

**CITY OF YORK, PENNSYLVANIA**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended December 31, 2015*



*Certified Public Accountants and Business Consultants*

# CITY OF YORK, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2015

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## ***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, 2015, 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. The financial statements of the Redevelopment Authority of the City of York and the City of York General Authority were not audited in accordance with the *Government Auditing Standards*.

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, 2015, 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, 2015, the City of York, Pennsylvania adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 27 and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. 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 xxiii, budgetary comparison information on pages 83 and 84, pension plan information on pages 85 through 91 and Schedule of Funding Progress and Contributions from the Employer - Other Post-Employment Benefits (OPEB) on page 92 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 October 3, 2016, 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  
October 3, 2016

# CITY OF YORK, PENNSYLVANIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2015

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, 2015. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$9,831,023 (Net Position).
  - Net investment in capital assets, in the amount of \$90,611,223, includes all capital assets including infrastructure.
  - Restricted net position with external restrictions imposed by creditors or laws or regulations of other governments amounted to \$12,496,322.
  - Unrestricted net position, which is net position not restricted for any particular purpose, was (\$93,276,522).
- Over 2015, the City's net position increased by \$297,934. The business-type activities net position decreased by \$646,591, primarily due increase of sludge costs approximating \$179,000 and increase in miscellaneous expenses of \$200,244 due to increase in insurance allocations. Governmental activities net position increased by \$944,525 primarily from the increase in operating grant and contributions of \$730,789 and increase in capital grants and contributions of \$1,929,086 due to significant funding received for several projects, as well as the increase in earned income taxes of \$3,366,781 due to a 0.25% tax increase for the Municipal Pension Plan Funding Standard and Recovery Act Tax. This was offset by an increase in public safety expense of \$4,218,479, mainly due to the change in the net pension liability for the Police Pension Plan and Paid Firefighters Pension Plan, in accordance with GASB Statement No. 68, "*Accounting and Financial Reporting for Pension Plans*," and an increase in community development and planning expenses of \$977,287, due to the outsourcing of rental inspections to a third party.
- At December 31, 2015, the fund balances of the City's governmental funds were \$502,111. This was an increase of \$4,566,995 from December 31, 2014.

### 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.

# CITY OF YORK, PENNSYLVANIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2015

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.

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.

# CITY OF YORK, PENNSYLVANIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2015

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 and a portion of the City's real estate tax millage, for the payment of general long-term obligation principal, interest, and related costs; and (3) the Capital Projects Fund, which accounts for the proceeds of debt issuances restricted for the acquisition and construction of capital facilities and other capital assets (excluding capital related costs financed by proprietary and fiduciary funds). Data from all the other governmental funds is combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in supplementary information.

- 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.

# CITY OF YORK, PENNSYLVANIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2015

- 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 financial statements.

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

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

### REPORTING THE CITY AS A WHOLE:

#### Government-Wide Financial Analysis

Our analysis of the City as a whole begins with the Statement of Net 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 Redevelopment Authority of the City of York 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](http://www.yorkcity.org) under budget and finance.

# CITY OF YORK, PENNSYLVANIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2015

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, 2015 AND 2014**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>Assets:</b>						
Cash and investments	\$ 6,704,028	\$ 4,719,676	\$ 17,309,341	\$ 17,597,335	\$ 24,013,369	\$ 22,317,011
Other assets	11,671,958	10,215,568	33,992,903	34,750,216	45,664,861	44,965,784
Capital assets	53,640,363	52,900,961	81,111,767	84,791,411	134,752,130	137,692,372
<b>Total Assets</b>	<b>72,016,349</b>	<b>67,836,205</b>	<b>132,414,011</b>	<b>137,138,962</b>	<b>204,430,360</b>	<b>204,975,167</b>
Deferred outflows of resources for pensions	16,289,984	-	760,279	-	17,050,263	-
<b>Liabilities:</b>						
Other liabilities	10,671,217	13,248,739	892,389	762,127	11,563,606	14,010,866
Long-term liabilities	142,125,896	124,138,356	53,702,681	57,292,856	195,828,577	181,431,212
<b>Total Liabilities</b>	<b>152,797,113</b>	<b>137,387,095</b>	<b>54,595,070</b>	<b>58,054,983</b>	<b>207,392,183</b>	<b>195,442,078</b>
Deferred inflows of resources for pensions	4,115,585	-	141,829	-	4,257,414	-
<b>Net Position:</b>						
Net investment in capital assets	29,997,803	28,268,398	60,613,420	61,598,458	90,611,223	89,866,856
Restricted	2,367,426	1,815,171	10,128,896	11,606,135	12,496,322	13,421,306
Unrestricted	(100,971,594)	(99,634,459)	7,695,072	5,879,386	(93,276,522)	(93,755,073)
<b>Total Net Position *</b>	<b>\$(68,606,365)</b>	<b>\$(69,550,890)</b>	<b>\$ 78,437,388</b>	<b>\$ 79,083,979</b>	<b>\$ 9,831,023</b>	<b>\$ 9,533,089</b>

\* As restated due to implementation of GASB Statement No. 68. See Note 1 to the financial statements.

Overall, total City assets decreased by \$544,807, total City deferred outflows of resources increased by \$17,050,263, total City liabilities increased by \$11,950,105, and total City deferred inflows of resources increased by \$4,257,414 for the year ended December 31, 2015. The decrease in the City's total assets is the result of the following: total increase in cash and investments totaling \$1,696,358, total decrease in capital assets in the amount of \$2,940,242 due to total capital outlays of \$4,944,566 (as explained in "Capital Assets" section) and depreciation expense of \$7,872,355, and an increase in taxes receivables in the amount of \$600,312 due to the earned income tax rate increase. The increase in the City's total liabilities is the result of the following: decrease in amount due to City of York pension trust funds in the amount of \$4,310,723 due to timing of payments, total debt decrease in the amount of \$7,542,264 (as described in "Long-Term Debt" section), increase in net pension liability of \$19,140,196, increase in other post-employment liability of \$2,979,141, and increase in accounts

# CITY OF YORK, PENNSYLVANIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2015

payable in the amount of \$1,718,593 due to timing of payments. The increases in the total deferred outflows and inflows of resources for pensions was the result of implementation of GASB Statement No. 68.

Cash and investments represent 9.31% and 6.96% of the City's total governmental activities assets at December 31, 2015 and 2014, respectively. Of this amount, 18.81% or \$1,260,769, at December 31, 2015, and 21.04% or \$993,222, at December 31, 2014, 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 \$12,839,375 and \$12,830,893 at December 31, 2015 and 2014, respectively, in restricted cash and investments allows for future maintenance, repair and replacement as well as improvement to the City's sewer facilities.

The governmental activities capital assets value is net of \$82,508,867, or 60.60% and \$78,971,608, or 59.88% of accumulated depreciation at December 31, 2015 and 2014, respectively. For the business-type activities, the capital asset value is net of \$75,277,551, or 48.13% and \$70,942,455, or 45.55% of accumulated depreciation at December 31, 2015 and 2014. These percentage rates for depreciation reflect that the capital assets of the City, as a whole, have 39% to 52% 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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$9,831,023 and \$9,533,089 for the years ending December 31, 2015 and 2014, respectively.

By far the largest portion of the City's net position, 921.69% at December 31, 2015 and 942.68% at December 31, 2014, 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 (127.11% and 140.79% at December 31, 2015 and 2014, respectively) represents resources that are subject to external restrictions on how they may be used. Of the \$12,496,322 that is restricted at December 31, 2015: \$6,987,931 is the value of bond related accounts held for debt service payments, while the remaining amount is restricted to use for highways and streets, public works, community development and planning, workers' compensation, revolving loans, and construction. Of the \$13,421,306 that is restricted at December 31, 2014: \$7,183,340 is the value of bond related accounts held for debt service payments, while the remaining amount is restricted to use for public works, community development and planning, workers' compensation, revolving loans, and construction.

# **CITY OF YORK, PENNSYLVANIA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2015

The City's unrestricted net position balance of (\$93,276,522) and (\$93,755,073) at December 31, 2015 and 2014, results from the recording of General Obligation Bonds, Series B of 1998 and General Obligation Bonds, Series A of 1995 for unfunded pension bonds in the amount of \$26,476,344 and \$28,533,793, respectively. Additionally, the unrestricted net position for the years ended December 31, 2015 and 2014 includes unfunded net pension liabilities in the amount of \$72,079,975 and \$52,939,779, respectively, and other post-employment liabilities in the amount of \$23,649,723 and \$20,670,582, respectively.

# CITY OF YORK, PENNSYLVANIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2015

**TABLE 2**  
CONDENSED STATEMENT CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2015 AND 2014

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenue:						
Charges for services	\$ 12,639,060	\$ 13,837,990	\$ 20,023,337	\$ 19,488,440	\$ 32,662,397	\$ 33,326,430
Operating grants and contributions	5,624,856	4,894,067	72,975	64,734	5,697,831	4,958,801
Capital grants and contributions	3,346,327	1,417,241	-	-	3,346,327	1,417,241
Property taxes	19,809,615	19,950,733	-	-	19,809,615	19,950,733
Payment in lieu of taxes	625,288	190,896	-	-	625,288	190,896
Business taxes	3,655,977	3,855,977	-	-	3,655,977	3,855,977
Personal taxes	7,121,747	3,764,662	-	-	7,121,747	3,764,662
Unrestricted grants	1,964,338	1,959,644	-	-	1,964,338	1,959,644
Unrestricted investment earnings	66,819	118,777	1,160,236	1,309,644	1,227,055	1,428,421
<b>Total revenues</b>	<b>54,854,027</b>	<b>49,989,987</b>	<b>21,256,548</b>	<b>20,862,818</b>	<b>76,110,575</b>	<b>70,852,805</b>
Expenses:						
General government	2,287,112	2,498,455	-	-	2,287,112	2,498,455
Sanitation	2,982,257	2,940,998	-	-	2,982,257	2,940,998
Public safety	34,153,037	29,934,558	-	-	34,153,037	29,934,558
Highways and streets	1,580,212	1,564,550	-	-	1,580,212	1,564,550
Public works	4,644,859	4,621,739	-	-	4,644,859	4,621,739
Parks and recreation	1,757,124	1,737,051	-	-	1,757,124	1,737,051
Community development and planning	4,343,208	3,365,921	-	-	4,343,208	3,365,921
Other departments and programs	1,482,054	1,511,999	-	-	1,482,054	1,511,999
Interest on long-term debt	3,150,783	3,406,506	-	-	3,150,783	3,406,506
Intermunicipal sewer	-	-	7,034,990	6,612,460	7,034,990	6,612,460
Sewer	-	-	10,827,862	11,325,548	10,827,862	11,325,548
Ice rink	-	-	1,438,117	1,411,297	1,438,117	1,411,297
Other enterprise funds	-	-	131,026	180,448	131,026	180,448
<b>Total expenses</b>	<b>56,380,646</b>	<b>51,581,777</b>	<b>19,431,995</b>	<b>19,529,753</b>	<b>75,812,641</b>	<b>71,111,530</b>
Change in net position before transfers	(1,526,619)	(1,591,790)	1,824,553	1,333,065	297,934	(258,725)
Transfers	2,471,144	2,547,820	(2,471,144)	(2,547,820)	-	-
Change in net position	944,525	956,030	(646,591)	(1,214,755)	297,934	(258,725)
Net position, beginning of year	(69,550,890)	(19,207,784)	79,083,979	81,939,377	9,533,089	62,731,593
Adjustment due to implementation of GASB Statement No. 68	-	(51,299,136)	-	(1,640,643)	-	(52,939,779)
<b>Net position, end of year</b>	<b>\$ (68,606,365)</b>	<b>\$ (69,550,890)</b>	<b>\$ 78,437,388</b>	<b>\$ 79,083,979</b>	<b>\$ 9,831,023</b>	<b>\$ 9,533,089</b>

# **CITY OF YORK, PENNSYLVANIA**

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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.

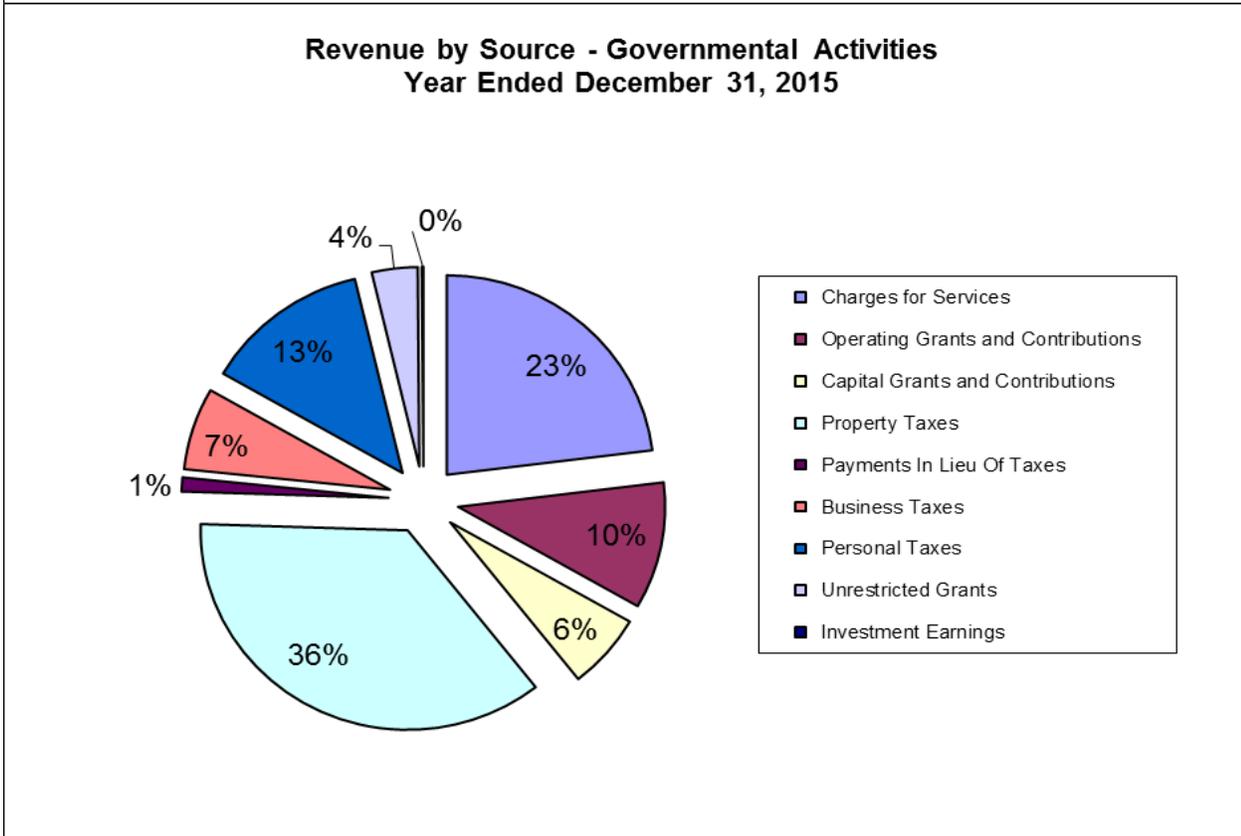
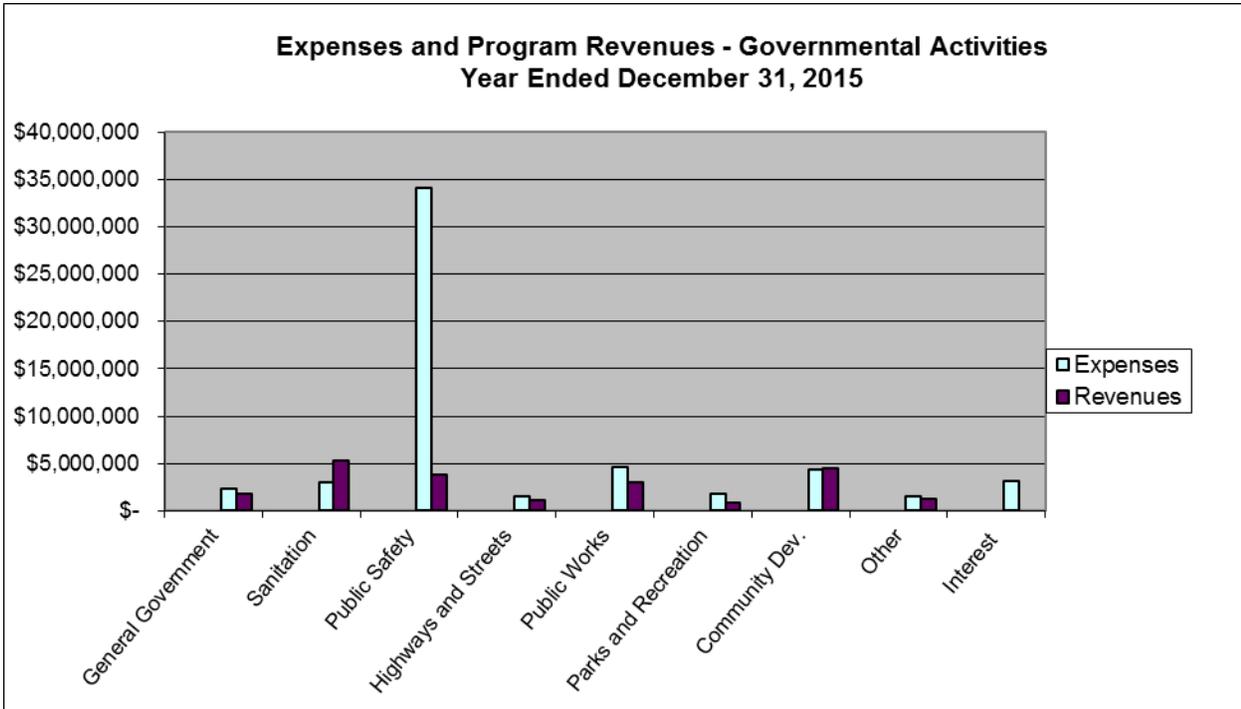
For the year ended December 31, 2015, the increase in net position of governmental activities resulted from the increase in operating grant and contributions of \$730,789 and increase in capital grants and contributions of \$1,929,086 due to significant funding received for several projects, as well as the increase in earned income taxes of \$3,366,781 due to a 0.25% tax increase for the Municipal Pension Plan Funding Standard and Recovery Act Tax. This was offset by an increase in public safety expense of \$4,218,479, mainly due to the change in the net pension liability for the Police Pension Plan and Paid Firefighters Pension Plan, in accordance with GASB Statement No. 68, and an increase in community development and planning expenses of \$977,287, due to the outsourcing of rental inspections to a third party.

For the year ended December 31, 2014, the increase in net position of governmental activities resulted primarily from the increase in charges for services, in particular \$558,226 in public safety for police reimbursements and \$179,335 in sanitation for refuse fees.

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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.

94.20% 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.

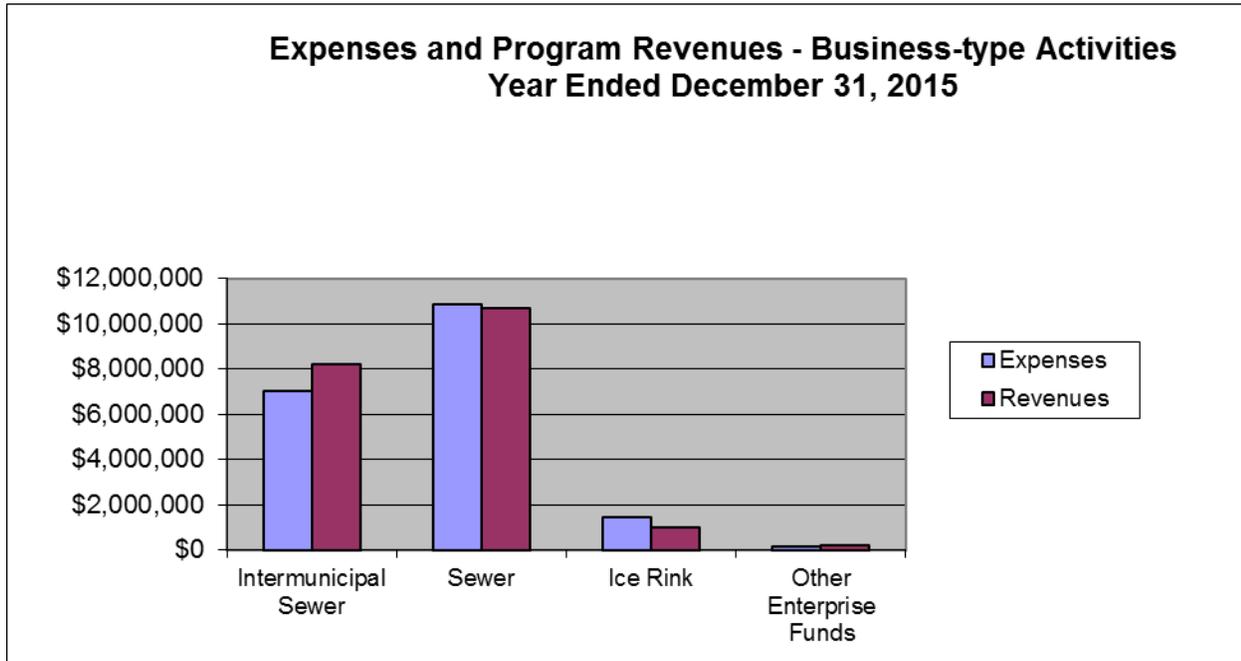
In November 2003, the YCRC notified the City that it was unable to meet its bond payment obligation. The City honored the loan guarantee and transferred resources into the debt service account at M&T Bank to make the bond payments. The City exercised its remedies under the lease and loan agreement with 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, 2015 and 2014, the City's governmental funds reported combined ending fund balances of \$502,111 and (\$4,064,884), respectively. The City's unassigned fund balance (deficit), which is available for spending at the government's discretion, was (\$1,435,817) and (\$5,353,643) at December 31, 2015 and 2014, respectively. The remainder of the fund balance at December 31, 2015 and 2014 is restricted for 1) highways and streets in the amount of \$543,891 and \$250,105, respectively, 2) public works in the amount of \$416,789 and \$392,925, respectively, 3) community development in the amount of \$91,876 and \$95,353, respectively, 4) debt service in the amount of \$789,867 and \$550,376, respectively, and 5) capital projects in the amount of \$95,505 and zero, respectively.

