearned 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

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NOTES TO BASIC FINANCIAL STATEMENTS

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City raised tax rates by more than 11% and raised sewer rates by a similar proportion. The real estate tax rate for 2012 was raised by 17.2%. The City has undertaken three studies of General Fund Departments: A regional study of the Police Department, 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 staff, closed a fire station, and taken a piece of apparatus out of service. Regionalization efforts have yielded little success as they have been met with resistance by surrounding municipalities. In 2014, the property inspection positions were eliminated and all rental property licensing and inspection duties were consolidated with the Permits, Planning and Zoning department. 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 reviewed the study and has implemented many of the recommendations including raising the parking tax rate to 15%, enforcing the admissions tax ordinance, restructuring of the employee health insurance plans, developing an information technology improvement plan, completing a comprehensive compensation comparability study, and downsizing the health and housing departments in response to reduced CDBG funding. Current efforts include raising the earned income tax rate by 25% and implementing a non-resident earned income tax.

Recreation Fund - The fund deficit, which is included in other governmental funds at December 31, 2013, of \$353,383, 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. The current balance is down 47% from the \$671,476 balance at December 31, 2012.

State Liquid Fuels Tax Fund - The fund deficit, which is included in other governmental funds at December 31, 2013, of \$6,556, 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. The current balance is down 90% from the \$67,639 balance at December 31, 2012.

State Grant Health Funds - The fund deficit, which is included in other governmental funds at December 31, 2013, of \$578,711, 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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Ice Rink Fund - The fund deficit, at December 31, 2013, of \$1,588,649, 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, in 2014, the City replaced the private firm managing the daily operations of the rink. The new firm has experienced comparable success managing a local minor league baseball team and has pledged their own capital investment into the rink.

White Rose Cable TV Fund - The fund deficit, which is included in other enterprise funds at December 31, 2013, of \$220,713, 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 2013, 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 but suffered like others through the Great Recession of 2008. Although the changes did not eliminate the projected deficits, the downturn was significantly reduced. Nevertheless, the fiscal cliff still looms as the rise in the minimum municipal annual obligation to the pension fund and other scheduled cost increases are fixed for 2015.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

The City received a grant from DCED in 2010 to update the EIP report. Subsequently, the City partnered with the York County Community Foundation for a study by the Police Executive Research Fellowship on the City and regional police departments and the possible creation of a regional department. Also, the City retained Public Safety Solutions, Inc. for a comprehensive study of the Department of Fire-Rescue Services and 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. However, staff reductions have been offset by increased overtime costs. The PFM report was delivered in mid-October 2011. In 2014, the property inspection positions were eliminated and all rental property licensing and inspection duties were consolidated with the Permits, Planning and Zoning department. The Police Study focused on opportunities for the creation of a metro York police department and potential improvements and opportunities for cooperation amongst various departments in the region. As part of the improvement efforts and to seek accreditation, the City received a RACP grant from the State to renovate the police station. Obtaining this certification will decrease the City's liability insurance costs and simultaneously improve law enforcement. 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. Regionalization efforts have yielded little success to date.

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 20.37 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 2013 was as follows:

February 15, 2013	—	levy date
February 15 – April 15, 2013	—	2% discount period
April 16 – June 17, 2013	—	face payment period
June 18 – December 31, 2013	—	10% penalty period
January 1, 2014	—	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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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, 2013, the City's book balance was \$8,695,998 and the bank balance was \$10,355,261. Of the bank balance, \$489,245 was covered by federal depository insurance, \$9,805,646 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly (Act), 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 \$60,370 was uncollateralized.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Cash and cash equivalents per financial statement:

Governmental activities:

Unrestricted	\$ 2,674,864
Restricted	1,017,932

Business-type activities:

Unrestricted	2,878,697
Restricted	10,557,879

Fiduciary funds:

Agency funds	692,008
	<u>17,821,380</u>

Less money market funds (9,125,382)

Total deposits \$ 8,695,998

B. Investments

The fair value of the investments of the City at December 31, 2013 was as follows:

	<u>Fair Value</u>
Governmental activities:	
Restricted - Money market funds	\$ 395,856
Total governmental activities	<u>395,856</u>
Business-type activities:	
Restricted:	
Money market funds	8,729,526
U.S. Government obligations	<u>2,297,887</u>
Total business-type activities	<u>11,027,413</u>
Fiduciary funds:	
Pension trust funds:	
Fixed income mutual funds	18,688,951
Collective investment trusts	6,081,115
Equity mutual funds	61,114,431
Common stock	<u>10,015,946</u>
Total fiduciary funds	<u>95,900,443</u>
Total investments	<u>\$ 107,323,712</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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 and U.S. Treasury principal-only STRIPS. These particular STRIPS have little credit and legal risk while the market risk is significant as principal-only STRIPS are more sensitive to fluctuations in interest rates than other traditional investments. The carrying amount of these STRIPS at December 31, 2013 was \$2,297,887 and is reported as part of restricted investments on the statement of net position.

Concentration of credit risk. The City places no limit on the amount the City may invest in any one issuer. At December 31, 2013, 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, 2013:

	<u>Fair Value</u>	<u>Rating</u>
Money market funds	\$ 9,125,382	AAA
Fixed income mutual funds	6,724,385	AAA
Fixed income mutual funds	1,911,959	A1
Fixed income mutual funds	4,988,435	AA
Fixed income mutual funds	5,064,172	A
Collective investment trusts	6,081,115	Unrated

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YEAR ENDED DECEMBER 31, 2013

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

	Fair Value	Investment Maturity		
		2014	2015-2019	2020-2024
Money market funds	\$ 9,125,382	\$ 9,125,382	\$ -	\$ -
U.S. Government obligations	2,297,887	1,435,622	862,265	-
Fixed income mutual funds	18,688,951	1,911,959	6,724,385	10,052,607
	<u>\$ 30,112,220</u>	<u>\$ 12,472,963</u>	<u>\$ 7,586,650</u>	<u>\$ 10,052,607</u>

Component Units

General Authority

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

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The General Authority does not have a deposit policy for custodial credit risk. As of December 31, 2013, the General Authority's book balance was \$1,683,117 and the bank balance was \$1,776,344. A total of \$250,000 of the bank balance was covered by federal depository insurance at December 31, 2013, and the remaining \$1,526,344 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.

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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Deposits

Custodial Credit Risk - The Redevelopment Authority does not have a deposit policy for custodial credit risk. As of December 31, 2013, the Redevelopment Authority's book and bank balances were \$1,027,868. A total of \$593,496 of the bank balance was covered by federal depository insurance at December 31, 2013, and the remaining \$434,372 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, 2013, the fair value of the Redevelopment Authority's investment in money market funds was \$21,673.

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, 2013, 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 \$1,732,931 is composed of the following:

Redevelopment Assistance Capital Program -	
Renovation and Construction of Northwest Triangle	
Project - Commonwealth of Pennsylvania, net of	
allowance of \$644,643	<u>\$ 1,732,931</u>

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.

