

CITY OF YORK, PENNSYLVANIA

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2004

CITY OF YORK, PENNSYLVANIA

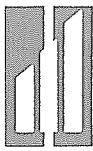
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Independent Auditors' Report

To the Members of City Council
City of York, Pennsylvania

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, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of York, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

To the Members of City Council
City of York, Pennsylvania

As discussed in Note 13 to the basic financial statements, certain pension disputes went to arbitration, and the arbitrator ruled against the City. Under the arbitrator's awards, the City was required to contribute an additional \$3.7 million per year beginning in 1996 for ten years and an additional \$1.9 million per year beginning in 2006 for the following ten years to fully fund the pension plans in accordance with Level III of the State's Act 205 recovery program. However, the City has received authorization from the State's Public Employee Retirement Commission to suspend these payments as long as the disputes continue in litigation or negotiation. In May 2004, the City received notification that they were required to fully reflect all of the pension benefits provided under the 1994 arbitration awards in the Act 205 Actuarial Valuation Reports prepared as of January 1, 2003, in order to comply with the actuarial reporting and funding standards mandated under Act 205. The City of York has been advised by their actuary that the unfunded accrued liability related to the arbitration award is approximately \$25.33 million. Under the current provisions of Act 205, the City's annual minimum municipal obligation would increase by just under \$3 million per year, and the annual normal cost would increase by about \$561,000, for a total increase in the annual minimum municipal obligation of approximately \$3.56 million. The City is researching various funding methods to meet the added cost of the annual minimum municipal obligation. The City has not provided any liability related to the arbitrator's award.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2005, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information and schedules of historical pension information on pages 3 through 20, 72 and 73 and 74 through 76 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of York's basic financial statements. The combining fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mailhe, Falconiero & Cooney, LLP

August 12, 2005

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

Our discussion and analysis of the City of York's financial performance provides an overview, perspective and analysis of the City's financial activities for the year ended December 31, 2004. Please read it in conjunction with the City's financial statements, which begin with the Statement of Net Assets on page 21. The discussion also focuses on the primary government and unless otherwise noted, component units are not included.

FINANCIAL HIGHLIGHTS:

- The assets of the City of York exceeded its liabilities by \$56,258,550 (Net Assets).
 - Invested in capital assets, net of related debt, in the amount of \$66,130,655, includes all capital assets including infrastructure.
 - Restricted net assets with external restrictions imposed by creditors or laws or regulations of other governments amounted to \$12,652,679.
 - Unrestricted net assets, which are assets not restricted for any particular purpose, were (\$22,524,784).
- Over 2004, the City of York's net assets decreased by \$2,527,143, primarily as a result of amortization of capital appreciation bonds, offset by principal payments on long-term liabilities and the depreciation of capital assets.
- At December 31, 2004, the fund balances of the City of York's governmental funds were \$4,147,122. This was an increase of \$981,015 in comparison to December 31, 2003.

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 auditor's report, management's discussion and analysis, and the basic financial statements (government-wide financial statements, fund financial statements, and notes to the basic financial statements). This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

The independent auditors' report briefly describes the audit engagement and renders an opinion regarding the material components of the City's financial position.

Management's discussion and analysis (MD&A), prepared by City management, provides a narrative introduction and overview that users of the financial statements need to interpret the basic financial statements. The MD&A provides analysis of some key data that is presented in the basic financial statements and addresses any other currently known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations.

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

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 Assets focuses on resources available for future operations. This statement presents a snapshot of the assets the City owns, the liabilities it owes and the net difference.
 - The government-wide Statement of Activities focuses on gross and net costs of city programs and the extent to which such programs rely upon taxes and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by other sources.
- Fund financial statements focus separately on major Governmental Funds, Proprietary Funds and Fiduciary Funds.
 - Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented by the two in order to better understand the long-term impact of near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of York reports two major governmental funds: (1) the General Fund, which accounts for all financial resources of the general government except those required to be accounted for in another fund; and (2) the Debt Service Fund, which accounts for the accumulation of resources, which are principally transfers from other funds, for the payment of general long-term obligation principal, interest, and related costs. 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.

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

- o The City's proprietary fund statements follow the governmental fund statements and include the statement of net assets, the statement of revenue, expenses, and changes in net assets 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 and Sewer Transportation 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 Inter-municipal Sewer Fund, Sewer Fund, and Ice Rink Fund. The Sewer Transportation Fund is the City's only non-major proprietary fund.

- o Fiduciary Funds are used to account for resources held for the benefit of parties outside the government and are not reflected in the government-wide statements, because the City cannot use these assets to finance operations. The City's fiduciary funds are all classified as trust and agency funds. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City has three pension trust funds and two agency funds. Individual fund data for each of these fund types is provided in the form of combining statements in supplementary information.

- The notes to the basic financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition. The notes to the financial statements begin immediately following the basic financial statements.

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 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, are presented immediately following the required supplementary information.

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CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

REPORTING THE CITY AS A WHOLE:

Government-Wide Financial Analysis

Our analysis of the City as a whole begins with the Statement of Net Assets. 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 assets 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, we divide the City 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, occupation privilege taxes, earned income taxes, business privilege taxes, charges for services, and grants finance most of these activities.
- **Business-Type Activities** - The City charges fees to customers to cover the cost of certain services that it provides. The City Sewer System is reported here, as is the City Ice Arena.
- **Component Units** - The City includes *two separate legal* entities in this report: the York City Redevelopment Authority and City of York General Authority. Although legally separate, these component units are important because the City is *legally accountable* for them. Additional financial information regarding the City's component units can be found in the Statement of Net Assets and Statement of Activities of this report. The separately audited annual financial report of the City of York General Authority may be obtained from the City Finance Office or at the City website at www.yorkcity.org under budget and finance.

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CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

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

TABLE 1
CITY OF YORK
CONDENSED STATEMENT OF NET ASSETS
DECEMBER 31, 2004 AND 2003

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Assets						
Cash and investments	\$ 5,510,870	\$ 4,463,922	\$ 16,414,389	\$ 17,190,085	\$ 21,925,259	\$ 21,654,007
Other assets	15,460,449	16,821,190	17,373,332	18,323,976	32,833,781	35,145,166
Capital assets	51,008,761	53,871,746	54,622,538	55,671,762	105,631,299	109,543,508
Total assets	71,980,080	75,156,858	88,410,259	91,185,823	160,390,339	166,342,681
Liabilities						
Other liabilities	12,010,606	12,513,543	1,248,868	693,377	13,259,474	13,206,920
Long term liabilities	52,553,655	53,984,933	38,318,660	40,365,135	90,872,315	94,350,068
Total liabilities	64,564,261	66,498,476	39,567,528	41,058,512	104,131,789	107,556,988
Net Assets						
Capital assets, net of related debt	34,031,324	37,030,943	32,099,331	31,986,074	66,130,655	69,017,017
Restricted	4,230,132	3,461,070	8,422,547	9,785,400	12,652,679	13,246,470
Unrestricted	(30,845,637)	(31,833,631)	8,320,853	8,355,837	(22,524,784)	(23,477,794)
Total net assets	\$ 7,415,819	\$ 8,658,382	\$ 48,842,731	\$ 50,127,311	\$ 56,258,550	\$ 58,785,693

Cash and investments represent 7.7% and 5.9% of the City of York's total governmental activities assets at December 31, 2004 and 2003, respectively. Of this amount, 69.8% or \$3,848,671, at December 31, 2004, and 78.9% or \$3,523,130, at December 31, 2003, is restricted, primarily for health initiatives. Additionally, the City operates and maintains the York City Waste Water Treatment Plant, 102 miles of sewer lines, and one pumping station which is reported in business-type activities. The City's waste-water treatment plant serves seven municipalities in addition to the City of York. The \$16,414,389 and \$17,190,085 at

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

December 31, 2004 and 2003, respectively, in cash and investments allows for future maintenance, repair and replacement as well as improvement to our sewer facilities.

The governmental activities capital assets value is net of \$43,464,875, or 46.0% and \$40,001,656, or 42.6%, of accumulated depreciation at December 31, 2004 and 2003. For the business-type activities the capital asset value is net of \$42,065,567, or 43.5% and \$39,559,922, or 41.5%, of accumulated depreciation at December 31, 2004 and 2003. These percentage rates for depreciation reflect that the capital assets of the City, as a whole, have almost 60% 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 assets may serve over time as a useful indicator of the government's financial position. The City of York's assets exceeded its liabilities by \$56,258,550 and \$58,785,693 for years ending December 31, 2004 and 2003.

By far the largest portion of the City's net assets, 117.4% at both December 31, 2004 and 2003, is the City's investment in capital assets. (i.e. 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 of York 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 assets (22.5%) represents resources that are subject to external restrictions on how they may be used. Of the \$12,652,679 that is restricted at December 31, 2004: \$3,362,241 is the value of the Albert Weyer Trust and is permanently restricted for health initiatives, while the remaining amount is restricted to use for streets, debt service, insurance and construction. Of the \$13,246,470 that is restricted at December 31, 2003: \$3,186,958 is the value of the Albert Weyer Trust and is permanently restricted for health initiatives, while the remaining amount is restricted to use for streets, debt service, insurance and construction.

The City of York's unrestricted net asset balance of (\$22,524,784) and (\$23,477,794) at December 31, 2004 and 2003, results from the recording of unfunded pension bonds, General Obligation Bonds, Series A and B of 1995 and Series B of 1998, in the amount of \$34,832,115 and \$36,298,084, respectively.

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CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

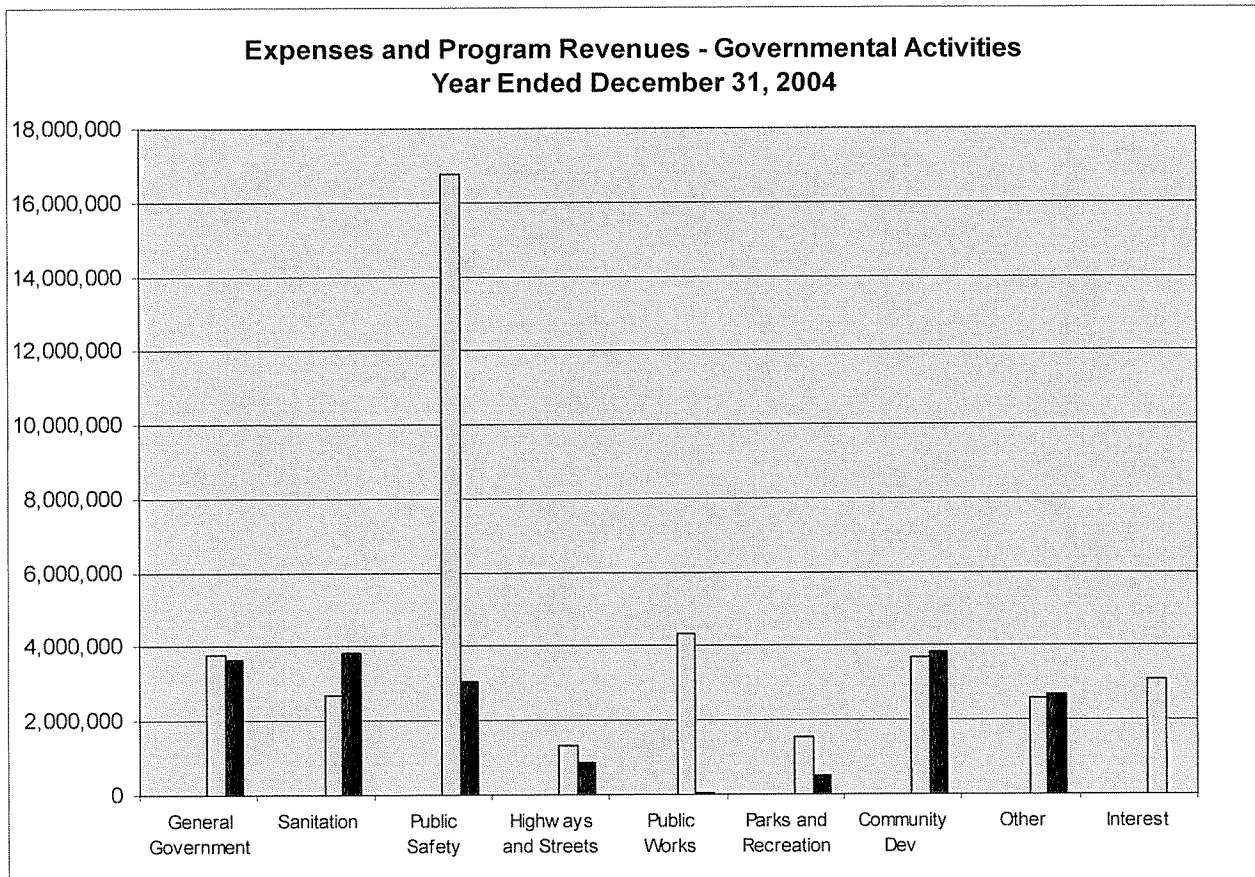
TABLE 2
CITY OF YORK
CONDENSED STATEMENT CHANGES IN NET ASSETS
DECEMBER 31, 2004 AND 2003

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenue						
Charges for services	\$ 10,837,452	\$ 10,209,009	\$ 12,090,035	\$ 10,500,662	\$ 22,927,487	\$ 20,709,671
Operating grants and contributions	7,616,627	9,690,323	-	-	7,616,627	9,690,323
Capital grants and contributions	48,243	199,201	7,142	774,000	55,385	973,201
Property taxes	10,980,375	9,911,639	-	-	10,980,375	9,911,639
Payment in lieu of taxes	575,175	717,075	-	-	575,175	717,075
Business taxes	3,127,463	2,730,190	-	-	3,127,463	2,730,190
Personal taxes	1,809,596	2,251,716	-	-	1,809,596	2,251,716
Unrestricted grants	1,531,993	1,615,077	-	-	1,531,993	1,615,077
Unrestricted investment earnings	402,290	500,925	1,616,035	1,716,182	2,018,325	2,217,107
Other	-	-	-	(13,245)	-	(13,245)
Total	36,929,214	37,825,155	13,713,212	12,977,599	50,642,426	50,802,754
Expenses						
General government	3,780,131	6,333,491	-	-	3,780,131	6,333,491
Sanitation	2,688,243	2,662,032	-	-	2,688,243	2,662,032
Public safety	16,765,378	14,788,773	-	-	16,765,378	14,788,773
Highways and streets	1,322,028	1,085,099	-	-	1,322,028	1,085,099
Public works	4,346,640	4,105,530	-	-	4,346,640	4,105,530
Parks and recreation	1,555,060	1,575,125	-	-	1,555,060	1,575,125
Community development and planning	3,705,882	4,432,568	-	-	3,705,882	4,432,568
Other departments and programs	2,624,692	2,516,886	-	-	2,624,692	2,516,886
Interest on long-term debt	3,089,502	3,153,311	-	-	3,089,502	3,153,311
Intermunicipal sewer	-	-	3,986,384	3,836,323	3,986,384	3,836,323
Sewer	-	-	7,646,248	7,499,166	7,646,248	7,499,166
Ice arena	-	-	1,659,381	188,170	1,659,381	188,170
Sewer transportation	-	-	-	3,877	-	3,877
Total	39,877,556	40,652,815	13,292,013	11,527,536	53,169,569	52,180,351
Change in net assets before transfers and extraordinary item	(2,948,342)	(2,827,660)	421,199	1,450,063	(2,527,143)	(1,377,597)
Transfers	1,705,779	1,818,250	(1,705,779)	(1,818,250)	-	-
Extraordinary item	-	-	-	(1,396,638)	-	(1,396,638)
Change in net assets	(1,242,563)	(1,009,410)	(1,284,580)	(1,764,825)	(2,527,143)	(2,774,235)
Net assets beginning of year, restated	8,658,382	9,667,792	50,127,311	51,892,136	58,785,693	61,559,928
	\$ 7,415,819	\$ 8,658,382	\$ 48,842,731	\$ 50,127,311	\$ 56,258,550	\$ 58,785,693