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The general fund is the chief operating fund of the City. At December 31, 2015 and 2014, unassigned fund balance of the general fund was (\$829,444) and (\$4,236,106), respectively.

The fund balance of the City's general fund increased by \$3,406,662 during the year ended December 31, 2015. Key factors in this increase are as follows:

- Increase in taxes in the amount of \$2,036,954, mainly attributable to an increase in the earned income tax rate.
- Increase in grants and contributions in the amount of \$633,846 due to an increase in contributions in lieu of taxes from local businesses.
- Decrease in charges for services in the amount of \$851,767 due to the outsourcing of inspections to third parties.
- Decrease in general government expense in the amount of \$336,103 due to a decrease in insurance allocations in the amount of \$190,416 and the remaining decrease that is primarily the result of a decrease in salaries and wages.
- Decrease in public safety expense in the amount of \$1,245,382 due to a \$2,767,481 decrease in required minimum municipal obligation (MMO) payments for Police and Paid Firefighters Pension Plans, offset by approximately a \$431,000 increase in overtime costs, a \$336,665 increase in health insurance allocation costs, and an increase in police contractual services in the amount of \$161,149.

The fund balance of the City's general fund decreased by \$1,479,890 during the year ended December 31, 2014. Key factors in this increase are as follows:

- Increase in charges of services in the amount of \$750,319, mainly attributable to an increase in police reimbursements and sanitation refuse charges.
- Increase in taxes in the amount of \$416,220 due to an increase in mercantile/business privilege tax income.
- Increase in licenses and permits in the amount of \$230,842 due to an increase in building and plumbing permits.

The debt service fund has a total fund balance of \$789,867 and \$550,376 for the years ended December 31, 2015 and 2014, respectively. The net increase and decrease in fund balance for the years ended December 31, 2015 and 2014 in the debt service fund was \$239,491 and (\$31,493), respectively. The increase for the year ended December 31, 2015 is due to an increase in the real estate tax millage rate allocated to the debt service funds. The decrease for the year ended December 31, 2014 is due to a decrease in the real estate tax millage rate allocated to the debt service funds.

### *Proprietary Funds*

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

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Unrestricted net position of the Intermunicipal Sewer Fund, the Sewer Fund, and the Ice Rink Fund at December 31, 2015 amounted to zero, \$4,822,970, and (\$1,085,379), respectively. Unrestricted net position of the Intermunicipal Sewer Fund, the Sewer Fund, and the Ice Rink Fund at December 31, 2014 amounted to zero, \$4,875,331, and (\$889,994), respectively. The total increase (decrease) in net position for these funds for the year ended December 31, 2015 was \$145,493, (\$1,471,429), and \$138,815, respectively. The total increase (decrease) in net position for these funds for the year ended December 31, 2014 was \$73,878, (\$2,003,023), and \$156,470, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

#### *General Fund*

Revenue and expenditures for most of the City's general operations are accounted in the City's General Fund. These operations include general government, sanitation, public safety, highways and streets, public works, community development and planning, and other departments and programs. For the year ended December 31, 2015, the final revenue budget, including transfers-in, was \$40,819,900 and the final expenditure budget, including transfers-out, was \$40,726,838.

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 2015, the single largest revenue item in General Fund was taxes at \$25,492,427. Actual taxes included \$15,364,128 in real estate taxes, \$3,275,283 in business taxes, \$6,530,065 in income and local service taxes. The second largest item includes charges for services, which at \$8,339,099 includes sanitation fees of \$5,195,196.

The City had a negative variance between final budget and actual in the licenses and permits line item in the amount of \$211,734 due to shortfall in building permit revenue in the amount of \$224,682. Grants and contributions were under budget in the amount of \$23,467 due to receiving \$55,153 less than anticipated for the volunteer fire relief grant. Charges for services were under budget in the amount of \$420,528 due to receiving approximately \$409,000 less of refuse fees than anticipated.

Total General Fund expenditures were \$36,910,361 for the year ended December 31, 2015. The single most expensive activity in the general fund is public safety, which is comprised of police and fire-rescue services, which amount to \$25,922,321 or 70.23% of the General Fund actual expenditures for the year ended December 31, 2015.

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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, 2015 and 2014 amounts to \$134,752,130 and \$137,692,372, 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 2.14% (a 1.40% increase for governmental activities and a 4.34% decrease for business-type activities).

Major capital asset events during the year ended December 31, 2015 included the following:

- Market Street Paving totaling 2,407,476
- Double Gutter Broom Street Sweeper totaling \$360,209
- Financial management system totaling \$333,826
- Police equipment totaling \$145,060
- Street improvements totaling \$156,446
- Five vehicles totaling \$179,458
- Penn Park Improvements totaling \$115,257
- 50 West King Street renovations totaling \$80,299

Major capital asset events during the year ended December 31, 2014 included the following:

- 50 West King Street building renovations totaling \$1,356,380
- Penn Park improvements totaling \$459,980
- Street improvements totaling \$230,513
- Financial management system totaling \$242,752
- Traffic control equipment totaling \$207,923
- Fourteen vehicles totaling \$443,985
- Digester and sludge valves totaling \$93,320

# **CITY OF YORK, PENNSYLVANIA**

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- Backhoe totaling \$79,900

Additional information on the City's capital assets can be found in note 11 on page 44 of this report.

### **Long-Term Debt**

At December 31, 2015 and 2014, the City had total general obligation bonds and notes outstanding of \$43,044,094 and \$45,852,545, respectively. Revenue bonds in the amount of \$50,783,898 and \$54,885,833, respectively, represent bonds secured solely by specified revenue sources.

The City's total debt decreased by \$7,542,264 during the year ended December 31, 2015. The City entered into a new capital leases during 2015 for a highway street sweeper in the amount of \$337,545. An increase of \$2,474,663 in accretion of capital appreciation bonds was offset by \$10,390,458 in debt repayments.

The City's total debt decreased by \$7,332,173 during the year ended December 31, 2014. The City entered into a new capital leases during 2015 for several vehicles totaling \$544,283. An increase of \$2,870,591 in accretion of capital appreciation bonds, was offset by \$10,783,185 in debt repayments.

Additional information on the City's long-term debt can be found in note 13 on page 48 of this report.

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

The City finished 2013 with a \$(5,715,996) accumulated deficit in the general fund. The deficit decreased by \$1,479,890 in 2014. The deficit decreased by another \$3,406,662 in 2015. As of December 31, 2015 the accumulated deficit was down to \$(829,444). Several factors, previously identified, contributed to this 85% improvement. However, the following section identifies the most significant economic conditions negatively impacting the financial health of the City along with the proactive measures being taken to overcome these challenges.

As is the case in most 3<sup>rd</sup> class cities in Pennsylvania, the structure for providing and paying for municipal services makes it difficult to maintain the historical level of service the City's citizens deserve. The challenges faced by the City, are common plagues to most inner-cities. City government inherits conditions that are beyond the direct control of our elected officials. For example, school districts are autonomous, yet high school tax rates impact all city residents even if the home does not have school age children. Furthermore, according to the Pennsylvania Municipal League (fixthenumbers.com) 473 out of 500 Pennsylvania school districts are operating with insufficient resources. This does not exempt the City from being a part of the problem. However, even if the City cut the property tax rate by fifty percent (50%), this would only equate to approximately a twenty percent (20%) overall reduction in the effective tax rate. Both entities must work in concert and seek reform at the state level in order to effect meaningful change at the local level. Furthermore, as the School District of the City of York (YCSO) continues to struggle academically, the overall student population continues to decline. This is a clear indication that more

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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and more parents are pulling their children out of YCSD and relocating their families to municipalities offering better alternatives.

The vicious cycle of high levels of migration to the suburban communities and stagnant assessed values of taxable properties strapped with disproportionate real estate tax burdens perpetuates more migration. This further erodes the income tax base creating an over-reliance on real estate taxes to cover operating expenses. To make matters worse, this migration leaves behind high concentrations of poverty further exasperating crime and property maintenance issues. To help offset this trend in 2015, the City raised the earned income tax rate for residents and non-residents alike from 1% to 1.25%. This measure generated \$3 million of additional revenue annually. It is important to note that unlike most taxes, the majority of this revenue will be paid by commuters who previously gave only \$52 (one dollar per week) in the form of a Local Service Tax (LST). The LST generates approximately \$38 thousand dollars per week; however, the cost of providing services such as public safety, traffic signals, street lights, storm water management, etc. is approximately \$750 thousand dollars per week. Less affluent City residents are forced to subsidize the service levels that the more affluent non-city residents rely upon for their livelihood. On average, 88% of the gross wages earned in the City go to commuters who do not pay any earned income taxes on the income they take back to their "home" communities.

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 \$400,000 or just 4% of the revenue lost by tax exemptions.

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 local municipalities. Compared to Fairview Township and Springettsbury Township (with the second and third highest proportion of tax exempt properties, respectively), the City at thirty seven percent (37%) has twice as many tax exempt properties as Fairview Township has and four times more than Springettsbury Township. Similar to the vicious school cycle described above, the negative impacts of being the county seat also creates higher concentrations of poverty as many social service agencies, low income housing, homeless shelters and rehabilitation facilities maintain their presence and even expand in neighborhoods that are already impoverished.

The 2015 real estate tax rate was 20.37 mils. This rate was set in 2012 and has remained the same for 2013, 2014 and 2015. From 2005 to 2012, the real estate tax rate increased by almost 51%. In an effort to provide relief for current property owners and simultaneously spur real estate activity, Mayor Bracey has committed to a 15% property tax reduction over the next 5 years. In 2016, real estate tax

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rates were reduced by 1%. In 2017, the proposed rate will continue to decrease by 2% followed by 4% and 8% in 2018 and 2019. In 2014, the overall effective property tax rate (including school and county assessments) was 42% higher than the next highest (York Haven) of the municipalities surrounding the City. However, in 2016 that margin has been reduced to 37% higher than the next highest which is now West York. While the City is making a commitment to lower real estate taxes, many municipalities and school districts are raising their rates – narrowing the spread from one region to the next.

The prior tax increases were 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 real estate rate steady for three years, the need to support capital improvement projects in 2015 forced the City to raise sewer rates by 6%.

The minimum municipal annual pension obligation payments (MMO) are supported by the City's 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 permitted through Act 44 to make use of several capabilities to relieve the financial stress of high MMO payments. For a four year period, the City was allowed to reduce its normal MMO payments by 25% beginning in 2011 followed by the increase to the resident and non-resident earned income tax from 1% to 1.25% as explained previously.

The main driver of these unfunded liabilities is the inability of the City tax base to keep up with rising public safety costs. Police and firefighter labor costs continue to rise faster than the rate of inflation. Outside of public safety costs, the general fund budget decreased by 16% over the prior 10 year period. In 2015, percentages were skewed as tenant occupied inspection services were transitioned from the Fire Department to the Department of Economic and Community Development. However, public safety costs still consume more than 70% of the general fund operating budget. The following table illustrates what percentage of the general fund budget is allocated to each major area of operation.

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### General Fund Expenditures 2008-2015

	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Government</b>	5.5%	5.9%	5.6%	5.0%	5.40%	4.6%	4.8%	4.0%
<b>Sanitation</b>	8.6%	8.5%	8.2%	8.3%	8.16%	7.9%	7.8%	7.9%
<b>Public Safety</b>	65.1%	70.7%	71.0%	71.4%	70.85%	72.8%	72.5%	70.2%
<b>Highways &amp; Streets</b>	1.5%	1.6%	1.5%	1.6%	1.67%	1.8%	2.1%	2.2%
<b>Public Works</b>	6.6%	6.5%	6.4%	7.3%	7.35%	6.6%	6.6%	7.7%
<b>DECD</b>	6.7%	6.4%	6.9%	5.8%	5.71%	5.8%	5.6%	7.5%
<b>Other Departments</b>	0.2%	0.3%	0.4%	0.5%	0.53%	0.5%	0.6%	0.4%
<b>Total Current</b>	94%	100%	100%	100%	100%	100%	100%	100.00%

*\*Expenditures (excludes debt service)*

*Source: City of York Annual Financial Audits*

In December 2014, the City successfully negotiated pension reform into the 2015 – 2018 Fraternal Order of Police (FOP) contract. The projected savings in annual MMO payments stems from converting retirees to a fixed cost of living adjustment (COLA) versus a variable calculation. The uncertainty behind what the potential annual increases would be artificially inflates the actuarial calculation of the unfunded liability. Now the actual exposure can be calculated with more certainty. Netting the scheduled pay increases and other contractual commitments against this reform, this deal provides approximately \$1 million annually in expense relief for the life of the contract.

This deal also accomplished a few milestones:

- The 4% early retirement incentive was eliminated. Future considerations for layoffs will not be impacted by this policy.
- Police will now contribute to healthcare premiums for the first time ever with gradual increases scheduled each year.
- The retirement age for new hires was raised by 5 years.

For 2015, the City budgeted for additional payments to be made on prior year MMO's. The difference between the \$6.5 million in 2015 credits and the \$4.2 million (original MMO calculation) will be credited directly to the unfunded liability as an actuarial gain. Meanwhile, the \$2 million that was still budgeted in this line item was used to pay off the 2013 police MMO balance first and then pay down the 2014 obligation. As of September 1, 2016, all MMO payments citywide are now paid in full.

It is important to note that the 2015 action will not be represented in the January 1, 2015 valuation report. It will take until the 2017 valuation to see the net effect of all of these adjustments. The pension fund was at a 58% funding status as of January 2013. Coupled with continued market gains, the goal is to reach a 70% funding status by 2019; removing the distressed pension status.

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In addition, the City was able to reach the same deal with the International Association of Firefighters (IAFF), active and retired, in 2016. At the time of this report, the impacts of this reform are still being evaluated.

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 continuously build a sustainable, diverse local economy that has a positive impact on the City's residents in the form of jobs, 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:

- **Citizen's Bank** – The Citizen's Bank building located at 1 North George Street on the City's Continental Square will be converted into a mixed use development project consisting of high end market rate rental units, and an open atrium restaurant and gallery space. With all of the activities and special events that take place on this corner of the square – ranging from Light Up Night all the way to First Night, the Citizen's project will no doubt compliment the activities on the Square upon completion and be a great place to live.
- **City Revitalization Improvements Zone (CRIZ)** – City officials along with the Department of Economic and Community Development are making preparations to submit an application to the Commonwealth via for a CRIZ designation for the City. As part of these efforts, the City established an ad hoc Advisory Committee consisting of members from the York County Planning Commission, the York County Economic Alliance, and other key stakeholders in the community.
- **Royal Square Neighborhood Partnership Program (NPP) Project** – The City has continued to support the efforts spearheaded by Royal Square Development Corporation (RSDC) in conjunction with the YWCA. Years one and two focused on beautification projects for the area that include more improvements to the public realm and streetscaping, creating a sense of place for the neighborhood. In year three, the funds are pledged to make exterior improvements to the community cornerstone Von Grimes Gym. The former Allison's Bar located at 105-107 South Duke Street was a fixture in the community during its hay day but lost some of its luster before the City's Bureau of Economic Development partnered with RSDC to acquire the property. The structured private public partnership (P3) consists of the YWCA as project lead and several tax credit partners -- Glatfelter Insurance Group, M&T Bank, Northwest Savings Bank, PeoplesBank, York Water Company – who are investing in the core block of Royal Square under the Commonwealth of Pennsylvania's Neighborhood Partnership Program (NPP). Allison's, upon full fit out and completion, will develop into a restaurant/bar, with a shared kitchen with the neighboring donut shop. This public private partnership from five tax credit investors demonstrates the City's local business community's

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faith in the efforts of the group and in the future impact this project will have on this neighborhood in the City.

- **Salem Square** – The City, in partnership with Salem Square Community Association and members of the faith based community, continue to work to revitalize the neighborhood. The former Gus' bar project has been completed and all four spaces are or are being positioned for occupancy. There are two beautifully renovated apartments which are currently leased. Martin Library has expanded its campus on the first floor of the property, creating a satellite location focusing on computer literacy and after school activities. The department secured grant funding from the Commonwealth 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.
- **Market Square Project** – The Royal Square Development and Construction group received a NMTC allocation from local CDFI Community First Fund to redevelop several vacant buildings in the unit block of West Market. These properties have sat fallow and underutilized for several years prior to this investment by RSDC. The City anticipates, with their redevelopment, that they will be a great contribution to downtown York and serve as a generator in the community.
- **The Woolworth Building** located 44 - 50 West Market Street will be converted into a mixed used development project consisting of three retail bays on the first floor and 21 market rate apartments with an open-air common area for outdoor entertaining and leisure feature on the upper floors. A portion of the rear of the building will be demolished to create a 30-car parking lot for future patrons of the retail establishments and residents of the property alike.
- **The former Weinbrom Jewelers Building** located 56 West Market Street will be redeveloped into six smaller retail spaces along South Beaver Street, and first floor anchor, Isaac's Famous Grilled Sandwiches. The second story will be transformed into eight loft style market rate apartments. Completion is expected to be summer of 2017
- **Northeast Neighborhood Association** – Think Loud Development has begun the second phase of its project in the Northeast section of the City. Further acquisition and site preparation on the part of the organization has enabled them to clear the path for future development of a gigabit community in the City. The City anticipates that this project 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)** – Distinct Properties has made its second investment in the City in the NWT redevelopment area. Keystone Colorworks is under construction as an adaptive reuse project from a former manufacturing facility into residential dwelling units. With the sale and redevelopment of this property to the developer, the final phase of development of the original area identified in the Blight Certification is underway. In addition to the newly renovated Colorworks Apartments, a developer out of Baltimore has begun to investigate the

# CITY OF YORK, PENNSYLVANIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2015

entire site for a mixed use project. The Time Group headquartered in Baltimore has presented plans for the dynamic development of the Northwest Triangle which includes office, residential, and commercial uses. This phased development will bring an additional 300 residential units to the City, and add countless amenities to the City's growing Central Business District.