CITY OF YORK, PENNSYLVANIA

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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 at December 31, 2013, in the net amount of \$1,732,931, 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 December 31, 2013, the Redevelopment Authority has secured the local match.

At December 31, 2013, 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. No amounts were received under the RACP grant during the year ended December 31, 2013.

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. During the year ended December 31, 2012, this line

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of credit was paid in full with loan proceeds borrowed in the form of a non-revolving time loan, which has a balance of \$2,450,000 as of December 31, 2013. It is the Redevelopment Authority's intention to use future reimbursements from the RACP grant to pay the outstanding balance on the loan. The City agrees to assist the Redevelopment Authority with any remaining balance on the loan.

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 unearned revenue in the fund financial statements as of December 31, 2013.

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 unearned revenue in the fund financial statements as of December 31, 2013.

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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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 unearned revenue in the fund financial statements as of December 31, 2013.

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, 2013, 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 unearned revenue in the fund financial statement as of December 31, 2013.

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 and was extended through December 1, 2024. An allowance of the full amount of the note was previously recorded within the Home Fund. This loan was forgiven in full during the year ended December 31, 2013.

George Street Commons Loan

In April of 2012, the City entered into a loan agreement with a Pennsylvania limited partnership in which the City has agreed to lend \$750,000 of funds from the Home Program for the purpose of the construction of 28 town homes. The loan is secured by a mortgage, with interest charged at 2% per annum. The full amount of the loan plus accrued interest is due April 2, 2042. The loan receivable, in the amount of \$637,500, net of an allowance of \$112,500, is recorded within the Home Fund and the entire loan balance has been recorded as unearned revenue in the fund financial statements as of December 31, 2013.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Homes at Thackston Park Loan

In September of 2012, the City entered into a loan agreement with a Pennsylvania limited partnership in which the City has agreed to loan a maximum of \$750,000 of funds from the Home Fund for the purpose of the construction of 39 town homes. The loan is secured by a mortgage, with interest charged at 1% per annum. The full amount of the loan plus accrued interest is due September 24, 2042. As of December 31, 2013, a total amount of \$551,000 has been advanced on this loan. The loan receivable, in the amount of \$468,350, net of an allowance of \$82,650, is recorded within the Home Fund and the entire loan balance has been recorded as unearned revenue in the fund financial statements as of December 31, 2013.

Component Units

Redevelopment Authority

Loans receivable in the amount of \$1,056,988 at December 31, 2013 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	56,988
Total loans receivable	<u>\$ 1,056,988</u>

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 unearned revenue has been

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NOTES TO BASIC FINANCIAL STATEMENTS

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recorded for the amount of the Note, which will be amortized over the life of the renovations as payments are received. For the year ended December 31, 2013, a total of \$25,975 was recognized as revenue under terms of this agreement.

9. DUE TO/FROM AND INTERFUND TRANSFERS

Individual due to/from other fund balances at December 31, 2013 were as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 341,493	\$ 6,481,699
Capital Projects Fund	12,777	3,182,859
Other governmental funds	60,000	1,300,693
Intermunicipal Sewer Fund	-	428,393
Sewer Fund	2,040,320	-
Ice Rink Fund	-	652,727
Other enterprise funds	-	211,288
Internal Service Fund	3,394,147	525,301
Pension Trust Funds	6,934,223	-
Total primary government	<u>\$ 12,782,960</u>	<u>\$ 12,782,960</u>

Primarily, interfund balances represent short term borrowings between funds for the purpose of eliminating negative cash. Additionally, the amount due to the Pension Trust Funds from the General Fund is for a portion of the 2012 and 2013 minimum municipal obligation plus accrued interest.

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NOTES TO BASIC FINANCIAL STATEMENTS

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A reconciliation of the interfund transfers for the year ended December 31, 2013 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,654,767	\$ 1,359,351
Debt Service Fund	1,199,537	620,596
Capital Projects Fund	799,875	-
Other governmental funds	90,458	184,148
Intermunicipal Sewer Fund	-	412,796
Sewer Fund	412,796	3,077,226
Ice Rink Fund	496,684	-
Total primary government	<u>\$ 5,654,117</u>	<u>\$ 5,654,117</u>

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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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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, 2013 are:

Years Ending December 31,	Amount
2014	\$ 3,003,627
2015	3,023,626
2016	3,021,339
2017	2,865,571
2018	2,867,444
2019	2,627,010
2020	855,053
2021	826,907
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	39,157,600
Less amount representing interest (at an average rate of 3.2%)	(10,263,456)
Present value of minimum lease rentals receivable	28,894,144
Less current installments of lease rentals	(1,707,324)
Lease rentals, excluding current installments	\$ 27,186,820

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

Primary Government

	Beginning of Year	Additions	Retirements and Dispositions	End of Year
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 5,927,157	\$ -	\$ -	\$ 5,927,157
Construction in progress	3,045,143	4,148,127	-	7,193,270
Total capital assets, not being depreciated	8,972,300	4,148,127	-	13,120,427
Capital assets, being depreciated:				
Buildings	13,192,165	149,761	-	13,341,926
Land improvements	4,940,300	30,147	-	4,970,447
Equipment and furniture	19,636,762	395,339	(123,918)	19,908,183
Infrastructure	77,031,588	414,215	-	77,445,803
Total capital assets, being depreciated	114,800,815	989,462	(123,918)	115,666,359
Less accumulated depreciation for:				
Buildings	(4,321,890)	(293,581)	-	(4,615,471)
Land improvements	(2,767,332)	(162,506)	-	(2,929,838)
Equipment and furniture	(14,073,001)	(1,038,127)	121,036	(14,990,092)
Infrastructure	(50,738,642)	(2,172,344)	-	(52,910,986)
Total accumulated depreciation	(71,900,865)	(3,666,558)	121,036	(75,446,387)
Total capital assets, being depreciated, net	42,899,950	(2,677,096)	(2,882)	40,219,972
Governmental activities capital assets, net	\$51,872,250	\$ 1,471,031	\$ (2,882)	\$53,340,399

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

	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	19,855,664	64,341	(19,091,859)	828,146
Total capital assets, not being depreciated	19,873,109	64,341	(19,091,859)	845,591
Capital assets, being depreciated:				
Buildings	112,564,102	19,229,490	-	131,793,592
Land improvements	22,145	-	-	22,145
Equipment and furniture	4,455,619	127,471	-	4,583,090
Infrastructure	17,790,034	21,725	-	17,811,759
Total capital assets being depreciated	134,831,900	19,378,686	-	154,210,586
Less accumulated depreciation for:				
Buildings	(50,145,158)	(3,580,010)	-	(53,725,168)
Land improvements	(10,314)	(1,106)	-	(11,420)
Equipment and furniture	(3,045,721)	(303,047)	-	(3,348,768)
Infrastructure	(9,178,942)	(273,578)	-	(9,452,520)
Total accumulated depreciation	(62,380,135)	(4,157,741)	-	(66,537,876)
Total capital assets, being depreciated, net	72,451,765	15,220,945	-	87,672,710
Business-type activities capital assets, net	\$92,324,874	\$ 15,285,286	\$ (19,091,859)	\$88,518,301