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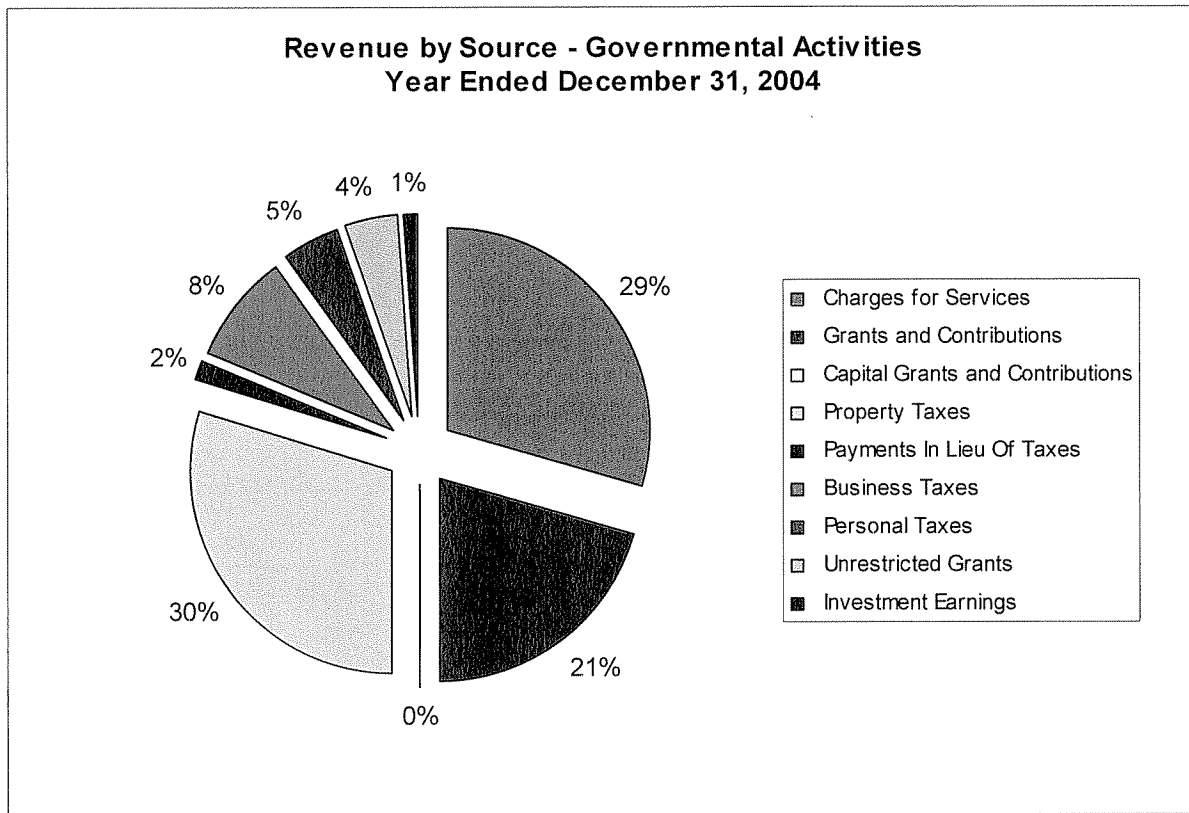
CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

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 assets of the governmental activities. Governmental funds report capital outlays as expenditures. However, in the governmental activities, the cost of the capital assets is allocated over their estimated useful life and reported as depreciation expense. For the year ended December 31, 2004, the decrease in net assets of governmental activities resulted primarily from the accretion of capital appreciation debt in the amount of \$1,915,707, offset by principal payments on long-term debt of \$3,444,323 and depreciation of capital assets in the amount of \$3,463,219, offset against purchases of capital assets of \$600,234. For the year ended December 31, 2003 the decrease in net assets of governmental activities resulted primarily from the accretion of capital appreciation debt in the amount of \$1,845,627, offset by principal payments on long-term debt of \$2,321,219 and depreciation of capital assets in the amount of \$3,454,258, offset against purchases of capital assets of \$766,093.



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CITY OF YORK, PENNSYLVANIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2004



The City's business-type activities include the Intermunicipal Sewer Fund, Sewer Fund, Ice Rink Fund and Sewer Transportation Fund.

The city sewer system is comprised of the sewage collection infrastructure, one pumping station and the staff and equipment for the maintenance thereof. 88.3% of the revenue is derived from charges for services. Expenses include the City's share of the annual debt payment on the WWTP and the costs of treatment of the waste water. The costs of treatment are paid to the Intermunicipal Sewer Fund toward the cost of the operation of the waste water treatment plant and the debt service is paid to the Sewer Authority. Sewer rates were last increased in January 2002.

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CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

The City operates a state of the art regional waste water treatment plant that provides service to seven 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 waste water 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 waste water sent by industrial facilities. Each year in October, the City estimates the waste water treatment charge per thousand gallons and the quantity of waste water 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 costs 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. Waste water 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.

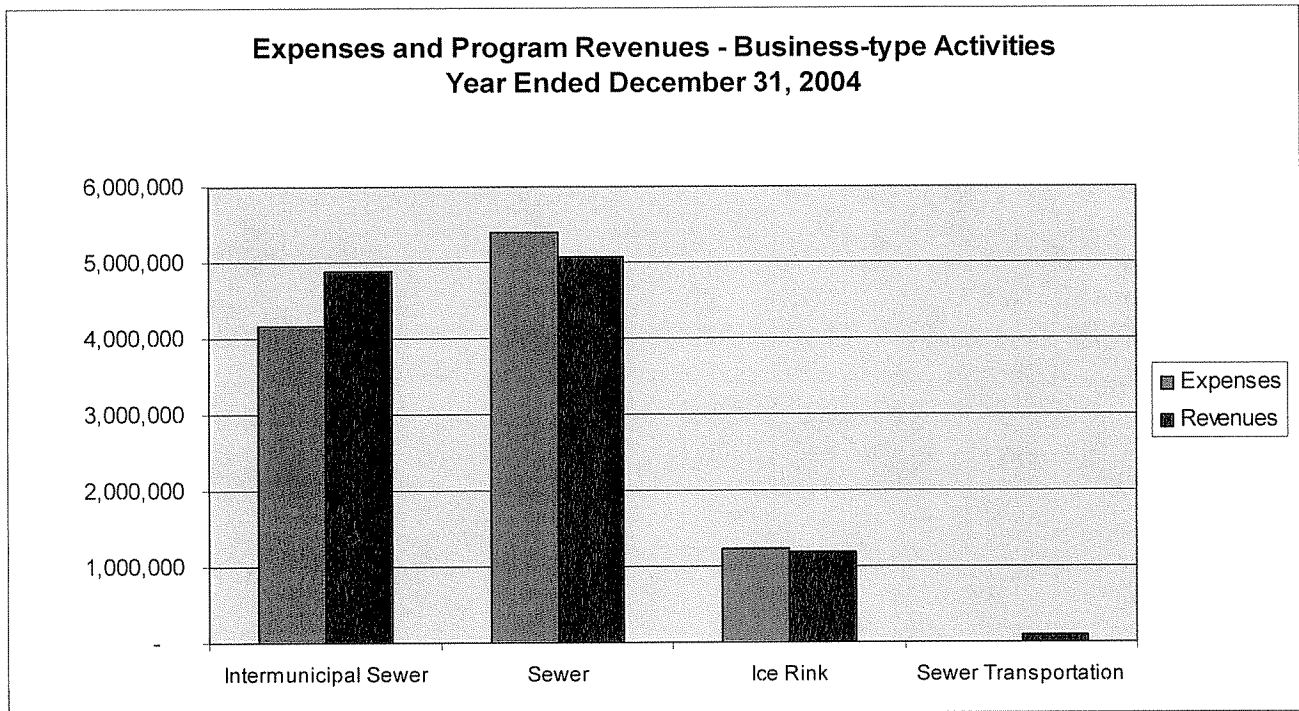
A portion of the waste water that flows to the WWTP from other municipalities is transported through the City sewer interceptor system. Each township pays the City \$.04 per thousand gallons for the waste water that flows through the city system from the municipality. These payments are held by the City in the Sewer Transportation Fund for the maintenance, repair and replacement of the sewer lines through which the Intermunicipal waste water 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 has exercised its remedies under the lease and loan agreement with the YCRC and has assumed control of the Ice Arena. The City assumed operational control of the York City Ice Arena in November 2003. Acquisition of the Ice Arena resulted in an extraordinary loss in the amount of \$1,396,638, a significant portion of the decrease in net assets of the business-type activities for the year ended December 31, 2003. The revenue and expenditures in these financial statements represent the operations of the facility for the last two months of 2003. The City operated the facility 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.

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CITY OF YORK, PENNSYLVANIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2004



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, unreserved 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, 2004 and 2003, the City's governmental funds reported combined ending fund balances of \$4,147,122 and \$3,166,107. The City's unreserved fund balance (deficit), which is available for spending at the government's discretion, was \$375,677 and (\$501,027) at December 31, 2004 and 2003. The remainder of the fund balance at December 31, 2004 is reserved to indicate that it is not available for new spending because it has already been committed 1) to hold in perpetuity for health initiatives in the amount of \$3,549,141 and 2) for a variety of other purposes in the amount of \$222,304. The remainder of the fund balance at December 31, 2003 is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service in the amount of \$274,962, 2) to hold in perpetuity for health initiatives in the amount of \$3,186,958 and 3) for a variety of other purposes in the amount of \$205,215.

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

The general fund is the chief operating fund of the City. At December 31, 2004 and 2003, unreserved fund balance of the general fund was \$1,377,389 and \$40,038. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 5.1% and less than one percent of total general fund expenditures at December 31, 2004 and 2003.

The fund balance of the City's general fund increased by \$1,337,351 during the year ended December 31, 2004. Key factors in this increase are as follows:

- Mercantile tax collections increased due to the build up of downtown entertainment venues and the impact of business resulting from this increased patronage.
- Building, electrical and plumbing permits increased due to the aforementioned build up of the downtown entertainment venues.
- Several community development and public safety grant programs were budgeted to begin in 2004, but did not begin until mid-year or were not operated due to low staffing.
- The City was able to fund budgeted public safety expenditures through new or increased state and federal grants.
- Several budgeted positions were not staffed during the year.

The fund balance of the City's general fund decreased by \$528,089 during the year ended December 31, 2003. Key factors in this decrease are as follows:

- The City decreased the amount of millage allocated to the general fund from 9.54 mills to 8.77 mills.
- The revenue received for building permits was significantly below budget.

The debt service fund has a total fund balance (deficit) of (\$147,701) and \$274,962, all of which is reserved for the payment of debt service. The net increase / (decrease) in fund balance for the year ended December 31, 2004 and 2003 in the debt service fund was (\$422,663) and \$303,543. The 2004 decrease was due to the state aid contribution being less than expected. The 2003 increase was due to the City increasing the amount of millage allocated to debt service expenditures from .85 mills to 1.62 mills.

Proprietary Funds

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

Unrestricted net assets of the Intermunicipal Sewer Fund, the Sewer Fund and the Ice Rink Fund at December 31, 2004 amounted to \$-, \$6,590,268 and (\$137,694), respectively. Unrestricted net assets of the Intermunicipal Sewer Fund, the Sewer Fund and the Ice Rink Fund at December 31, 2003 amounted to \$-, \$7,600,052 and \$60,181, respectively. The total increase/(decrease) in net assets for these funds

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

for the year ended December 31, 2004 was \$97,864, (\$1,431,644) and (\$197,121), respectively. The total decrease in net assets for these funds for the year ended December 31, 2003 was \$141,948, \$504,813 and \$1,384,299, 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, parks and recreation, community development and planning and other departments and programs. For the year ended December 31, 2004, the final revenue, including transfers-in, budget was \$27,939,778 and the final expenditure, including transfers-out, budget was \$27,864,071.

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 expenses 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 2004, the single largest revenue item in General Fund was taxes at \$12,994,151. Actual taxes included \$8,038,326 in real estate taxes, \$3,027,814 in business taxes, \$1,919,756 in income and occupational privilege taxes. The second largest item includes charges for services which at \$6,077,989 includes sanitation fees of \$3,655,420. Grants and Contributions, at \$2,698,328, includes \$450,000 of payments in lieu of taxes.

The City had a significant negative variance between final budget and actual in the grants and contributions line item in the amount of \$1,213,672. As noted earlier, this shortfall was due to several community development and public safety grant programs which were budgeted to begin in 2004, but did not begin until mid-year or were not operated due to low staffing. This negative variance was offset by increased taxes and permits. Both of these increases were due primarily to the build up of downtown entertainment venues and the related increase in business resulting from patrons being downtown.

Total General Fund expenditures were \$26,724,515 for the year ended December 31, 2004. The single most expensive activity in the general fund is public safety, which is comprised of police and fire-rescue services, which amount to \$16,513,670, or 61.8% of the General Fund actual expenditures for the year ended December 31, 2004. The final budget for the community development and planning expenditures was \$634,642 more than the original budget. That increase was largely the result of the anticipated grant expenditures.

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

Most of the expenditure variances between final budget and actual were positive. The largest was in community development and planning at \$623,297, and like its concomitant revenue, it was primarily due to the grant funding that was not fully drawn down and spent. The variance of \$443,435 in public safety is the result of the City's ability to fund budgeted public safety expenditures through new or increased state and federal grants.

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, 2004 and 2003, amounts to \$105,631,299 and \$109,543,508 (net of accumulated depreciation). 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 3.6 percent (a 5 percent decrease for governmental activities and a 2 percent increase for business-type activities).

Major capital asset events during the year ended December 31, 2004 included the following:

- 24 new computers and related equipment were purchased for various City personnel at a cost of approximately \$57,000.
- Various infrastructure projects, including road and walkway improvements, were completed at a cost of \$74,000.
- The City purchased several vehicles, including a \$70,950 asphalt zipper and police vehicles in the amount of \$67,000.
- Various building and system additions and improvements were completed in the Sewer Fund's waste water treatment plant at a cost of \$1,351,495.

Major capital asset events during the year ended December 31, 2003 included the following:

- Various infrastructure projects, including road and walkway improvements, were completed at a cost of \$197,676.
- The City purchased several vehicles, including a \$118,033 street sweeper and police vehicles in the amount of \$93,610.
- \$100,000 was paid for restoration of the Farquhar Park pool.
- In November 2003, the City assumed control of the Ice Arena and the carrying value of the ice rink and related capital assets were added to the City's business-type activity capital assets in the amount of \$5,911,116.

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

- Various building and system additions and improvements were completed in the Sewer Fund's waste water treatment plant at a cost of \$2,280,657.

Additional information on the City's capital assets can be found in note 9 on page 52 of this report.

Long-Term Debt

At December 31, 2004 and 2003, the City had total bonded debt outstanding of \$49,790,735 and \$51,130,028, respectively. Revenue bonds in the amount of \$38,076,479 and \$40,165,314, respectively, represent bonds secured solely by specified revenue sources.

The City's total debt decreased by \$3,361,742 during the year ended December 31, 2004. Other than the required principal and interest payments, there was no activity related to the City's Bonds and Notes. There were capital leases issued during 2004, to fund the acquisition of an asphalt zipper and a diesel sweeper, in the aggregate amount of \$127,000.

The City's total debt increased by \$5,149,127 during the year ended December 31, 2003. The key factor in this increase was that in November 2003, the City assumed control of the Ice Arena and the related revenue bonds were added to the City's business-type activities long-term debt in the amount of \$7,305,000.

Additional information on the City's long-term debt can be found in note 12 on page 56 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES:

The City of York faces the same financial challenges as most other 3rd Class Cities in Pennsylvania: a fully developed real estate tax base and rising costs. The tax base is stagnant and increases and decreases by small percentage points, while the costs of operation increase in accordance with the increase in costs in the general economy. The only tax revenue rate that the City can increase is the Real Estate Tax rate. This places the entire burden for increasing costs on the real estate taxpayers in the City. 28% of the real estate tax base value in the City is tax exempt. Tax exempt entities include state, federal and county buildings, hospitals, churches and social service agencies. Since these organizations provide service outside the City, the City taxpayers are subsidizing the cost of the provision of services to consumers outside the city. Considering that the population of the City has the lowest per capita, household and family income in the county, the local tax exemptions magnifies the regressivity of the local government revenue generating model extant in Pennsylvania.

Rising costs and stagnant revenue are the chronic condition of urban centers in Pennsylvania. As in past years, the challenges for the City of York have been primarily in the General Fund. Every year, the costs of providing public safety services rise. To meet the increased public safety service costs while holding down taxes, the City has persistently reduced personnel in the non-public safety, General Fund operations. The rising costs most challenging for 2005 include:

Internal Services/Risk Management: Employee health insurance, liability, auto, property, police professional and public official's insurance and

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

uninsured losses such as litigation expenses. The entire risk management budget is increasing by 3.3%. The entire Internal Services Fund budget is increasing by \$330,891, or 4.4%. About 60% of that increase comes from the General Fund or about \$200,000.

Pensions: The City Minimum Municipal obligation increases by \$142,130 for 2005 to a total of \$2,034,132

Pay increases: Union employees with contracts who are paid from the General Fund are receiving a total of \$284,626 in pay increases in 2005. Non-union employee cost of living increases in the General Fund will be approximately \$60,000.

Fuel: Fuel for autos and equipment and utility expenses are projected to increase by \$60,000.

Debt service: City tax money contributions to the Ice Arena debt service is increasing by \$275,268.