- **Yorktowne Hotel Project** – The City is fully supportive of the purchase and repositioning of the existing Yorktown Hotel to its full glory. As it was originally developed as a community supported project by founding fathers and key community stakeholders, the hotel has come full circle once again under the stewardship of the York County Industrial Development Authority (IDA) who will oversee the full renovation of the facility into a world class hotel.
- **120 North Richland Avenue** – The City, through its Redevelopment Authority seeks to cause development at the 120 N Richland Avenue site, to compliment the year round family activity center at the York Fairgrounds. As “America’s First and Oldest Fair”, the York Fair and Expo Center attracts millions to the City on an annualized basis. Presently, a small portion of the site is being used for a small operation manufacturing plant of cattle feed. While the present activity once supplemented fair activities, the highest and best use for this site, given its proximity to the fair amenities and highways would be a hotel, lodging component to the current year round activities of the Expo Center and the Fair. The intention of the partnership is to enact a cohesive effort to capitalize on a cornerstone of York’s economy. As the facilitators of this development, the City envisions a one of a kind lodging, hospitality and complementary activity center. The Bureau of Economic Development and the Redevelopment Authority seek to leverage private resources, with public subsidies in the form of grants and contributions to remediate any environmental contaminants in order to market a shovel ready site to developers.
- **300 North State Street** – The former Danskin property has been in state of neglect and disrepair for some time. The parcels were formally owned by a developer who had exhausted all avenues to get the site completed in the form of demolition and environmental remediation. With no feasible way to continue, the owner agreed to sell the property to the Redevelopment Authority. Since the acquisition, City staff has worked diligently to secure funding, and partner with the right developer, for the development of the site. On April 20, 2016, Pennrose signed a contract to develop this four acre site as a mixed-use project, including residential, commercial and office uses.
- **Penn and Market Farmer’s Market** – Penn and Market Farmer’s Market has been in existence dating back to 1860s, it is the oldest Market in the City. While its prominent architecture and anchor designation poises the structure and location for historical significance, it is the community benefit that puts the Farmer’s Market as a priority project for the City. There has been a continuous effort to improve not only the physical aspects of the market but to improve and update the infrastructure, processes and procedures surrounding the operation of the market. There has already been positive progress towards the goal. Through grant funding, specifically an EDI and RACP grant, the Bureau of Economic Development has

# CITY OF YORK, PENNSYLVANIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2015

been able to tackle some of the glaring issues pertaining to roof leakages, outdated dysfunctional bathroom layouts, lighting, and improvements to maintain the exterior walls. Over the next five years, the goal of the City is to continue to be a partner in the growth of the market. The City, through its Bureau of Economic Development, aims to acquire funding to complete the list of repairs presented by the Friends of the Market. In conjunction with City partners, the City stands committed into fostering a booming environment, whereby the Farmer's Market can continue to provide City residents access to fresh produce, meats and baked items. The Bureau seeks to market the entrepreneurial and economic benefits that the Farmer's Market provides including incubation of new businesses to attract vendors. In order to achieve the aforementioned goals The Bureau continues to work with the WECO Neighborhood Association, Downtown Inc., and YCEA.

- **Griffith Smith** – Located less than a block from Continental Square, this property was of grave importance in making the City more attractive. As envisioned by Meshugunah LLC, the space is to be a one of a kind retail or boutique restaurant space. The building has been completely renovated and is seeking a tenant.
- **Artist Housing** – As the influx of creative people continues in the City, there has been varied interest over the years to develop housing specifically for artists. In June of 2016, a partnership of Homes for America, Royal Square and the City is looking to bring an artist housing product and project to the City. The building will be a one of a kind product, including gallery and maker spaces, residential units, and community areas.

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 is done, the success of the core urban center will continue to be limited. The City's efforts must remain focused on regionalizing as many services as possible while lobbying Harrisburg legislators for pension reform and relief from Act 111 arbitration proceedings.

Notwithstanding the financial challenges that the City faces, citizens can be assured that we will continually look for ways to improvise, improve and innovate. It is our vision that the City shall be a thriving urban community in which every person is welcome to be safe, successful and happy. The City will not be ashamed to copy good practices from others nor will the City fear trying new things of our own devising. The protection and improvement of the health, safety and welfare of the community is our reason for being. Citizens can be assured that the Bracey Administration holds the long term welfare of the community as the guiding principle of our actions.

**CITY OF YORK, PENNSYLVANIA**

STATEMENT OF NET POSITION

DECEMBER 31, 2015

	Primary Government			Component Units	Total
	Governmental Activities	Business-type Activities	Total		
<b>Assets</b>					
Cash and cash equivalents	\$ 5,443,259	\$ 4,469,966	\$ 9,913,225	\$ 1,139,205	\$ 11,052,430
Receivables, net of allowance for uncollectible accounts:					
Taxes	6,792,998	-	6,792,998	-	6,792,998
Accounts	2,441,063	2,847,606	5,288,669	11,834	5,300,503
Loans	3,647,946	-	3,647,946	1,000,000	4,647,946
Interest	-	-	-	15,776	15,776
Note	-	-	-	44,777	44,777
Internal balances	(5,305,796)	5,305,796	-	-	-
Due from component unit	971,058	-	971,058	-	971,058
Due from other governments, net of allowance	3,096,936	-	3,096,936	-	3,096,936
Inventory	-	7,118	7,118	-	7,118
Prepaid expenses	27,753	19,452	47,205	-	47,205
Restricted assets:					
Cash and cash equivalents	1,260,769	6,910,120	8,170,889	2,034,867	10,205,756
Investments, at fair value	-	5,929,255	5,929,255	-	5,929,255
Lease rentals receivable	-	25,344,474	25,344,474	-	25,344,474
Capital assets, less accumulated depreciation and amortization	53,640,363	81,111,767	134,752,130	7,581,134	142,333,264
Prepaid debt insurance	-	468,457	468,457	-	468,457
<b>Total assets</b>	<b>72,016,349</b>	<b>132,414,011</b>	<b>204,430,360</b>	<b>11,827,593</b>	<b>216,257,953</b>
<b>Deferred Outflows of Resources</b>					
Deferred outflows of resources for pensions	16,289,984	760,276	17,050,260	-	17,050,260
<b>Liabilities</b>					
Accounts payable and other current liabilities	4,078,437	540,941	4,619,378	148,763	4,768,141
Accrued liabilities	795,723	110,122	905,845	-	905,845
Litigation payable	-	-	-	1,250,000	1,250,000
Due to primary government	-	-	-	971,058	971,058
Due to other governments	3,154	153,914	157,068	106,973	264,041
Due to City of York pension trust funds	1,837,924	-	1,837,924	-	1,837,924
Unearned revenue	3,955,979	87,412	4,043,391	472,997	4,516,388
Other post-employment liability	23,241,994	407,729	23,649,723	-	23,649,723
Net pension liability	69,775,454	2,304,521	72,079,975	-	72,079,975
Noncurrent liabilities:					
Due within one year	5,440,634	4,722,885	10,163,519	1,574,326	11,737,845
Due in more than one year	43,667,814	46,267,546	89,935,360	7,202,300	97,137,660
<b>Total liabilities</b>	<b>152,797,113</b>	<b>54,595,070</b>	<b>207,392,183</b>	<b>11,726,417</b>	<b>219,118,600</b>
<b>Deferred Inflows of Resources</b>					
Deferred inflows of resources for pensions	4,115,585	141,829	4,257,414	-	4,257,414

	Primary Government			Component Units	Total
	Governmental Activities	Business-type Activities	Total		
<b>Net Position</b>					
Net investment in capital assets	29,997,803	60,613,420	90,611,223	946,934	91,558,157
Restricted for:					
Highways and streets	543,891	-	543,891	-	543,891
Public works	416,789	-	416,789	-	416,789
Community development and planning	91,876	-	91,876	-	91,876
Workers' compensation	525,003	-	525,003	-	525,003
Debt service	789,867	6,198,064	6,987,931	101,804	7,089,735
Revolving loans	-	-	-	1,000,000	1,000,000
Construction	-	3,930,832	3,930,832	-	3,930,832
Unrestricted	(100,971,594)	7,695,072	(93,276,522)	(1,947,562)	(95,224,084)
Total net position	<u>\$ (68,606,365)</u>	<u>\$ 78,437,388</u>	<u>\$ 9,831,023</u>	<u>\$ 101,176</u>	<u>\$ 9,932,199</u>

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,287,112	\$ 1,723,988	\$ 53,765	\$ -
Sanitation	2,982,257	5,289,555	41,209	-
Public safety	34,153,037	2,878,204	592,084	401,338
Highways and streets	1,580,212	126,987	954,653	-
Public works	4,644,859	64,501	47,450	2,847,340
Parks and recreation	1,757,124	475,396	290,090	97,649
Community development and planning	4,343,208	2,071,047	2,436,442	-
Other departments and programs	1,482,054	9,382	1,209,163	-
Interest on long-term debt	3,150,783	-	-	-
<b>Total governmental activities</b>	<b>56,380,646</b>	<b>12,639,060</b>	<b>5,624,856</b>	<b>3,346,327</b>
Business-type activities:				
Intermunicipal sewer	7,034,990	8,215,879	-	-
Sewer	10,827,862	10,676,180	-	-
Ice rink	1,438,117	992,301	-	-
Other enterprise funds	131,026	138,977	72,975	-
<b>Total business-type activities</b>	<b>19,431,995</b>	<b>20,023,337</b>	<b>72,975</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 75,812,641</b>	<b>\$ 32,662,397</b>	<b>\$ 5,697,831</b>	<b>\$ 3,346,327</b>
Component units:				
Redevelopment Authority	\$ 2,377,081	\$ 387,992	\$ 496,670	\$ -
General Authority	1,793,651	1,732,710	-	-
<b>Total component units</b>	<b>\$ 4,170,732</b>	<b>\$ 2,120,702</b>	<b>\$ 496,670</b>	<b>\$ -</b>
General revenues:				
Property taxes				
Occupational privilege taxes				
Earned income taxes				
Business privilege taxes				
Franchise taxes				
Public utility realty taxes				
Beverage taxes				
Payments in lieu of taxes				
Grants and contributions not restricted to specific functions				
Unrestricted investment earnings				
Transfers				
<b>Total general revenues and transfers</b>				
Change in net position				
Net position - beginning of year - restated				
Net position - end of year				

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		
\$ (509,359)	\$ -	\$ (509,359)	\$ -	\$ (509,359)
2,348,507	-	2,348,507	-	2,348,507
(30,281,411)	-	(30,281,411)	-	(30,281,411)
(498,572)	-	(498,572)	-	(498,572)
(1,685,568)	-	(1,685,568)	-	(1,685,568)
(893,989)	-	(893,989)	-	(893,989)
164,281	-	164,281	-	164,281
(263,509)	-	(263,509)	-	(263,509)
(3,150,783)	-	(3,150,783)	-	(3,150,783)
(34,770,403)	-	(34,770,403)	-	(34,770,403)
-	1,180,889	1,180,889	-	1,180,889
-	(151,682)	(151,682)	-	(151,682)
-	(445,816)	(445,816)	-	(445,816)
-	80,926	80,926	-	80,926
-	664,317	664,317	-	664,317
(34,770,403)	664,317	(34,106,086)	-	(34,106,086)
-	-	-	(1,492,419)	(1,492,419)
-	-	-	(60,941)	(60,941)
-	-	-	(1,553,360)	(1,553,360)
19,809,615	-	19,809,615	-	19,809,615
1,220,374	-	1,220,374	-	1,220,374
5,901,373	-	5,901,373	-	5,901,373
3,294,261	-	3,294,261	-	3,294,261
318,298	-	318,298	-	318,298
34,044	-	34,044	-	34,044
9,374	-	9,374	-	9,374
625,288	-	625,288	-	625,288
1,964,338	-	1,964,338	-	1,964,338
66,819	1,160,236	1,227,055	48,221	1,275,276
2,471,144	(2,471,144)	-	-	-
35,714,928	(1,310,908)	34,404,020	48,221	34,452,241
944,525	(646,591)	297,934	(1,505,139)	(1,207,205)
(69,550,890)	79,083,979	9,533,089	1,606,315	11,139,404
\$ (68,606,365)	\$ 78,437,388	\$ 9,831,023	\$ 101,176	\$ 9,932,199

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2015**

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,295,510	\$ 1,295,510
Cash and cash equivalents - restricted	-	735,766	-	-	735,766
Receivables:					
Loans (less allowance for doubtful accounts of \$33,000 in the General Fund and \$532,618 in the Other Governmental Funds)	370,847	-	-	3,277,099	3,647,946
Taxes (less allowance for doubtful accounts of \$1,575,451 in the General Fund, \$296,521 in the Debt Service Fund, and \$129,158 in the Other Governmental Funds)	6,336,639	318,415	-	137,944	6,792,998
Accounts (less allowance for doubtful accounts of \$3,139,214 in the General Fund)	2,127,661	-	-	147,665	2,275,326
Due from other funds	341,493	-	-	30,000	371,493
Due from component units	971,058	-	-	-	971,058
Due from other governments	-	33,244	1,874,786	1,188,906	3,096,936
<b>Total assets</b>	<b>\$ 10,147,698</b>	<b>\$ 1,087,425</b>	<b>\$ 1,874,786</b>	<b>\$ 6,077,124</b>	<b>\$ 19,187,033</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 1,013,896	\$ 1,037	\$ 1,494,770	\$ 897,504	\$ 3,407,207
Accrued wages payable	620,692	-	-	32,290	652,982
Due to other funds	3,406,409	-	267,037	1,214,365	4,887,811
Due to other governments	-	-	-	3,154	3,154
Unearned revenue	584,036	-	17,474	3,354,469	3,955,979
<b>Total liabilities</b>	<b>5,625,033</b>	<b>1,037</b>	<b>1,779,281</b>	<b>5,501,782</b>	<b>12,907,133</b>
Deferred inflows of resources:					
Unavailable revenue - taxes	5,352,109	296,521	-	129,159	5,777,789
Fund balances (deficits):					
Restricted for:					
Highways and streets	-	-	-	543,891	543,891
Public works	-	-	-	416,789	416,789
Community development and planning	-	-	-	91,876	91,876
Debt service	-	789,867	-	-	789,867
Capital projects	-	-	95,505	-	95,505
Unassigned	(829,444)	-	-	(606,373)	(1,435,817)
<b>Total fund balances (deficits)</b>	<b>(829,444)</b>	<b>789,867</b>	<b>95,505</b>	<b>446,183</b>	<b>502,111</b>
<b>Total liabilities, deferred inflows of resources, and fund balances (deficits)</b>	<b>\$ 10,147,698</b>	<b>\$ 1,087,425</b>	<b>\$ 1,874,786</b>	<b>\$ 6,077,124</b>	<b>\$ 19,187,033</b>

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**

**DECEMBER 31, 2015**

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Fund balances - total governmental funds \$ 502,111

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	\$ 136,000,164	
Less accumulated depreciation	<u>(82,434,333)</u>	53,565,831

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.

5,777,789

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	(39,166,344)	
Notes payable	(3,877,750)	
Other post-employment liability	(23,075,289)	
Loans from other governmental entities	(2,430,000)	
Capitalized lease obligation	(2,427,957)	
Compensated absences	(1,123,201)	
Accrued interest payable	(119,138)	
Net pension liability, net of related deferred outflows and inflows of resources	<u>(57,095,232)</u>	(129,314,911)

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	5,095,773	
Adjustment related to enterprise funds	<u>(4,232,958)</u>	<u>862,815</u>

Net position of governmental activities \$ (68,606,365)

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, 2015

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 25,492,427	\$ 3,211,457	\$ -	\$ 1,215,074	\$ 29,918,958
Licenses and permits	1,679,316	-	-	-	1,679,316
Fines and forfeits	1,676,553	-	-	-	1,676,553
Grants and contributions	1,511,367	1,964,338	3,356,827	4,588,890	11,421,422
Charges for services	8,339,099	181,530	-	570,447	9,091,076
Loan repayments	-	-	-	79,001	79,001
Interest	292	64,640	-	1,469	66,401
Miscellaneous	104,313	-	-	177,579	281,892
Total revenues	<u>38,803,367</u>	<u>5,421,965</u>	<u>3,356,827</u>	<u>6,632,460</u>	<u>54,214,619</u>
Expenditures:					
Current:					
General government	1,459,822	5,137	121,967	160,993	1,747,919
Sanitation	2,922,501	-	-	-	2,922,501
Public safety	25,922,321	-	-	42,442	25,964,763
Highways and streets	826,457	-	-	561,131	1,387,588
Public works	2,843,982	-	-	22,188	2,866,170
Parks and recreation	-	-	-	1,568,148	1,568,148
Community development and planning	2,756,879	-	-	1,513,883	4,270,762
Other departments and programs	146,119	-	-	1,230,551	1,376,670
Debt service:					
Principal retirements	29,662	4,625,001	469,654	312,416	5,436,733
Interest	2,618	974,962	103,737	73,918	1,155,235
Capital outlay	-	-	2,949,493	870,331	3,819,824
Total expenditures	<u>36,910,361</u>	<u>5,605,100</u>	<u>3,644,851</u>	<u>6,356,001</u>	<u>52,516,313</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,893,006</u>	<u>(183,135)</u>	<u>(288,024)</u>	<u>276,459</u>	<u>1,698,306</u>
Other financing sources (uses):					
Capital lease	-	-	-	337,545	337,545
Transfers in	2,714,965	1,043,914	617,766	171,498	4,548,143
Transfers out	(1,201,309)	(621,288)	-	(194,402)	(2,016,999)
Total other financing sources (uses)	<u>1,513,656</u>	<u>422,626</u>	<u>617,766</u>	<u>314,641</u>	<u>2,868,689</u>
Net change in fund balances (deficits)	3,406,662	239,491	329,742	591,100	4,566,995
Fund balances (deficits) - beginning of year	(4,236,106)	550,376	(234,237)	(144,917)	(4,064,884)
Fund balances (deficits) - end of year	<u>\$ (829,444)</u>	<u>\$ 789,867</u>	<u>\$ 95,505</u>	<u>\$ 446,183</u>	<u>\$ 502,111</u>

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2015**

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

Net change in fund balances (deficits) - total governmental funds		\$ 4,566,995
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	\$ 4,289,114	
Loss on disposal of asset	(12,453)	
Depreciation expense	<u>(3,507,446)</u>	769,215
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		638,990
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.		
Issuance of capital lease	(337,545)	
Principal repayments	<u>5,436,733</u>	5,099,188
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	142,495	
Change in accrued interest	2,732	
Change in other post-employment liability	(2,957,096)	
Amortization of bond discounts	(1,998,280)	
Change in net pension liability, net of related deferred outflows and inflows of resources	<u>(6,288,289)</u>	(11,098,438)
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	1,404,699	
Adjustment related to enterprise funds	<u>(436,124)</u>	<u>968,575</u>
Change in net position of governmental activities		<u>\$ 944,525</u>

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**DECEMBER 31, 2015**

	Business-type Activities - Enterprise Funds					
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Funds	Total	Internal Service Fund
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 3,616,186	\$ 853,780	\$ -	\$ -	\$ 4,469,966	\$ 4,147,749
Receivables:						
Lease rentals, current	-	1,963,681	-	-	1,963,681	-
Accounts receivable (less allowance for doubtful accounts of \$5,363,900)	152,914	2,618,054	58,374	18,264	2,847,606	165,737
Inventory	-	-	7,118	-	7,118	-
Prepaid expenses	-	-	19,452	-	19,452	27,753
Due from other funds	382,468	2,211,689	-	-	2,594,157	1,605,556
Total current assets	<u>4,151,568</u>	<u>7,647,204</u>	<u>84,944</u>	<u>18,264</u>	<u>11,901,980</u>	<u>5,946,795</u>
Restricted assets:						
Cash and cash equivalents	-	4,853,192	-	2,056,928	6,910,120	525,003
Investments	-	5,929,255	-	-	5,929,255	-
Total restricted assets	<u>-</u>	<u>10,782,447</u>	<u>-</u>	<u>2,056,928</u>	<u>12,839,375</u>	<u>525,003</u>
Noncurrent assets:						
Lease rentals receivable, long-term	-	23,380,793	-	-	23,380,793	-
Capital assets, net of accumulated depreciation	-	77,954,445	3,151,811	5,511	81,111,767	74,532
Prepaid debt insurance	-	468,457	-	-	468,457	-
Total noncurrent assets	<u>-</u>	<u>101,803,695</u>	<u>3,151,811</u>	<u>5,511</u>	<u>104,961,017</u>	<u>74,532</u>
Total assets	<u>4,151,568</u>	<u>120,233,346</u>	<u>3,236,755</u>	<u>2,080,703</u>	<u>129,702,372</u>	<u>6,546,330</u>
<b>Deferred Outflows of Resources</b>						
Deferred outflows of resources for pension	589,214	152,055	-	19,007	760,276	228,083
<b>Liabilities</b>						
Current liabilities:						
Accounts payable and accrued expenses	345,236	52,386	140,016	3,303	540,941	671,230
Accrued wages payable	68,539	12,180	-	1,205	81,924	23,603
Accrued interest	-	-	28,198	-	28,198	-
Due to other funds	-	382,468	914,697	224,154	1,521,319	-
Due to other governments	153,914	-	-	-	153,914	-
Unearned revenue	-	-	87,412	-	87,412	-
Total current liabilities	<u>567,689</u>	<u>447,034</u>	<u>1,170,323</u>	<u>228,662</u>	<u>2,413,708</u>	<u>694,833</u>
Current liabilities payable from restricted assets:						
Current portion of capitalized lease obligations	-	99,448	18,629	-	118,077	38,131
Current portion of bonds and notes payable	-	4,139,808	465,000	-	4,604,808	-
Total current liabilities payable from restricted resources	<u>-</u>	<u>4,239,256</u>	<u>483,629</u>	<u>-</u>	<u>4,722,885</u>	<u>38,131</u>
Noncurrent liabilities:						
Accrued compensated absences	92,991	740	-	1,039	94,770	45,065
Other post-employment liability	310,277	75,564	-	21,888	407,729	166,705
Capitalized lease obligations	-	64,123	156,167	-	220,290	-
Bonds and notes outstanding	-	43,232,486	2,720,000	-	45,952,486	-
Net pension liability	1,786,004	460,904	-	57,613	2,304,521	691,357
Total noncurrent liabilities	<u>2,189,272</u>	<u>43,833,817</u>	<u>2,876,167</u>	<u>80,540</u>	<u>48,979,796</u>	<u>903,127</u>
Total liabilities	<u>2,756,961</u>	<u>48,520,107</u>	<u>4,530,119</u>	<u>309,202</u>	<u>56,116,389</u>	<u>1,636,091</u>
<b>Deferred Inflows of Resources</b>						
Deferred inflows of resources for pension	109,917	28,366	-	3,546	141,829	42,549
<b>Net Position</b>						
Net investment in capital assets	-	60,815,894	(207,985)	5,511	60,613,420	36,401
Restricted:						
Debt service	-	6,198,064	-	-	6,198,064	-
Construction	1,873,904	-	-	2,056,928	3,930,832	-
Workers' compensation	-	-	-	-	-	525,003
Unrestricted	-	4,822,970	(1,085,379)	(275,477)	3,462,114	4,534,369
Total net position	<u>\$ 1,873,904</u>	<u>\$ 71,836,928</u>	<u>\$ (1,293,364)</u>	<u>\$ 1,786,962</u>	<u>\$ 74,204,430</u>	<u>\$ 5,095,773</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					4,232,958	
Net position of business-type activities					<u>\$ 78,437,388</u>	