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 48,616
Sanitation	26,809
Public safety	688,274
Highways and streets	135,996
Public works	2,381,928
Parks and recreation	253,658
Community development and planning	73,881
Other departments and programs	<u>15,515</u>

Total depreciation expense -- governmental activities	3,624,677
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Internal services fund depreciation expense allocated to governmental activities	<u>41,881</u>
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Total depreciation expense for governmental activities	<u>\$ 3,666,558</u>
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Business-type activities:

Sewer	\$ 3,888,951
Ice rink	<u>268,790</u>

Total depreciation and amortization expenses for business-type activities	<u>\$ 4,157,741</u>
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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Component Units

	Beginning of Year	Additions	Retirements and Distributions	End of Year
Redevelopment Authority:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,525,065	\$ -	\$ -	\$ 3,525,065
Less accumulated depreciation	(1,410,030)	(141,003)	-	(1,551,033)
Redevelopment Authority:				
Capital assets, net	<u>\$ 2,115,035</u>	<u>\$ (141,003)</u>	<u>\$ -</u>	<u>\$ 1,974,032</u>
General Authority:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 14,907,360	\$ 61,063	\$ -	\$ 14,968,423
Less accumulated depreciation	(7,854,174)	(478,417)	-	(8,332,591)
General Authority:				
Capital assets, net	<u>\$ 7,053,186</u>	<u>\$ (417,354)</u>	<u>\$ -</u>	<u>\$ 6,635,832</u>

12. TAX ANTICIPATION NOTE OF 2013

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 a fixed rate of 0.95% per annum until June 30, 2013 and thereafter at a variable rate equal to LIBOR plus 0.75% 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 \$20,908. The entire balance of the note was paid in full by the City during the year ended December 31, 2013.

Tax anticipation note transactions for the year ended December 31, 2013 were as follows:

Outstanding at December 31, 2012	\$ -
New borrowings	5,700,000
Repayments	<u>(5,700,000)</u>
Outstanding at December 31, 2013	<u>\$ -</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

13. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2013 was as follows:

Primary Government

Governmental Activities:	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Loans from other governmental entities	\$ 3,150,000	\$ -	\$ -	\$ (240,000)	\$ 2,910,000	\$ 240,000
General Obligation Notes	6,021,591	-	255,615	(1,145,634)	5,131,572	1,025,901
General Obligation Bonds	45,487,145	-	2,026,454	(3,600,000)	43,913,599	4,335,550
Capitalized lease obligation	3,256,595	149,065	-	(546,660)	2,859,000	458,285
Vested compensated absences	1,250,825	67,837	-	-	1,318,662	-
Other post-employment liability	14,407,204	5,012,152	-	(2,425,518)	16,993,838	-
	<u>\$ 73,573,360</u>	<u>\$ 5,229,054</u>	<u>\$ 2,282,069</u>	<u>\$ (7,957,812)</u>	<u>\$ 73,126,671</u>	<u>\$ 6,059,736</u>
Business-type Activities:	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Sewer Revenue Bonds	\$ 57,759,243	\$ -	\$ 912,049	\$ (4,015,382)	\$ 54,655,910	\$ 4,096,843
Unamortized discount	(334,866)	-	-	36,138	(298,728)	-
Recreation Revenue Bonds	4,435,000	-	-	(395,000)	4,040,000	415,000
Capitalized lease obligations	626,513	-	-	(127,586)	498,927	127,521
Vested compensated absences	115,520	-	-	(5,695)	109,825	-
Other post-employment liability	351,468	76,491	-	(37,016)	390,943	-
	<u>\$ 62,952,878</u>	<u>\$ 76,491</u>	<u>\$ 912,049</u>	<u>\$ (4,544,541)</u>	<u>\$ 59,396,877</u>	<u>\$ 4,639,364</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Component Units

	Beginning of Year	Additions	Retirements	End of Year	Current Portion
Redevelopment					
Authority:					
Revenue bonds	\$ 2,845,000	\$ -	\$ (120,000)	\$ 2,725,000	\$ 130,000
Promissory note	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -
Non-revolving					
RACP loan	\$ 2,450,000	\$ -	\$ -	\$ 2,450,000	\$ 2,450,000
General Authority:					
Notes payable	\$ 4,558,824	\$ 4,510,000	\$ (4,558,824)	\$ 4,510,000	\$ 130,500

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, 2013, was \$800,000. In January, 2014, the City refinanced the remaining balance of this fixed interest rate loan to a variable interest rate based on the LIBOR rate plus 0.20%. The loan matures on August 1, 2020.

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, 2013, was \$2,110,000.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

The annual principal and interest requirements for amounts due from the City under loans from other governmental entities as of December 31, 2013 are as follows:

Years Ending December 31,	Principal	Interest
2014	\$ 240,000	\$ 119,276
2015	240,000	111,326
2016	240,000	102,686
2017	240,000	93,292
2018	240,000	83,448
2019-2023	1,005,000	257,391
2024-2028	705,000	89,944
	<u>\$ 2,910,000</u>	<u>\$ 857,363</u>

General Obligation Notes

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

General obligation notes payable at December 31, 2013 are comprised of:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
General Obligation Refunding Notes, Series D of 1998	\$ 7,634,459	Through 2023	0.00%	\$ 6,830,000
General Obligation Notes, Series of 2006	1,337,500	Through 2015	6.25%	352,632
General Obligation Notes at December 31, 2013				7,182,632
Less unamortized discount on zero coupon notes				(2,051,060)
General Obligation Notes, net of discount, at December 31, 2013				<u>\$ 5,131,572</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

The annual principal and interest requirements for amounts due from the City under general obligation notes at December 31, 2013 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,025,901	\$ 22,346
2015	691,731	11,516
2016	360,000	-
2017	200,000	-
2018	160,000	-
2019-2023	<u>4,745,000</u>	<u>-</u>
	7,182,632	33,862
Unamortized discount	<u>(2,051,060)</u>	<u>-</u>
	<u>\$ 5,131,572</u>	<u>\$ 33,862</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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, 2013:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
1995A	\$ 76,030,000	Through 2022	0.00% - 6.50%	\$ 36,585,000
1998B	4,440,000	Through 2024	0.00%	4,440,000
2011	11,265,000	Through 2041	7.25%	11,120,000
2011A	585,550	Through 2014	Variable (2.664% at December 31, 2013)	585,550
2011B	2,200,000	Through 2027	9.00%	2,100,000
General Obligation Bonds at December 31, 2013				54,830,550
Less unamortized discount on zero coupon notes				
(Series A of 1995)				(9,009,583)
(Series B of 1998)				(1,907,368)
General Obligation Bonds, net of discount, at December 31, 2013				<u>\$ 43,913,599</u>

CITY OF YORK, PENNSYLVANIA

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The annual principal and interest requirements for amounts due from the City under general obligation bonds at December 31, 2013 are as follows:

December 31,	Principal	Interest
2014	\$ 4,335,550	\$ 1,010,799
2015	4,115,000	974,962
2016	4,285,000	953,100
2017	4,460,000	929,700
2018	4,520,000	905,126
2019-2023	19,040,000	4,094,450
2024-2028	6,830,000	3,182,152
2029-2033	2,040,000	2,350,452
2034-2038	2,910,000	1,493,862
2039-2041	2,295,000	340,757
	<u>54,830,550</u>	<u>16,235,360</u>
Unamortized discount	(10,916,951)	-
	<u>\$ 43,913,599</u>	<u>\$ 16,235,360</u>

Prior Year Defeasance of Debt

The City has, from time to time, defeased certain debt by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old debt. The trust account assets and the liability of the defeased debt are not included in the City's financial statements. At December 31, 2013, the following defeased debt was outstanding:

	Funds Escrowed as of December 31, 2013	Defeased Debt Outstanding as of December 31, 2013
General Obligation Bonds, Series A of 1995	<u>\$ 9,601,489</u>	<u>\$ 6,833,182</u>

Guaranteed Sewer Revenue Bonds

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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Guaranteed sewer revenue bonds payable at December 31, 2013 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	Through 2016	0.00%	\$ 11,620,000
Guaranteed Sewer Revenue Bonds - Series of 2008	10,000,000	Through 2022	3.75%	10,000,000
Guaranteed Sewer Revenue Bonds - Series of 2010	22,745,000	Through 2027	4.50-5.00%	22,745,000
Guaranteed Sewer Revenue Bonds - Series A of 2010	10,540,000	Through 2019	2.50-4.00%	10,540,000
Guaranteed Sewer Revenue Bonds - Series of 2011	1,500,000	Through 2021	1.00%	1,164,218
Guaranteed Sewer Revenue Bonds at December 31, 2013				56,069,218
Less unamortized discount on zero coupon bonds				(1,413,308)
Guaranteed Sewer Revenue Bonds, net of discount, at December 31, 2013				<u>\$ 54,655,910</u>

The annual principal and interest requirements for amounts due from the City under the guaranteed sewer revenue bonds at December 31, 2013 are as follows:

Years Ending December 31,	Principal	Interest
2014	\$ 4,096,843	\$ 1,758,614
2015	4,138,318	1,754,514
2016	4,139,808	1,748,999
2017	3,611,313	1,743,894
2018	3,707,833	1,650,874
2019-2023	14,350,103	7,174,588
2024-2027	22,025,000	2,004,393
	56,069,218	17,835,876
Unamortized discount	(1,413,308)	-
	<u>\$ 54,655,910</u>	<u>\$ 17,835,876</u>

CITY OF YORK, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2013

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 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, 2013 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
2001	\$ 7,305,000	Through 2021	4.10-5.15%	<u>\$ 4,040,000</u>

The annual principal and interest requirements for amounts due from the City under the guaranteed recreation revenue bonds at December 31, 2013 are as follows:

Years Ending December 31,	Principal	Interest
2014	\$ 415,000	\$ 204,803
2015	440,000	181,290
2016	465,000	156,402
2017	490,000	130,140
2018	520,000	102,365
2019-2021	1,710,000	133,900
	<u>\$ 4,040,000</u>	<u>\$ 908,900</u>

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YEAR ENDED DECEMBER 31, 2013

Capitalized Lease Obligations

The City leases certain equipment under long-term lease agreements which are classified as capital leases. As of December 31, 2013, the governmental activities and the business-type activities include equipment and furniture under capital leases with a net book value of \$2,326,771 and \$615,007, respectively.

The future minimum payments under capital leases and the present value of the future minimum lease payments at December 31, 2013 are as follows:

Year ending December 31,	Governmental Activities	Business-type Activities	Total
2014	\$ 582,027	\$ 145,741	\$ 727,768
2015	545,402	141,568	686,970
2016	482,749	96,957	579,706
2017	429,260	26,219	455,479
2018	410,430	26,219	436,649
2019-2023	922,471	131,096	1,053,567
Total minimum lease payments	3,372,339	567,800	3,940,139
Less amount representing interest	(513,339)	(68,873)	(582,212)
Present value of future minimum lease payments	<u>\$ 2,859,000</u>	<u>\$ 498,927</u>	<u>\$ 3,357,927</u>

Redevelopment Authority Series of 2002 Revenue Bonds

In January of 2002, the Redevelopment Authority issued the Series of 2002 Variable Rate Demand/Fixed Rate Revenue Bonds for the amount of \$3,725,000. The Bonds were issued for the purpose of financing the Susquehanna Commerce Center Garage Project.

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

The Redevelopment Authority entered into a management agreement with Creekside Investors L.P. (Manager), whereby Creekside Investors, L.P. managed and operated the parking facilities on behalf of the Redevelopment Authority. Under the agreement, the Manager, on behalf of the Redevelopment Authority, collected all parking fees, rents, charges, and other income attributable to the parking facilities. The Manager deposited receipts in a segregated

CITY OF YORK, PENNSYLVANIA

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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, 2013 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
2002 Revenue Bonds	\$ 3,725,000	Through 2027	Variable (5.5% at December 31, 2013)	<u>\$ 2,725,000</u>

The annual principal and interest requirements for amounts due from the Redevelopment Authority under the 2002 Revenue Bonds using the 5.5% interest rate in effect at December 31, 2013 are as follows:

Years Ending December 31,	Principal	Interest
2014	\$ 130,000	\$ 148,385
2015	135,000	141,178
2016	145,000	133,639
2017	155,000	125,549
2018	165,000	116,909
2019-2023	980,000	435,646
2024-2027	1,015,000	132,470
	<u>\$ 2,725,000</u>	<u>\$ 1,233,776</u>

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Redevelopment Authority 2012 Note and Loan Payables

In May 2012, the Redevelopment Authority entered into a 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. \$500,000 remains outstanding as of December 31, 2013.

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 November 2013, the non-revolving time loan was extended until October 26, 2014. At the maturity date, the entire unpaid principal balance plus all accrued and outstanding interest is due and payable. \$2,450,000 remains outstanding as of December 31, 2013 and it is the Redevelopment Authority's intention to use the future reimbursements from the RACP grant to pay the outstanding balance on the loan. The City agrees to assist the Redevelopment Authority with any remaining balance on the loan.

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 were to be used to finance the renovation to the Market Street Garage, along with improvements to the General Authority's other assets. The loan was interest-only for three years during the draw-down period, followed by seventeen years of amortization, maturing December 23, 2028.

General Authority Series of 2013 Revenue Note

In 2013, the General Authority issued the Series of 2013 Revenue Note, in the amount of \$4,510,000, for the current refunding of the Series of 2008 Promissory Note and to pay costs of issuance. The current refunding decreased its total debt payments by \$223,753 through the year 2028 and resulted in an economic gain of \$383,119 (difference between the present values of the old and new debt service payments). Interest is payable semi-annually at an initial rate of 2.71% per annum until November 15, 2018. Thereafter, the rate changes to 60% of the bank's prime rate or a fixed rate for a period of time mutually agreed upon by the bank and the Authority, but in no event less than 2.20% or above 6.00% per annum. The loan matures on November 15, 2028.