Taxes: Real estate tax revenue is projected to decrease by \$60,477 due to reduction in the assessed value of the tax base.

Permit revenue: Permit fee revenue is projected to decline by \$240,000 because there are not major projects scheduled.

The sum of these increased costs and decreased revenues is \$1,322,861. In addition to these costs, the City must meet \$1,000,000 in operating expenses that were met in 2004 by using fund balances. To meet these challenges, a variety of actions have been taken: nine positions are proposed for elimination. Two of the positions are vacant. The incumbents in some positions may retire. Three employees who are not qualified to retire will lose their jobs. The positions are in the Mayor's office, Information Services, Community Development, Public Works and Parking Enforcement Officers.

Non-union employees will see their share of the cost of health care rising dramatically to include tripling of their premiums and modifications to the deductible requirements for prescriptions. The premiums will rise to \$30.00 per month for single coverage, \$60.00 for employee and one dependent, and \$90.00 for family coverage up to a maximum of 2.9% of annual base plus longevity compensation. In the prescription plan, currently non-union employees pay \$2.00 for a generic medication, \$5.00 for a name brand and in cases where the employee wants a name brand product when there is a generic available the employee pays \$10.00. Under the new plan prescription co-pays will increase to \$10.00 for a generic, \$25.00 for name brand and if an employee demands a name brand when generic is available, the employee will be required to pay the difference between the name brand and the amount that the City would have paid for the generic.

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

Implemented with the 2005 budget were proposed new fees and increases in tax rates and fees:

- A towing fee to be levied when the City tows a vehicle for either snow emergency or street sweeping. The fee proposed will be \$100.00 with \$65 being paid to the tow company and \$35.00 refunding the City for its costs. Projected: \$175,000.
- Fire Code Permit Fees. Projected: \$20,000
- Sewer Fees: In order to hold the line on the sewer rates for domestic users, the bulk rate discount is proposed to be removed based upon analysis of staff and consultant at the WWTP that the cost of treating waste water does not decline for bulk treatment.
- Sewer Lien Certifications: When needed for title search. Projected revenue: \$10,000.
- A one mil real estate tax increase
- The Occupational Privilege tax in the amount of \$10 per year has been replaced by the Emergency Municipal Services tax in the amount of \$52 per year.

In 2003, the City reduced the workforce by twenty-seven positions through layoffs, early retirements and elimination of vacant positions. Twenty-one people left city employment. In 2004, the City eliminated an additional eight positions and reorganized two bureaus in the Department of Community Development. In 2005, the City reduced the work force by an additional nine positions.

Notwithstanding the staff reductions, the City's required contributions to the employee pension funds increased from \$624,157 in 2002 to \$1,100,392 in 2003, an increase of \$476,235. For 2004, the pension contribution increased to \$1,892,002, an increase of \$791,610. For 2005, the MMO is slated to go to \$2,034,132, an additional \$142,130 over 2004. Almost all of the pension contributions are for public safety and, thus, come from the General Fund. The 2004 General Fund budget increased by about \$2,000,000 dollars after the adjustment for the capital grant for the Strand Capitol Performing Arts Center. The increases are due to the increased pension contribution, rising insurance costs and increased labor costs. Half of that increase is being funded through the use of reserves while the other \$1,000,000 is being funded by a 10% real estate tax increase.

Pension Funds

The City maintains three pension funds: Police Pension Fund, Firefighters Pension Fund and the Officers and Employees Pension Fund. Payments from the pension funds in the form of refunds of contributions, pension payouts and payment for expenses are subject to approval by the respective boards that oversee the use of plan resources. The pension funds are pooled for investment purposes and managed by a Pension Fund Board of Trustees. Membership on the pension boards and the board of trustees is prescribed by Act 205 and York City ordinance.

The value of the assets in the pooled pension trust at December 31, 2002 was \$60,064,199. At December 31, 2003, the value of the pooled pension trust assets had increased to \$70,393,635 for an increase of 18.2%. On December 31, 2004, the value of the pooled pension assets stood at \$73,907,653.

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

In 1994, an arbitrator awarded the police and fire union a pension escalator retroactive to 1992. The escalator formula would have added \$3.7 million per year for ten years to the MMO and an additional \$1.9 million for ten years. The Public Employees Retirement Commission (PERC) authorized the City to suspend making the payments to the pension fund so long as the issue was in litigation or negotiation. In May 2004, the PERC ordered the City to recognize the liability in its actuarial report and to begin funding the pension escalator benefit. The City's actuaries have advised the City that the pension escalator benefit constitutes a \$25.33 million unfunded accrued liability, which will require annual increases in the City MMO of just under \$3 million per year. In addition, the benefit adds an annual normal cost of about \$561,000.

The City and the PERC reached an agreement that the City would recognize the liability in a revised 2003 actuarial report which must be filed by January 15, 2005. The City must begin funding the liability in 2006. The City is researching various funding strategies, including a bond issue and an extended amortization period provided by an amendment to act 205.

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CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	Primary Government			Component Units	Total
	Governmental	Business-type	Total		
	Activities	Activities			
ASSETS					
Cash and cash equivalents	\$ 1,662,199	\$ 5,172,027	\$ 6,834,226	\$ 529,107	\$ 7,363,333
Receivables, net of allowance for uncollectible accounts					
Taxes	4,601,567	-	4,601,567	-	4,601,567
Accounts	1,892,413	1,424,867	3,317,280	179,131	3,496,411
Loans	4,015,920	-	4,015,920	-	4,015,920
Interest	-	27,894	27,894	1,625	29,519
Advance to management company	-	57,182	57,182	-	57,182
Internal balances	(169,907)	169,907	-	-	-
Due from component unit	266,289	-	266,289	-	266,289
Due from other governments	77,137	77,400	154,537	21,482	176,019
Inventory	-	47,166	47,166	-	47,166
Prepaid expenses	114,726	15,644	130,370	25,832	156,202
Restricted assets					
Cash and cash equivalents	565,957	3,041,342	3,607,299	1,298,602	4,905,901
Investments, at fair value	3,282,714	8,201,020	11,483,734	-	11,483,734
Notes receivable	4,662,304	-	4,662,304	-	4,662,304
Lease rentals receivable	-	15,553,272	15,553,272	-	15,553,272
Capital assets, less accumulated depreciation and amortization	51,008,761	54,622,538	105,631,299	7,465,881	113,097,180
Deferred charges, net of accumulated amortization	-	-	-	317,465	317,465
Total assets	71,980,080	88,410,259	160,390,339	9,839,125	170,229,464
LIABILITIES					
Accounts payable and other current liabilities	1,778,444	314,403	2,092,847	25,399	2,118,246
Accrued liabilities	964,849	160,490	1,125,339	-	1,125,339
Due to primary government	-	-	-	266,289	266,289
Due to other governments	147,980	657,329	805,309	-	805,309
Deferred revenue	9,119,333	116,646	9,235,979	503,200	9,739,179
Escrowed funds	-	-	-	5,012	5,012
Noncurrent liabilities:					
Due within one year	3,606,311	4,386,127	7,992,438	650,428	8,642,866
Due in more than one year	48,947,344	33,932,533	82,879,877	7,579,141	90,459,018
Total liabilities	64,564,261	39,567,528	104,131,789	9,029,469	113,161,258

See accompanying notes to basic financial statements.

	Primary Government			Component	
	Governmental Activities	Business-type Activities	Total	Units	Total
NET ASSETS					
Invested in capital assets, net of related debt	34,031,324	32,099,331	66,130,655	(446,223)	65,684,432
Restricted for:					
Community development and planning	196,318	-	196,318	-	196,318
Health initiatives	3,549,141	-	3,549,141	-	3,549,141
Workers' compensation	484,673	-	484,673	-	484,673
Debt service	-	3,944,052	3,944,052	832,483	4,776,535
Construction	-	4,478,495	4,478,495	112,338	4,590,833
Unrestricted	(30,845,637)	8,320,853	(22,524,784)	311,058	(22,213,726)
Total net assets	<u>\$ 7,415,819</u>	<u>\$ 48,842,731</u>	<u>\$ 56,258,550</u>	<u>\$ 809,656</u>	<u>\$ 57,068,206</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-type Activities		Component Units	Total
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 3,780,131	\$ 2,637,902	\$ 1,002,496	\$ -	\$ (139,733)	\$ -	\$ (139,733)	\$ (139,733)
Sanitation	2,688,243	3,764,506	54,038	-	1,130,301	-	1,130,301	1,130,301
Public safety	16,765,378	2,651,985	400,522	-	(13,712,871)	-	(13,712,871)	(13,712,871)
Highways and streets	1,322,028	61,810	783,326	23,243	(453,649)	-	(453,649)	(453,649)
Public works	4,346,640	64,485	-	-	(4,282,155)	-	(4,282,155)	(4,282,155)
Parks and recreation	1,555,060	285,947	205,754	25,000	(1,038,359)	-	(1,038,359)	(1,038,359)
Community development and planning	3,705,882	1,367,359	2,492,142	-	153,619	-	153,619	153,619
Other departments and programs	2,624,692	3,458	2,678,349	-	57,115	-	57,115	57,115
Interest on long-term debt	3,089,502	-	-	-	(3,089,502)	-	(3,089,502)	(3,089,502)
Total governmental activities	39,877,556	10,837,452	7,616,627	48,243	(21,375,234)	-	(21,375,234)	(21,375,234)
Business-type activities								
Intermunicipal sewer	3,986,384	4,888,137	-	-	-	901,753	901,753	901,753
Sewer	7,646,248	5,909,297	-	7,142	-	(1,729,809)	(1,729,809)	(1,729,809)
Ice rink	1,659,381	1,195,940	-	-	-	(463,441)	(463,441)	(463,441)
Sewer transportation	-	96,661	-	-	-	96,661	96,661	96,661
Total business-type activities	13,292,013	12,090,035	-	7,142	-	(1,194,836)	(1,194,836)	(1,194,836)
Total primary government	\$ 53,169,569	\$ 22,927,487	\$ 7,616,627	\$ 55,385	(21,375,234)	(1,194,836)	(22,570,070)	(22,570,070)
Component units								
Redevelopment Authority	\$ 1,289,370	\$ 486,447	\$ 1,027,299	\$ -	-	-	224,376	224,376
General Authority	1,691,360	1,901,270	-	-	-	-	209,910	209,910
Total component units	\$ 2,980,730	\$ 2,387,717	\$ 1,027,299	\$ -	-	-	434,286	434,286
General revenues								
Property taxes					10,962,284		10,962,284	10,962,284
Occupational privilege taxes					302,968		302,968	302,968
Earned income taxes					1,506,628		1,506,628	1,506,628
Business privilege taxes					2,783,480		2,783,480	2,783,480
Franchise taxes					323,658		323,658	323,658
Public utility realty taxes					18,091		18,091	18,091
Beverage taxes					20,325		20,325	20,325
Payments in lieu of taxes					575,175		575,175	575,175
Grants and contributions not restricted to specific functions					1,531,993		1,531,993	1,531,993
Unrestricted investment earnings					402,290		402,290	402,290
Transfers - internal activities					(1,705,779)		(1,705,779)	(1,705,779)
Total general revenues and transfers					20,132,671	(89,744)	20,042,927	20,042,927
Change in net assets					(1,242,563)	(1,284,580)	(2,527,143)	(2,075,730)
Net assets - beginning of year, as restated					8,658,382	50,127,311	58,785,693	59,143,936
Net assets - end of year					\$ 7,415,819	\$ 48,842,731	\$ 56,258,550	\$ 57,068,206

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Restricted cash and cash equivalents	\$ -	\$ -	\$ 81,284	\$ 81,284
Restricted investments, at fair value	-	-	3,282,714	3,282,714
Receivables,				
Loans (less allowance for doubtful accounts of \$33,000 in the General Fund, \$750,264 in Other Governmental Funds)	187,000	-	3,828,920	4,015,920
Taxes (less allowance for doubtful accounts of \$687,831 in the General Fund, \$142,565 in the Debt Service Fund, \$76,852 in the Other Governmental Funds)	4,373,704	147,375	80,488	4,601,567
Accounts (less allowance for doubtful accounts of \$2,428,095 in the General Fund)	1,004,610	-	768,867	1,773,477
Notes receivable	-	4,639,569	-	4,639,569
Due from other funds	1,437,698	-	169,268	1,606,966
Due from other governments	-	-	77,137	77,137
Due from component units	266,289	-	-	266,289
Total assets	<u>\$ 7,269,301</u>	<u>\$ 4,786,944</u>	<u>\$ 8,288,678</u>	<u>\$ 20,344,923</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued expenses	\$ 695,323	\$ 1,770	\$ 273,578	\$ 970,671
Accrued wages payable	538,083	-	46,064	584,147
Due to other funds	603,836	150,742	792,153	1,546,731
Due to other governments	-	-	147,980	147,980
Deferred revenues	4,054,670	4,782,133	4,111,469	12,948,272
Total liabilities	<u>5,891,912</u>	<u>4,934,645</u>	<u>5,371,244</u>	<u>16,197,801</u>
Fund balances (deficit)				
Reserved for				
Health initiatives	-	-	3,549,141	3,549,141
Community development	-	-	196,318	196,318
Capital projects	-	-	25,986	25,986
Unreserved, reported in				
General fund	1,377,389	-	-	1,377,389
Debt service fund	-	(147,701)	-	(147,701)
Special revenue funds	-	-	(854,011)	(854,011)
Total fund balances (deficit)	<u>1,377,389</u>	<u>(147,701)</u>	<u>2,917,434</u>	<u>4,147,122</u>
Total liabilities and fund balances	<u>\$ 7,269,301</u>	<u>\$ 4,786,944</u>	<u>\$ 8,288,678</u>	<u>\$ 20,344,923</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIARECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2004

Fund balances - total governmental funds		\$ 4,147,122
Amounts reported for governmental activities in the statement of net assets 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	94,473,636	
Less accumulated depreciation	<u>(43,464,875)</u>	51,008,761
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds		
		3,851,674
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	(34,832,115)	
Notes payable	(16,740,958)	
Capitalized lease obligation	(139,448)	
Compensated absences	(835,320)	
Accrued interest payable	<u>(358,390)</u>	(52,906,231)
Internal service funds 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 services fund are included in governmental activities in the statement of net assets.		
Internal service fund net assets	1,731,456	
Adjustment related to enterprise funds	<u>(416,963)</u>	1,314,493
Net assets of governmental activities		<u>\$ 7,415,819</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2004

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 12,994,151	\$ 1,990,983	\$ 881,324	\$ 15,866,458
Licenses and permits	1,913,332	-	-	1,913,332
Fines and forfeits	1,143,441	-	-	1,143,441
Grants and contributions	2,575,349	1,510,993	5,321,275	9,407,617
Charges for services	6,077,989	-	510,668	6,588,657
Loan repayments	-	777,737	453,367	1,231,104
Interest	70,611	4,850	80,559	156,020
Gain on investments	-	-	228,239	228,239
Miscellaneous	361,864	-	313,389	675,253
Total revenues	25,136,737	4,284,563	7,788,821	37,210,121
Expenditures				
Current				
General government	3,469,454	8,625	125,890	3,603,969
Sanitation	2,672,594	-	-	2,672,594
Public safety	16,513,670	-	-	16,513,670
Highways and streets	502,834	-	772,413	1,275,247
Public works	1,932,472	-	-	1,932,472
Parks and recreation	-	-	1,277,405	1,277,405
Community development and planning	1,541,588	-	2,086,434	3,628,022
Other departments and programs	91,903	-	2,457,820	2,549,723
Debt service				
Principal retirements	-	3,255,000	189,323	3,444,323
Interest	-	1,125,180	92,960	1,218,140
Capital outlay	-	-	442,571	442,571
Total expenditures	26,724,515	4,388,805	7,444,816	38,558,136
Excess (deficiency) of revenues over (under) expenditures	(1,587,778)	(104,242)	344,005	(1,348,015)
Other financing sources (uses)				
Proceeds from the issuance of debt	-	-	99,797	99,797
Transfers in	2,965,685	553,601	373,102	3,892,388
Transfers out	(40,556)	(872,022)	(750,577)	(1,663,155)
Total other financing sources (uses)	2,925,129	(318,421)	(277,678)	2,329,030
Net change in fund balances	1,337,351	(422,663)	66,327	981,015
Fund balances - beginning of year	40,038	274,962	2,851,107	3,166,107
Fund balances (deficit) - end of year	\$ 1,377,389	\$ (147,701)	\$ 2,917,434	\$ 4,147,122