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, 2015**

	Business-type Activities - Enterprise Funds					Internal Service Fund
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Funds	Total	
Operating revenues:						
Charges for services	\$ 8,188,904	\$ 9,757,531	\$ 534,205	\$ 60,628	\$ 18,541,268	\$ 14,258,881
Rental income	-	-	451,723	-	451,723	-
Revenue from other local governments	-	-	-	78,349	78,349	-
Miscellaneous income	26,975	87,649	6,373	-	120,997	-
<b>Total operating revenues</b>	<b>8,215,879</b>	<b>9,845,180</b>	<b>992,301</b>	<b>138,977</b>	<b>19,192,337</b>	<b>14,258,881</b>
Operating expenses:						
Personnel services	2,090,171	485,527	301,789	61,855	2,939,342	2,196,685
Utilities	800,565	-	213,697	-	1,014,262	-
Treatment costs	-	2,554,785	-	-	2,554,785	-
Contractual services	762,030	150,918	30,229	-	943,177	-
Professional services	319,491	88,497	65,000	4,495	477,483	545,123
Materials and supplies	520,491	31,527	203,403	14,959	770,380	600,414
Sludge	481,999	-	-	-	481,999	-
Administrative	680,054	769,887	160,150	34,397	1,644,488	392,761
Health insurance claims	-	-	-	-	-	6,680,500
Insurance premiums	-	-	43,566	-	43,566	1,090,698
Workers' compensation insurance	-	-	-	-	-	475,935
Depreciation	-	4,093,521	234,634	6,941	4,335,096	29,813
Miscellaneous	1,727,074	472,890	-	8,379	2,208,343	778,949
<b>Total operating expenses</b>	<b>7,381,875</b>	<b>8,647,552</b>	<b>1,252,468</b>	<b>131,026</b>	<b>17,412,921</b>	<b>12,790,878</b>
Operating income (loss)	834,004	1,197,628	(260,167)	7,951	1,779,416	1,468,003
Nonoperating revenue (expenses):						
Grants	-	-	-	60,000	60,000	-
Investment income	4,289	1,153,657	69	2,221	1,160,236	422
Contributions	-	-	-	12,975	12,975	-
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Interest expense	-	(2,269,549)	(185,649)	-	(2,455,198)	(3,726)
<b>Total nonoperating revenue (expenses)</b>	<b>4,289</b>	<b>(284,892)</b>	<b>(185,580)</b>	<b>75,196</b>	<b>(390,987)</b>	<b>(3,304)</b>
Change in net position before transfers	838,293	912,736	(445,747)	83,147	1,388,429	1,464,699
Transfers in	-	692,800	584,562	21,259	1,298,621	-
Transfers out	(692,800)	(3,076,965)	-	-	(3,769,765)	(60,000)
Change in net position	145,493	(1,471,429)	138,815	104,406	(1,082,715)	1,404,699
Net position - beginning of year - restated	1,728,411	73,308,357	(1,432,179)	1,682,556		3,691,074
Net position - end of year	<u>\$ 1,873,904</u>	<u>\$ 71,836,928</u>	<u>\$ (1,293,364)</u>	<u>\$ 1,786,962</u>		<u>\$ 5,095,773</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					436,124	
Change in net position of business-type activities					<u>\$ (646,591)</u>	

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2015**

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	\$ 8,370,418	\$ 10,070,091	\$ 979,638	\$ 210,897	\$ 19,631,044	\$ 14,383,036
Payments to suppliers	(5,240,086)	(5,238,581)	(503,963)	(101,741)	(11,084,371)	(10,526,945)
Payments to employees	(2,077,799)	(481,479)	(301,789)	(61,945)	(2,923,012)	(2,166,321)
Net cash provided by operating activities	<u>1,052,533</u>	<u>4,350,031</u>	<u>173,886</u>	<u>47,211</u>	<u>5,623,661</u>	<u>1,689,770</u>
Cash flows from noncapital financing activities:						
Transfers in	-	692,800	584,562	21,259	1,298,621	-
Transfers out	(692,800)	(3,076,965)	-	-	(3,769,765)	(60,000)
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Net cash provided by (used in) noncapital financing activities	<u>(692,800)</u>	<u>(1,553,165)</u>	<u>584,562</u>	<u>21,259</u>	<u>(1,640,144)</u>	<u>(60,000)</u>
Cash flows from capital and related financing activities:						
Capital outlays	-	(544,443)	(111,009)	-	(655,452)	-
Grants and contributions	-	-	-	12,975	12,975	-
Principal receipts on lease rentals receivable	-	2,994,196	-	-	2,994,196	-
Principal payments on bonds and notes	-	(4,138,318)	(440,000)	-	(4,578,318)	(181,730)
Principal payments on capital lease	-	(139,538)	(17,825)	-	(157,363)	(36,313)
Interest paid	-	(1,706,252)	(189,683)	-	(1,895,935)	(15,243)
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(3,534,355)</u>	<u>(758,517)</u>	<u>12,975</u>	<u>(4,279,897)</u>	<u>(233,286)</u>
Cash flows from investing activities:						
Purchases of investment securities	-	(5,061,976)	-	-	(5,061,976)	-
Investment income	4,289	1,807	69	2,221	8,386	422
Net cash provided by (used in) investing activities	<u>4,289</u>	<u>(5,060,169)</u>	<u>69</u>	<u>2,221</u>	<u>(5,053,590)</u>	<u>422</u>
Net increase (decrease) in cash and cash equivalents	364,022	(5,797,658)	-	83,666	(5,349,970)	1,396,906
Cash and cash equivalents - beginning of year	<u>3,252,164</u>	<u>11,504,630</u>	<u>-</u>	<u>1,973,262</u>	<u>16,730,056</u>	<u>3,275,846</u>
Cash and cash equivalents - end of year	<u>\$ 3,616,186</u>	<u>\$ 5,706,972</u>	<u>\$ -</u>	<u>\$ 2,056,928</u>	<u>\$ 11,380,086</u>	<u>\$ 4,672,752</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 834,004	\$ 1,197,628	\$ (260,167)	\$ 7,951	\$ 1,779,416	\$ 1,468,003
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	-	4,093,521	234,634	6,941	4,335,096	29,813
Grants	-	-	-	60,000	60,000	-
(Increase) decrease in:						
Accounts receivable	49,606	224,911	(49,361)	4,979	230,135	(25,845)
Inventory	-	-	1,947	-	1,947	-
Prepaid expenses	-	-	75	-	75	(2,376)
Due from other governments	45,815	-	-	-	45,815	150,000
Due from other funds	59,118	(1,134,845)	-	-	(1,075,727)	422,056
Deferred outflows of resources for pension	(589,214)	(152,055)	-	(19,007)	(760,276)	(228,083)
Increase (decrease) in:						
Accounts payable and accrued expenses	(102,296)	23,886	24,829	(4,375)	(57,956)	(382,245)
Accrued wages payable	4,139	(957)	-	(1,542)	1,640	1,161
Other post-employment liability	6,331	3,614	-	666	10,611	11,434
Accrued compensated absences	(33,307)	(7,695)	-	(350)	(41,352)	4,139
Unearned revenue	-	-	36,698	-	36,698	-
Due to other funds	-	(59,118)	185,231	(28,195)	97,918	-
Due to other governments	153,914	-	-	-	153,914	-
Net pension liability	514,506	132,775	-	16,597	663,878	199,164
Deferred inflows of resources for pension	109,917	28,366	-	3,546	141,829	42,549
Net cash provided by operating activities	<u>\$ 1,052,533</u>	<u>\$ 4,350,031</u>	<u>\$ 173,886</u>	<u>\$ 47,211</u>	<u>\$ 5,623,661</u>	<u>\$ 1,689,770</u>

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2015**

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	Pension Trust Funds	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
<hr/>		
Cash and cash equivalents	\$ 174,966	\$ 825,199
Investments, at fair value	93,890,227	-
Accounts receivable	-	511
Due from City of York	1,837,924	-
	<u>                    </u>	<u>                    </u>
Total assets	<u>95,903,117</u>	<u>825,710</u>
<b>Liabilities</b>		
<hr/>		
Accounts payable and accrued expenses	<u>                    -</u>	<u>825,710</u>
Total liabilities	<u>                    -</u>	<u>\$ 825,710</u>
<hr/>		
<b>Net Position</b>		
<hr/>		
Restricted for pension benefits	<u>\$ 95,903,117</u>	

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, 2015

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Additions:	
Contributions	
Employee contributions	\$ 689,269
Employer contributions	<u>3,721,639</u>
Total contributions	<u>4,410,908</u>
Investment income:	
Interest and dividend income	1,681,845
Net depreciation of investments	<u>(4,662,613)</u>
	(2,980,768)
Less investment expense	<u>(429,770)</u>
Net investment loss	<u>(3,410,538)</u>
Total additions	<u>1,000,370</u>
Deductions:	
Benefit payments	<u>8,254,863</u>
Total deductions	<u>8,254,863</u>
Change in net position	(7,254,493)
Net position restricted for pension benefits, beginning of year	<u>103,157,610</u>
Net position restricted for pension benefits, end of year	<u>\$ 95,903,117</u>

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF NET POSITION - COMPONENT UNITS**  
**DECEMBER 31, 2015**

	Redevelopment Authority	General Authority	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 779,503	\$ 359,702	\$ 1,139,205
Restricted cash and cash equivalents	101,804	1,933,063	2,034,867
Accounts receivable	-	11,834	11,834
Accrued interest	10,000	5,776	15,776
Total current assets	<u>891,307</u>	<u>2,310,375</u>	<u>3,201,682</u>
Noncurrent assets:			
Loans receivable, net of allowance	1,000,000	-	1,000,000
Note receivable	-	44,777	44,777
Capital assets (net of accumulated depreciation of \$1,833,039 and \$9,296,319)	1,692,026	5,889,108	7,581,134
Total noncurrent assets	<u>2,692,026</u>	<u>5,933,885</u>	<u>8,625,911</u>
Total assets	<u>3,583,333</u>	<u>8,244,260</u>	<u>11,827,593</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	97,277	51,486	148,763
Litigation payable	1,250,000	-	1,250,000
Due to primary government	2,000	969,058	971,058
Due to other governments	106,973	-	106,973
Unearned revenue	42,000	430,997	472,997
Current portion of bonds payable	145,000	-	145,000
Current portion of loan payable	1,142,426	-	1,142,426
Current portion of notes payable	-	286,900	286,900
Total current liabilities	<u>2,785,676</u>	<u>1,738,441</u>	<u>4,524,117</u>
Noncurrent liabilities:			
Bonds payable	2,315,000	-	2,315,000
Notes payable	1,000,000	3,887,300	4,887,300
Total noncurrent liabilities	<u>3,315,000</u>	<u>3,887,300</u>	<u>7,202,300</u>
Total liabilities	<u>6,100,676</u>	<u>5,625,741</u>	<u>11,726,417</u>
<b>Net Position</b>			
Net investment in capital assets	(767,974)	1,714,908	946,934
Restricted:			
Debt service	101,804	-	101,804
Revolving loan	1,000,000	-	1,000,000
Unrestricted	(2,851,173)	903,611	(1,947,562)
Total net position	<u>\$ (2,517,343)</u>	<u>\$ 2,618,519</u>	<u>\$ 101,176</u>

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF ACTIVITIES - COMPONENT UNITS**  
**YEAR ENDED DECEMBER 31, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Redevelopment Authority	General Authority	Total
Redevelopment Authority	\$ 2,377,081	\$ 387,992	\$ 496,670	\$ (1,492,419)	\$ -	\$ (1,492,419)
General Authority	1,793,651	1,732,710	-	-	(60,941)	(60,941)
<b>Total component units</b>	<b>\$ 4,170,732</b>	<b>\$ 2,120,702</b>	<b>\$ 496,670</b>	<b>(1,492,419)</b>	<b>(60,941)</b>	<b>(1,553,360)</b>
General revenues:						
Unrestricted investment earnings				45,836	2,385	48,221
Total general revenues				45,836	2,385	48,221
Change in net position				(1,446,583)	(58,556)	(1,505,139)
Net position - beginning of year				(1,070,760)	2,677,075	1,606,315
Net position - end of year				<b>\$ (2,517,343)</b>	<b>\$ 2,618,519</b>	<b>\$ 101,176</b>

See accompanying notes to basic financial statements.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### 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

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# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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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, 2015

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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, 2015

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### *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 these 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

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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, and 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

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# **CITY OF YORK, PENNSYLVANIA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2015**

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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.

Cash in the General Authority and Redevelopment Authority that is in bond trust funds is restricted to the purposes set forth by the bonds.

### ***Investments***

Investments are stated at fair value.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### *Allowance for Doubtful Accounts*

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

### *Interfund Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

### *Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, dams, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial 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

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# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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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.

### *Deferred Inflows and Outflows of Resources for Pensions*

In conjunction with pension accounting requirements, the effect of the differences in the City's expected and actual experience, changes in assumptions, and the difference between projected and actual earnings on pension plan investments are recorded as deferred inflows or outflows of resources related to pensions on the government-wide and proprietary fund statement of net position. These amounts are determined based on actuarial valuations performed for the pension plans. Note 14 presents additional information about the pension plans.

### *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

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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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 the zero-coupon Guaranteed Sewer Revenue Bonds – Series of 1990, Federally Taxable General Obligation Bonds – Series A of 1995, General Obligation Bonds – Series B of 1998, and General Obligation Refunding Notes – Series D of 1998 are accreted over the life of the respective bonds using the effective interest method.

### *Fund Equity and Net 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.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### *Self-insurance*

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

### *Nonrecourse Debt Issues*

The City (through the General Authority and the Redevelopment Authority) participates in various bond issues for which it has limited liability. Acting solely in an agency capacity, the City serves as a financing conduit, bringing the ultimate borrower and the ultimate lender together to do business. Although the City is a party to the trust indenture with the trustee, the agreements are structured such that there is no recourse against the City in the case of default. As such, the corresponding debt is not reflected on the City's statement of net position. The amount of nonrecourse debt issues for the Redevelopment Authority is unavailable at December 31, 2015. The amount of nonrecourse debt issues for the General Authority is \$13,185,000 at December 31, 2015.

### *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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets, deferred outflows of resources, 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.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

***Adoption of Governmental Accounting Standards Board (GASB) Statements and Restatements of Net Position***

GASB Statement No. 68, “Accounting and Financial Reporting for Pension Plans,” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date,” were adopted for the year ended December 31, 2015 by the City. As a result of this implementation, net position was restated as follows:

	Governmental Activities	Business-Type Activities
Net position at January 1, 2015 - as originally stated	\$ (18,251,754)	\$ 80,724,622
Net pension liability at January 1, 2015	(51,299,136)	(1,640,643)
Net position at January 1, 2015 - restated	\$ (69,550,890)	\$ 79,083,979

	Intermunicipal Sewer Fund	Sewer Fund	Other Enterprise Funds	Internal Service Fund
Net position at January 1, 2015 - as originally stated	\$ 2,999,909	\$ 73,636,486	\$ 1,723,572	\$ 4,183,267
Net pension liability at January 1, 2015	(1,271,498)	(328,129)	(41,016)	(492,193)
Net position at January 1, 2015 - restated	\$ 1,728,411	\$ 73,308,357	\$ 1,682,556	\$ 3,691,074

***Pending Changes in Accounting Principles***

In February of 2015, the GASB issued Statement No. 72, “Fair Value Measurement and Application.” This Statement addresses accounting and financial reporting issues related to fair value measurements. The provisions of GASB Statement No. 72 are effective for the City’s December 31, 2016 financial statements.

In June of 2015, the GASB issued Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.” This Statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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specified criteria (those not covered by Statements No. 67 and 68). The provisions of GASB Statement No. 73 are effective for the City's December 31, 2016 financial statements – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the City's December 31, 2017 financial statements.

In June of 2015, the GASB issued Statement No. 74, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.”* This Statement addresses reporting by other post-employment benefit (OPEB) plans that administer benefits on behalf of governments. The provisions of GASB Statement No. 74 are effective for the City's December 31, 2017 financial statements.

In June of 2015, the GASB issued Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.”* This Statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions of GASB Statement No. 75 are effective for the City's December 31, 2018 financial statements.

In June of 2015, the GASB issued Statement No. 76, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.”* This Statement identifies the hierarchy of generally accepted accounting principles in the context of the current governmental financial reporting environment. The provisions of GASB Statement No. 76 are effective for the City's December 31, 2016 financial statements.

In August of 2015, the GASB issued Statement No. 77, *“Tax Abatement Disclosures.”* This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues. The provisions of GASB Statement No. 77 are effective for the City's December 31, 2016 financial statements.

In December of 2015, the GASB issued Statement No. 79, *“Certain External Investment Pools and Pool Participants.”* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The provisions of GASB Statement No. 79 are effective for the City's December 31, 2016 financial statements.

In January of 2016, the GASB issued Statement No. 80, *“Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14.”* This Statement amends the blending criteria to include a not-for-profit corporation in which the primary government is the sole corporate member. The provisions of GASB Statement No. 80 are effective for the City's December 31, 2017 financial statements.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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In March of 2016, the GASB issued Statement No. 82, “*Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.*” This Statement addresses certain issues that have been raised with respect to previous pension standards. The provisions of GASB Statement No. 82 are effective for the City’s December 31, 2017 and 2018 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.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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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 significant 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 Fund, Community Development Block Grant Fund, and the State Health Grant Fund.
3. 1995, 1998, 2001, and 2011 Debt Service Funds.
4. Capital Projects Fund.
5. All proprietary funds.

### 3. FUND DEFICITS/DEFICIT NET POSITION

As of December 31, 2015, five 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, 2015, is \$829,444. As of December 31, 2013 and 2014, the general fund deficit was \$5,715,996 and \$4,236,106, respectively. Several measures were taken in 2015 to continue to improve the fiscal health of the City. For example, 36 positions were eliminated for the budget, reducing the City workforce by approximately 10%, the earned income tax rate was increased by 25% to 1.25 for residents and non-residents alike, and the active duty members of the Fraternal Order of Police (FOP) and current police retirees agreed to pension reform by agreeing to a fixed 2.5% annual cost-of-living adjustment (COLA) replacing the

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# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

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previously used variable calculation. This reduced the pension plan unfunded liability by \$12 million and helped the City to pay down the past due minimum municipal obligation (MMO) that had been accumulating over the past few years. By December 31, 2016, it is anticipated that this fund will have a surplus as additional reserves and the payments of past due debt obligations were factored into the 2016 budget. But the hard work continues. By no means is the Administration resting on this short term success. All parties involved are diligently striving for continuous improvement through gained efficiencies, best practices, contract negotiations, and regionalization. In addition to improving the general fund balance, a \$234,000 deficit was also eliminated in the Capital Projects Fund and an \$18,000 deficit was eliminated in the Weyer Trust Health Fund.

