



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

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

FAX NO.: 610-935-1632
www.maillie.com

George J. Falconero
James J. Lennon
John J. Crenny, Jr.
Frank L. Pellegrini
Sol I. Cohn
James M. Powers
Glenn B. Bachman
D. Scott Detar
Raymond T. Mock
Robert L. Caruso
Edward J. Furman
Robert L. Boland
Robert M. Manero

September 28, 2006

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

We have audited the financial statements of the City of York Sewer Authority (a component unit of the City of York, Pennsylvania) for the year ended December 31, 2005, and have issued our report thereon dated September 28, 2006. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter dated May 22, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of York Sewer Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of York Sewer Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City of York Sewer Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.



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ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City of York Sewer Authority's financial reporting process (that is, cause future financial statements to be materially misstated). The following adjustments were made as a result of our audit, and in our judgment, indicate matters that could have a significant effect on the City's reporting process:

- Adjustment to remove trust account asset account and reduce income for trust account for the General Authority incorrectly included in the Sewer Authority trust assets (\$112,338).
- Adjustment to reclass interest income incorrectly posted to miscellaneous income category (\$141,284).
- Adjustment to record unrecorded liability (\$167,671).
- Adjustment to reduce revenue recorded in the current year and reverse the prior year receivable for revenue accrued in the prior year (\$77,500).

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.



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CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

ISSUES DISCUSSED PRIOR TO RETENTION OF INDEPENDENT AUDITORS

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of York Sewer Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the audit committee and management of the City of York Sewer Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maillie, Falconiero & Company, LLP

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