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, 2004**

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

Net change in fund balances - total governmental funds		\$ 981,015
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	600,234	
Depreciation expense	<u>(3,463,219)</u>	(2,862,985)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(299,006)
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 assets.		
Debt issued or incurred	(99,797)	
Principal repayments	<u>3,444,323</u>	3,344,526
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	2,941	
Accrued interest	44,345	
Amortization of bond discounts	<u>(1,915,707)</u>	(1,868,421)
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 assets	(404,934)	
Adjustment related to enterprise funds	<u>(132,758)</u>	(537,692)
Change in net assets of governmental activities		<u>\$ (1,242,563)</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2004

	Business-type Activities - Enterprise Funds					
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Fund	Total	Internal Service Fund
				Sewer Transportation		
Assets						
Current assets						
Cash and cash equivalents	\$ 1,992,344	\$ 1,740,906	\$ -	\$ 1,438,777	\$ 5,172,027	\$ 1,662,199
Receivables						
Lease rentals, current	-	971,442	-	-	971,442	-
Accrued interest receivable	-	27,894	-	-	27,894	-
Accounts receivable (less allowance for doubtful accounts of \$3,700,902)	379,717	931,437	111,590	2,123	1,424,867	118,936
Advance to management company	-	-	57,182	-	57,182	-
Inventory	-	-	47,166	-	47,166	-
Prepaid expenses	-	-	15,644	-	15,644	114,726
Due from other funds	222,959	-	-	10,416	233,375	186,821
Due from other governments	-	77,400	-	-	77,400	-
Total current assets	2,595,020	3,749,079	231,582	1,451,316	8,026,997	2,082,682
Restricted assets						
Cash and cash equivalents	-	3,041,342	-	-	3,041,342	484,673
Investments	-	8,201,020	-	-	8,201,020	-
Total restricted assets	-	11,242,362	-	-	11,242,362	484,673
Noncurrent assets						
Lease rentals receivable, long term	-	14,581,830	-	-	14,581,830	-
Capital assets, net of accumulated depreciation	-	49,026,264	5,596,274	-	54,622,538	-
Total noncurrent assets	-	63,608,094	5,596,274	-	69,204,368	-
Total assets	2,595,020	78,599,535	5,827,856	1,451,316	88,473,727	2,567,355
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	85,793	182,021	46,589	-	314,403	807,773
Accrued wages payable	77,449	13,537	10,994	-	101,980	22,312
Accrued interest	-	-	58,510	-	58,510	-
Due to other funds	10,416	222,959	247,056	-	480,431	-
Due to other governments	657,329	-	-	-	657,329	-
Deferred revenue	-	110,519	6,127	-	116,646	-
Total current liabilities	830,987	529,036	369,276	-	1,729,299	830,085
Current liabilities payable from restricted assets						
Current portion of accrued compensated absences	12,567	1,557	-	-	14,124	-
Current portion of capitalized lease obligations	-	12,003	-	-	12,003	-
Current portion of bonds payable	-	4,080,000	280,000	-	4,360,000	-
Total current liabilities payable from restricted resources	12,567	4,093,560	280,000	-	4,386,127	-
Noncurrent liabilities						
Accrued compensated absences	163,737	25,551	-	-	189,288	5,814
Capitalized lease obligations	-	26,766	-	-	26,766	-
Bonds outstanding	-	26,956,479	6,760,000	-	33,716,479	-
Total noncurrent liabilities	163,737	27,008,796	6,760,000	-	33,932,533	5,814
Total liabilities	1,007,291	31,631,392	7,409,276	-	40,047,959	835,899
Net Assets						
Invested in capital assets, net of related debt	-	33,543,057	(1,443,726)	-	32,099,331	-
Restricted						
Debt service	-	3,944,052	-	-	3,944,052	-
Construction	1,587,729	2,890,766	-	-	4,478,495	-
Workers' compensation	-	-	-	-	-	484,673
Unrestricted	-	6,590,268	(137,694)	1,451,316	7,903,890	1,246,783
Total net assets	\$ 1,587,729	\$ 46,968,143	\$ (1,581,420)	\$ 1,451,316	\$ 48,425,768	\$ 1,731,456
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					416,963	
Net assets of business-type activities					\$ 48,842,731	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2004

	Business-type Activities - Enterprise Funds					Internal Service Fund
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Fund Sewer Transportation	Total	
Operating revenues						
Charges for services	\$ 4,857,474	\$ 5,007,511	\$ 581,385	\$ -	\$ 10,446,370	\$ 7,442,576
Rental income	-	-	607,537	-	607,537	-
Revenue from other local governments	-	-	-	96,661	96,661	-
Miscellaneous income	30,663	70,786	7,018	-	108,467	13,000
Total operating revenues	4,888,137	5,078,297	1,195,940	96,661	11,259,035	7,455,576
Operating expenses						
Personnel services	1,614,518	339,240	324,318	-	2,278,076	772,692
Utilities	628,352	-	191,986	-	820,338	-
Treatment costs	-	1,563,932	-	-	1,563,932	-
Contractual services	195,957	259,088	-	-	455,045	-
Professional services	128,326	570,401	49,194	-	747,921	152,144
Materials and supplies	203,489	168,773	316,962	-	689,224	116,124
Sludge	497,305	-	-	-	497,305	-
Administrative	-	-	67,717	-	67,717	173,585
Health insurance claims	-	-	-	-	-	4,064,448
Insurance premiums	-	-	22,920	-	22,920	815,141
Worker's compensation insurance	-	-	-	-	-	626,862
Depreciation	-	2,241,399	264,246	-	2,505,645	-
Miscellaneous	884,685	244,927	-	-	1,129,612	634,159
Total operating expenses	4,152,632	5,387,760	1,237,343	-	10,777,735	7,355,155
Operating income (loss)	735,505	(309,463)	(41,403)	96,661	481,300	100,421
Nonoperating revenue (expenses)						
Investment income	20,398	1,577,840	895	16,902	1,616,035	18,099
Intergovernmental grants	-	7,142	-	-	7,142	-
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Interest expense	-	(2,292,002)	(355,034)	-	(2,647,036)	-
Total nonoperating revenue (expenses)	20,398	123,980	(354,139)	16,902	(192,859)	18,099
Change in net assets before transfers	755,903	(185,483)	(395,542)	113,563	288,441	118,520
Transfers in	-	-	622,022	-	622,022	-
Transfers out	(658,039)	(1,246,161)	(423,601)	-	(2,327,801)	(523,454)
Change in net assets	97,864	(1,431,644)	(197,121)	113,563	(1,417,338)	(404,934)
Net assets - beginning of year	1,489,865	48,399,787	(1,384,299)	1,337,753		2,136,390
Net assets - end of year	<u>\$ 1,587,729</u>	<u>\$ 46,968,143</u>	<u>\$ (1,581,420)</u>	<u>\$ 1,451,316</u>		<u>\$ 1,731,456</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					132,758	
Change in net assets of business-type activities					<u>\$ (1,284,580)</u>	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2004

	Business-type Activities - Enterprise Funds					Internal Service Fund
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Fund Sewer Transportation	Total	
Cash flows from operating activities						
Receipts from customers and users	\$ 5,360,872	\$ 5,038,449	\$ 1,133,539	\$ 99,532	\$ 11,632,392	\$ 8,618,981
Payments to suppliers	(2,818,778)	(2,468,189)	(470,732)	-	(5,757,699)	(6,477,267)
Payments to employees	(1,571,704)	(334,049)	(321,308)	-	(2,227,061)	(765,279)
Net cash provided by operating activities	970,390	2,236,211	341,499	99,532	3,647,632	1,376,435
Cash flows from noncapital financing activities						
Transfers in	-	-	622,022	-	622,022	-
Transfers out	(658,039)	(1,246,161)	(423,601)	-	(2,327,801)	(523,454)
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Net cash provided by (used in) noncapital financing activities	(658,039)	(415,161)	198,421	-	(874,779)	(523,454)
Cash flows from capital and related financing activities						
Capital outlays	-	(1,351,495)	-	-	(1,351,495)	-
Intergovernmental grants	-	7,142	-	-	7,142	-
Principal receipts on lease rentals receivable	-	926,354	-	-	926,354	-
Principal payments on bonds	-	(4,115,000)	(265,000)	-	(4,380,000)	-
Principal payments on capital lease interest paid	-	(7,475)	-	-	(7,475)	-
	-	(837)	(357,022)	-	(357,859)	-
Net cash used in capital and related financing activities	-	(4,541,311)	(622,022)	-	(5,163,333)	-
Cash flows from investing activities						
Sales of investment securities	-	436,000	-	-	436,000	-
Investment income	20,398	1,527,429	895	16,902	1,565,624	18,099
Net cash provided by investing activities	20,398	1,963,429	895	16,902	2,001,624	18,099
Net increase (decrease) in cash and cash equivalents	332,749	(756,832)	(81,207)	116,434	(388,856)	871,080
Cash and cash equivalents - beginning of year	1,659,595	5,539,080	81,207	1,322,343	8,602,225	1,275,792
Cash and cash equivalents - end of year	\$ 1,992,344	\$ 4,782,248	\$ -	\$ 1,438,777	\$ 8,213,369	\$ 2,146,872
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ 735,505	\$ (309,463)	\$ (41,403)	\$ 96,661	\$ 481,300	\$ 100,421
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation	-	2,241,399	264,246	-	2,505,645	-
(Increase) decrease in:						
Accounts receivable	80,376	(41,022)	(11,346)	2,871	30,879	(117,010)
Advance to management company	-	-	(57,182)	-	(57,182)	-
Inventory	-	-	106,815	-	106,815	-
Prepaid expenses	-	-	(15,644)	-	(15,644)	132,527
Due from other funds	(222,959)	-	-	-	(222,959)	-
Due from component units	-	27,869	-	-	27,869	-
Due from other governments	-	-	-	-	-	1,280,415
Increase (decrease) in:						
Accounts payable and accrued expenses	(57,705)	88,104	21,313	-	51,712	(27,331)
Accrued wages payable	20,998	4,252	3,010	-	28,260	6,931
Accrued compensated absences	21,816	939	-	-	22,755	482
Deferred revenue	-	1,174	6,127	-	7,301	-
Due to other funds	-	222,959	65,563	-	288,522	-
Due to other governments	392,359	-	-	-	392,359	-
Net cash provided by operating activities	\$ 970,390	\$ 2,236,211	\$ 341,499	\$ 99,532	\$ 3,647,632	\$ 1,376,435
Non cash items						
Proceeds from capital lease obligations	\$ -	\$ 27,080	\$ -	\$ -	\$ 27,080	\$ -
Acquisition of equipment through capital lease obligations	\$ -	\$ 27,080	\$ -	\$ -	\$ 27,080	\$ -

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

DECEMBER 31, 2004

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 3,141,595	\$ 265,564
Investments, at fair value	70,766,058	-
Other receivables	-	17,225
	<u> </u>	<u> </u>
Total assets	<u>73,907,653</u>	<u>282,789</u>
Liabilities		
Accounts payable and accrued expenses	-	282,789
	<u> </u>	<u> </u>
Total liabilities	<u> </u>	<u>\$ 282,789</u>
Net assets		
Held in trust for pension benefits	<u>\$ 73,907,653</u>	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIASTATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUNDS
YEAR ENDED DECEMBER 31, 2004

Additions

Contributions

Employee contributions	\$ 543,652
Employer contributions	1,892,002
Other contributions	<u>134,949</u>

Total contributions 2,570,603

Investment income

Interest and dividend income	1,838,895
Net appreciation of investments	<u>4,698,739</u>

6,537,634

Less investment expense

(452,936)

Net investment income

6,084,698

Total additions

8,655,301

Deductions

Benefit payments	<u>(5,141,283)</u>
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Net increase

3,514,018

Net assets held in trust for pension benefits,
beginning of year

70,393,635

Net assets held in trust for pension benefits,
end of year

\$ 73,907,653

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA

STATEMENT OF NET ASSETS - COMPONENT UNITS

DECEMBER 31, 2004

	Redevelopment Authority	General Authority	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 280,349	\$ 248,758	\$ 529,107
Restricted cash and cash equivalents	5,012	1,293,590	1,298,602
Accounts receivable	179,131	-	179,131
Due from other governments	21,482	-	21,482
Accrued interest	-	1,625	1,625
Prepaid expenses	25,832	-	25,832
Total current assets	511,806	1,543,973	2,055,779
Noncurrent assets			
Capital assets (net of accumulated depreciation of \$282,006 and \$4,609,587)	3,243,059	4,222,822	7,465,881
Capitalized bond costs (net of accumulated amortization of \$12,263 and \$263,921)	91,250	226,215	317,465
Total noncurrent assets	3,334,309	4,449,037	7,783,346
Total assets	3,846,115	5,993,010	9,839,125
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	-	25,399	25,399
Due to primary governments	2,000	264,289	266,289
Deferred revenues	-	503,200	503,200
Escrowed funds	5,012	-	5,012
Current portion of bonds payable	75,000	-	75,000
Current portion of note payable	-	575,428	575,428
Total current liabilities	82,012	1,368,316	1,450,328
Noncurrent liabilities			
Bonds payable	3,515,000	-	3,515,000
Note payable	-	4,064,141	4,064,141
Total noncurrent liabilities	3,515,000	4,064,141	7,579,141
Total liabilities	3,597,012	5,432,457	9,029,469
Net Assets			
Invested in capital assets, net of related debt	(255,691)	(190,532)	(446,223)
Restricted			
Debt Service	12,703	819,780	832,483
Construction	-	112,338	112,338
Unrestricted	492,091	(181,033)	311,058
Total net assets	\$ 249,103	\$ 560,553	\$ 809,656

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF ACTIVITIES - COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2004

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Redevelopment Authority	General Authority	Total
Redevelopment Authority	\$ 1,289,370	\$ 486,447	\$ 1,027,299	\$ 224,376	\$ -	\$ 224,376
General Authority	1,691,360	1,901,270	-	-	209,910	209,910
Total component units	<u>\$ 2,980,730</u>	<u>\$ 2,387,717</u>	<u>\$ 1,027,299</u>	224,376	209,910	434,286
General revenues						
Unrestricted investment earnings				1,885	15,242	17,127
Change in net assets				226,261	225,152	451,413
Net assets - beginning of year - restated				22,842	335,401	358,243
Net assets - end of year				<u>\$ 249,103</u>	<u>\$ 560,553</u>	<u>\$ 809,656</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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 City used guidance contained in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (GASB No. 14), as amended, to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) within its reporting entity. The criteria used by the City for inclusion 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

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

entities with which there is a significant relationship. Specific information on the nature of the various component units and a 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) operations and so data from these units are combined with data of the City. The component unit which meets this 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, maintaining, and leasing the sewer system to the City. The five member board is nominated by the Mayor and appointed by City 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 this 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 City Council. The General Authority's primary operations to date have been to operate and maintain a municipal parking system. 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.

The Redevelopment Authority was formed in 1950 under the Pennsylvania Urban Redevelopment Law, Act of 1945 (Public Law - 991, as amended). The

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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

Redevelopment Authority is administered by a five member board, all of whom are appointed by the Mayor. The Redevelopment Authority acquires vacant and dilapidated residential and commercial properties for the City to rehabilitate for sale to low- to moderate-income home buyers or for the purpose of promoting commercial or industrial development. The Redevelopment Authority's financial transactions are the acquisition and sale of properties for the City and to administer section 8 housing assistance payments. The Redevelopment Authority, in January of 2002, issued debt for the purpose of constructing the Susquehanna Commerce Center Parking Garage. The Redevelopment Authority does not publish separate financial statements.

Related Organization

The City 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 assets 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 normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent 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.

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 fiduciary fund financial statements. Revenues are

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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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, earned income, 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 and employer pension contributions are reported to the extent that they mature each period.

The City reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the governmental fund balance sheet and revenue is recognized.

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 required to be 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.

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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

The City reports the following major proprietary funds:

Inter-municipal Sewer Fund - The inter-municipal 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 - In October of 2003 the City, by resolution, took possession of the skating rink formerly operated by the York Recreation Corporation. 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 - Accounts 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 - Accounts 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.

The City follows GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting (Statement No. 20)*, for reporting and disclosure purposes. As permitted by Statement No. 20, the City has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989 unless the GASB specifically adopts the FASB Statement or Interpretation.

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 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

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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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

In 1906, the Albert S. Weyer Hospital Trust was established and, at the expiration of one hundred years, is bequeathed to the City for the establishment of a hospital for the underprivileged. During 1984, the City petitioned the court alleging that the principal and income of said Trust would be insufficient to establish such a hospital. Upon court order, the Trust was modified so that income from the Trust is paid annually to the City for the purpose of establishing and operating a mobile screening hospital for the underprivileged. The City established the Weyer Trust Fund, a permanent fund, for this purpose. Cash, cash equivalents, and investments of the Weyer Trust Fund are classified as restricted since their use is limited by court order.