**Recreation Fund** - The fund deficit, which is included in other governmental funds at December 31, 2015 of \$64,130, was traditionally financed by loans from the General Fund as a result of revenue falling short of the budget. However, in 2011, the City adopted 0.25 mill tax increase and has dedicated the revenue from that levy to reduce the deficit in the Recreation Fund. The current balance is down 90% from the \$671,476 balance at December 31, 2012.

**State Health Grant Fund** - The fund deficit, which is included in other governmental funds at December 31, 2015, of \$542,243, is financed by loans from the General Fund as a result of revenue falling short of the budget. 2015 progress was a \$67,994 reduction from the December 31, 2014 balance of \$610,237. Starting in 2016, the Administration introduced a six year plan to eliminate the deficit and prevent any future shortfalls by allocating more support this fund.

**Ice Rink Fund** - The fund deficit, at December 31, 2015, of \$1,293,364, is a result of assuming the capital assets and debt of the York Recreation Corporation and continuing losses. This balance is down from the December 31, 2014 balance of \$1,432,179. 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 secured several high profile tenants that should increase patronage at the facility during off peak hours. The final debt service payment occurs in 2021. The City also continues to seek viable refinance options that lower the annual cost of borrowing without extending the liability for an additional term.

**White Rose Cable TV Fund** - The fund deficit, which is included in other enterprise funds at December 31, 2015, of \$269,966, is financed by loans from the General Fund as a result of revenue falling short of budget. This balance represents a \$24,000

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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increase from December 31, 2014 due to implementation of GASB Statement No. 68. 2015 was a transition year to a streamlined, more efficient operation that relies more on community partnerships and commissioned based sales representatives. In order to address the deficit, it is anticipated that over the next 4 years approximately \$70,000 of the cable franchise fees will be used to replenish the fund by 2020.

During 2015, 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*

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

Updated again in 2011 and 2015, the City has implemented many of the options described in the report but suffered through rising labor costs, inflation, the Great Recession of 2008, and many other natural pressures felt by all municipalities. Although the changes did not eliminate the projected deficits, the downturn was significantly reduced.

From the latest report prepared in 2015, several projects are currently underway. The City is currently in the midst of completing a regional parking demand study, an indirect cost allocation plan, developing a citywide capital needs assessment and improvement plan, renegotiating the intermunicipal sewer agreements with six connected municipalities that rely on the City's wastewater treatment plant to process flows from their sewer collection systems, and exploring the potential monetization of the entire sewer collection system. All of this work will continue into 2017.

### Component Unit

#### *Redevelopment Authority*

The Redevelopment Authority had negative net position as of December 31, 2015 in the amount of \$2,517,343. This negative net position is attributable to holding and subsequent transfer of properties to developers in the City as a means to help subsidize projects. There are certain properties in the Redevelopment Authority's possession that have high carrying cost, including but not limited to insurance, utilities, and maintenance. The Redevelopment Authority plans to address the liquidity issues with the disposition of held projects once

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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construction plans have been finalized, thereby reducing, if not eliminating, all carrying costs and resolving its liquidity issue.

### 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 2015 was as follows:

February 15, 2015	–	levy date
February 15 – April 15, 2015	–	2% discount period
April 16 – June 15, 2015	–	face payment period
June 16 – December 31, 2015	–	10% penalty period
January 1, 2016	–	lien date

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

### 5. DEPOSITS AND INVESTMENTS

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

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# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

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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, 2015, the City's book balance was \$13,766,697 and the bank balance was \$15,446,002. Of the bank balance, \$412,523 was covered by federal depository insurance, \$14,972,870 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 \$60,609 was uncollateralized.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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Cash and cash equivalents per financial statements:	
Governmental activities:	
Unrestricted	\$ 5,443,259
Restricted	1,260,769
Business-type activities:	
Unrestricted	4,469,966
Restricted	6,910,120
Fiduciary funds:	
Pension trust funds	174,966
Agency funds	825,199
	<u>19,084,279</u>
Less money market funds	<u>(5,317,582)</u>
Total deposits	<u><u>\$ 13,766,697</u></u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### ***B. Investments***

The fair value of the investments of the City at December 31, 2015 was as follows:

	<u>Fair Value</u>
Governmental activities:	
Restricted - Money market funds	\$ 464,394
Total governmental activities	<u>464,394</u>
Business-type activities:	
Restricted:	
Money market funds	4,853,188
U.S. Government obligations	5,929,255
Total business-type activities	<u>10,782,443</u>
Fiduciary funds:	
Pension trust funds:	
Fixed income mutual funds	20,494,647
Collective investment trusts	5,056,641
Equity mutual funds	63,556,972
Common stock	4,781,967
Total fiduciary funds	<u>93,890,227</u>
Total investments	<u>\$ 105,137,064</u>

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

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, 2015 was \$434,101 and is reported as part of restricted investments on the statement of net position.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

**Concentration of credit risk.** The City places no limit on the amount the City may invest in any one issuer. At December 31, 2015, 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, 2015:

	Fair Value	Rating
Money market funds	\$ 5,317,582	AAAm
Fixed income mutual funds	2,280,536	A1
Fixed income mutual funds	18,214,111	Unavailable
Collective investment trusts	5,056,641	Unrated

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

	Fair Value	Investment Maturity		
		2016	2022-2026	2027
Money market funds	\$ 5,317,582	\$ 5,317,582	\$ -	\$ -
U.S. Government obligations	5,929,255	5,929,255	-	-
Fixed income mutual funds	20,494,647	2,280,536	11,803,634	6,410,477
	\$ 31,741,484	\$ 13,527,373	\$ 11,803,634	\$ 6,410,477

### 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, 2015, the General Authority's book balance was \$2,292,765 and the bank balance was \$2,289,440. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$2,039,440 was

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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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.

### *Redevelopment Authority*

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

### Deposits

*Custodial Credit Risk* - The Redevelopment Authority does not have a deposit policy for custodial credit risk. As of December 31, 2015, the Redevelopment Authority's book and bank balances were \$779,503. Of the bank balance, \$484,410 was covered by federal depository insurance and the remaining \$295,093 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.

### Investments

At December 31, 2015, the fair value of the Redevelopment Authority's investment in money market funds was \$101,804.

*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, 2015, 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.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### 6. DUE FROM OTHER GOVERNMENTS – COMPONENT UNITS

#### *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.

At December 31, 2015, an allowance in the amount of \$100,000 was established for costs incurred under the RACP project, but not yet recognized as reimbursable by the Commonwealth of Pennsylvania. This remaining amount will be paid to the Redevelopment Authority upon completion of the closeout audit.

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.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### 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, 2015.

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, 2015.

In September of 2001, the City entered into a promissory note agreement to lend \$220,000 to a local non-profit corporation for the purpose of rehabilitating six commercial properties within the City. The loan is secured by a mortgage with interest charged at 1% per annum. The full amount of the note plus accrued interest is due September 7, 2017. The loan receivable, in the amount of \$187,000, net of an allowance of \$33,000, is recorded within the General Fund and the entire loan balance has been recorded as unearned revenue in the fund financial statements as of December 31, 2015.

#### *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

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# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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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, 2015, a total amount of \$715,791 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 \$317,127 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, 2015.

### ***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, 2015.

### ***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, 2015, the total amount of \$750,000 has been advanced on this loan. 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, 2015.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### Component Units

#### *Redevelopment Authority*

Loans receivable in the amount of \$1,000,000 at December 31, 2015 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	<u>500,000</u>
Total loans receivable	<u><u>\$ 1,000,000</u></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 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, 2015, a total of \$30,587 was recognized as revenue under terms of this agreement.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

### 9. DUE TO/FROM AND INTERFUND TRANSFERS

Individual due to/from other fund balances at December 31, 2015 were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 341,493	\$ 3,406,409
Capital Projects Fund	-	267,037
Other governmental funds	30,000	1,214,365
Intermunicipal Sewer Fund	382,468	-
Sewer Fund	2,211,689	382,468
Ice Rink Fund	-	914,697
Other enterprise funds	-	224,154
Internal Service Fund	1,605,556	-
Pension Trust Funds	1,837,924	-
Total primary government	<u>\$ 6,409,130</u>	<u>\$ 6,409,130</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 2014 minimum municipal obligation plus accrued interest.

A reconciliation of the interfund transfers for the year ended December 31, 2015 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,714,965	\$ 1,201,309
Debt Service Fund	1,043,914	621,288
Capital Projects Fund	617,766	-
Other governmental funds	171,498	194,402
Intermunicipal Sewer Fund	-	692,800
Sewer Fund	692,800	3,076,965
Ice Rink Fund	584,562	-
Other enterprise funds	21,259	-
Internal Service Fund	-	60,000
Total primary government	<u>\$ 5,846,764</u>	<u>\$ 5,846,764</u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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

### 10. LEASE RENTAL RECEIVABLES

The City has subleased the right to connect to the City's sewage system to six surrounding municipalities, whereby the City would receive, treat, and dispose of the municipalities' sewage. The municipalities are required to participate in payment of operating expenses, debt service on the guaranteed sewer revenue bonds, Series of 1990, Series of 2008, Series of 2010, Series 2010A, and Series 2011, and pay a service charge based on usage for the express purpose of maintenance, repair, and replacement of the existing interceptor system. This service charge is accounted for in the Sewer Fund.

Minimum lease rentals receivable as of December 31, 2015 are:

Years Ending <u>December 31,</u>	<u>Amount</u>
2016	\$ 2,991,908
2017	2,836,141
2018	2,838,014
2019	2,835,699
2020	2,837,963
2021	2,825,482
2022	2,788,089
2023	2,795,159
2024	2,794,623
2025	2,793,767
2026	2,796,122
2027	<u>1,227,533</u>
Total minimum lease rentals receivable	32,360,500
Less amount representing interest (at an average rate of 3.05%)	<u>(7,016,026)</u>
Present value of minimum lease rentals receivable	25,344,474
Less current installments of lease rentals	<u>(1,963,681)</u>
Lease rentals, excluding current installments	<u>\$ 23,380,793</u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

### 11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

*Primary Government*

	Beginning of Year	Additions/ Transfers In	Retirements and Dispositions/ Transfers Out	End of Year
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 5,927,157	\$ -	\$ -	\$ 5,927,157
Construction in progress	788,677	3,066,124	(558,377)	3,296,424
Total capital assets, not being depreciated	6,715,834	3,066,124	(558,377)	9,223,581
Capital assets, being depreciated:				
Buildings	21,831,868	143,659	-	21,975,527
Land improvements	4,970,447	762,843	-	5,733,290
Equipment and furniture	20,470,181	874,865	(12,453)	21,332,593
Infrastructure	77,884,239	-	-	77,884,239
Total capital assets, being depreciated	125,156,735	1,781,367	(12,453)	126,925,649
Less accumulated depreciation for:				
Buildings	(5,121,438)	(637,228)	-	(5,758,666)
Land improvements	(3,088,587)	(172,604)	-	(3,261,191)
Equipment and furniture	(15,945,124)	(1,122,043)	-	(17,067,167)
Infrastructure	(54,816,459)	(1,605,384)	-	(56,421,843)
Total accumulated depreciation	(78,971,608)	(3,537,259)	-	(82,508,867)
Total capital assets, being depreciated, net	46,185,127	(1,755,892)	(12,453)	44,416,782
Governmental activities capital assets, net	\$ 52,900,961	\$ 1,310,232	\$ (570,830)	\$ 53,640,363

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

	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	805,192	136,754	(20,881)	921,065
Total capital assets, not being depreciated	822,637	136,754	(20,881)	938,510
Capital assets, being depreciated:				
Buildings	131,923,635	131,523	-	132,055,158
Land improvements	22,145	-	-	22,145
Equipment and furniture	5,153,690	399,627	-	5,553,317
Infrastructure	17,811,759	8,429	-	17,820,188
Total capital assets being depreciated	154,911,229	539,579	-	155,450,808
Less accumulated depreciation for:				
Buildings	(57,599,655)	(3,810,099)	-	(61,409,754)
Land improvements	(12,527)	(1,107)	-	(13,634)
Equipment and furniture	(3,603,841)	(252,173)	-	(3,856,014)
Infrastructure	(9,726,432)	(271,717)	-	(9,998,149)
Total accumulated depreciation	(70,942,455)	(4,335,096)	-	(75,277,551)
Total capital assets, being depreciated, net	83,968,774	(3,795,517)	-	80,173,257
Business-type activities capital assets, net	\$ 84,791,411	\$ (3,658,763)	\$ (20,881)	\$ 81,111,767

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 54,862
Sanitation	32,364
Public safety	1,031,018
Highways and streets	154,159
Public works	1,816,220
Parks and recreation	254,894
Community development and planning	94,039
Other departments and programs	<u>21,821</u>
Total depreciation expense – governmental activities	3,459,377

Internal services fund depreciation expense allocated  
to governmental activities

77,882

Total depreciation expense for governmental activities

\$ 3,537,259

Business-type activities:

Sewer	\$ 4,093,521
Ice rink	234,634
Other enterprise fund	<u>6,941</u>

Total depreciation and amortization expenses for business-type  
activities

\$ 4,335,096

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

### *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	(1,692,036)	(141,003)	-	(1,833,039)
Redevelopment Authority:				
Capital assets, net	<u>\$ 1,833,029</u>	<u>\$ (141,003)</u>	<u>\$ -</u>	<u>\$ 1,692,026</u>
General Authority:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 15,169,489	\$ 15,938	\$ -	\$ 15,185,427
Less accumulated depreciation	(8,813,136)	(483,183)	-	(9,296,319)
General Authority:				
Capital assets, net	<u>\$ 6,356,353</u>	<u>\$ (467,245)</u>	<u>\$ -</u>	<u>\$ 5,889,108</u>

## 12. TAX ANTICIPATION NOTE OF 2015

In January of 2015, the City borrowed \$5,650,000 in the form of a Tax and Revenue Anticipation Note, Series of 2015, bearing interest at an annual rate of 1.15% per annum until its maturity on June 30, 2015, 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 \$27,434. The entire balance of the note was paid in full by the City during the year ended December 31, 2015.

Tax anticipation note transactions for the year ended December 31, 2015 were as follows:

Outstanding at December 31, 2014	\$ -
New borrowings	5,650,000
Repayments	<u>(5,650,000)</u>
Outstanding at December 31, 2015	<u>\$ -</u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

### 13. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2015 was as follows:

#### *Primary Government*

Governmental Activities:	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Loans from other governmental entities	\$ 2,670,000	\$ -	\$ -	\$ (240,000)	\$ 2,430,000	\$ 240,000
General Obligation Notes	4,353,752	-	215,729	(691,731)	3,877,750	360,000
General Obligation Bonds	41,498,793	-	1,782,551	(4,115,000)	39,166,344	4,285,000
Capitalized lease obligation	2,736,589	337,545	-	(608,046)	2,466,088	555,634
Vested compensated absences	1,306,622	-	-	(138,356)	1,168,266	-
	<u>\$ 52,565,756</u>	<u>\$ 337,545</u>	<u>\$ 1,998,280</u>	<u>\$ (5,793,133)</u>	<u>\$ 49,108,448</u>	<u>\$ 5,440,634</u>
Business-type Activities:	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Sewer Revenue Bonds	\$ 51,260,833	\$ -	\$ 476,383	\$ (4,138,318)	\$ 47,598,898	\$ 4,139,808
Unamortized discount	(262,590)	-	-	35,986	(226,604)	-
Recreation Revenue Bonds	3,625,000	-	-	(440,000)	3,185,000	465,000
Capitalized lease obligations	495,730	-	-	(157,363)	338,367	118,077
Vested compensated absences	136,122	-	-	(41,352)	94,770	-
	<u>\$ 55,255,095</u>	<u>\$ -</u>	<u>\$ 476,383</u>	<u>\$ (4,741,047)</u>	<u>\$ 50,990,431</u>	<u>\$ 4,722,885</u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

### *Component Units*

	Beginning of Year	Additions	Retirements	End of Year	Current Portion
Redevelopment Authority:					
Revenue bonds	\$ 2,595,000	\$ -	\$ (135,000)	\$ 2,460,000	\$ 145,000
Promissory notes	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ -
Short-term					
loan payable	\$ -	\$ 970,000	\$ -	\$ 970,000	\$ 970,000
Non-revolving RACP loan	2,450,000	-	(2,277,574)	172,426	172,426
	<u>\$ 2,450,000</u>	<u>\$ 970,000</u>	<u>\$ (2,277,574)</u>	<u>\$ 1,142,426</u>	<u>\$ 1,142,426</u>
General Authority:					
Notes payable	\$ 4,379,500	\$ -	\$ (205,300)	\$ 4,174,200	\$ 286,900

### *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. 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 variable rate as of December 31, 2015 was 0.014%. The loan matures on August 1, 2020. The balance due, as of December 31, 2015, was \$600,000.

In 2009, the City entered into a Contract for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974. The funds under the contract were to be used for the paving of City streets and various improvements to City-owned buildings. The City has pledged its full faith and credit towards the repayment of the Section 108 loan obligation, should the City's Community Development Block Grant funds be insufficient to meet the debt service requirements of the Section 108 loan. Interest is fixed at 3.2% for the term of the loan and the loan matures August 1, 2028. The balance due, as of December 31, 2015, was \$1,830,000.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

The annual principal and interest requirements for amounts due from the City under loans from other governmental entities as of December 31, 2015 are as follows:

Years Ending December 31,	Principal	Interest
2016	\$ 240,000	\$ 75,746
2017	240,000	70,642
2018	240,000	65,188
2019	241,000	59,440
2020	341,000	53,408
2021-2025	705,000	175,052
2026-2028	423,000	36,406
	<u>\$ 2,430,000</u>	<u>\$ 535,882</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, 2015 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%	\$ 5,465,000
Less unamortized discount on zero coupon notes				<u>(1,587,250)</u>
General Obligation Notes, net of discount, at December 31, 2015				<u>\$ 3,877,750</u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

The annual principal requirements for amounts due from the City under general obligation notes at December 31, 2015 are as follows:

Years Ending December 31,	Principal
2016	\$ 360,000
2017	200,000
2018	160,000
2019	160,000
2020	160,000
2021-2023	4,425,000
	5,465,000
Unamortized discount	(1,587,250)
	\$ 3,877,750

### ***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, 2015:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
1995A	\$ 76,030,000	Through 2022	0.00% - 6.50%	\$ 29,250,000
1998B	4,440,000	Through 2024	0.00%	4,440,000
2011	11,265,000	Through 2041	7.25%	10,800,000
2011B	2,200,000	Through 2027	9.00%	1,890,000
General Obligation Bonds at December 31, 2015				46,380,000
Less unamortized discount on zero coupon notes				
(Series A of 1995)				(5,582,322)
(Series B of 1998)				(1,631,334)
General Obligation Bonds, net of discount, at December 31, 2015				\$ 39,166,344

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

The annual principal and interest requirements for amounts due from the City under general obligation bonds at December 31, 2015 are as follows:

December 31,	Principal	Interest
2016	\$ 4,285,000	\$ 953,100
2017	4,460,000	929,700
2018	4,520,000	905,126
2019	4,545,000	879,012
2020	4,570,000	850,912
2021-2025	15,285,000	3,762,926
2026-2030	2,205,000	2,808,540
2031-2035	2,350,000	2,043,776
2036-2040	3,340,000	1,057,050
2041	820,000	59,447
	46,380,000	14,249,589
Unamortized discount	(7,213,656)	-
	\$ 39,166,344	\$ 14,249,589

### ***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, 2015, the following defeased debt was outstanding:

	Funds Escrowed as of December 31, 2015	Defeased Debt Outstanding as of December 31, 2015
General Obligation Bonds, Series A of 1995	\$ 10,867,860	\$ 7,877,667

### ***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, 2015

Guaranteed sewer revenue bonds payable at December 31, 2015 are comprised of the following individual bond issues:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
Guaranteed Sewer Revenue Bonds - Series of 1990	\$ 69,775,000	Through 2016	0.00%	\$ 3,870,000
Guaranteed Sewer Revenue Bonds - Series of 2008	10,000,000	Through 2022	3.20%	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%	10,350,000
Guaranteed Sewer Revenue Bonds - Series of 2011	1,500,000	Through 2021	1.00%	869,057
Guaranteed Sewer Revenue Bonds at December 31, 2015				47,834,057
Less unamortized discount on zero coupon bonds				(235,159)
Guaranteed Sewer Revenue Bonds, net of discount, at December 31, 2015				<u>\$ 47,598,898</u>

The annual principal and interest requirements for amounts due from the City under the guaranteed sewer revenue bonds at December 31, 2015 are as follows:

Years Ending December 31,	Principal	Interest
2016	\$ 4,139,808	\$ 1,693,999
2017	3,611,314	1,688,894
2018	3,707,833	1,595,874
2019	3,814,368	1,485,013
2020	3,930,919	1,372,693
2021-2025	21,544,815	4,613,137
2026-2027	7,085,000	434,444
	47,834,057	12,884,054
Unamortized discount	(235,159)	-
	<u>\$ 47,598,898</u>	<u>\$ 12,884,054</u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### *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, 2015 are comprised of the following individual bond issue:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
2001	\$ 7,305,000	Through 2021	4.10-5.15%	<u>\$ 3,185,000</u>

The annual principal and interest requirements for amounts due from the City under the guaranteed recreation revenue bonds at December 31, 2015 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 465,000	\$ 156,403
2017	490,000	130,140
2018	520,000	102,365
2019	550,000	73,903
2020	575,000	44,934
2021	585,000	15,064
	<u>\$ 3,185,000</u>	<u>\$ 522,809</u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### *Capitalized Lease Obligations*

The City leases certain equipment under long-term lease agreements which are classified as capital leases. As of December 31, 2015, the governmental activities and the business-type activities include equipment and furniture under capital leases with a net book value of \$1,877,885 and \$491,343, respectively.

