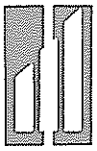


**CITY OF YORK GENERAL AUTHORITY  
(A Component Unit of the City of York, Pennsylvania)**

**RECOMMENDATIONS DESIGNED TO IMPROVE  
ACCOUNTING PROCEDURES AND TO SAFEGUARD  
THE AUTHORITY'S ASSETS MORE EFFECTIVELY**

*December 31, 2003*



**MAILLIE, FALCONIERO & COMPANY, LLP**  
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July 29, 2004

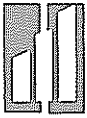
To the Members of the Board  
City of York General Authority  
York, Pennsylvania

In planning and performing our audit of the financial statements of the City of York General Authority for the year ended December 31, 2003, we considered the City of York General Authority's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving internal control and its operation that we consider reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the City of York General Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. We also became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes the reportable conditions and the other comments and suggestions regarding those matters.

This letter does not affect our report dated July 29, 2004, on the financial statements of the City of York General Authority.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Authority personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



MAILLIE, FALCONIERO & COMPANY, LLP  
*Certified Public Accountants and Business Counselors*

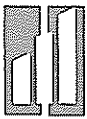
To the Members of the Board  
City of York General Authority  
York, Pennsylvania

We wish to thank the Authority for the opportunity to be of service in these matters. We would like to thank the staff for the many courtesies extended to us during the course of our audit.

Very truly yours,

*Maillie, Falconiero & Company, LLP*

MAILLIE, FALCONIERO & COMPANY, LLP  
*Certified Public Accountants and  
Business Counselors*



## REPORTABLE CONDITIONS

### **Rate Covenant - Security Agreement Between City of York and the City of York General Authority**

As noted in the prior year recommendations letter, the Authority is not in compliance with the rate covenant as defined in Section 6.01 of the Loan and Security Agreement between the City of York and the City of York General Authority. Section 6.01 stipulates that the Authority should adopt a schedule of rates and charges to provide sufficient funds to pay expenses for the period and to produce net revenues equal to at least 120% of the debt service requirement for the period.

The computation was reviewed with management, and it was determined that net revenues were approximately 114% of debt service. This was an improvement over the prior year where net revenues were 82% of debt service; however, the covenant requires net revenues to equal at least 120% of the debt service requirement for the period.

We recommend that management address the requirements as defined by Section 6.01 of the Security Agreement during the budget process to ensure that this covenant will be met in future fiscal years.

## OTHER RECOMMENDATIONS

### **Authority Books**

As reported in the prior year recommendations letter, the Authority does not maintain a separate set of self-balancing books and records. The Authority does prepare a summary net income statement; however, a full financial statement that includes balance sheet and income statement accounts is not maintained.

We recommend the Authority maintain a self-balancing trial balance for the Authority, including the operating accounts as well as the trust accounts. This will provide an important tool for management, as they will be able to produce a financial statement or trial balance to enable the Authority to review the current results of operations at any time throughout the year.