Cash and investments in the sewer fund that are in bond trust funds are restricted to the purposes set forth by the bonds.

Cash and investments in the internal service fund that are reserved for workers' compensation claims are restricted to the purposes set forth in the City's workers' compensation insurance binder.

Investments

Investments are stated at fair value.

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

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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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, individual cost of more than \$5,000 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 market 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

Vested compensated absences

Vested compensated absences represents 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 fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental

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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the related obligation using the effective interest method. Debt is reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges 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 bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Accretion of Interest

Discounts on principal-only treasury strip investments are accreted over the lives of the investments as an adjustment to yield using the effective interest method. Discounts on the zero-coupon Guaranteed Sewer Revenue Bonds - Series of 1990, Federally Taxable General Obligation Bonds - Series A of 1995, General Obligation Bonds - Series B of 1998 and 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 Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduces this category.

Restricted Net Assets - 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 Assets - This category represents the net assets of the City, which are not restricted for any project or other purpose.

In the fund financial statements, fund balances of governmental funds are classified in two separate categories. The two categories, and their general meanings, are as follows:

Reserved Fund Balance - This category represents that portion of fund equity which has been legally segregated for specific purposes.

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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

Unreserved Fund Balance - This category represents that portion of fund equity which is available for appropriation and expenditure in future periods.

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 service 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 assets. The amount of nonrecourse debt issues is unavailable at December 31, 2004.

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

Pending Changes in Accounting Principles

In March of 2003, the GASB issued Statement No. 40, "Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3." This statement modifies or eliminates certain disclosures required under GASB Statement No. 3. The City is required to adopt Statement No. 40 for their calendar year 2005 financial statements.

In November of 2003, the GASB issued Statement No. 42 "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries." This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The City is required to adopt Statement No. 42 for their calendar year 2005 financial statements.

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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

In August of 2004, the GASB issued Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." Statement No. 45 addresses how the City should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. The City is required to adopt Statement No. 45 for their calendar year 2008.

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 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 of York. 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 City Council (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.
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.

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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

2. Transfers of more than 5% of a department's appropriated budget in that fund.

In those instances and when additional unappropriated funds are needed, Council's approval is required. Council has approved all expenditures in excess of the original budget as a result of the adoption of the subsequent years budget document. The City does not amend the original budget in accordance with the Third Class Code.

The following fund types and funds have legally adopted annual budgets:

1. General fund.
2. Special revenue funds as follows: recreation fund, liquid fuels, community development block grant fund, and the state health grant fund.
3. 1995 and 1998 debt service funds.
4. Capital projects fund.
5. All proprietary funds.
6. Permanent fund - the Weyer Trust Fund.

3. FUND DEFICITS/DEFICIT NET ASSETS

As of December 31, 2004, five funds each had a deficit fund balance or net assets. The City's management has addressed this situation and has prepared the following action plan to eliminate these deficits in a timely manner:

Recreation Fund - The fund deficit, at December 31, 2004, of \$584,089, is financed by loans from the general fund as a result of revenue falling short of the budget.

State Liquid Fuels Fund - The fund deficit, at December 31, 2004, of \$33,508, is expected to be reimbursed by future grant revenues.

Special Projects Fund - The fund deficit, at December 31, 2004, of \$236,414, is a result of a loan guaranteed by the land proceeds fund. The City will eliminate the deficit through charges to other funds.

Debt Service Fund - The fund deficit, at December 31, 2004, of \$147,701, is financed by loans from the general fund as a result of revenue falling short of the budget.

Ice Rink Fund - The fund deficit, at December 31, 2004, of \$1,581,420, is a result of assuming the capital assets and debt of the York Recreation Corporation.

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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

During 2004, the City overspent available funds in several of its funds resulting in large cash deficits. The City's general fund did not have sufficient funds to cover the cash overdrafts. The City covered the overdrafts by using cash from other funds.

4. PROPERTY TAXES

The City is permitted by the Third Class City Code of the Commonwealth of Pennsylvania to 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 12.520 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 2004, was as follows:

February 15, 2004	-	levy date
February 15 - April 14, 2004	-	2% discount period
April 15 - June 16, 2004	-	face payment period
June 17 - December 31, 2004	-	10% penalty period
January 1, 2005	-	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 of Pennsylvania. Investments in the pension trust fund are not restricted. The policy also allows investment of funds received as a result of debt issuance in any security in which the Commonwealth of Pennsylvania may invest.

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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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. The City's investment pool is maintained with a local financial institution which requires the City to maintain a minimum balance of \$3,500,000. 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.

The deposits of the City at December 31, 2004, are categorized to indicate the level of credit risk assumed by the City. Category 1 includes deposits which are fully insured or collateralized with securities held by the City or its agent in the City's name. Category 2 includes deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes deposits which are not collateralized or are collateralized by the pledging financial institution or the pledging institution's trust department or agent, but not in the City's name. The City does not have any Category 2 deposits at December 31, 2004.

	<u>Category 1</u>	<u>Category 3</u>	<u>Unclassified</u>	<u>Total Bank Balance</u>	<u>Carrying Value</u>
Unrestricted					
Deposits:					
Cash accounts	\$ 227,533	\$ 7,043,540	\$ -	\$ 7,271,073	\$ 6,894,132
Money market pools	-	-	<u>3,430,829</u>	<u>3,430,829</u>	<u>3,347,253</u>
Total unrestricted					
cash and cash equivalents	<u>\$ 227,533</u>	<u>\$ 7,043,540</u>	<u>\$ 3,430,829</u>	<u>\$10,701,902</u>	<u>\$10,241,385</u>

Reconciliation to the Statement of Net Assets:

Governmental activities	\$ 1,662,199
Business-type activities	5,172,027
Fiduciary funds	
Pension trust funds	3,141,595
Agency funds	<u>265,564</u>
Total primary government	<u>\$10,241,385</u>

Restricted cash and cash equivalents, of both the City and the General Authority component unit, are comprised primarily of money market pools at December 31, 2004.

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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

The General Authority component unit's cash deposits were made up of \$147,200 insured cash and \$101,558 of uninsured cash (Category 3). The remainder of the General Authority's cash and cash equivalents are comprised of money market pools at December 31, 2004. The Redevelopment Authority component unit's deposits were made up of \$177,690 in insured cash (Category 1) and \$107,997 of uninsured cash (Category 3).

The deposits in Category 3 consist of balances in excess of federal deposit insurance limits. State statute requires banks to maintain a pool of collateral to cover these governmental deposits (except for deposits in pension trust funds); however, the collateral is held by the bank in the bank's name. Money market accounts are not categorized as they are invested in pooled funds and securities are not used as evidence of the deposit.

Investments of the City at December 31, 2004, are categorized according to the level of credit risk assumed by the City. Category 1 includes investments that are insured or registered and are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments with collateral held by the broker's agent in the City's name. Category 3 includes uninsured and unregistered investments held by a counterparty's trust department or the counterparty, but not in the City's name. Mutual and collective trust funds, guaranteed investment contract investments, and purchase and resale agreements have not been categorized because securities are not used as evidence of the investment. The City does not have any Category 2 and 3 investments at December 31, 2004.

	Category 1	Unclassified	Carrying Value
Unrestricted investments:			
U.S. government obligations	\$ 9,061,102	\$ -	\$ 9,061,102
Mortgage and asset back securities	500,000	-	500,000
Closed end mutual funds	-	1,202,490	1,202,490
Certificates of deposit	282,044	-	282,044
Corporate bonds	9,134,295	-	9,134,295
Preferred stocks	3,227,840	-	3,227,840
Common stocks	47,358,287	-	47,358,287
	<u>\$ 69,563,568</u>	<u>\$ 1,202,490</u>	<u>\$ 70,766,058</u>
Reconciliation to the Statement of Net Assets			
Fiduciary funds			<u>\$ 70,766,058</u>
Restricted investments:			
U.S. government obligations	\$ 3,943,870	\$ -	\$ 3,943,870
Guaranteed investment contracts	-	4,257,150	4,257,150
Mutual and collective trust funds	-	3,282,714	3,282,714
	<u>\$ 3,943,870</u>	<u>\$ 7,539,864</u>	<u>\$ 11,483,734</u>
Reconciliation to Statement of Net Assets			
Governmental activities			\$ 3,282,714
Business-type activities			<u>8,201,020</u>
Total primary government			<u>\$ 11,483,734</u>

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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

6. 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 6 commercial spaces located within the City of York's historic west end. The loans for the projects are as follows:

In September of 2001, the City of York entered into a promissory note agreement to lend \$1,000,000 to a local non-profit corporation for the purpose of rehabilitation, 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 deferred revenue as of December 31, 2004.

In September of 2001, the City of York entered into a promissory note agreement to lend \$335,000 to a Pennsylvania limited partnership for the purpose of rehabilitating 6 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 deferred revenue as of December 31, 2004.

In September of 2001, the City of York entered into a promissory note agreement to lend \$220,000 to a local non-profit corporation for the purpose of rehabilitating 6 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 deferred revenue as of December 31, 2004.

Historic Fairmount Project Loan

In November of 2002, the City of York entered into a loan agreement with a Pennsylvania limited partnership in which the City has agreed to loan a maximum of \$1,050,000 of funds from the Section 108 Loan Fund, the CDBG Program, and the Home Program for the purpose of the acquisition, rehabilitation and construction of 14 parcels of real estate, to provide 38 units of affordable housing for general occupancy in the City of York. The

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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

loan bears no interest and the principal shall be due and payable December 31, 2035. As of December 31, 2004, a total amount of \$715,790 has been advanced on this loan. The loan receivable is recorded within the particular fund in which the funds were disbursed. Accordingly, \$26,442 is recorded within the Home Fund, \$264,854 is recorded within the Community Development Block Grant Fund, and \$317,126 is recorded within the Section 108 Fund, net of an allowance of \$107,368. The entire loan balance has been recorded as deferred revenue as of December 31, 2004.

7. DUE TO/FROM AND INTERFUND TRANSFERS

Individual due to/from other fund balances at December 31, 2004, were as follows:

Fund	Due From Other Funds	Due To Other Funds
General fund	\$ 1,437,698	\$ 603,836
Debt service fund	-	150,742
Other governmental funds	169,268	792,153
Intermunicipal sewer fund	222,959	10,416
Sewer fund	-	222,959
Ice rink fund	-	247,056
Other enterprise fund	10,416	-
Internal service fund	186,821	-
	<u>\$ 2,027,162</u>	<u>\$ 2,027,162</u>
Total primary government		

A reconciliation of the interfund transfers for the year ended December 31, 2004, is as follows:

	Transfers In	Transfers Out
General fund	\$ 2,965,685	\$ 40,556
Debt service fund	553,601	872,022
Other governmental funds	373,102	750,577
Intermunicipal sewer fund	-	658,039
Sewer fund	-	1,246,161
Ice rink fund	622,022	423,601
Internal service fund	-	523,454
	<u>\$ 4,514,410</u>	<u>\$ 4,514,410</u>
Total primary government		

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

8. 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 and Series of 1992, 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, 2004 are:

Years Ending December 31,	Amount
2005	\$ 2,057,995
2006	1,943,885
2007	1,943,885
2008	1,943,885
2009	1,943,885
2010	1,943,885
2011	1,943,885
2012	1,941,075
2013	1,941,075
2014	1,943,885
2015	1,943,885
2016	1,941,071
	23,432,296
Total minimum lease rentals receivable	23,432,296
Less amount representing interest (at an average rate of 6.7%)	(7,879,024)
Present value of minimum lease rentals receivable	15,553,272
Less current installments of lease rentals	(971,442)
Lease rentals, excluding current installments	\$ 14,581,830

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

9. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

Primary Government

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retirements and Dispositions</u>	<u>End of Year</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,485,381	\$ -	\$ -	\$ 5,485,381
Capital assets, being depreciated:				
Buildings	8,727,793	91,180	-	8,818,973
Land improvements	2,358,784	12,922	-	2,371,706
Equipment and furniture	11,470,664	412,861	-	11,883,525
Infrastructure	65,830,780	83,271	-	65,914,051
Total capital assets, being depreciated	<u>88,388,021</u>	<u>600,234</u>	<u>-</u>	<u>88,988,255</u>
Less accumulated depreciation for:				
Buildings	(2,720,467)	(165,050)	-	(2,885,517)
Land improvements	(1,346,279)	(114,644)	-	(1,460,923)
Equipment and furniture	(6,968,957)	(889,746)	-	(7,858,703)
Infrastructure	(28,965,953)	(2,293,779)	-	(31,259,732)
Total accumulated depreciation	<u>(40,001,656)</u>	<u>(3,463,219)</u>	<u>-</u>	<u>(43,464,875)</u>
Total capital assets, being depreciated, net	<u>48,386,365</u>	<u>(2,862,985)</u>	<u>-</u>	<u>45,523,380</u>
Governmental activities capital assets, net	<u>\$53,871,746</u>	<u>\$(2,862,985)</u>	<u>\$ -</u>	<u>\$51,008,761</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

	<u>Beginning of Year</u>	<u>Additions/ Transfers In</u>	<u>Retirements and Dispositions</u>	<u>End of Year</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 17,445	\$ -	\$ -	\$ 17,445
Capital assets, being depreciated:				
Buildings	77,526,676	572,698	-	78,099,374
Land improvements	22,145	-	-	22,145
Equipment and furniture	1,974,557	857,540	-	2,832,097
Infrastructure	15,690,861	26,183	-	15,717,044
Total capital assets, being depreciated	<u>95,214,239</u>	<u>1,456,421</u>	-	<u>96,670,660</u>
Less accumulated depreciation for:				
Buildings	(31,569,368)	(2,098,324)	-	(33,667,692)
Land improvements	(351)	(1,107)	-	(1,458)
Equipment and furniture	(1,175,661)	(145,277)	-	(1,320,938)
Infrastructure	(6,814,542)	(260,937)	-	(7,075,479)
Total accumulated depreciation	<u>(39,559,922)</u>	<u>(2,505,645)</u>	-	<u>(42,065,567)</u>
Total capital assets, being depreciated, net	<u>55,654,317</u>	<u>(1,049,224)</u>	-	<u>54,605,093</u>
Business-type activities capital assets, net	<u>\$55,671,762</u>	<u>\$(1,049,224)</u>	<u>\$ -</u>	<u>\$54,622,538</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 43,443
Sanitation	28,803
Public safety	606,861
Highways and streets	78,252
Public works	2,362,472
Parks and recreation	283,143
Community development and planning	31,979
Other departments and programs	<u>15,555</u>
Total depreciation expense - governmental activities	3,450,508
Internal service fund depreciation expense allocated to business-type activities	<u>12,711</u>
Total additions to accumulated depreciation for governmental activities	<u>\$ 3,463,219</u>
Business-type activities:	
Sewer	\$ 2,241,399
Ice rink	<u>264,246</u>
Total depreciation and amortization expenses - enterprise funds	2,505,645
Internal service fund depreciation expense allocated to business-type activities	<u>12,711</u>
Total depreciation and amortization expenses - business-type activities	<u>\$ 2,518,356</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

Component Units

	<u>Beginning of Year</u>	<u>Additions/ Transfers In</u>	<u>Retirements/ Transfers Out</u>	<u>End of Year</u>
Redevelopment Authority Capital assets, being depreciated:				
Buildings and improvements	\$ 3,525,065	\$ -	\$ -	\$ 3,525,065
Less accumulated depreciation	<u>(141,003)</u>	<u>(141,003)</u>	<u>-</u>	<u>(282,006)</u>
Redevelopment Authority Capital assets, net	<u>\$ 3,384,062</u>	<u>\$ (141,003)</u>	<u>\$ -</u>	<u>\$ 3,243,059</u>
Governmental Authority: Capital assets, being depreciated:				
Buildings and improvements	\$ 8,771,463	\$ 60,946	\$ -	\$ 8,832,409
Less accumulated depreciation	<u>(4,006,326)</u>	<u>(603,261)</u>	<u>-</u>	<u>(4,609,587)</u>
General Authority Capital assets, net	<u>\$ 4,765,137</u>	<u>\$ (542,315)</u>	<u>\$ -</u>	<u>\$ 4,222,822</u>

10. LOAN GUARANTEES

As of December 31, 2004, the City has granted loan guarantees aggregating approximately \$162,500 on borrowings by several local businesses. It is reasonably possible that the City will be required to make payments under its guarantees. No amount has been accrued for the City's obligation under its guaranty arrangements.

11. TAX ANTICIPATION NOTES OF 2004

In January of 2004, the City borrowed \$5,000,000 in the form of a Tax and Revenue Anticipation Note, Series of 2004, bearing interest at an annual rate of 1.28% to cover the shortfall of revenues in excess of expenses from January 1 through mid-April, when real estate tax revenues become available. Total interest paid during the year was \$58,667. The entire balance of the note was paid in full by the City in December of 2004.