The future minimum payments under capital leases and the present value of the future minimum lease payments at December 31, 2015 are as follows:

	Year ending December 31,	Governmental Activities	Business-type Activities	Total
	2016	\$ 656,193	\$ 130,563	\$ 786,756
	2017	602,704	59,825	662,529
	2018	534,729	59,825	594,554
	2019	482,479	26,223	508,702
	2020	128,011	26,219	154,230
	2021-2023	384,032	78,659	462,691
Total minimum lease payments		2,788,148	381,314	3,169,462
Less amount representing interest		(322,060)	(42,947)	(365,007)
Present value of future minimum lease payments		<u>\$ 2,466,088</u>	<u>\$ 338,367</u>	<u>\$ 2,804,455</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 (2002 Revenue Bonds) in the amount of \$3,725,000. The 2002 Revenue Bonds were issued for the purpose of financing the Susquehanna Commerce Center Garage Project.

The 2002 Revenue 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 2002 Revenue 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

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

income attributable to the parking facilities. The Manager deposited receipts in a segregated account to be used to pay costs, fees, and expenses incurred by the Manager in the performance of its duties under the management agreement. In addition, the Manager, on behalf of the Redevelopment Authority, pays amounts due to the trustee. Effective February 2009, Creekside Investors, L.P. submitted a Parking Assignment Agreement to the Redevelopment Authority since Creekside Investors, L.P. dissolved. The assignment is to Susquehanna Commerce Center Condominium Association, Inc. The management agreement term was to end January 1, 2016. In November 2015, the Redevelopment Authority's Board approved to an extension of the agreement through October 1, 2027.

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, 2015 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 (0.13% at December 31, 2015)	<u>\$ 2,460,000</u>

The annual principal and interest requirements for amounts due from the Redevelopment Authority under the 2002 Revenue Bonds using the 0.13% interest rate in effect at December 31, 2015 are as follows:

Year Ending December 31,	Principal	Interest
2016	\$ 145,000	\$ 3,159
2017	155,000	2,968
2018	165,000	2,763
2019	175,000	2,546
2020	185,000	2,316
2021 - 2025	1,095,000	7,646
2026 - 2027	540,000	920
	<u>\$ 2,460,000</u>	<u>\$ 22,318</u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### ***Redevelopment Authority 2012 Promissory 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. Principal will be due in 30 equal installments commencing on July 1, 2018 and on each July 1<sup>st</sup> thereafter until paid in full. 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, 2015.

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 into in November 2006 to finance the Northwest Triangle Project. In November 2013, the non-revolving time loan was extended through October 26, 2014. In December 2014, the non-revolving time loan was extended through January 31, 2015. In March 2015, the non-revolving time loan was extended through January 31, 2016. At the maturity date, the entire unpaid principal balance plus all accrued and outstanding interest is due and payable. \$172,426 remained outstanding as of December 31, 2015, which was paid in full by January 31, 2016.

### ***Redevelopment Authority 2014 Promissory Note Payable***

In July 2014, the Redevelopment Authority entered into a promissory note agreement in the amount of \$500,000. Interest is due annually at the rate of 2% from 2014 through 2017, with interest increasing to 3% per annum until the note is paid in full on the maturity date of June 1, 2020, 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 2010 HRA loan, as referenced in Note 7. The amount outstanding on this promissory note payable totaled \$500,000 as of December 31, 2015.

### ***Redevelopment Authority 2015 Short-Term Loan Payable***

In September 2015, the Redevelopment Authority's Board approved a short-term loan in the amount of \$970,000 to fund a litigation settlement regarding the valuation of property obtained by eminent domain. Loan payments are to be paid quarterly, interest only, beginning on March 16, 2016, with all unpaid principal and accrued interest to be paid in full on or before November 30, 2016. Variable interest is based on the prime rate with a floor of 3.25%. The Redevelopment Authority must apply the net proceeds from the pending sale of three large properties to the outstanding principal of the loan.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### *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, which was originally issued to finance the renovation of the Market Street Garage, and to pay costs of issuance. 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 General Authority, but in no event less than 2.20% or above 6.00% per annum. The loan matures on November 15, 2028.

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, 2015 of 2.71% are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 286,900	\$ 113,120
2017	294,700	105,346
2018	302,600	97,360
2019	277,600	122,388
2020	287,900	112,061
2021-2025	1,608,500	391,452
2026-2028	1,116,000	84,042
	<u>\$ 4,174,200</u>	<u>\$ 1,025,769</u>

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

The City maintains three 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.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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Investments of the Plans are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values. Pension assets consist primarily of mutual funds and common stocks.

At December 31, 2015, none of the investments were more than five percent of the total asset value for each plan.

### Plan Participants

At December 31, 2015, employees covered under the City's pension plans consisted of:

	Officers and Employees Pension Plan	Police Pension Plan	Paid Firefighters Pension Plan
Inactive plan members or beneficiaries currently receiving benefits	126	115	84
Inactive plan members entitled to but not yet receiving benefits	27	11	-
Active plan members	167	86	54
Total	<u>320</u>	<u>212</u>	<u>138</u>

### Plan Administration

The plans are governed by the Third Class City Code of the Commonwealth of Pennsylvania, as amended. The Officers and Employees Plan is governed by the City of York Officer and Employees Retirement Board, which consists of the Mayor, City Controller, Business Administrator, two participants of the Officers and Employees Plan to be chosen by active participants, and one member of City Council. The Police Plan is governed by the City of York Police Pension Fund Association, which consists of the Mayor, City Treasurer, Business Administrator, two City residents (one chosen by the Mayor and one chosen by City police officers), one active Police Plan participant, and one retired participant of the Police Plan. The Paid Firefighters Plan is governed by the City of York Paid Firefighters Pension Fund Board, which consists of the Mayor, City Treasurer, Business Administrator, two City residents (one chosen by the Mayor and one chosen by City paid firefighters), and two active Paid Firefighter Plan participants.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### Benefits Provided - Officers and Employees Plan

*Normal Retirement* - Officers and Employees are vested upon completion of 12 years of service. 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 five years of service if hired on or after January 1, 1978, or after completion of 40 years of service, regardless of age.

*Retirement Benefit* - For Officers and Employees hired before January 1, 1978, the normal retirement pension is payable semi-monthly for life with payments ceasing upon death. The amount of annual pension is equal to 50% of the higher of the final rate of compensation or compensation averaged over the highest consecutive five years of employment. Service increments of 1/40th of the annual pension per year of service in excess of 20, but not beyond age 65, are provided if the member makes extra contributions. The calculation of compensation includes base salary only. For Officers and Employees hired on or after January 1, 1978, the normal retirement pension is payable semi-monthly for life with payments continuing after the member's death to the surviving spouse or, if no surviving spouse, payable to dependent children under the age of 18 equal to 50% of the pension the member was receiving at the time of death. The amount of annual pension is equal to 2% of average annual compensation, multiplied by the number of complete years of service at retirement, up to a maximum of 40 years. Average annual compensation is based upon compensation for the highest five consecutive years out of the last ten years of employment. The calculation of compensation includes base salary plus longevity payments.

*Early Retirement* - Members are eligible for early retirement upon attainment of age 55 and completion of five years of service. The early retirement benefit is the benefit accrued to the date of early retirement, reduced 1/3 of 1% for each month early.

*Disability Benefit* - For Officers and Employees hired before January 1, 1978, a disability benefit is provided upon permanent disability before age 55 after completion of 15 years of service. The disability retirement pension is 50% of compensation at the time of disability. Such disability pension is reduced by Workers' Compensation benefits received. For Officers and Employees hired on or after January 1, 1978, members are eligible for disability retirement after completion of ten or more years of service. The disability retirement benefit is the benefit accrued to the date of disability, but not less than 50% of average monthly compensation. However, the amount of benefit shall not exceed such amount as necessary to make all benefits fully or partially financed by the City equal to 80% of compensation at the time of disability.

*Death Benefit* - The death benefit for a member who has been married at least one year and is eligible for normal retirement is a survivor pension for his/her surviving spouse equal to 50% of the pension the member would have been receiving had he/she retired on the day prior to

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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the date of death and had elected to receive his/her pension in a joint and 50% survivor benefit option form.

### Benefits Provided - Police Plan

*Normal Retirement* - A Police member is vested upon completion of 12 years of service. For Police hired prior to January 1, 2015, the normal retirement requirement is attainment of age 50 and completion of 20 years and six months of service. For Police hired on or after January 1, 2015, the normal retirement is attainment of age 55 and completion of 20 years and six months of service.

*Retirement Benefit* - The normal retirement pension is payable in semi-monthly installments for life with payments continuing after the member's death to the surviving spouse or, if no surviving spouse, to dependent children under the age of 18. The amount of annual pension is equal to 50% of the yearly salary paid to officers or employees of the same rank the member holds at the time of retirement. An additional incremental pension is provided equal to 1/40 of the annual pension for each complete year of service in excess of 20 (but not beyond age 65) up to a maximum of \$1,200 additional per year. The calculation of salary includes base salary plus longevity increments.

*Postretirement Cost-of-Living Increase* - Effective January 1, 2013, the Police receive a pension increase of 2.5% per year. For certain Police Pension Plan members retired between January 1, 2003 and January 15, 2003, the annual pension increase is equal to 4%.

*Deferred Retirement Option Plan (DROP)* - Effective January 1, 2007, an active member who has met the eligibility requirements for normal retirement may elect to participate in the DROP for a period of not less than one year, nor more than three years. His/her monthly pension shall be calculated as of his/her date of participation in the DROP and shall be deposited into a self-directed account, with the monies in such account distributed to the member in a lump sum at retirement.

*Disability Benefit* - A disability benefit is provided due to a service related total and permanent disability. The disability retirement pension is equal to the pension based upon the normal retirement formula. A disability benefit is provided due to a nonservice related total and permanent disability after completion of ten years of service. The disability retirement pension is equal to 30% of salary at the time of disability plus 2% of salary for each year of service in excess of ten, up to a maximum pension of 50% of salary. Such disability pension is reduced by Workers' Compensation benefits received.

*Death Benefit* - If a member dies after being eligible to retire, a death benefit is payable to his/her surviving spouse, or if no surviving spouse, to dependent children under the age of 18

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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in an amount equal to the benefit the member would have been receiving had he/she been retired on the day of his/her death.

### Benefits Provided - Paid Firefighters Plan

*Normal Retirement* - Paid Firefighters are vested upon completion of 10 years of service. Paid Firefighters are eligible for normal retirement at age 50, after completion of 20 years of service if hired before January 1, 1988, or after completion of 20 years and six months of service if hired on or after January 1, 1988.

*Retirement Benefit* - For Paid Firefighters hired before January 1, 1988, the normal retirement pension is payable monthly for life with payments continuing after the member's death to the surviving spouse or, if no surviving spouse, to dependent children under the age of 18. The amount of annual pension is equal to 50% of the yearly salary of the member at the time of retirement or the highest average annual salary which the member received during any five years preceding retirement, if higher. An additional incremental pension is provided equal to 1/40 of the annual pension for each complete year of service in excess of 20 (but not beyond age 65) up to a maximum of \$1,200 additional per year. The calculation of salary includes base salary plus longevity increments.

For Paid Firefighters hired on or after January 1, 1988, the normal retirement pension is payable monthly for life with payments continuing after the member's death to the surviving spouse or, if no surviving spouse, to dependent children under the age of 18. The amount of annual pension is equal to 52% of the yearly salary of the member at the time of retirement or the highest average annual salary, which the member received during any five years preceding retirement, if higher. The calculation of salary includes base salary plus longevity increments.

*Postretirement Cost-of-Living Increase* - Paid Firefighters hired prior to January 1, 1988 receive a pension increase equal to 50% of the dollar increase granted to active firemen of the highest pay grade. For certain Paid Firefighters Pension Plan members retired between January 1, 2003 and January 15, 2003, the annual pension increase is equal to 4%.

*Disability Benefit* - A disability benefit is provided under permanent disability after completion of ten years of service. The disability retirement pension is 30% of salary at the time of disability plus 2% of salary for each year of service in excess of ten, up to a maximum pension of 50% of salary. Such disability pension is reduced by Workers' Compensation benefits received if the disability was not incurred in the line of duty.

*Death Benefit* - If a member dies prior to being eligible to retire, a death benefit is payable to his/her surviving spouse or, if no surviving spouse, to dependent children under the age of 18 equal to 30% of salary plus 2% of salary for each year of service in excess of ten, up to a

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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maximum pension of 50% of salary. If a member dies after being eligible to retire, a death benefit is payable to his/her surviving spouse or, if no surviving spouse, to dependent children under the age of 18 equal to the benefit the member would have been receiving had he/she been retired on the day of his/her death.

### Contributions

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.

The City is required to make actuarially determined periodic contributions at rates that, for individual employees, increase over time so that sufficient assets will be available to pay benefits when due.

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.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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During the year ended December 31, 2015, state aid of \$1,964,338 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. The City made the following contributions to the pension plans for the year ended December 31, 2015:

	Officers and Employees Pension Plan	Paid Firefighters Pension Plan
	<u>                    </u>	<u>                    </u>
Actuarially determined contribution under Act 205	\$ 1,204,572	\$ 2,217,425
Contributions made by December 31, 2015	<u>1,448,271</u>	<u>2,273,368</u>
Excess contribution made	<u>\$ (243,699)</u>	<u>\$ (55,943)</u>

At December 31, 2015, a portion of the City's 2014 MMO for the Police Pension Plan and related accumulated interest, in the amounts of \$1,279,716 and \$558,208, respectively, remained due to the Plan from the City.

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.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

### Changes in the Net Pension Liability

The changes in the net pension liability of the City for the year ended December 31, 2015 were as follows:

#### Officers and Employees Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 30,454,727	\$ 23,605,042	\$ 6,849,685
Changes for the year:			
Service cost	598,372	-	598,372
Interest	2,449,055	-	2,449,055
Differences between expected and actual experience	(690,824)	-	(690,824)
Changes of assumptions	1,089,428	-	1,089,428
Contributions - employer	-	1,448,271	(1,448,271)
Contributions - member	-	141,597	(141,597)
Net investment loss	-	(915,530)	915,530
Benefit payments, including refunds	(1,677,033)	(1,677,033)	-
Net changes	1,768,998	(1,002,695)	2,771,693
Balances at December 31, 2015	\$ 32,223,725	\$ 22,602,347	\$ 9,621,378
Plan fiduciary net position as a percentage of the total pension liability			70.14%

The net pension liability of the Officers and Employees Pension Plan is allocated between the governmental activities and the business-type activities in the amounts of \$7,316,857 and \$2,304,521, respectively, at December 31, 2015.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Police Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 78,779,068	\$ 52,027,946	\$ 26,751,122
Changes for the year:			
Service cost	1,205,920	-	1,205,920
Interest	6,047,318	-	6,047,318
Differences between expected and actual experience	(4,581,597)	-	(4,581,597)
Changes of assumptions	2,208,539	-	2,208,539
Contributions - member	-	328,860	(328,860)
Net investment loss	-	(1,474,372)	1,474,372
Benefit payments, including refunds	(3,652,628)	(3,652,628)	-
Net changes	1,227,552	(4,798,140)	6,025,692
Balances at December 31, 2015	\$ 80,006,620	\$ 47,229,806	\$ 32,776,814
Plan fiduciary net position as a percentage of the total pension liability			59.03%

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Paid Firefighters Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 46,863,594	\$ 27,524,622	\$ 19,338,972
Changes for the year:			
Service cost	494,784	-	494,784
Interest	4,238,174	-	4,238,174
Changes of benefit terms	28,139	-	28,139
Differences between expected and actual experience	5,091,199	-	5,091,199
Changes of assumptions	1,962,059	-	1,962,059
Contributions - employer	-	2,273,368	(2,273,368)
Contributions - member	-	218,812	(218,812)
Net investment loss	-	(1,020,636)	1,020,636
Benefit payments, including refunds	(2,925,202)	(2,925,202)	-
Net changes	8,889,153	(1,453,658)	10,342,811
Balances at December 31, 2015	\$ 55,752,747	\$ 26,070,964	\$ 29,681,783
Plan fiduciary net position as a percentage of the total pension liability			46.76%

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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The net pension liability was measured as of December 31, 2015 and was determined by rolling forward liabilities from the January 1, 2015 actuarial valuation. Based upon an actuarial valuation performed as of January 1, 2015, the mortality table was updated from the UP1984 mortality table to the RP-2000 mortality table. This assumption change increased the total pension liability by \$5,260,026.

*Actuarial Assumptions* - The January 1, 2015 actuarial valuation used the entry age normal actuarial cost method and RP2000 mortality table. The actuarial assumptions for the Plans include the following: a) 8.00% investment rate of return, b) a projected salary increase of 5.00%, c) 3.00% inflation rate, d) level dollar closed amortization method, and e) 21-year remaining amortization period for Paid Firefighters Plan, 16-year remaining amortization period for Officers and Employees Plan, and 20-year remaining amortization period for Police Plan. These assumptions were applied to all periods included in the measurement of total pension liability.

*Investment Policy* - The Plans' policies in regard to the allocation of invested assets are established and may be amended by the respective Boards. The Boards seek to maximize return commensurate with the level of risk undertaken. The specific investment return objective is to meet or exceed the rate of return assumed in the actuarial assumptions.

*Long-Term Expected Rate of Return* - The long-term expected rates of return on the Plans' investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the Plans' as of December 31, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	60 - 70%	5.50 - 7.50%
Fixed income	30 - 40%	1.00 - 3.00%

*Rate of Return* - The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2015, the annual money-weighted rate of return on Plan investments, net of investment expense, was -2.47%.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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*Discount Rate* - The discount rate used to measure the total pension liability as of December 31, 2015 was 8.00% for all the Plans. The Plans' fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the net pension liability of each Plan calculated using the discount rate described above, as well as what the Plan's net pension liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or higher than the current rates:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Officers and Employees Pension Plan	<u>\$ 13,107,870</u>	<u>\$ 9,621,378</u>	<u>\$ 6,667,187</u>
Police Pension Plan	<u>\$ 42,708,831</u>	<u>\$ 32,776,814</u>	<u>\$ 24,532,960</u>
Paid Firefighters Pension Plan	<u>\$ 37,317,587</u>	<u>\$ 29,681,783</u>	<u>\$ 25,726,112</u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the City recognized pension expense of \$6,288,289 in the governmental activities and \$45,431 in the business-type activities. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Deferred Outflows of Resources:</u>		
Differences between expected and actual experience	\$ 3,394,133	\$ -
Changes of assumptions	3,785,001	223,663
Net difference between projected and actual earnings on pension plan investments	<u>9,110,850</u>	<u>536,613</u>
Total deferred outflows of resources	<u><u>\$ 16,289,984</u></u>	<u><u>\$ 760,276</u></u>
<u>Deferred Inflows of Resources:</u>		
Differences between expected and actual experience	<u>\$ 4,115,585</u>	<u>\$ 141,829</u>
Total deferred inflows of resources	<u><u>\$ 4,115,585</u></u>	<u><u>\$ 141,829</u></u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

The effect of the differences in the governmental activities and business-type activities expected and actual experience and the changes in assumptions are recognized over the average expected remaining service lives of active and inactive members. The difference between projected and actual earnings on the pension plan investments is recognized over five years. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2016	\$ 4,197,491	\$ 147,793
2017	4,197,491	147,793
2018	1,846,405	147,793
2019	1,846,405	147,793
2020	43,304	13,639
Thereafter	43,303	13,636
	<u>\$ 12,174,399</u>	<u>\$ 618,447</u>

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.

