



MAILLIE, FALCONIERO & COMPANY, LLP

Certified Public Accountants and Business Counselors

www.maillie.com

PO Box 680
Oaks, PA 19456-0680
610-935-1420
Fax: 610-935-1632

D. Scott Detar
John J. Crenny, Jr.
Frank L. Pellegrini
James M. Powers
Glenn B. Bachman
Raymond T. Mock
Robert L. Caruso
Edward J. Furman
Robert L. Boland
Robert M. Manero
Donald J. Pierce

September 27, 2010

To the Members of City Council
City of York, Pennsylvania
York, Pennsylvania

We have audited the 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 for the year ended December 31, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 15, 2010. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of York, Pennsylvania 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 governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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.



To the Members of City Council
City of York, Pennsylvania

- 2 -

September 27, 2010

The most sensitive estimates affecting the financial statements were:

- Depreciation and fixed asset life on assets capitalized in the financial statements.
- The allowance for doubtful accounts for loans, taxes and accounts receivable.
- The City's exposure to various risks of loss related to major medical self-insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of recent claim settlement trends as determined by the City's independent third-party administrator.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management:

1. To record receivable for federal grant in which expenditures were incurred during the year ended December 31, 2009, (State Health Fund) \$ 33,967
2. To record accounts payable for Bio-solids Disposal for December 2009 (Intermunicipal Sewer Fund) \$ 48,609



To the Members of City Council
City of York, Pennsylvania

- 3 -

September 27, 2010

3.	To adjust the amount due from the Sewer Fund to the Intermunicipal Fund for cash receipt that was applied in 2009 that was already applied as of December 31, 2008, and corresponding adjustments of interfund balances (Intermunicipal Sewer Fund/Sewer Fund)	\$ <u>487,599</u>
4.	To record loan receivable and corresponding grant revenue for grant proceeds received and then loaned out by the Redevelopment Authority (Redevelopment Authority)	\$ <u>500,000</u>
5.	To reverse entry to record receivable from the County, which should not have been booked as the cost required to meet the qualifications of the memorandum of agreement were not incurred in 2009	\$ <u>283,000</u>
6.	To net reduction of loans and deferred revenue (CDBG)	\$ <u>443,500</u>

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 20, 2010.



To the Members of City Council
City of York, Pennsylvania

- 4 -

September 27, 2010

Management 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.

Other Audit Findings or Issues

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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the members of City Council and management of the City of York, Pennsylvania 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

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