Tax anticipation note transactions for the year ended December 31, 2004 were as follows:

Outstanding at December 31, 2003	\$ -
New borrowings	5,000,000
Repayments	<u>(5,000,000)</u>
Outstanding at December 31, 2004	<u>\$ -</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

12. LONG TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2004, was as follows:

Primary Government

	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
<i>Governmental activities:</i>						
Loans from other governmental entities	\$ 1,918,645	\$ -	\$ -	\$ (136,307)	\$ 1,782,338	\$ 137,315
General obligation notes	14,831,944	-	466,676	(340,000)	14,958,620	1,765,000
General obligation bonds	36,298,084	-	1,449,031	(2,915,000)	34,832,115	1,655,000
Capitalized lease obligations	92,667	99,797	-	(53,016)	139,448	48,996
Vested compensated absences	843,593	-	-	(2,459)	841,134	-
Governmental activity Long-term liabilities	<u>\$53,984,933</u>	<u>\$ 99,797</u>	<u>\$ 1,915,707</u>	<u>\$(3,446,782)</u>	<u>\$52,553,655</u>	<u>\$3,606,311</u>
<i>Business-type activities:</i>						
Sewer revenue bonds	\$32,860,314	\$ -	\$ 2,291,165	\$(4,115,000)	\$31,036,479	\$4,080,000
Recreation revenue bonds	7,305,000	-	-	(265,000)	7,040,000	280,000
Capitalized lease obligations	19,164	27,080	-	(7,475)	38,769	12,003
Vested compensated absences	180,657	22,755	-	-	203,412	14,124
Business-type activity Long-term liabilities	<u>\$40,365,135</u>	<u>\$ 49,835</u>	<u>\$ 2,291,165</u>	<u>\$(4,387,475)</u>	<u>\$38,318,660</u>	<u>\$4,386,127</u>

Component Units

	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
<i>Redevelopment Authority</i>						
Revenue bonds	\$ 3,660,000	\$ -	\$ -	\$ (70,000)	\$ 3,590,000	\$ 75,000
<i>General Authority</i>						
Revenue bonds	\$ 5,190,005	\$ -	\$ -	\$ (550,436)	\$ 4,639,569	\$ 575,428

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

Loans from Other Governmental Entities

The City received a \$500,000 loan from the Commonwealth of Pennsylvania through the Pennsylvania Department of Community and Economic Development (DCED) (formerly Pennsylvania Department of Community Affairs (DCA)) in 1992. These funds were subsequently loaned to a local corporation for building renovations. The loan is to be repaid to the City over 15 years. The grant agreement requires principal repayments from the local corporation to be returned to DCED. The amount of outstanding principal payable to DCED at December 31, 2004 was \$82,338.

In 2001, the City entered into a Contract for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974. The funds under the contract were utilized for the purpose of rental housing rehabilitation and other various projects, as defined in the contract. In August of 2002, trust certificates guaranteed by the Secretary of Housing and Urban Development were sold in an underwritten public offering. These trust certificates are backed by a pool comprised of the original note, as defined by the loan contract. The balance due, as of December 31, 2004, was \$1,700,000.

The annual principal and interest requirements for amounts due from the City under loans from other governmental entities as of December 31, 2004 are as follows:

	<u>Principal</u>	<u>Interest</u>
2005	\$ 137,315	\$ 86,134
2006	138,334	82,392
2007	106,689	78,416
2008	100,000	74,600
2009	100,000	70,440
2010 - 2014	500,000	281,550
2015 - 2019	500,000	147,260
2020	200,000	12,000
	<u>\$ 1,782,338</u>	<u>\$ 832,792</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2004 is comprised of:

	Issue Amount	Maturity	Interest Rates	Amount Outstanding
General Obligation Refunding Notes, Series D of 1998	\$7,634,459	Thru 2023	0%	\$15,380,000
General Obligation Refunding Notes, Series of 2002	5,285,000	Thru 2013	2%-3.8%	4,875,000
General obligation notes at December 31, 2004				20,255,000
Less unamortized discount on zero coupon notes				(5,296,380)
General obligation notes, net of discount, at December 31, 2004				\$14,958,620

The annual principal and interest requirements for amounts due from the City under general obligation notes at December 31, 2004 are as follows:

	Principal	Interest
2005	\$ 1,765,000	\$ 154,160
2006	1,595,000	139,685
2007	1,575,000	124,760
2008	1,740,000	108,734
2009	1,585,000	91,847
2010 - 2014	6,020,000	175,074
2015 - 2019	1,390,000	-
2020 - 2024	4,585,000	-
	20,255,000	794,260
Unamortized discount	(5,296,380)	-
	\$14,958,620	\$ 794,260

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2004:

Series	Maturity Value	Maturity	Interest Rates	Amount Outstanding
1995A	\$76,030,000	Thru 2022	0.00%-6.5%	\$58,355,000
1995B	1,790,000	Thru 2006	5.65%-6.3%	445,000
1998B	4,440,000	Thru 2024	0%	4,440,000
General obligation bonds at December 31, 2004				63,240,000
Less unamortized discount on zero coupon bonds (Series A of 1995)				(25,557,555)
(Series B of 1998)				(2,850,330)
General obligation bonds, net of discount, at December 31, 2004				\$34,832,115

The annual principal and interest requirements for amounts due from the City under general obligation bonds at December 31, 2004 are as follows:

	Principal	Interest
2005	\$ 1,655,000	\$ 776,161
2006	1,950,000	663,017
2007	2,115,000	534,441
2008	2,100,000	400,090
2009	2,420,000	254,845
2010 - 2014	15,470,000	88,400
2015 - 2019	20,360,000	-
2020 - 2024	17,170,000	-
	\$63,240,000	\$ 2,716,954
Unamortized discount	(28,407,885)	-
	\$34,832,115	\$ 2,716,954

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2004 the following defeased debt was outstanding:

	Funds Escrowed as of December 31, 2004	Defeased Debt Outstanding as of December 31, 2004
	<u> </u>	<u> </u>
General obligation bonds, Series of 1983	\$ 1,660,343	\$ 1,545,000
General obligation bonds, Series A of 1995	5,277,050	3,782,746
Guaranteed sewer revenue bonds, Series of 1977	<u>2,029,415</u>	<u>2,180,000</u>
	<u>\$ 8,966,808</u>	<u>\$ 7,540,746</u>

Guaranteed Sewer Revenue Bonds

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

Guaranteed sewer revenue bonds payable at December 31, 2004 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>
1990	\$ 69,775,000	2016	6.45%-7.10%	\$ 46,690,000
Less unamortized discount on zero coupon bonds				<u>(15,653,521)</u>
General sewer revenue bonds, net of discount, at December 31, 2004				<u>\$ 31,036,479</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

The annual principal and interest requirements for amounts due from the City under the guaranteed sewer revenue bonds at December 31, 2004 are as follows:

	<u>Principal</u>
2005	\$ 4,080,000
2006	3,875,000
2007	3,875,000
2008	3,875,000
2009	3,875,000
2010 - 2014	19,365,000
2015 - 2016	<u>7,745,000</u>
	46,690,000
Unamortized discount	<u>(15,653,521)</u>
	<u>\$ 31,036,479</u>

Economic Defeasance of Guaranteed Sewer Revenue Bonds

On July 15, 1998, the York City 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

As described in Note 10, the York Recreation Corporation was unable to make its required interest payment of \$181,493 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, 2004 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity Thru	Interest Rates	Amount Outstanding
2001	\$ 7,305,000	2021	4.50%-5.15%	<u>\$ 7,040,000</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

The annual principal and interest requirements for amounts due from the City under the guaranteed recreation revenue bonds at December 31, 2004 are as follows:

	Principal	Interest
2005	\$ 280,000	\$ 344,760
2006	290,000	331,935
2007	305,000	319,157
2008	315,000	306,211
2009	330,000	292,258
2010 - 2014	1,895,000	1,212,411
2015 - 2019	2,465,000	644,103
2020 - 2021	1,160,000	59,997
	\$ 7,040,000	\$ 3,510,832

Capitalized Lease Obligations

The City leases certain equipment under long-term lease agreements which are classified as capital leases. As of December 31, 2004, the governmental activities and the business-type activities include equipment and furniture under capital leases with a net book value of \$191,781 and \$44,445, respectively. The future minimum payments under capital leases and the present value of the future minimum lease payments at December 31, 2004 are as follows:

Year ending December 31,	Governmental Activities	Business- type Activities	Total
2005	\$ 55,727	\$ 14,006	\$ 69,733
2006	41,676	14,006	55,682
2007	41,676	9,196	50,872
2008	16,309	5,694	22,003
Total minimum lease payments	155,388	42,902	198,290
Less amount representing interest	(15,940)	(4,133)	(20,073)
Present value of future minimum lease payments	\$ 139,448	\$ 38,769	\$ 178,217

Redevelopment Authority Series of 2002 Revenue Bonds

In January of 2002, the Redevelopment Authority issued the Series of 2002 Variable Rate Demand/Fixed Rate Revenue Bonds for the amount of \$3,725,000. The Bonds were issued for the purpose of financing the Susquehanna Commerce Center Garage Project. In order to enhance the marketability of the Bonds, an irrevocable Letter of Credit has been issued concurrently with the Series of 2002 Issue to provide payment for, and secure the payment of, principal and interest on the Bonds. In addition a guaranty and suretyship agreement was entered into by Creekside Investors, L.P. and Susquehanna Pfaltzgraff Company to act as a surety and unconditionally guarantee the

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

full and prompt payment when due of the Issuer's bond obligations and all of the Issuer's letter of credit obligations. The maximum amount that may be drawn on the Letter of Credit is \$3,780,110. The Letter of Credit expires January 25, 2007.

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

The Redevelopment Authority has entered into a management agreement with Creekside Investors L.P. (Manager), whereby Creekside Investors, L.P. will manage and operate the parking facilities on behalf of the Authority. Under the agreement, the Manager, on behalf of the Authority, collects all parking fees, rents, charges, and other income attributable to the parking facilities. The Manager must deposit 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 Authority, pays amounts due to the bank under the Letter of Credit Agreement and any amounts that may be due to the trustee. The management agreement term ends January 1, 2016 or such earlier time as mutually agreeable to both the Manager and the Authority.

The Bonds initially bear interest at a variable rate, determined by the Remarketing Agent (Agent). The rate is based on a minimum rate that, in the judgment of the Agent, taking into account prevailing market conditions, would enable the Agent to sell all of the Bonds on the adjustment date at a price equal to the principal plus accrued interest. The Issuer may from time to time, with written consent of the Credit Facility Provider, change the interest rate on the Bonds from a variable to a fixed rate over one or more consecutive fixed rate periods.

The Redevelopment Authority Series of 2002 Revenue Bonds payable at December 31, 2004 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
2002	\$ 3,725,000	Thru 2027	Variable (2.09% at 12-31-04)	<u>\$ 3,590,000</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

The annual principal and interest requirements for amounts due from the Redevelopment Authority under the 2002 revenue bonds using the 2.09% interest rate in effect at December 31, 2004 are as follows:

	Principal	Interest
2005	\$ 75,000	\$ 74,704
2006	80,000	73,115
2007	85,000	71,421
2008	90,000	69,623
2009	95,000	67,720
2010 - 2014	570,000	306,002
2015 - 2019	775,000	237,498
2020 - 2024	1,035,000	144,824
2025 - 2027	785,000	30,126
	\$ 3,590,000	\$ 1,074,403

General Authority Parking System Revenue Note

In 1998, the City of York General Authority issued a Parking System Revenue Note, Series of 1998 for \$7,634,455 at 4.38% to the City. Payments of the note are due semiannually from May 15, 1999 through November 15, 2011. This note was issued to secure the general obligation note issued in connection with the City's refunding of the General Authority's outstanding debt. Maturities of the refunding debt, 1998 Series D, are from 2001 through 2023. The remaining balance on the note at December 31, 2004 is \$4,639,569 and is recorded as a receivable in the City's debt service fund.

The annual principal and interest requirements for amounts due from the General Authority under the Parking System Revenue Notes at December 31, 2004 are as follows:

	Principal	Interest
2005	\$ 575,428	\$ 203,195
2006	599,821	177,994
2007	628,541	151,724
2008	651,789	124,196
2009	683,585	95,650
2010 - 2011	1,500,405	100,110
	\$ 4,639,569	\$ 852,869

13. EMPLOYEE RETIREMENT PLANS (PENSION TRUST FUNDS)

Description of the Plans

The City maintains single-employer defined benefit plans for Police, Paid Firefighters, and Officers and Employees which are accounted for as pension

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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 reports.

The plans are governed by the Third Class City Code of the Commonwealth of Pennsylvania, as amended. At January 1, 2003, the date of the most recent actuarial valuation, employees covered under the City's pension plans consisted of:

	Officers' and Employees' Pension Plan	Police Pension Plan	Paid Firefighter Pension Plan
Retirees and beneficiaries currently receiving benefits	58	104	76
Terminated employees entitled to deferred benefits	22	7	-
Active employees:			
Vested	94	42	31
Partially vested	95	63	43
Total	269	216	150

Benefits for all three plans vary depending on specific agreements with each group of employees. The Police are eligible for normal retirement at age 50 and 20 years service if hired before January 2, 1978, or after completion of 20 years and 6 months service if hired on or after January 2, 1978. Paid Firefighters are eligible for normal retirement at age 50 and 20 years service if hired before January 1, 1988, or at age 60 and 10 years service if hired on or after January 1, 1988. Officers and Employees are eligible for normal retirement at age 60 and after completion of 20 years service if hired before January 1, 1978, or at age 60 and 5 years of service if hired on or after January 1, 1978, or completion of 40 years of service regardless of age.

Paid firefighters hired prior to January 1, 1988 receive a monthly pension increase equal to 50% of the dollar increase granted to active firemen of the highest pay grade. The police receive a monthly pension increase equal to 50% of the dollar increase granted to active patrolmen of the highest pay grade regardless of the date employed.

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, and 4% of salary if hired on or after January 1, 1988. Officers and Employees contributions are 2% plus 1/2% of salary for service increment (if opted) if hired before January 1, 1978, or 2% of salary if hired on or after January 1, 1978.

Effective with the 1985 plan year, the City has participated in Level III of the Act 205 Recovery Program, a Commonwealth of Pennsylvania program that

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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.

In 2004, state aid of \$1,510,993 was deposited into the debt service fund to pay part of the debt service payments for the 1995 general obligation bonds issued to help fund the pension plan. Pages 74 to 76 of this report provide six-year historical trend information on the contributions to the pension plans as well as an analysis of funding progress.

Funding Policy and Annual Pension Cost

The City establishes and amends the contribution requirements of both the plan members and the City. Costs of administering the plans are funded by the plans. The City's annual pension cost for the current year and related information for each plan is as follows:

	Officers' and Employees' Pension Plan	Police Pension Plan	Paid Firefighter Pension Plan
Annual pension cost	\$ 295,282	\$ 1,087,478	\$ 509,242
Contributions made	\$ 295,282	\$ 1,087,478	\$ 509,242
Actuarial valuation date	1/1/03	1/1/03	1/1/03
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Asset valuation method	5-Year Smoothed Value	5-Year Smoothed Value	5-Year Smoothed Value
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increases includes inflation	5%	5%	5%
Cost of living adjustment	-	5%	5%

Three-year trend information is as follows:

	Year Ended	Annual Pension Cost (APC)	Percentage of APC contributed	Net Pension Obligation
Officers' and Employees' Pension Plan	2004	\$ 295,282	100%	\$ -
	2003	\$ 86,651	128%	-
	2002	\$ 18,601	363%	-
Police Pension Plan	2004	\$1,087,478	100%	\$ -
	2003	\$ 719,845	106%	-
	2002	\$ 537,335	121%	-
Paid Firefighters Pension Plan	2004	\$ 509,242	100%	\$ -
	2003	\$ 293,896	111%	-
	2002	\$ 68,211	139%	-

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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 pension plans. The State requires the City to continue calculating its minimum municipal obligation for Act 205 purposes exclusive of the bond proceeds. This minimum municipal obligation will be used as a factor in determining the amount of State pension aid the City is entitled to under Act 205. Act 205 provides that the funding of unfunded pension liabilities with bond proceeds will not reduce the State pension aid that would be due the City absent such funding. State aid has been pledged as security for the debt service on the pension bonds.

Pension assets consist primarily of common stocks, U.S. government obligations, corporate obligations, and money market funds.

Police and Paid Firefighters' Pensions Litigation

The City was the defendant in lawsuits filed by the Police union and Firefighters' union claiming the City unlawfully changed the method of calculating the cost of living pension benefits in 1992. These claims went to arbitration and in 1994, the arbitrator ruled that the method of calculating the cost of living pension benefit be revised to the method used before it was unlawfully changed retroactive to 1992.