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

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. As of January 1, 2013, the outstanding unfunded liability reached a cumulative total of \$64,675,648.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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Since 2008, the City has maintained cash flow by delaying the payment of its pension MMO to the subsequent year. However, as the delayed payment approached the full amount of the MMO, the ability of the City to continue unreduced operations became more tenuous.

At the end of 2014, the City was engaged in contract negotiations with the FOP and at the same time trying to figure out how to balance the 2015 budget. A settlement was reached with active and retired police officers to adjust the way their annual pension COLA was calculated.

There are two components to this pension reform. First, retired officers of the City Police Department previously received a variable COLA equal to 50% of the dollar increase granted to active police officers of the highest pay grade in the addition to any applicable service increment. This variable COLA created uncertainty in the COLA which retired officers received each year and forced the City to make an actuarial assumption of 5% in calculating the MMO. Converting COLAs for current retirees (excluding those that retired between January 1, 2003 and January 15, 2003) to a fixed 2.5% per year reduced the unfunded accrued liability under the plan by \$5,196,934.

The second facet of the deal involved negotiations with active duty police officers to make the same change to their pension annual COLA. These credits were factored into the revised 2015 MMO calculation, then applied to the 2015 budget. On December 23, 2014, City Council formally adopted the 2015 budget including the revised MMO calculation. Without these credits, it would have been impossible to balance the budget without losing 1/3 of the City's police force. The cumulative net benefit to the pension fund was a reduction in the unfunded liability by \$12,324,927.

By making these adjustments retroactive to January 1, 2013, the City was able to use this credit to offset the original 2015 MMO calculation. Subsequent to December 31, 2015, the City was able to negotiate a similar deal with the IAFF Union.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

### Pension Financial Statements

Financial statements for the individual pension plans are presented below:

#### **Statement of Net Position December 31, 2015**

	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total Pension Trust Fund
<b>Assets:</b>				
Cash and cash equivalents	\$ 42,042	\$ 84,431	\$ 48,493	\$ 174,966
Investments, at fair value	22,560,305	45,307,451	26,022,471	93,890,227
Due from City of York	-	1,837,924	-	1,837,924
Total assets	22,602,347	47,229,806	26,070,964	95,903,117
<b>Net Position:</b>				
Restricted for pension benefits	\$ 22,602,347	\$ 47,229,806	\$ 26,070,964	\$ 95,903,117

#### **Statement of Changes in Net Position Year Ended December 31, 2015**

	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total Pension Trust Fund
<b>Additions:</b>				
<b>Contributions:</b>				
Employee	\$ 141,597	\$ 328,860	\$ 218,812	\$ 689,269
Employer	1,448,271	-	2,273,368	3,721,639
Total contributions	1,589,868	328,860	2,492,180	4,410,908
<b>Investment income (loss):</b>				
Interest and dividend income	328,972	965,216	387,657	1,681,845
Net depreciation of investments	(1,139,927)	(2,233,313)	(1,289,373)	(4,662,613)
Less investment expenses	(104,575)	(206,275)	(118,920)	(429,770)
Net investment loss	(915,530)	(1,474,372)	(1,020,636)	(3,410,538)
Total additions	674,338	(1,145,512)	1,471,544	1,000,370
<b>Deductions:</b>				
Benefits paid to recipients	1,677,033	3,652,628	2,925,202	8,254,863
Total deductions	1,677,033	3,652,628	2,925,202	8,254,863
Change in net position	(1,002,695)	(4,798,140)	(1,453,658)	(7,254,493)
<b>Net position restricted for pension benefits:</b>				
Beginning of year	23,605,042	52,027,946	27,524,622	103,157,610
End of year	\$ 22,602,347	\$ 47,229,806	\$ 26,070,964	\$ 95,903,117

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### 15. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

#### Plan Descriptions

In addition to the retirement benefits described in Note 14, the City provides single-employer health care benefits for all retired employees and their spouses under the various union contracts and City policy for non-organized employees. These benefit provisions and all other requirements are established under the various union contracts and City policy for non-organized employees. The retired employees are required to pay monthly to the City, one-half of the actual cost subject to annual co-payment limitation established in each of the union contracts and by Council for non-organized employees. The plan does not issue separate financial statements.

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

Benefits are payable for members who retire from the City after attainment of age 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

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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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 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, 2015, the City's net cost of providing full health care benefits for retired employees was \$3,180,571. Plan members receiving benefits contributed \$206,577, 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.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

*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.

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

<u>Date of Hire</u>	<u>Date of Retirement</u>	<u>Retirees</u>	<u>Spouses/ Dependents</u>
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:

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

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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

<u>Date of Hire</u>	<u>Date of Retirement</u>	<u>Retirees</u>	<u>Spouses/ Dependents</u>
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
Prior to 7/25/08	1/1/13 - 12/31/13	1,500	1,300
Prior to 7/25/08	1/1/14 - 12/31/14	1,600	1,400
Prior to 7/25/08	1/1/15 - 12/31/15	1,700	1,500
7/25/08 and later		COBRA rate	COBRA rate

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

*Firefighters Plan* – For retirees under the age of 65 who retired prior to January 1, 2007, the annual contributions are \$700 for the retiree and \$700 for spouses/dependents. 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.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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

### Actuarial Methods and Assumptions

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

Information as of the latest actuarial valuation follows:

Actuarial valuation date	1/1/2013
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	7% in 2013, decreasing by 0.5% per year 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

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### 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, 2015 were as follows:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 6,476,843	\$ 23,151	\$ 6,499,994
Interest on net OPEB obligation	930,854	3,327	934,181
Adjustment to annual required contribution	(1,269,924)	(4,539)	(1,274,463)
Annual OPEB Cost	6,137,773	21,939	6,159,712
Contribution made	(3,169,243)	(11,328)	(3,180,571)
Change in Net OPEB obligation	2,968,530	10,611	2,979,141
Net OPEB obligation, beginning	20,273,464	397,118	20,670,582
Net OPEB obligation, ending	\$ 23,241,994	\$ 407,729	\$ 23,649,723

### Three-Year Trend Information

Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2015	\$ 6,159,712	51.64%	\$ 23,649,723
2014	6,215,031	47.13%	20,670,582
2013	5,088,643	48.39%	17,384,781

### 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.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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)
1/1/2013	\$ -	\$ 69,053,778	\$ (69,053,778)	0.00%	\$ 18,030,874	-382.98%

### 16. 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.

Changes in the balances of claims liability (net of excess insurance) during the past three years ended December 31, 2015 were as follows:

	Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Year Liability
2013	\$ 352,417	\$ 6,926,351	\$ 6,221,293	\$ 1,057,475
2014	1,057,475	6,971,929	7,497,597	531,807
2015	531,807	6,680,500	6,872,789	339,518

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, 2015, 2014, and 2013 with the exception of the pension litigation disclosed in Note 14.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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### 17. 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 2015, the City, through the Capital Projects Fund, entered into contracts with construction contractors totaling \$3,022,384. The commitment remaining on the contracts at December 31, 2015 was \$639,189.

During 2014, the City entered into a contract for ambulance services for 2015 through 2017, totaling \$280,000. Amounts will be paid annually from the General Fund and the commitment remaining on the contract at December 31, 2015 was \$190,000.

During the year ended December 31, 2015, the Redevelopment Authority entered into a contract for property renovations in the amount of \$69,950. The commitment remaining on the contract at December 31, 2015 was \$34,975.

### 18. 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 \$654,904 in operating expenses and received \$33,436 in fees under the management agreement in 2015. The City

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# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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received \$141,000 in administrative fees under an administration agreement in 2015. A receivable of \$969,058 is recorded in the General Fund for fees that were earned under these agreements, but unpaid at December 31, 2015.

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, 2015, the General Authority owed the City \$969,058, which included six monthly billed amounts from the City for the year ended December 31, 2012 that were not paid as of December 31, 2015. There were no formal discussions with the City and the General Authority in 2015 regarding the amount due to the City from the General Authority. In 2016, a consultant was hired to conduct a study of the parking system. As part of the study, the consultant will review the management contract and the operating and administrative fees paid to the City from the General Authority. At this time, the study has not been completed and the amount of any adjustment has not been determined.

### **19. LITIGATION**

The City is a party to numerous lawsuits that have arisen in the ordinary course of business. It is the opinion of management, as advised by legal counsel, that these suits will not have a material effect on the financial statements of the City, with the exception of the pension litigation discussed in Note 14.

Subsequent to year-end, the Redevelopment Authority, as condemnor, was involved an eminent domain case, where the condemnee challenged the valuation of the property. During 2016, a jury awarded \$1,250,000 in just compensation to the condemnee. The Redevelopment Authority has appealed the award. As the litigation relates to events occurring prior to December 31, 2015, the \$1,250,000 is reflected as a liability as of December 31, 2015.

### **20. SUBSEQUENT EVENTS**

In January of 2016, the City borrowed \$5,650,000 in the form of a Tax and Revenue Anticipation Note, Series of 2016, bearing interest at an annual rate of 1.25% until the maturity date of June 2016.

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2015**

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
<b>Revenues:</b>					
Taxes	\$ 24,499,298	\$ 24,499,298	\$ -	\$ 25,492,427	\$ 993,129
Licenses and permits	1,891,050	1,891,050	-	1,679,316	(211,734)
Fines and forfeits	1,416,300	1,416,300	-	1,676,553	260,253
Grants and contributions	1,197,731	1,534,834	337,103	1,511,367	(23,467)
Charges for services	8,645,827	8,759,627	113,800	8,339,099	(420,528)
Interest	-	-	-	292	292
Miscellaneous	64,025	64,025	-	104,313	40,288
<b>Total revenues</b>	<b>37,714,231</b>	<b>38,165,134</b>	<b>450,903</b>	<b>38,803,367</b>	<b>638,233</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	2,069,477	1,478,139	591,338	1,459,822	18,317
Sanitation	3,157,014	3,094,706	62,308	2,922,501	172,205
Public safety	27,534,287	28,198,773	(664,486)	25,922,321	2,276,452
Highways and streets	780,491	802,190	(21,699)	826,457	(24,267)
Public works	2,863,943	2,904,554	(40,611)	2,843,982	60,572
Community development and planning	2,671,197	2,812,320	(141,123)	2,756,879	55,441
Other departments and programs	159,806	159,806	-	146,119	13,687
Debt service	-	-	-	32,280	(32,280)
<b>Total expenditures</b>	<b>39,236,215</b>	<b>39,450,488</b>	<b>(214,273)</b>	<b>36,910,361</b>	<b>2,540,127</b>
Excess (deficiency) of revenues over (under) expenditures	(1,521,984)	(1,285,354)	236,630	1,893,006	3,178,360
<b>Other financing sources (uses):</b>					
Transfers in	2,654,766	2,654,766	-	2,714,965	60,199
Transfers out	(1,111,714)	(1,276,350)	(164,636)	(1,201,309)	75,041
<b>Total other financing sources (uses)</b>	<b>1,543,052</b>	<b>1,378,416</b>	<b>(164,636)</b>	<b>1,513,656</b>	<b>135,240</b>
<b>Net change in fund balance</b>	<b>\$ 21,068</b>	<b>\$ 93,062</b>	<b>\$ 71,994</b>	<b>\$ 3,406,662</b>	<b>\$ 3,313,600</b>

See notes to required supplementary information - budget and actual.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2015

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### 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>
Highways and streets	\$ 802,190	\$ 826,457
Debt service	-	32,280

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

**CITY OF YORK, PENNSYLVANIA**

REQUIRED SUPPLEMENTARY DATA

SCHEDULE OF CHANGES IN THE OFFICERS AND EMPLOYEES PENSION PLAN'S

NET PENSION LIABILITY AND RELATED RATIOS

YEAR ENDED DECEMBER 31,

(UNAUDITED - SEE ACCOMPANYING AUDITORS' REPORT)

	2015*	2014*
<b>Total Pension Liability:</b>		
Service cost	\$ 598,372	\$ 616,541
Interest	2,449,055	2,308,475
Differences between expected and actual experience	(690,824)	-
Changes of assumptions	1,089,428	-
Benefit payments, including refunds of member contributions	(1,677,033)	(1,419,365)
<b>Net Changes in Total Pension Liability</b>	1,768,998	1,505,651
<b>Total Pension Liability - Beginning</b>	30,454,727	28,949,076
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 32,223,725</u>	<u>\$ 30,454,727</u>
<b>Plan Fiduciary Net Position:</b>		
Contributions - employer	\$ 1,448,271	\$ 724,531
Contributions - employees	141,597	159,718
Net investment income (loss)	(915,530)	477,956
Benefit payments, including refunds of member contributions	(1,677,033)	(1,419,365)
<b>Net Change in Plan Fiduciary Net Position</b>	(1,002,695)	(57,160)
<b>Plan Fiduciary Net Position - Beginning</b>	23,605,042	23,662,202
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 22,602,347</u>	<u>\$ 23,605,042</u>
<b>Net Pension Liability - Ending (a-b)</b>	<u>\$ 9,621,378</u>	<u>\$ 6,849,685</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<u>70.14%</u>	<u>77.51%</u>
<b>Covered Employee Payroll</b>	<u>\$ 7,405,770</u>	<u>\$ 7,283,412</u>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	129.92%	94.05%

\* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See note to required supplementary information - pension plans.

**CITY OF YORK, PENNSYLVANIA**  
REQUIRED SUPPLEMENTARY DATA  
SCHEDULE OF CHANGES IN THE POLICE PENSION PLAN'S  
NET PENSION LIABILITY AND RELATED RATIOS  
YEAR ENDED DECEMBER 31,  
(UNAUDITED - SEE ACCOMPANYING AUDITORS' REPORT)

	2015*	2014*
<b>Total Pension Liability:</b>		
Service cost	\$ 1,205,920	\$ 1,322,853
Interest	6,047,318	6,178,659
Differences between expected and actual experience	(4,581,597)	-
Changes of assumptions	2,208,539	-
Benefit payments, including refunds of member contributions	(3,652,628)	(3,525,466)
<b>Net Changes in Total Pension Liability</b>	1,227,552	3,976,046
<b>Total Pension Liability - Beginning</b>	78,779,068	74,803,022
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 80,006,620</u>	<u>\$ 78,779,068</u>
<b>Plan Fiduciary Net Position:</b>		
Contributions - employer	\$ -	\$ 3,491,221
Contributions - employees	328,860	350,605
Net investment income (loss)	(1,474,372)	1,375,276
Benefit payments, including refunds of member contributions	(3,652,628)	(3,525,466)
<b>Net Change in Plan Fiduciary Net Position</b>	(4,798,140)	1,691,636
<b>Plan Fiduciary Net Position - Beginning</b>	52,027,946	50,336,310
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 47,229,806</u>	<u>\$ 52,027,946</u>
<b>Net Pension Liability - Ending (a-b)</b>	<u>\$ 32,776,814</u>	<u>\$ 26,751,122</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<u>59.03%</u>	<u>66.04%</u>
<b>Covered Employee Payroll</b>	<u>\$ 6,306,343</u>	<u>\$ 7,164,627</u>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	519.74%	373.38%

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See note to required supplementary information - pension plans.

**CITY OF YORK, PENNSYLVANIA**  
 REQUIRED SUPPLEMENTARY DATA  
 SCHEDULE OF CHANGES IN THE PAID FIREFIGHTERS PENSION PLAN'S  
 NET PENSION LIABILITY AND RELATED RATIOS  
 YEAR ENDED DECEMBER 31,  
 (UNAUDITED - SEE ACCOMPANYING AUDITORS' REPORT)

	2015*	2014*
<b>Total Pension Liability:</b>		
Service cost	\$ 494,784	\$ 511,278
Interest	4,238,174	3,604,349
Changes of benefit terms	28,139	-
Differences between expected and actual experience	5,091,199	-
Changes of assumptions	1,962,059	-
Benefit payments, including refunds of member contributions	<u>(2,925,202)</u>	<u>(3,590,234)</u>
<b>Net Changes in Total Pension Liability</b>	8,889,153	525,393
<b>Total Pension Liability - Beginning</b>	<u>46,863,594</u>	<u>46,338,201</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 55,752,747</u></u>	<u><u>\$ 46,863,594</u></u>
<b>Plan Fiduciary Net Position:</b>		
Contributions - employer	\$ 2,273,368	\$ 1,537,319
Contributions - employees	218,812	226,812
Net investment income (loss)	(1,020,636)	514,571
Benefit payments, including refunds of member contributions	<u>(2,925,202)</u>	<u>(3,590,234)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	(1,453,658)	(1,311,532)
<b>Plan Fiduciary Net Position - Beginning</b>	<u>27,524,622</u>	<u>28,836,154</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 26,070,964</u></u>	<u><u>\$ 27,524,622</u></u>
<b>Net Pension Liability - Ending (a-b)</b>	<u><u>\$ 29,681,783</u></u>	<u><u>\$ 19,338,972</u></u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<u>46.76%</u>	<u>58.73%</u>
<b>Covered Employee Payroll</b>	<u><u>\$ 3,869,835</u></u>	<u><u>\$ 3,705,295</u></u>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	767.00%	521.93%

\* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See note to required supplementary information - pension plans.

**CITY OF YORK, PENNSYLVANIA**

REQUIRED SUPPLEMENTARY DATA

SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS - OFFICERS AND EMPLOYEES PENSION PLAN

YEAR ENDED DECEMBER 31,

(UNAUDITED - SEE ACCOMPANYING AUDITORS' REPORT)

	2015*	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Schedule of City Contributions</b>										
Actuarially determined contribution under Act 205	\$ 1,204,572	\$ 724,531	\$ 757,667	\$ 762,020	\$ 759,447	\$ 376,684	\$ 344,088	\$ 335,270	\$ 331,360	\$ 332,937
Contributions in relation to the actuarially determined contribution	1,448,271	724,531	757,667	762,020	759,447	376,684	344,088	335,270	331,360	332,937
Contribution deficiency (excess)	\$ (243,699)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	<u>\$ 7,405,770</u>	<u>\$ 7,283,412</u>								
Contributions as a percentage of covered employee payroll	19.56%	9.95%								
<b>Investment Returns</b>										
Annual money-weighted rate of return, net of investment expense	-2.47%	1.73%								

\* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See note to required supplementary information - pension plans.

**CITY OF YORK, PENNSYLVANIA**

REQUIRED SUPPLEMENTARY DATA

SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS - POLICE PENSION PLAN

YEAR ENDED DECEMBER 31,

(UNAUDITED - SEE ACCOMPANYING AUDITORS' REPORT)

	2015*	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Schedule of City Contributions</b>										
Actuarially determined contribution under Act 205	\$ -	\$ 3,491,221	\$ 3,428,955	\$ 3,509,807	\$ 3,384,038	\$ 3,244,829	\$ 3,120,388	\$ 3,052,400	\$ 2,988,309	\$ 2,949,964
Contributions in relation to the actuarially determined contribution	-	3,491,221	3,428,955	3,509,807	3,384,038	3,244,829	3,120,388	3,052,400	2,988,309	2,949,964
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	<u>\$ 6,306,343</u>	<u>\$ 7,164,627</u>								
Contributions as a percentage of covered employee payroll	0.00%	48.73%								
<b>Investment Returns</b>										
Annual money-weighted rate of return, net of investment expense	-2.47%	1.73%								

\* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See note to required supplementary information - pension plans.

**CITY OF YORK, PENNSYLVANIA**

REQUIRED SUPPLEMENTARY DATA

SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS - PAID FIREFIGHTERS PENSION PLAN

YEAR ENDED DECEMBER 31,

(UNAUDITED - SEE ACCOMPANYING AUDITORS' REPORT)

	2015*	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Schedule of City Contributions</b>										
Actuarially determined contribution under Act 205	\$ 2,217,425	\$ 1,537,319	\$ 1,521,930	\$ 1,756,473	\$ 1,715,778	\$ 1,805,385	\$ 1,785,031	\$ 1,681,386	\$ 1,641,164	\$ 1,621,527
Contributions in relation to the actuarially determined contribution	2,273,368	1,537,319	1,521,930	1,756,473	1,715,778	1,805,385	1,785,031	1,681,386	1,641,164	1,621,527
Contribution deficiency (excess)	\$ (55,943)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	<u>\$ 3,869,835</u>	<u>\$ 3,705,295</u>								
Contributions as a percentage of covered employee payroll	58.75%	41.49%								
<b>Investment Returns</b>										
Annual money-weighted rate of return, net of investment expense	-2.47%	1.73%								

\* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See note to required supplementary information - pension plans.