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The annual principal and interest requirements for amounts due from the General Authority under the Revenue Note using the fixed rate in effect at December 31, 2013 of 2.71% are as follows:

Years Ending December 31,	Principal	Interest
2014	\$ 130,500	\$ 137,499
2015	205,300	118,684
2016	286,900	113,120
2017	294,700	105,346
2018	302,600	97,360
2019-2023	1,495,200	504,764
2024-2028	1,794,800	205,180
	<u>\$ 4,510,000</u>	<u>\$ 1,281,953</u>

14. REDEVELOPMENT AUTHORITY LINE OF CREDIT

In November 2006, the Redevelopment Authority entered into a \$5.5 million non-revolving line of credit agreement with a local bank through November 2009. In March 2008, a loan modification agreement was approved to extend the line of credit up to \$7 million. Fixed interest of 6.4% 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. No payments were received in 2013. The line of credit has paid the expenses associated with the Redevelopment Authority's RACP grant funded by the Commonwealth. During the year ended December 31, 2012, the line of credit was paid in full as indicated in Note 13.

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

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Commonwealth. The outstanding balance of \$19,169 was paid in full during the year ended December 31, 2013.

The Redevelopment Authority's line of credit activity for the year ended December 31, 2013 was as follows:

	Beginning of Year	Issued	Redeemed	End of Year
Growing Greener Line of Credit	\$ 19,169	\$ -	\$ (19,169)	\$ -

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, 2013, 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	104	107	83
Terminated employees entitled to deferred benefits	28	9	1
Active employees:			
Vested	98	60	9
Partially vested	81	45	50
Total	311	221	143

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,

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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.

During the year ended December 31, 2013, state aid of \$1,961,601 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 77 to 79 of this report provide six-year historical trend information on the contributions to the pension plans, as well as an analysis of funding progress.

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NOTES TO BASIC FINANCIAL STATEMENTS

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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	\$ 757,667	\$ 3,428,955	\$ 1,521,930
Contributions made by December 31, 2013	<u>272,624</u>	<u>-</u>	<u>32,529</u>
Annual pension cost due at December 31, 2013	<u>\$ 485,043</u>	<u>\$ 3,428,955</u>	<u>\$ 1,489,401</u>
Due from City of York:			
Portion of 2012 minimum municipal obligation funded subsequent to December 31, 2013	\$ -	\$ 567,509	\$ -
Portion of 2013 minimum municipal obligation funded subsequent to December 31, 2013	485,043	3,428,955	1,489,401
Accumulated interest on minimum municipal obligation funded subsequent to December 31, 2013	<u>40,258</u>	<u>799,437</u>	<u>123,620</u>
Total due from City of York as of December 31, 2013	<u>\$ 525,301</u>	<u>\$ 4,795,901</u>	<u>\$ 1,613,021</u>

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	Officers and Employees Pension Plan	Police Pension Plan	Paid Firefighters Pension Plan
Actuarial valuation date	1/1/2013	1/1/2013	1/1/2013
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	29 years	26 years
Asset valuation method	Five year smoothed method with the value of assets at a maximum of 120% and a minimum of 80% of market value	Five year smoothed method with the value of assets at a maximum of 120% and a minimum of 80% of market value	Five year smoothed method with the value of assets at a maximum of 120% and a minimum of 80% 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%

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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	2013	\$ 757,667	100%	\$ -
	2012	762,020	100%	-
	2011	759,447	100%	-
Police Pension Plan	2013	\$ 3,428,955	100%	\$ -
	2012	3,509,807	100%	-
	2011	3,384,038	100%	-
Paid Firefighters Pension Plan	2013	\$ 1,521,930	100%	\$ -
	2012	1,756,473	100%	-
	2011	1,715,778	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)	Overfunded (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
Officers and Employees Pension Plan:						
1/1/2013	\$ 20,996,579	\$ 27,527,632	\$ (6,531,053)	76.3%	\$ 7,459,574	-87.6%
Police Pension Plan:						
1/1/2013	\$ 44,072,678	\$ 83,525,884	\$ (39,453,206)	52.8%	\$ 6,986,665	-564.7%
Paid Firefighters Pension Plan:						
1/1/2013	\$ 25,983,937	\$ 44,675,326	\$ (18,691,389)	58.2%	\$ 3,487,640	-535.9%

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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 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

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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.

Since 2008, the City has maintained cash flow by delaying the payment of its pension minimum municipal obligation (MMO) to the subsequent year. However, as the delayed payment 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.

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	\$ 23,136,901	\$ 45,540,409	\$ 27,223,133
Due from City of York	525,301	4,795,901	1,613,021
Total assets	<u>\$ 23,662,202</u>	<u>\$ 50,336,310</u>	<u>\$ 28,836,154</u>
Net position	<u>\$ 23,662,202</u>	<u>\$ 50,336,310</u>	<u>\$ 28,836,154</u>

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	Officers and Employees Pension Plan	Police Pension Plan	Paid Firefighters Pension Plan
Additions:			
Contributions:			
Employee contributions	\$ 150,081	\$ 343,712	\$ 174,357
Employer contributions	757,667	3,428,955	1,521,930
Total contributions	<u>907,748</u>	<u>3,772,667</u>	<u>1,696,287</u>
Investment income:			
Interest and dividend income	314,976	981,738	499,963
Net appreciation of investments	2,760,647	5,445,714	3,246,988
	3,075,623	6,427,452	3,746,951
Less investment expenses	(82,967)	(160,643)	(97,899)
Net investment income	<u>2,992,656</u>	<u>6,266,809</u>	<u>3,649,052</u>
Total additions	<u>3,900,404</u>	<u>10,039,476</u>	<u>5,345,339</u>
Deductions:			
Benefit payments	<u>1,360,503</u>	<u>3,350,602</u>	<u>2,343,304</u>
Total deductions	<u>1,360,503</u>	<u>3,350,602</u>	<u>2,343,304</u>
Change in net position	2,539,901	6,688,874	3,002,035
Net position, beginning of year	<u>21,122,301</u>	<u>43,647,436</u>	<u>25,834,119</u>
Net position, end of year	<u><u>\$ 23,662,202</u></u>	<u><u>\$ 50,336,310</u></u>	<u><u>\$ 28,836,154</u></u>

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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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 55 or upon completion of 40 years of service, regardless of age.

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 completion of 20 (or 20.5 if hired after January 1, 1978) 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.

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.