The revisions to each of the pension plans as provided by the aforementioned arbitrator's awards (awards) require the City to contribute an additional \$3.7 million for ten years beginning in 1996 and an additional \$1.9 million for ten years beginning in 2006, as determined by the City's actuaries, to fully fund the pensions in accordance with Level III of the Act 205 Recovery Program. However, the City has received authorization from the Public Employee Retirement Commission to suspend these payments as long as the dispute continues in litigation or negotiation.

In May 2004, the City received notification that they were required to fully reflect all of the pension benefits provided under the 1994 arbitration awards in the Act 205 Actuarial Valuation Reports prepared as of January 1, 2003, in order to comply with the actuarial reporting and funding standards mandated under Act 205. The City of York has been advised by their actuary that the unfunded accrued liability related to the arbitration award is \$25.33 million. Under the current provisions of Act 205, the City's annual minimum municipal obligation would increase by just under \$3 million per year and the annual normal cost would increase by about \$561,000 for a total increase in the annual minimum municipal obligation of approximately \$3.56 million.

The City researched various funding methods to meet the added cost of the annual minimum municipal obligation including an amendment to Act 205 allowing for a thirty year level percentage amortization schedule using a five percent annual increase or a taxable 30 year bond issue. The City sought the assistance of the state legislature to enact an amendment to Act 205 to allow for the extended amortization and, on November 30, 2004, Act 200 of 2004 was signed into law allowing for the extended amortization. The

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

City is still in the process of evaluating the relative risks and rewards to funding the liability pursuant to Act 200 of 2004 versus issuing taxable obligation bonds. As part of the request for proposal for financial consulting services and development of a five year financial plan, the City requested proposals to conduct an analysis of the relative benefits and risks of the two options. Upon completion of that analysis, a recommendation will be submitted to City Council. Under signed agreements with the unions, the City is paying the amounts required by the provisions of each award to each of the retirees currently receiving pension benefits. The Agreements state that the City is making these payments without prejudice to the ultimate resolution of these awards.

14. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 13, the City provides full health care benefits (i.e., medical, surgical, hospitalization, major medical, dental, vision, and prescription) for all retired employees and their spouses under the various union contracts and City policy for nonorganized employees. For all employees other than police, the City-provided health care benefits convert to a Medicare supplement with a \$5,000 lifetime maximum benefit at the age of 65. The retired employees are required to pay monthly to the City, one-half of the actual cost subject to annual co-payment limitations established in each of the union contracts and by City Council for nonorganized employees.

The City's cost of providing full health care benefits for retired employees is financed on a pay-as-you-go basis through the City's internal service fund. The net cost of providing full health care benefits for retirees was \$1,455,222 in 2004.

At December 31, 2004, the number of retirees or spouses eligible for full health benefits was approximately 229.

15. SELF-INSURANCE HEALTH INSURANCE

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 \$135,000 up to a maximum of \$1,000,000. The City also has an aggregate stop/loss agreement with an insurance company which covers aggregate claims exceeding \$2,877,994. 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.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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 two years ended December 31, 2004, were as follows:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Year End</u>
2003	\$ 379,600	\$ 3,598,278	\$ 3,564,131	\$ 413,747
2004	\$ 413,747	\$ 4,064,448	\$ 4,221,798	\$ 256,397

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, 2004, 2003, and 2002.

16. COMMITMENTS AND CONTINGENCIES

Leases

On May 27, 1981, the City entered into a twenty-year lease, cancelable with six months notice, for the rental of office space. This lease was renewed in May 2002, for an additional five year term. Rent expenditures under this agreement totaled \$145,698 for the year ended December 31, 2004. This lease may be increased annually based on the Consumer Price Index (CPI).

Future minimum lease payments for this lease are as follows:

<u>Year ending December 31,</u>	
2005	\$ 145,968
2006	145,968
2007	<u>48,656</u>
	<u>\$ 340,592</u>

The City also has several leases for vehicles used in City operations. Lease expenditures for the year ended December 31, 2004, under these leases, amounted to \$22,692.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

Future minimum lease payments for these leases are as follows:

Years Ending December 31,	Amount
2005	\$ 22,692
2006	22,692
2007	13,237
	<u>\$ 58,621</u>

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.

17. MANAGEMENT AGREEMENT WITH THE YORK CITY GENERAL AUTHORITY

The City has entered into a management and administration agreement with the York City General Authority to operate, manage and administer the Authority's parking system. The management agreement requires that the Authority pay the City a management fee to the general fund in twelve equal installments. The City incurred \$474,225 in operating expenses and received \$590,082 in fees under the management agreement in 2004. The City received \$141,000 in administrative fees under an administration agreement in 2004. A receivable of \$264,289 is recorded in the general fund for fees which were earned under these agreements, but unpaid at December 31, 2004.

18. 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 13.

19. RESTATEMENT

Beginning net assets of the governmental activities have been increased by \$872,319, from \$7,786,063 to \$8,658,382, to properly reflect earned income tax receivable at December 31, 2003. Had the receivables been recorded

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

properly, the change in net assets for the year ended December 31, 2003 would have been increased by \$155,019, restating the decrease in net assets originally reported in the amount of (\$1,164,429) to a restated decrease in the amount of (\$1,009,410).

20. SUBSEQUENT EVENTS

In January of 2005, the City borrowed \$6,687,770 in the form of a Tax and Revenue Anticipation Note, Series of 2005, bearing interest at an annual rate of 2.35%.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET TO ACTUAL - GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2004

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues					
Taxes	\$ 12,244,719	\$ 12,246,980	\$ 2,261	\$ 12,994,151	\$ 747,171
Licenses and permits	1,663,300	1,663,300	-	1,913,332	250,032
Fines and forfeits	1,205,607	1,205,607	-	1,143,441	(62,166)
Grants and contributions	3,039,205	3,789,021	749,816	2,575,349	(1,213,672)
Charges for services	5,899,173	5,912,989	13,816	6,077,989	165,000
Interest	50,000	50,000	-	70,611	20,611
Miscellaneous	116,612	128,765	12,153	361,864	233,099
Total revenues	24,218,616	24,996,662	778,046	25,136,737	140,075
Expenditures					
General government	3,401,426	3,418,923	(17,497)	3,469,454	(50,531)
Sanitation	2,682,345	2,671,936	10,409	2,672,594	(658)
Public safety	16,903,504	16,957,105	(53,601)	16,513,670	443,435
Highways and streets	519,897	507,265	12,632	502,834	4,431
Public works	1,875,335	1,929,965	(54,630)	1,932,472	(2,507)
Community development and planning	1,530,243	2,164,885	(634,642)	1,541,588	623,297
Other departments and programs	81,032	103,082	(22,050)	91,903	11,179
Total expenditures	26,993,782	27,753,161	(759,379)	26,724,515	1,028,646
Excess (deficiency) of revenues over (under) expenditures	(2,775,166)	(2,756,499)	18,667	(1,587,778)	1,168,721
Other financing sources (uses)					
Transfers in	2,943,116	2,943,116	-	2,965,685	22,569
Transfers out	(88,750)	(110,910)	(22,160)	(40,556)	70,354
Total other financing sources (uses)	2,854,366	2,832,206	(22,160)	2,925,129	92,923
Net change in fund balance	\$ 79,200	\$ 75,707	\$ (3,493)	\$ 1,337,351	\$ 1,261,644

CITY OF YORK, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETARY DATA

The City's budget is prepared on the modified cash basis.

2. BUDGET TO ACTUAL COMPARISONS

The General Fund's budget comparison is presented in the Other Required Supplementary Information section. The nonmajor fund and major debt service fund budget comparisons are presented in the combining section.

CITY OF YORK, PENNSYLVANIA
 Required Supplementary Data
 Schedule of Funding Progress and Contributions from the Employer
 Officers' and Employees' Pension Plan
 (Unaudited - See accompanying accountant's report)

The following schedule represents the funding progress and contributions from the City for the Officers' and Employees' Pension Plan:

Schedule of Funding Progress

Valuation Date	Actuarial	Entry Age	Overfunded	Funded Ratio	Covered Payroll	Overfunded
	Value of Assets	Actuarial Liability (AAL)	(Unfunded) AAL			(Unfunded) AAL as a % of Covered Payroll
	(a)	(b)	(a-b)	(a/b)	(c)	((a-b)/c)
1/1/98 (1)	\$14,997,428	\$11,645,025	\$ 3,352,403	128.8%	\$ 5,444,601	61.6%
1/1/99	16,438,172	12,406,103	4,032,069	132.5%	5,683,437	70.9%
1/1/00	17,828,288	13,232,588	4,595,700	134.7%	5,697,316	80.7%
1/1/01	18,109,142	14,116,471	3,992,671	128.3%	6,086,232	65.6%
1/1/02	17,326,047	15,472,339	1,853,708	112.0%	6,383,990	29.0%
1/1/03	17,583,625	15,879,934	1,703,691	110.7%	6,186,006	27.5%

Schedule of Contributions from the Employer

Calendar Year	Annual	Contributions	Percentage
	Required Contribution	from Employer (2) Contributed	
1999	\$ -	\$ -	100%
2000	-	-	100%
2001	-	-	100%
2002	18,601	18,601	100%
2003	86,651	86,651	100%
2004	295,282	295,282	100%

The information presented above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation (January 1, 2003) follows:

Actuarial cost method	Entry age normal
Asset valuation method	5-Year Smoothed Value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	
Includes moderate inflation based on long-term historical average rates	5%

(1) On December 30, 1995, the City issued \$31,673,835 in general obligation bonds to finance the unfunded pension obligation of the City's pension plans.

(2) Includes general municipal pension system State aid.

CITY OF YORK, PENNSYLVANIA
 Required Supplementary Data
 Schedule of Funding Progress and Contributions from the Employer
 Police Pension Plan
 (Unaudited - see accompanying accountant's report)

The following schedule represents the funding progress and contributions from the City for the Police Pension Plan:

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Overfunded (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Overfunded (Unfunded) AAL as a % of Covered Payroll ((a-b)/c)
1/1/98 (1)	\$31,269,927	\$30,228,123	\$ 1,041,804	103.4%	\$ 4,000,955	26.0%
1/1/99	33,501,860	32,083,444	1,418,416	104.4%	4,431,105	32.0%
1/1/00	35,376,833	34,017,512	1,359,321	104.0%	4,637,696	29.3%
1/1/01	34,479,683	34,718,092	(238,409)	99.3%	5,092,257	(4.7%)
1/1/02	32,442,377	37,407,381	(4,965,004)	86.7%	5,393,437	(92.1%)
1/1/03 (3)	32,332,762	55,445,972	(23,113,210)	58.3%	5,304,211	(435.8%)

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer (2)	Percentage Contributed
1999	\$ 417,449	\$ 417,449	100%
2000	355,299	355,299	100%
2001	479,208	479,208	100%
2002	527,335	537,335	101.9%
2003	719,845	719,845	100%
2004	1,087,478	1,087,478	100%

The information presented above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation (January 1, 2003, as amended) follows:

Actuarial cost method	Entry age normal
Asset valuation method	5-Year Smoothed Value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	
Includes moderate inflation based on long-term historical average rates	5%
Cost-of-living adjustment	5%

(1) On December 30, 1995, the City issued \$31,673,835 in general obligation bonds to finance the unfunded pension obligation of the City's pension plans.

(2) Includes general municipal pension system State aid.

(3) Based on the directions of the Public Employee Retirement Commission, as discussed in Note 13, the City was required to amend its January 1, 2003 actuarial valuation report to fully reflect all of the pension benefits provided under the 1994 arbitration award in order to comply with the actuarial reporting and fundings standards mandated under Act 205. The figure provided reflects the amendments required by the Public Employee Retirement Commission.

CITY OF YORK, PENNSYLVANIA
 Required Supplementary Data
 Schedule of Funding Progress and Contributions from the Employer
 Paid Firefighters' Pension Plan
 (Unaudited - see accompanying accountant's report)

The following schedule represents the funding progress and contributions from the City for the Paid Firefighter's Pension Plan.

Schedule of Funding Progress

Valuation Date	Actuarial	Entry Age	Overfunded	Funded Ratio	Covered	Overfunded
	Value of	Actuarial	(Unfunded)			AAL as a %
	Assets	Liability (AAL)	AAL	(a/b)	Payroll	of Covered
	(a)	(b)	(a-b)		(c)	Payroll
						((a-b)/c)
1/1/98 (1)	\$22,903,271	\$20,998,224	\$ 1,905,047	109.1%	\$ 2,730,958	69.8%
1/1/99	24,393,015	22,290,370	2,102,645	109.4%	2,820,742	74.5%
1/1/00	25,443,711	22,929,298	2,514,413	111.0%	3,013,300	83.4%
1/1/01	24,533,353	24,054,905	478,448	102.0%	3,248,247	14.7%
1/1/02	22,713,989	24,413,735	(1,699,746)	93.0%	3,515,959	(48.3%)
1/1/03 (3)	22,160,652	34,759,338	(12,598,686)	63.8%	3,398,215	(370.7%)

Schedule of Contributions from the Employer

Calendar Year	Annual	Contributions	Percentage
	Required	from	Contributed
	Contribution	Employer (2)	
1999	\$ 74,972	\$ 74,972	100%
2000	53,627	53,627	100%
2001	66,834	66,834	100%
2002	68,211	68,211	100%
2003	293,896	293,896	100%
2004	509,242	509,242	100%

The information presented above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation (January 1, 2003, as amended) follows:

Actuarial cost method	Entry age normal
Asset valuation method	5-Year Smoothed Value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	
Includes moderate inflation based on long-term historical average rates	5%
Cost-of-living adjustment	5%

- (1) On December 30, 1995, the City issued \$31,673,835 in general obligation bonds to finance the unfunded pension obligation of the City's pension plans.
- (2) Includes general municipal pension system State aid.
- (3) Based on the directions of the Public Employee Retirement Commission, as discussed in Note 13, the City was required to amend its January 1, 2003 actuarial valuation report to fully reflect all of the pension benefits provided under the 1994 arbitration award in order to comply with the actuarial reporting and fundings standards mandated under Act 205. The figure provided reflects the amendments required by the Public Employee Retirement Commission.