# CITY OF YORK, PENNSYLVANIA

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

YEAR ENDED DECEMBER 31, 2015

### 1. ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Methods and assumptions used to determine contribution rates for the Officers and Employees Pension Plan, Police Pension Plan, and Paid Firefighters Pension Plan required under Act 205 are as follows:

	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
Mortality	UP 1984 Table	UP 1984 Table	UP 1984 Table
Amortization method	Level dollar closed	Level dollar closed	Level dollar closed
Remaining amortization period	19 years	20 years	26 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 80% to 120% of market value
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Salary increases	5%	5%	5%
Inflation	3%	3%	3%
Cost-of-living adjustment	-	2.5% per year. For certain members who retired between January 1, 2003 and January 15, 2003 - 4.00% per year	5%

**CITY OF YORK, PENNSYLVANIA**

REQUIRED SUPPLEMENTARY DATA

SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM THE EMPLOYER

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

(UNAUDITED - SEE ACCOMPANYING AUDITORS' REPORT)

**Schedule of Funding Progress**

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%)
1/1/13	-	69,053,778	(69,053,778)	0.00%	18,030,874	(382.98%)

**Schedule of Contributions from the Employer**

Calendar Year	Annual Required Contribution	Percentage Contributed
2010	\$ 5,344,602	34.68%
2011	5,344,602	45.28%
2012	5,352,252	50.86%
2013	5,352,252	46.01%
2014	6,499,994	45.07%
2015	6,499,994	48.93%

**CITY OF YORK, PENNSYLVANIA**  
**COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2015**

<b>Assets</b>	<b>Recreation Fund</b>	<b>Community Development Loan Fund</b>	<b>Community Development Block Grant</b>	<b>Conduit Fund</b>	<b>Section 108 Fund</b>
Cash and cash equivalents	\$ -	\$ 83,359	\$ 23,579	\$ -	\$ -
Receivables:					
Loans (less allowance for doubtful accounts of \$138,989 in Community Development Block Grant Fund, \$106,213 in Section 108 Fund, and \$287,416 in HOME Fund)	-	258,926	787,604	-	601,877
Taxes (less allowance for doubtful accounts of \$129,158 in recreation)	137,944	-	-	-	-
Accounts, notes, and grants	9,561	-	-	75,688	-
Due from other funds	30,000	-	-	-	-
Due from other governments	-	-	615,006	-	-
<b>Total assets</b>	<b>\$ 177,505</b>	<b>\$ 342,285</b>	<b>\$ 1,426,189</b>	<b>\$ 75,688</b>	<b>\$ 601,877</b>
 <b>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 55,563	\$ 22,330	\$ 538,585	\$ -	\$ -
Accrued wages payable	15,076	-	-	-	-
Due to other funds	41,837	-	100,000	42,012	-
Due to other governments	-	3,154	-	-	-
Unearned revenue	-	258,926	787,604	18,640	601,877
<b>Total liabilities</b>	<b>112,476</b>	<b>284,410</b>	<b>1,426,189</b>	<b>60,652</b>	<b>601,877</b>
Deferred inflows of resources:					
Unavailable revenue - taxes	129,159	-	-	-	-
Fund balances (deficits):					
Restricted for:					
Highways and streets	-	-	-	-	-
Public works	-	-	-	-	-
Community development and planning	-	57,875	-	15,036	-
Unassigned	(64,130)	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>(64,130)</b>	<b>57,875</b>	<b>-</b>	<b>15,036</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources, and fund balances (deficits)</b>	<b>\$ 177,505</b>	<b>\$ 342,285</b>	<b>\$ 1,426,189</b>	<b>\$ 75,688</b>	<b>\$ 601,877</b>

Special Revenue					Total
State Liquid Fuels Tax Fund	Special Projects Fund	HOME Fund	State Health Grant Fund	Weyer Trust	Nonmajor Governmental Funds
\$ 625,292	\$ 465,410	\$ 76,952	\$ -	\$ 20,918	\$ 1,295,510
-	-	1,628,692	-	-	3,277,099
-	-	-	-	-	137,944
-	62,416	-	-	-	147,665
-	-	-	-	-	30,000
-	-	66,594	507,306	-	1,188,906
<u>\$ 625,292</u>	<u>\$ 527,826</u>	<u>\$ 1,772,238</u>	<u>\$ 507,306</u>	<u>\$ 20,918</u>	<u>\$ 6,077,124</u>
\$ 81,401	\$ 52,307	\$ 143,546	\$ 3,772	\$ -	\$ 897,504
-	-	-	15,261	1,953	32,290
-	-	-	1,030,516	-	1,214,365
-	-	-	-	-	3,154
-	58,730	1,628,692	-	-	3,354,469
<u>81,401</u>	<u>111,037</u>	<u>1,772,238</u>	<u>1,049,549</u>	<u>1,953</u>	<u>5,501,782</u>
-	-	-	-	-	129,159
543,891	-	-	-	-	543,891
-	416,789	-	-	-	416,789
-	-	-	-	18,965	91,876
-	-	-	(542,243)	-	(606,373)
<u>543,891</u>	<u>416,789</u>	<u>-</u>	<u>(542,243)</u>	<u>18,965</u>	<u>446,183</u>
<u>\$ 625,292</u>	<u>\$ 527,826</u>	<u>\$ 1,772,238</u>	<u>\$ 507,306</u>	<u>\$ 20,918</u>	<u>\$ 6,077,124</u>

**CITY OF YORK, PENNSYLVANIA**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES (DEFICITS) - OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2015

	Recreation Fund	Community Development Loan Fund	Community Development Block Grant	Conduit Fund	Section 108 Fund
Revenues:					
Taxes	\$ 1,215,074	\$ -	\$ -	\$ -	\$ -
Grants and contributions	42,856	-	1,440,257	75,688	-
Charges for services	522,851	-	-	-	-
Loan repayments	-	79,001	-	-	-
Interest	-	36	-	-	-
Miscellaneous	49,654	-	-	-	-
<b>Total revenues</b>	<b>1,830,435</b>	<b>79,037</b>	<b>1,440,257</b>	<b>75,688</b>	<b>-</b>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Highways and streets	-	-	-	-	-
Public works	-	-	-	-	-
Parks and recreation	1,531,030	-	-	-	-
Community development and planning	-	9,981	967,927	75,688	-
Other departments and programs	-	-	-	-	-
Debt service:					
Principal retirements	-	-	240,000	-	-
Interest	-	-	73,202	-	-
Capital outlay	5,654	-	250,626	-	-
<b>Total expenditures</b>	<b>1,536,684</b>	<b>9,981</b>	<b>1,531,755</b>	<b>75,688</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	293,751	69,056	(91,498)	-	-
Other financing sources (uses):					
Capital lease	-	-	-	-	-
Transfers in	-	-	91,498	-	-
Transfers out	(102,904)	(91,498)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(102,904)</b>	<b>(91,498)</b>	<b>91,498</b>	<b>-</b>	<b>-</b>
Net change in fund balances (deficits)	190,847	(22,442)	-	-	-
Fund balances (deficits) - beginning of year	(254,977)	80,317	-	15,036	-
<b>Fund balances (deficits) - end of year</b>	<b>\$ (64,130)</b>	<b>\$ 57,875</b>	<b>\$ -</b>	<b>\$ 15,036</b>	<b>\$ -</b>

Special Revenue					Total
State	Special		State		Nonmajor
Liquid Fuels	Projects	HOME	Health Grant	Weyer	Governmental
Tax Fund	Fund	Fund	Fund	Trust	Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,215,074
954,653	454,399	274,066	1,209,163	137,808	4,588,890
-	47,596	-	-	-	570,447
-	-	-	-	-	79,001
1,401	32	-	-	-	1,469
325	118,218	-	9,382	-	177,579
<u>956,379</u>	<u>620,245</u>	<u>274,066</u>	<u>1,218,545</u>	<u>137,808</u>	<u>6,632,460</u>
-	160,993	-	-	-	160,993
-	42,442	-	-	-	42,442
561,131	-	-	-	-	561,131
-	22,188	-	-	-	22,188
-	37,118	-	-	-	1,568,148
-	85,464	274,066	-	100,757	1,513,883
-	-	-	1,230,551	-	1,230,551
72,416	-	-	-	-	312,416
716	-	-	-	-	73,918
<u>365,875</u>	<u>248,176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>870,331</u>
<u>1,000,138</u>	<u>596,381</u>	<u>274,066</u>	<u>1,230,551</u>	<u>100,757</u>	<u>6,356,001</u>
(43,759)	23,864	-	(12,006)	37,051	276,459
337,545	-	-	-	-	337,545
-	-	-	80,000	-	171,498
-	-	-	-	-	(194,402)
<u>337,545</u>	<u>-</u>	<u>-</u>	<u>80,000</u>	<u>-</u>	<u>314,641</u>
293,786	23,864	-	67,994	37,051	591,100
250,105	392,925	-	(610,237)	(18,086)	(144,917)
<u>\$ 543,891</u>	<u>\$ 416,789</u>	<u>\$ -</u>	<u>\$ (542,243)</u>	<u>\$ 18,965</u>	<u>\$ 446,183</u>

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND - MAJOR GOVERNMENTAL FUND**  
**YEAR ENDED DECEMBER 31, 2015**

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 3,062,093	\$ 3,062,093	\$ -	\$ 3,211,457	\$ 149,364
Grants and contributions	1,900,000	1,900,000	-	1,964,338	64,338
Charges for services	182,096	182,096	-	181,530	(566)
Interest	62,370	62,370	-	64,640	2,270
Total revenues	<u>5,206,559</u>	<u>5,206,559</u>	<u>-</u>	<u>5,421,965</u>	<u>215,406</u>
Expenditures:					
Current:					
General government	6,525	6,525	-	5,137	1,388
Debt service	5,599,963	5,599,963	-	5,599,963	-
Total expenditures	<u>5,606,488</u>	<u>5,606,488</u>	<u>-</u>	<u>5,605,100</u>	<u>1,388</u>
Excess (deficiency) of revenues (under) expenditures	<u>(399,929)</u>	<u>(399,929)</u>	<u>-</u>	<u>(183,135)</u>	<u>216,794</u>
Other financing sources (uses):					
Transfers in	1,081,575	1,081,575	-	1,043,914	(37,661)
Transfers out	(621,288)	(621,288)	-	(621,288)	-
Total other financing sources (uses)	<u>460,287</u>	<u>460,287</u>	<u>-</u>	<u>422,626</u>	<u>(37,661)</u>
Net change in fund balance	<u>\$ 60,358</u>	<u>\$ 60,358</u>	<u>\$ -</u>	<u>\$ 239,491</u>	<u>\$ 179,133</u>

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND - MAJOR GOVERNMENTAL FUND**  
**YEAR ENDED DECEMBER 31, 2015**

	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	\$ 4,431,337	\$ 4,781,337	\$ 350,000	\$ 3,356,827	\$ (1,424,510)
Total revenues	<u>4,431,337</u>	<u>4,781,337</u>	<u>350,000</u>	<u>3,356,827</u>	<u>(1,424,510)</u>
Expenditures:					
General government	-	-	-	121,967	(121,967)
Debt service	573,391	573,391	-	573,391	-
Capital outlay	4,244,894	4,769,256	(524,362)	2,949,493	1,819,763
Total expenditures	<u>4,818,285</u>	<u>5,342,647</u>	<u>(524,362)</u>	<u>3,644,851</u>	<u>1,697,796</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(386,948)</u>	<u>(561,310)</u>	<u>(174,362)</u>	<u>(288,024)</u>	<u>273,286</u>
Other financing sources (uses):					
Transfers in	576,948	719,310	142,362	617,766	(101,544)
Total other financing sources (uses)	<u>576,948</u>	<u>719,310</u>	<u>142,362</u>	<u>617,766</u>	<u>(101,544)</u>
Net change in fund balance	<u>\$ 190,000</u>	<u>\$ 158,000</u>	<u>\$ (32,000)</u>	<u>\$ 329,742</u>	<u>\$ 171,742</u>

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**RECREATION FUND - OTHER GOVERNMENTAL FUND**  
**YEAR ENDED DECEMBER 31, 2015**

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 1,187,932	\$ 1,187,932	\$ -	\$ 1,215,074	\$ 27,142
Grants and contributions	67,000	67,000	-	42,856	(24,144)
Charges for services	550,500	550,500	-	522,851	(27,649)
Miscellaneous	52,000	52,000	-	49,654	(2,346)
<b>Total revenues</b>	<b>1,857,432</b>	<b>1,857,432</b>	<b>-</b>	<b>1,830,435</b>	<b>(26,997)</b>
Expenditures:					
Current:					
Parks and recreation	1,661,631	1,683,232	(21,601)	1,531,030	152,202
Capital outlay	-	-	-	5,654	(5,654)
<b>Total expenditures</b>	<b>1,661,631</b>	<b>1,683,232</b>	<b>(21,601)</b>	<b>1,536,684</b>	<b>146,548</b>
Excess (deficiency) of revenues (under) expenditures	195,801	174,200	(21,601)	293,751	119,551
Other financing sources (uses):					
Transfers out	(105,605)	(105,605)	-	(102,904)	2,701
<b>Total other financing sources (uses)</b>	<b>(105,605)</b>	<b>(105,605)</b>	<b>-</b>	<b>(102,904)</b>	<b>2,701</b>
<b>Net change in fund balance</b>	<b>\$ 90,196</b>	<b>\$ 68,595</b>	<b>\$ (21,601)</b>	<b>\$ 190,847</b>	<b>\$ 122,252</b>

**CITY OF YORK, PENNSYLVANIA**

## STATEMENT OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL

## COMMUNITY DEVELOPMENT BLOCK GRANT FUND - OTHER GOVERNMENTAL FUND

YEAR ENDED DECEMBER 31, 2015

	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	\$ 1,885,186	\$ 2,303,235	\$ 418,049	\$ 1,440,257	\$ (862,978)
Charges for services	-	100,391	100,391	-	(100,391)
Total revenues	<u>1,885,186</u>	<u>2,403,626</u>	<u>518,440</u>	<u>1,440,257</u>	<u>(963,369)</u>
Expenditures:					
Current:					
Community development and planning	1,371,802	1,832,924	(461,122)	967,927	864,997
Debt service	513,384	513,604	(220)	313,202	200,402
Capital outlay	-	-	-	250,626	(250,626)
Total expenditures	<u>1,885,186</u>	<u>2,346,528</u>	<u>(461,342)</u>	<u>1,531,755</u>	<u>814,773</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>57,098</u>	<u>57,098</u>	<u>(91,498)</u>	<u>(148,596)</u>
Other financing sources (uses):					
Transfers in	-	-	-	91,498	91,498
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,498</u>	<u>91,498</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 57,098</u>	<u>\$ 57,098</u>	<u>\$ -</u>	<u>\$ (57,098)</u>

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**STATE LIQUID FUELS TAX FUND - OTHER GOVERNMENTAL FUND**  
**YEAR ENDED DECEMBER 31, 2015**

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
<b>Revenues:</b>					
Grants and contributions	\$ 862,500	\$ 862,500	\$ -	\$ 954,653	\$ 92,153
Interest	-	-	-	1,401	1,401
Miscellaneous	-	-	-	325	325
<b>Total revenues</b>	<b>862,500</b>	<b>862,500</b>	<b>-</b>	<b>956,379</b>	<b>93,879</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Highways and streets	572,323	746,376	(174,053)	561,131	185,245
Debt service	105,000	105,000	-	73,132	31,868
Capital outlay	-	25,000	(25,000)	365,875	(340,875)
<b>Total expenditures</b>	<b>677,323</b>	<b>876,376</b>	<b>(199,053)</b>	<b>1,000,138</b>	<b>(123,762)</b>
Excess (deficiency) of revenues over (under) expenditures	185,177	(13,876)	199,053	(43,759)	(29,883)
<b>Other financing sources:</b>					
Capital lease	-	-	-	337,545	337,545
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>337,545</b>	<b>337,545</b>
<b>Net change in fund balance</b>	<b>\$ 185,177</b>	<b>\$ (13,876)</b>	<b>\$ (199,053)</b>	<b>\$ 293,786</b>	<b>\$ 307,662</b>

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**STATE HEALTH GRANT FUND - OTHER GOVERNMENTAL FUND**  
**YEAR ENDED DECEMBER 31, 2015**

	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	\$ 1,236,650	\$ 1,549,698	\$ 313,048	\$ 1,209,163	\$ (340,535)
Miscellaneous	39,500	39,500	-	9,382	(30,118)
Total revenues	<u>1,276,150</u>	<u>1,589,198</u>	<u>313,048</u>	<u>1,218,545</u>	<u>(370,653)</u>
Expenditures:					
Current:					
Other departments and programs	1,295,055	1,565,956	(270,901)	1,230,551	335,405
Total expenditures	<u>1,295,055</u>	<u>1,565,956</u>	<u>(270,901)</u>	<u>1,230,551</u>	<u>335,405</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,905)</u>	<u>23,242</u>	<u>42,147</u>	<u>(12,006)</u>	<u>(35,248)</u>
Other financing sources (uses):					
Transfers in	80,000	80,000	-	80,000	-
Transfers out	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
Total other financing sources (uses)	<u>74,000</u>	<u>74,000</u>	<u>-</u>	<u>80,000</u>	<u>6,000</u>
Net change in fund balance	<u>\$ 55,095</u>	<u>\$ 97,242</u>	<u>\$ 42,147</u>	<u>\$ 67,994</u>	<u>\$ (29,248)</u>

**CITY OF YORK, PENNSYLVANIA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION - PENSION TRUST FUNDS**  
**DECEMBER 31, 2015**

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	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 42,042	\$ 84,431	\$ 48,493	\$ 174,966
Investments, at fair value	22,560,305	45,307,451	26,022,471	93,890,227
Due from City of York	-	1,837,924	-	1,837,924
Total assets	<u>22,602,347</u>	<u>47,229,806</u>	<u>26,070,964</u>	<u>95,903,117</u>
<b>Net Position</b>				
Restricted for pension benefits	<u>\$ 22,602,347</u>	<u>\$ 47,229,806</u>	<u>\$ 26,070,964</u>	<u>\$ 95,903,117</u>

**CITY OF YORK, PENNSYLVANIA**  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS  
 DECEMBER 31, 2015

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	Fire Escrow	Escrow Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
<hr/>			
Cash and cash equivalents	\$ 755,419	\$ 69,780	\$ 825,199
Accounts receivable	-	511	511
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>755,419</u>	<u>70,291</u>	<u>825,710</u>
<b>Liabilities</b>			
<hr/>			
Accounts payable and accrued expenses	<u>755,419</u>	<u>70,291</u>	<u>825,710</u>
Total liabilities	<u>\$ 755,419</u>	<u>\$ 70,291</u>	<u>\$ 825,710</u>

**CITY OF YORK, PENNSYLVANIA**

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

YEAR ENDED DECEMBER 31, 2015

	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total
Additions:				
Contributions:				
Employee contributions	\$ 141,597	\$ 328,860	\$ 218,812	\$ 689,269
Employer contributions	1,448,271	-	2,273,368	3,721,639
Total contributions	<u>1,589,868</u>	<u>328,860</u>	<u>2,492,180</u>	<u>4,410,908</u>
Investment income:				
Interest and dividend income	328,972	965,216	387,657	1,681,845
Net depreciation of investments	<u>(1,139,927)</u>	<u>(2,233,313)</u>	<u>(1,289,373)</u>	<u>(4,662,613)</u>
	(810,955)	(1,268,097)	(901,716)	(2,980,768)
Less investment expenses	<u>(104,575)</u>	<u>(206,275)</u>	<u>(118,920)</u>	<u>(429,770)</u>
Net investment loss	<u>(915,530)</u>	<u>(1,474,372)</u>	<u>(1,020,636)</u>	<u>(3,410,538)</u>
Total additions	<u>674,338</u>	<u>(1,145,512)</u>	<u>1,471,544</u>	<u>1,000,370</u>
Deductions:				
Benefit payments	<u>1,677,033</u>	<u>3,652,628</u>	<u>2,925,202</u>	<u>8,254,863</u>
Total deductions	<u>1,677,033</u>	<u>3,652,628</u>	<u>2,925,202</u>	<u>8,254,863</u>
Change in net position	(1,002,695)	(4,798,140)	(1,453,658)	(7,254,493)
Net position restricted for pension benefits, beginning of year	<u>23,605,042</u>	<u>52,027,946</u>	<u>27,524,622</u>	<u>103,157,610</u>
Net position restricted for pension benefits, end of year	<u>\$ 22,602,347</u>	<u>\$ 47,229,806</u>	<u>\$ 26,070,964</u>	<u>\$ 95,903,117</u>