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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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, 2013, the City's net cost of providing full health care benefits for retired employees was \$2,462,534. Plan members receiving benefits contributed \$207,481, 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 were \$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 – Before January 1, 2013, the annual contributions for retirees under the age of 65 were \$900 for the retiree and \$700 for spouses/dependents. After January 1, 2013, the retiree must contribute 50% of the cost up to the following annual maximums:

<u>Date of Retirement</u>	<u>Retirees</u>	<u>Dependents</u>
1/1/90-12/31/03	\$ 700	\$ 700
1/1/04 and later	900	700

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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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. After October 2, 2009, the annual contributions were to be \$1,100 for the retiree and \$1,100 for spouses/dependents; however, the City did not begin enacting these contributions until November 1, 2013. 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 determined. 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Information as of the latest actuarial valuation follows:

Actuarial valuation date	1/1/2011
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 2011, decreasing by 0.5% per year to to 5.5% in 2016; rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 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, 2013 were as follows:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 5,271,798	\$ 80,454	\$ 5,352,252
Interest on net OPEB obligation	712,819	10,878	723,697
Adjustment to annual required contribution	(972,465)	(14,841)	(987,306)
Annual OPEB Cost	5,012,152	76,491	5,088,643
Contribution made	(2,425,518)	(37,016)	(2,462,534)
Change in Net OPEB obligation	2,586,634	39,475	2,626,109
Net OPEB obligation, beginning	14,407,204	351,468	14,758,672
Net OPEB obligation, ending	\$ 16,993,838	\$ 390,943	\$ 17,384,781

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Three-Year Trend Information

Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2013	\$ 5,088,643	48.39%	\$ 17,384,781
2012	5,140,349	52.95%	14,758,672
2011	5,185,901	46.67%	12,340,282

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)	Overfunded (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
1/1/2011	\$ -	\$ 56,035,277	\$ (56,035,277)	0.00%	\$ 17,946,883	-312.23%

17. RISK MANAGEMENT

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 \$175,000. 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Changes in the balances of claims liability (net of excess insurance) during the past three years ended December 31, 2013 were as follows:

	<u>Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2011	\$ 398,752	\$ 7,824,885	\$ 7,792,762	\$ 430,875
2012	430,875	7,991,026	8,069,484	352,417
2013	352,417	6,926,351	6,221,293	1,057,475

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, 2013, 2012, and 2011 with the exception of the pension litigation disclosed in Note 15.

18. COMMITMENTS AND CONTINGENCIES

Leases

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 2012, the City, through the Capital Projects Fund, entered into contracts with construction contractors totaling \$4,848,165. At December 31, 2013, \$427,153 was included

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

in accounts payable. The commitment remaining on the contracts at December 31, 2013 was \$1,039,955.

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 \$656,753 in operating expenses and received \$905,921 in fees under the management agreement in 2013. The City received \$141,000 in administrative fees under an administration agreement in 2013. A receivable of \$732,717 is recorded in the General Fund for fees that were earned under these agreements, but unpaid at December 31, 2013.

Under the management agreement between the General Authority and the City, the General Authority is entitled to receive an adjustment to the management fee billed from the City if actual expenses were less than budgeted expenses. As of December 31, 2013, the General Authority owed the City \$732,717, which included seven monthly billed amounts from the City for the year ended December 31, 2012 that were not paid as of December 31, 2013. The City and the General Authority are currently in discussions to determine if there will be adjustments made to the amounts due to the City from the General Authority. As of the report date, the amount of any adjustment could not be determined.

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.

The Redevelopment Authority is involved with litigation regarding a property that was condemned and obtained by eminent domain. The owner is challenging the valuation of the property. As the case is under appeals and a final valuation has not been decided, no liability has been recorded at this time.

21. SUBSEQUENT EVENTS

In January of 2014, the City borrowed \$5,700,000 in the form of a Tax and Revenue Anticipation Note, Series of 2014, bearing interest at an annual rate of 1.00% until June 2014, and thereafter.

**Required Supplementary
Information**

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2013

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 22,493,954	\$ 22,493,954	\$ -	\$ 23,039,253	\$ 545,299
Licenses and permits	1,678,300	1,678,300	-	1,702,577	24,277
Fines and forfeits	1,846,250	1,846,250	-	1,650,787	(195,463)
Grants and contributions	2,027,807	2,027,807	-	1,374,377	(653,430)
Charges for services	8,876,998	8,980,998	104,000	8,440,547	(540,451)
Interest	-	-	-	14,894	14,894
Miscellaneous	58,800	58,800	-	212,693	153,893
Total revenues	36,982,109	37,086,109	104,000	36,435,128	(650,981)
Expenditures:					
Current:					
General government	2,246,185	2,288,986	(42,801)	1,771,795	517,191
Sanitation	3,236,738	3,173,743	62,995	3,027,744	145,999
Public safety	26,339,795	26,339,844	(49)	27,994,840	(1,654,996)
Highways and streets	718,072	718,072	-	687,982	30,090
Public works	2,777,373	2,818,123	(40,750)	2,554,872	263,251
Community development and planning	2,265,870	2,377,871	(112,001)	2,232,993	144,878
Other departments and programs	206,917	198,917	8,000	195,405	3,512
Debt service	-	-	-	32,280	(32,280)
Total expenditures	37,790,950	37,915,556	(124,606)	38,497,911	(582,355)
Excess (deficiency) of revenues over (under) expenditures	(808,841)	(829,447)	(20,606)	(2,062,783)	(1,233,336)
Other financing sources (uses):					
Transfers in	2,654,767	2,654,767	-	2,654,767	-
Transfers out	(1,429,606)	(1,410,905)	18,701	(1,359,351)	51,554
Total other financing sources (uses)	1,225,161	1,243,862	18,701	1,295,416	51,554
Net change in fund balance	\$ 416,320	\$ 414,415	\$ (1,905)	\$ (767,367)	\$ (1,181,782)

CITY OF YORK, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2013

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 and capital projects fund budget comparisons are presented in the combining section.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

	<u>Appropriation</u>	<u>Expenditure</u>
Public safety	\$ 26,339,844	\$ 27,994,840
Debt service	-	32,280

Funds sufficient to provide for the excess expenditures were made available from other funds.

CITY OF YORK, PENNSYLVANIA**REQUIRED SUPPLEMENTARY DATA****SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM THE EMPLOYER****OFFICERS' AND EMPLOYEES' PENSION PLAN****(UNAUDITED - SEE ACCOMPANYING INDEPENDENT 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)
1/1/03	\$ 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%)
1/1/13	20,996,579	27,527,632	(6,531,053)	76.3%	7,459,574	(87.6%)

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
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%
2012	(3) 762,020	762,020	100%
2013	(4) 757,667	757,667	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.

(3) \$762,020 was funded in 2013; amount of the total required contribution was accrued as of December 31, 2012.

(4) \$272,624 was funded in 2013; amount of the total required contribution was accrued as of December 31, 2013.

CITY OF YORK, PENNSYLVANIA
REQUIRED SUPPLEMENTARY DATA
SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM THE EMPLOYER
POLICE PENSION PLAN
(UNAUDITED - SEE ACCOMPANYING INDEPENDENT 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)
1/1/03	\$ 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%)
1/1/13	44,072,678	83,525,884	(39,453,206)	52.8%	6,986,665	(564.7%)

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
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%
2012	(7) 3,509,807	3,509,807	100%
2013	(8) 3,428,955	3,428,955	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) \$3,255,326 was funded in 2012 and \$128,712 was funded in 2013; amount of the total required contribution was accrued as of December 31, 2011.
- (7) \$2,942,298 was funded in 2013; amount of the total required contribution was accrued as of December 31, 2012.
- (8) Amount of the total required contribution was accrued as of December 31, 2013.

CITY OF YORK, PENNSYLVANIA**REQUIRED SUPPLEMENTARY DATA****SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM THE EMPLOYER****PAID FIREFIGHTERS PENSION PLAN****(UNAUDITED - SEE ACCOMPANYING INDEPENDENT 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)
1/1/03	\$ 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%)
1/1/13	25,983,937	44,675,326	(18,691,389)	58.2%	3,487,640	(535.9%)

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
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%
2012	(7) 1,756,473	1,756,473	100%
2013	(8) 1,521,930	1,521,930	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) \$1,715,778 was funded in 2012 ; amount of the total required contribution was accrued as of December 31, 2011.

(7) \$10,243 was funded as of December 31, 2012 and \$1,746,230 was funded in 2013; amount of the total required contribution was accrued as of December 31, 2012.

(8) \$32,529 was funded as of December 31, 2013; amount of the total required contribution was accrued as of December 31, 2013.

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

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Overfunded (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Overfunded (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/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%)
1/1/11	-	56,035,227	(56,035,227)	0.00%	17,946,883	(312.23%)

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Percentage Contributed
2009	\$ 4,808,544	38.02%
2010	5,344,602	34.68%
2011	5,344,602	45.28%
2012	5,352,252	50.86%
2013	5,352,252	46.01%

Supplementary Information

Special Revenue						Total
Section 108 - Rebuild York Fund	State Liquid Fuels Tax Fund	Special Projects Fund	HOME Fund	State Grant Health Funds	Weyer Trust	Nonmajor Governmental Funds
\$ -	\$ 143,418	\$ 404,448	\$ 70,429	\$ -	\$ 6,028	\$ 754,564
-	-	-	1,459,542	-	-	3,372,746
-	-	-	-	-	-	136,579
-	769	27,140	-	245,624	-	429,636
-	-	-	-	-	-	60,000
<u>\$ -</u>	<u>\$ 144,187</u>	<u>\$ 431,588</u>	<u>\$ 1,529,971</u>	<u>\$ 245,624</u>	<u>\$ 6,028</u>	<u>\$ 4,753,525</u>
\$ -	\$ 144,621	\$ 31,217	\$ -	\$ 27,109	\$ 4	\$ 273,791
-	6,122	-	-	16,536	3,456	41,556
-	-	-	-	780,690	-	1,300,693
-	-	-	70,429	-	-	73,583
-	-	20,807	1,459,542	-	-	3,412,193
-	150,743	52,024	1,529,971	824,335	3,460	5,101,816
-	-	-	-	-	-	124,754
-	-	379,564	-	-	-	379,564
-	-	-	-	-	2,568	86,041
-	(6,556)	-	-	(578,711)	-	(938,650)
-	(6,556)	379,564	-	(578,711)	2,568	(473,045)
<u>\$ -</u>	<u>\$ 144,187</u>	<u>\$ 431,588</u>	<u>\$ 1,529,971</u>	<u>\$ 245,624</u>	<u>\$ 6,028</u>	<u>\$ 4,753,525</u>

Special Revenue						Total
Section 108 - Rebuild York Fund	State Liquid Fuels Tax Fund	Special Projects Fund	HOME Fund	State Grant Health Fund	Weyer Trust	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,215,474
-	794,389	196,219	397,888	1,273,977	128,888	4,128,685
-	-	109,594	53,165	-	-	714,530
-	-	-	-	-	-	108,986
-	134	1,183	-	-	12	1,335
-	11,803	80,337	-	5,633	-	155,096
-	806,326	387,333	451,053	1,279,610	128,900	6,324,106
-	-	149,107	-	-	-	149,107
-	-	26,914	-	-	-	26,914
-	573,346	-	-	-	-	573,346
-	-	34,529	-	-	-	34,529
-	-	52,632	-	-	-	1,468,337
-	-	86,174	451,053	-	145,695	1,462,271
-	-	-	-	1,368,136	-	1,368,136
-	66,976	-	-	-	-	306,976
-	3,153	-	-	-	-	129,595
-	101,768	18,172	-	9,000	-	452,608
-	745,243	367,528	451,053	1,377,136	145,695	5,971,819
-	61,083	19,805	-	(97,526)	(16,795)	352,287
-	-	-	-	-	-	90,458
-	-	-	-	-	-	(184,148)
-	-	-	-	-	-	(93,690)
-	61,083	19,805	-	(97,526)	(16,795)	258,597
-	(67,639)	359,759	-	(481,185)	19,363	(731,642)
\$ -	\$ (6,556)	\$ 379,564	\$ -	\$ (578,711)	\$ 2,568	\$ (473,045)

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
DEBT SERVICE FUND - MAJOR GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2013

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 3,085,276	\$ 3,085,276	\$ -	\$ 2,989,073	\$ (96,203)
Grants and contributions	1,967,013	1,967,500	487	1,961,601	(5,899)
Charges for services	-	-	-	147,712	147,712
Interest	-	-	-	36,678	36,678
Total revenues	5,052,289	5,052,776	487	5,135,064	82,288
Expenditures:					
Current:					
General government	20,938	21,425	(487)	5,996	15,429
Debt service	5,609,692	5,609,692	-	5,609,692	-
Total expenditures	5,630,630	5,631,117	(487)	5,615,688	15,429
Excess (deficiency) of revenues (under) expenditures	(578,341)	(578,341)	-	(480,624)	97,717
Other financing sources (uses):					
Transfers in	1,240,813	1,240,813	-	1,199,537	(41,276)
Transfers out	(620,596)	(620,596)	-	(620,596)	-
Total other financing sources (uses)	620,217	620,217	-	578,941	(41,276)
Net change in fund balance	\$ 41,876	\$ 41,876	\$ -	\$ 98,317	\$ 56,441

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND - MAJOR GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2013

	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	\$ 5,762,355	\$ 6,171,599	\$ 409,244	\$ 2,692,126	\$ (3,479,473)
Interest	-	-	-	265	265
Total revenues	5,762,355	6,171,599	409,244	2,692,391	(3,479,208)
Expenditures:					
Current:					
General government	-	-	-	197,219	(197,219)
Debt service	557,536	557,536	-	557,536	-
Capital outlay	5,776,638	6,208,221	(431,583)	4,393,113	1,815,108
Total expenditures	6,334,174	6,765,757	(431,583)	5,147,868	1,617,889
Excess (deficiency) of revenues over (under) expenditures	(571,819)	(594,158)	(22,339)	(2,455,477)	(1,861,319)
Other financing sources (uses):					
Transfers in	851,783	874,027	22,244	799,875	(74,152)
Total other financing sources (uses)	851,783	874,027	22,244	799,875	(74,152)
Net change in fund balance	\$ 279,964	\$ 279,869	\$ (95)	\$ (1,655,602)	\$ (1,935,471)

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
RECREATION FUND - OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2013

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 1,212,936	\$ 1,212,936	\$ -	\$ 1,215,474	\$ 2,538
Grants and contributions	-	-	-	2,970	2,970
Charges for services	576,000	576,000	-	551,721	(24,279)
Miscellaneous	60,500	60,500	-	57,323	(3,177)
Total revenues	1,849,436	1,849,436	-	1,827,488	(21,948)
Expenditures:					
Current:					
Parks and recreation	1,755,701	1,755,701	-	1,415,705	339,996
Total expenditures	1,755,701	1,755,701	-	1,415,705	339,996
Excess (deficiency) of revenues (under) expenditures	93,735	93,735	-	411,783	318,048
Other financing sources (uses):					
Transfers out	(93,735)	(93,735)	-	(93,690)	45
Total other financing sources (uses)	(93,735)	(93,735)	-	(93,690)	45
Net change in fund balance	\$ -	\$ -	\$ -	\$ 318,093	\$ 318,093

CITY OF YORK, PENNSYLVANIA

STATEMENT OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL

COMMUNITY DEVELOPMENT BLOCK GRANT FUND - OTHER GOVERNMENTAL FUND

YEAR ENDED DECEMBER 31, 2013

	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	\$ 1,927,193	\$ 2,201,324	\$ 274,131	\$ 1,145,262	\$ (1,056,062)
Charges for services	-	-	-	50	50
Total revenues	1,927,193	2,201,324	274,131	1,145,312	(1,056,012)
Expenditures:					
Current:					
Community development and planning	1,369,507	1,643,638	(274,131)	545,660	1,097,978
Debt service	557,686	557,686	-	366,442	191,244
Capital outlay	-	-	-	323,668	(323,668)
Total expenditures	1,927,193	2,201,324	(274,131)	1,235,770	965,554
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(90,458)	(90,458)
Other financing sources (uses):					
Transfers in	-	-	-	90,458	90,458
Total other financing sources (uses)	-	-	-	90,458	90,458
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
STATE LIQUID FUELS TAX FUND - OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2013

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Grants and contributions	\$ 792,500	\$ 792,500	\$ -	\$ 794,389	\$ 1,889
Interest	1,000	1,000	-	134	(866)
Miscellaneous	-	-	-	11,803	11,803
Total revenues	<u>793,500</u>	<u>793,500</u>	<u>-</u>	<u>806,326</u>	<u>12,826</u>
Expenditures:					
Current:					
Highways and streets	725,996	766,412	(40,416)	573,346	193,066
Debt service	70,129	70,129	-	70,129	-
Capital outlay	69,871	29,455	40,416	101,768	(72,313)
Total expenditures	<u>865,996</u>	<u>865,996</u>	<u>-</u>	<u>745,243</u>	<u>120,753</u>
Net change in fund balance	<u>\$ (72,496)</u>	<u>\$ (72,496)</u>	<u>\$ -</u>	<u>\$ 61,083</u>	<u>\$ 133,579</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
STATE HEALTH GRANT FUND - OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2013

	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	\$ 1,546,452	\$ 1,687,702	\$ 141,250	\$ 1,273,977	\$ (413,725)
Miscellaneous	6,000	6,000	-	5,633	(367)
Total revenues	<u>1,552,452</u>	<u>1,693,702</u>	<u>141,250</u>	<u>1,279,610</u>	<u>(414,092)</u>
Expenditures:					
Current:					
Other departments and programs	1,503,501	1,644,751	(141,250)	1,368,136	276,615
Capital outlay	-	-	-	9,000	(9,000)
Total expenditures	<u>1,503,501</u>	<u>1,644,751</u>	<u>(141,250)</u>	<u>1,377,136</u>	<u>267,615</u>
Net change in fund balance	<u>\$ 48,951</u>	<u>\$ 48,951</u>	<u>\$ -</u>	<u>\$ (97,526)</u>	<u>\$ (146,477)</u>

CITY OF YORK, PENNSYLVANIA**COMBINING STATEMENT OF FIDUCIARY NET POSITION - PENSION TRUST FUNDS****DECEMBER 31, 2013**

	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total
<hr/>				
Assets				
<hr/>				
Investments, at fair value	\$ 23,136,901	\$ 45,540,409	\$ 27,223,133	\$ 95,900,443
Due from City of York	525,301	4,795,901	1,613,021	6,934,223
<hr/>				
Total assets	23,662,202	50,336,310	28,836,154	102,834,666
<hr/>				
Net Position				
<hr/>				
Restricted for pension benefits	\$ 23,662,202	\$ 50,336,310	\$ 28,836,154	\$ 102,834,666
<hr/>				

CITY OF YORK, PENNSYLVANIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS
DECEMBER 31, 2013

	Fire Escrow	Escrow Fund	Total
<hr/> Assets <hr/>			
Cash and cash equivalents	\$ 416,379	\$ 275,629	\$ 692,008
Accounts receivable	-	6,529	6,529
	<hr/>	<hr/>	<hr/>
Total assets	416,379	282,158	698,537
<hr/> Liabilities <hr/>			
Accounts payable and accrued expenses	416,379	282,158	698,537
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 416,379</u>	<u>\$ 282,158</u>	<u>\$ 698,537</u>

CITY OF YORK, PENNSYLVANIA**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUNDS**
YEAR ENDED DECEMBER 31, 2013

	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total
Additions:				
Contributions:				
Employee contributions	\$ 150,081	\$ 343,712	\$ 174,357	\$ 668,150
Employer contributions	<u>757,667</u>	<u>3,428,955</u>	<u>1,521,930</u>	<u>5,708,552</u>
Total contributions	<u>907,748</u>	<u>3,772,667</u>	<u>1,696,287</u>	<u>6,376,702</u>
Investment income:				
Interest and dividend income	314,976	981,738	499,963	1,796,677
Net appreciation of investments	<u>2,760,647</u>	<u>5,445,714</u>	<u>3,246,988</u>	<u>11,453,349</u>
	3,075,623	6,427,452	3,746,951	13,250,026
Less investment expenses	<u>(82,967)</u>	<u>(160,643)</u>	<u>(97,899)</u>	<u>(341,509)</u>
Net investment income	<u>2,992,656</u>	<u>6,266,809</u>	<u>3,649,052</u>	<u>12,908,517</u>
Total additions	<u>3,900,404</u>	<u>10,039,476</u>	<u>5,345,339</u>	<u>19,285,219</u>
Deductions:				
Benefit payments	<u>1,360,503</u>	<u>3,350,602</u>	<u>2,343,304</u>	<u>7,054,409</u>
Total deductions	<u>1,360,503</u>	<u>3,350,602</u>	<u>2,343,304</u>	<u>7,054,409</u>
Change in net position	2,539,901	6,688,874	3,002,035	12,230,810
Net position restricted for pension benefits, beginning of year	<u>21,122,301</u>	<u>43,647,436</u>	<u>25,834,119</u>	<u>90,603,856</u>
Net position restricted for pension benefits, end of year	<u>\$ 23,662,202</u>	<u>\$ 50,336,310</u>	<u>\$ 28,836,154</u>	<u>\$ 102,834,666</u>