CITY OF YORK, PENNSYLVANIA
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	Special Revenue										Permanent Fund		Total Nonmajor Governmental Funds						
	Community Development		Community Development Block Grant		Section 108 Fund		State Tax Fund		Special Projects Fund		HOME Fund			State Health Funds		Capital Projects		Weyer Trust	
	Loan Fund	Development	Block Grant	Development	Section 108 Fund	State Tax Fund	Liquid Fuels	Special Projects Fund	HOME Fund	State Health Funds	Total	Capital Projects		Weyer Trust	Total				
Assets																			
Cash and cash equivalents	\$ (283,519)	\$ 289,491	\$ 25,109	\$ 205,657	\$ 44,494	\$ (234,799)	\$ 77,694	\$ (124,127)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted investments, at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans (less allowance for doubtful accounts of \$395,968 in CD Loan, \$185,667 in CDBG, \$106,213 in Section 108 and \$62,416 in HOME)	-	1,429,459	1,367,703	678,066	-	-	353,692	-	-	-	-	-	-	-	-	-	-	-	-
Taxes (less allowance for doubtful accounts of \$76,852 in recreation)	80,488	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts, notes, and grants	36,912	264	242,037	43	29,490	250	-	459,871	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	60,000	-	83,282	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	77,137	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ (106,119)	\$1,719,214	\$1,795,268	\$ 883,766	\$ 73,984	\$ (234,549)	\$ 431,386	\$ 335,744	\$ 4,898,694	\$ 25,986	\$ 3,363,998	\$ 25,986	\$ 3,363,998	\$ 25,986	\$ 3,363,998	\$ 25,986	\$ 3,363,998	\$ 25,986	\$ 3,363,998
Liabilities and Fund Balances																			
Liabilities																			
Accounts payable and accrued expenses	\$ 16,557	\$ 1,256	\$ -	\$ -	\$ 105,044	\$ 1,865	\$ 24,144	\$ 124,712	\$ 273,578	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued wages payable	17,727	-	-	-	2,448	-	-	24,132	44,307	-	-	-	-	-	-	-	-	-	-
Due to other funds	366,834	83,282	342,037	-	-	-	-	-	792,153	-	-	-	-	-	-	-	-	-	-
Due to other governments	-	8,902	85,528	-	-	-	53,550	-	147,980	-	-	-	-	-	-	-	-	-	-
Deferred revenues	76,852	1,429,456	1,367,703	883,766	-	-	353,692	-	4,111,469	-	-	-	-	-	-	-	-	-	-
Total liabilities	477,970	1,522,896	1,795,268	883,766	107,492	1,865	431,386	148,844	5,369,487	-	1,757	-	1,757	-	1,757	-	1,757	-	1,757
Fund balances (deficits)																			
Reserved for health initiatives	-	-	-	-	-	-	-	186,900	186,900	-	-	-	-	-	-	-	-	-	-
Reserved for community development	-	196,318	-	-	-	-	-	-	196,318	-	-	-	-	-	-	-	-	-	-
Reserved for capital projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved (deficit)	(584,089)	-	-	-	(33,508)	(236,414)	-	-	(854,011)	-	-	-	-	-	-	-	-	-	-
Total fund balances (deficits)	(584,089)	196,318	-	-	(33,508)	(236,414)	-	186,900	(470,793)	25,986	3,362,241	25,986	3,362,241	25,986	3,362,241	25,986	3,362,241	25,986	3,362,241
Total liabilities and fund balances (deficits)	\$ (106,119)	\$1,719,214	\$1,795,268	\$ 883,766	\$ 73,984	\$ (234,549)	\$ 431,386	\$ 335,744	\$4,898,694	\$ 25,986	\$3,363,998	\$ 25,986	\$3,363,998	\$ 25,986	\$3,363,998	\$ 25,986	\$3,363,998	\$ 25,986	\$3,363,998

**CITY OF YORK, PENNSYLVANIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES (DEFICITS) - OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2004**

	Special Revenue											Permanent		Total Nonmajor Governmental Funds					
	Recreation Fund	Community Development		Community Development Block Grant		Section 108 Fund		State Liquid Fuels Tax Fund		Special Projects Fund		HOME Fund			State Grant Health Funds		Total	Capital Projects	Meyer Trust
		Loan Fund	Development Fund	Block Grant Fund	Section 108 Fund	Liquid Fuels Tax Fund	Special Projects Fund	HOME Fund	State Grant Health Funds	Total	Capital Projects	Meyer Trust							
Revenues																			
Taxes	\$ 881,324	-	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 881,324
Grants and contributions	7,000	-	1,571,461	(805)	634,307	89,828	292,892	2,678,349	48,243	5,273,032	-	-	-	-	-	-	-	5,221,275	
Charges for services	464,122	-	4,001	-	8,146	24,296	10,103	-	-	510,668	-	-	-	-	-	-	-	510,668	
Loan repayments	-	453,367	-	-	-	-	-	-	-	453,367	-	-	-	-	-	-	-	453,367	
Interest	-	3,201	-	806	6,584	2,176	-	-	-	12,767	-	-	68	-	-	-	-	80,559	
Gain on investment	-	-	-	-	149,106	151,655	-	-	-	-	-	-	-	-	-	-	228,239	228,239	
Miscellaneous	8,851	319	-	-	149,106	151,655	-	-	-	313,389	-	-	-	-	-	-	-	313,389	
Total revenues	1,361,297	456,887	1,575,462	1	798,143	267,955	302,995	2,681,807	48,311	7,444,547	48,311	295,963	7,788,821	295,963	48,311	295,963	7,788,821	7,788,821	
Expenditures																			
Current																			
General government	-	-	-	-	-	125,318	-	-	-	125,318	-	-	572	-	-	-	-	125,890	
Highways and streets	-	-	-	-	772,413	-	-	-	-	772,413	-	-	-	-	-	-	-	772,413	
Parks and recreations	1,277,405	-	-	-	-	-	-	-	-	1,277,405	-	-	-	-	-	-	-	1,277,405	
Community development and planning	-	94,626	1,568,132	1	-	-	302,995	-	-	1,965,754	-	-	-	-	-	-	120,680	2,086,434	
Other departments and programs	-	-	-	-	-	-	-	2,457,820	-	2,457,820	-	-	-	-	-	-	-	2,457,820	
Debt service	-	36,307	100,000	-	38,220	-	-	-	-	174,527	-	-	14,796	-	-	-	-	189,323	
Principal retirements	-	2,304	87,200	-	3,456	-	-	-	-	92,960	-	-	92,960	-	-	-	-	92,960	
Interest	-	-	152,676	-	204,148	9,387	-	-	-	366,211	-	-	76,360	-	-	-	-	442,571	
Capital outlays	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total expenditures	1,277,405	133,237	1,908,008	1	1,018,237	134,705	302,995	2,457,820	91,728	7,232,408	91,728	120,680	7,444,816	120,680	91,728	120,680	7,444,816	7,444,816	
Excess of revenues over (under) expenditures	83,892	323,650	(332,546)	-	(220,094)	133,250	-	223,987	(43,417)	212,139	(43,417)	175,283	344,005	175,283	(43,417)	175,283	344,005	344,005	
Other financing sources (uses)																			
Proceeds from the issuance of debt	-	-	-	-	70,950	-	-	-	-	70,950	-	-	28,847	-	-	-	-	99,797	
Transfers in	-	-	332,546	-	-	-	-	-	-	332,546	-	-	40,556	-	-	-	-	373,102	
Transfers out	(130,000)	(332,546)	-	-	-	(250,000)	-	(38,031)	-	(750,577)	-	-	(750,577)	-	-	-	-	(750,577)	
Total other financing sources (uses)	(130,000)	(332,546)	332,546	-	70,950	(250,000)	-	(38,031)	69,403	(347,081)	69,403	-	(277,678)	69,403	-	-	(277,678)	(277,678)	
Net change in fund balance	(46,108)	(8,896)	-	-	(149,144)	(116,750)	-	185,956	25,986	(134,942)	25,986	175,283	66,327	175,283	25,986	175,283	66,327	66,327	
Fund balances (deficits) - beginning of year	(537,981)	205,214	-	-	115,636	(119,664)	-	944	-	(335,851)	-	3,186,958	2,851,107	3,186,958	-	3,186,958	2,851,107	2,851,107	
Fund balances (deficits) - end of year	(584,089)	\$ 196,318	\$ -	\$ -	\$ (33,508)	\$ (236,414)	\$ -	\$ 186,900	\$ 25,986	\$ (470,793)	\$ 25,986	\$ 3,362,241	\$ 2,917,434	\$ 3,362,241	\$ 25,986	\$ 3,362,241	\$ 2,917,434	\$ 2,917,434	

CITY OF YORK, PENNSYLVANIA

STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET TO ACTUAL
 DEBT SERVICE FUND - MAJOR GOVERNMENTAL FUND
 YEAR ENDED DECEMBER 31, 2004

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues					
Taxes	\$ 2,030,565	\$ 2,030,565	\$ -	\$ 1,990,983	\$ (39,582)
Grants and contributions	1,650,000	1,650,000	-	1,510,993	(139,007)
Loan repayments	777,737	777,737	-	777,737	-
Interest	-	-	-	4,850	4,850
Total revenues	<u>4,458,302</u>	<u>4,458,302</u>	<u>-</u>	<u>4,284,563</u>	<u>(173,739)</u>
Expenditures					
Current					
General government	9,700	10,400	(700)	8,625	1,775
Debt service	<u>4,380,180</u>	<u>4,380,180</u>	<u>-</u>	<u>4,380,180</u>	<u>-</u>
Total expenditures	<u>4,389,880</u>	<u>4,390,580</u>	<u>(700)</u>	<u>4,388,805</u>	<u>1,775</u>
Excess (deficiency) of revenues (under) expenditures	<u>68,422</u>	<u>67,722</u>	<u>(700)</u>	<u>(104,242)</u>	<u>(171,964)</u>
Other financing sources					
Transfers in	553,601	553,601	-	553,601	-
Transfers out	<u>(872,022)</u>	<u>(872,022)</u>	<u>-</u>	<u>(872,022)</u>	<u>-</u>
Total other financing sources	<u>(318,421)</u>	<u>(318,421)</u>	<u>-</u>	<u>(318,421)</u>	<u>-</u>
Net change in fund balance	<u>\$ (249,999)</u>	<u>\$ (250,699)</u>	<u>\$ (700)</u>	<u>\$ (422,663)</u>	<u>\$ (171,171)</u>

CITY OF YORK, PENNSYLVANIA

STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET TO ACTUAL
 RECREATION FUND - OTHER GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2004

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues					
Taxes	\$ 871,237	\$ 877,796	\$ 6,559	\$ 881,324	\$ 3,528
Grants and contributions	27,610	27,610	-	7,000	(20,610)
Charges for services	557,500	558,025	525	464,122	(93,903)
Miscellaneous	6,500	6,500	-	8,851	2,351
Total revenues	<u>1,462,847</u>	<u>1,469,931</u>	<u>7,084</u>	<u>1,361,297</u>	<u>(108,634)</u>
Expenditures					
Current					
Parks and recreation	<u>1,319,853</u>	<u>1,331,556</u>	<u>(11,703)</u>	<u>1,277,405</u>	<u>54,151</u>
Total expenditures	<u>1,319,853</u>	<u>1,331,556</u>	<u>(11,703)</u>	<u>1,277,405</u>	<u>54,151</u>
Excess (deficiency) of revenues (under) expenditures	<u>142,994</u>	<u>138,375</u>	<u>(4,619)</u>	<u>83,892</u>	<u>(54,483)</u>
Other financing sources					
Transfers in	10,350	10,350	-	-	(10,350)
Transfers out	<u>(130,000)</u>	<u>(130,000)</u>	<u>-</u>	<u>(130,000)</u>	<u>-</u>
Total other financing sources	<u>(119,650)</u>	<u>(119,650)</u>	<u>-</u>	<u>(130,000)</u>	<u>(10,350)</u>
Net change in fund balance	<u>\$ 23,344</u>	<u>\$ 18,725</u>	<u>\$ (4,619)</u>	<u>\$ (46,108)</u>	<u>\$ (64,833)</u>

CITY OF YORK, PENNSYLVANIA

STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET TO ACTUAL
 COMMUNITY DEVELOPMENT BLOCK GRANT FUND -
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2004

	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	\$ 2,843,771	\$ 3,692,295	\$ 848,524	\$ 1,571,461	\$ (2,120,834)
Charges for services	200,000	200,000	-	4,001	(195,999)
Total revenues	3,043,771	3,892,295	848,524	1,575,462	(2,316,833)
Expenditures					
Current					
Community development and planning	2,747,745	2,665,379	82,366	1,568,132	1,097,247
Debt service	45,481	233,481	(188,000)	187,200	46,281
Capital outlay	250,545	993,437	(742,892)	152,676	840,761
Total expenditures	3,043,771	3,892,297	(848,526)	1,908,008	1,984,289
Excess (deficiency) of revenues over (under) expenditures	-	(2)	(2)	(332,546)	(332,544)
Other financing sources (uses)					
Transfers in	-	-	-	332,546	332,546
Total other financing sources (uses)	-	-	-	332,546	332,546
Change in net assets	\$ -	\$ (2)	\$ (2)	\$ -	\$ 2

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET TO ACTUAL
STATE LIQUID FUELS TAX FUND -
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2004

	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	\$ 615,000	\$ 615,000	\$ -	\$ 634,307	\$ 19,307
Charges for services	7,900	7,900	-	8,146	246
Interest	8,000	8,000	-	6,584	(1,416)
Miscellaneous	143,000	143,000	-	149,106	6,106
Total revenues	773,900	773,900	-	798,143	24,243
Expenditures					
Highways and streets	892,711	894,620	(1,909)	772,413	122,207
Debt service	-	-	-	41,676	(41,676)
Capital outlay	78,000	76,089	1,911	204,148	(128,059)
Total expenditures	970,711	970,709	2	1,018,237	(47,528)
Excess (deficiency) of revenues over (under) expenditures	(196,811)	(196,809)	2	(220,094)	(23,285)
Other financing sources (uses)					
Proceeds from the issuance	-	-	-	70,950	70,950
Total other financing sources (uses)	-	-	-	70,950	70,950
Net change in fund balance	\$ (196,811)	\$ (196,809)	\$ 2	\$ (149,144)	\$ 47,665

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET TO ACTUAL
STATE HEALTH GRANT FUND -
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2004

	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	\$ 2,497,992	\$ 2,667,919	\$ 169,927	\$ 2,678,349	\$ 10,430
Miscellaneous	10,000	10,000	-	3,458	(6,542)
Total revenues	<u>2,507,992</u>	<u>2,677,919</u>	<u>169,927</u>	<u>2,681,807</u>	<u>3,888</u>
Expenditures					
Other departments and programs	2,430,533	2,599,178	(168,645)	2,457,820	141,358
Total expenditures	<u>2,430,533</u>	<u>2,599,178</u>	<u>(168,645)</u>	<u>2,457,820</u>	<u>141,358</u>
Excess (deficiency) of revenues over (under) expenditures	<u>77,459</u>	<u>78,741</u>	<u>1,282</u>	<u>223,987</u>	<u>145,246</u>
Other financing sources (uses)					
Transfers out	(48,000)	(49,284)	(1,284)	(38,031)	11,253
Total other financing sources (uses)	<u>(48,000)</u>	<u>(49,284)</u>	<u>(1,284)</u>	<u>(38,031)</u>	<u>11,253</u>
Change in net assets	<u>\$ 29,459</u>	<u>\$ 29,457</u>	<u>\$ (2)</u>	<u>\$ 185,956</u>	<u>\$ 156,499</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET TO ACTUAL
CAPITAL PROJECTS FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2004

	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	\$ 1,161,600	\$ 1,161,600	\$ -	\$ 48,243	\$ (1,113,357)
Interest	-	-	-	68	68
Total revenues	<u>1,161,600</u>	<u>1,161,600</u>	<u>-</u>	<u>48,311</u>	<u>(1,113,289)</u>
Expenditures					
General government	-	-	-	572	(572)
Debt service	-	-	-	14,796	(14,796)
Capital outlay	1,240,000	1,263,360	(23,360)	76,360	1,187,000
Total expenditures	<u>1,240,000</u>	<u>1,263,360</u>	<u>(23,360)</u>	<u>91,728</u>	<u>1,171,632</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(78,400)</u>	<u>(101,760)</u>	<u>(23,360)</u>	<u>(43,417)</u>	<u>58,343</u>
Other financing sources (uses)					
Proceeds from the issuance	-	-	-	28,847	28,847
Transfers in	78,400	101,760	23,360	40,556	(61,204)
Total other financing sources (uses)	<u>78,400</u>	<u>101,760</u>	<u>23,360</u>	<u>69,403</u>	<u>(32,357)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,986</u>	<u>\$ 25,986</u>

CITY OF YORK, PENNSYLVANIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS - PENSION TRUST FUNDS

DECEMBER 31, 2004

	Officers' and Employees' Pension Fund	Police Pension Fund	Paid Firefighters' Pension Fund	Total
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 806,872	\$ 1,397,522	\$ 937,201	\$ 3,141,595
Investments, at fair value	<u>18,175,217</u>	<u>31,479,908</u>	<u>21,110,933</u>	<u>70,766,058</u>
Total assets	<u>18,982,089</u>	<u>32,877,430</u>	<u>22,048,134</u>	<u>73,907,653</u>
Net Assets				
Held in trust for pension benefits	<u>\$ 18,982,089</u>	<u>\$ 32,877,430</u>	<u>\$ 22,048,134</u>	<u>\$ 73,907,653</u>

CITY OF YORK, PENNSYLVANIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS

DECEMBER 31, 2004

	<u>Escheats Fund</u>	<u>Fire Escrow</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 4,047	\$ 261,517	\$ 265,564
Other receivables	<u>17,225</u>	<u>-</u>	<u>17,225</u>
Total assets	<u>21,272</u>	<u>261,517</u>	<u>282,789</u>
Liabilities			
Accounts payable and accrued expenses	<u>21,272</u>	<u>261,517</u>	<u>282,789</u>
Total liabilities	<u>\$ 21,272</u>	<u>\$ 261,517</u>	<u>\$ 282,789</u>

CITY OF YORK, PENNSYLVANIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUNDS YEAR ENDED DECEMBER 31, 2004

	Officers' and Employees' Pension Fund	Police Pension Fund	Paid Firefighters' Pension Fund	Total
Additions:				
Employee contributions	\$ 131,371	\$ 270,381	\$ 141,900	\$ 543,652
Employer contributions	295,282	1,087,478	509,242	1,892,002
Other contributions	-	-	134,949	134,949
Total contributions	426,653	1,357,859	786,091	2,570,603
Investment income:				
Interest and dividend income	459,988	822,882	556,025	1,838,895
Net appreciation of investments	1,240,133	2,077,047	1,381,559	4,698,739
	1,700,121	2,899,929	1,937,584	6,537,634
Less investment expenses	(113,299)	(202,683)	(136,954)	(452,936)
Net investment income	1,586,822	2,697,246	1,800,630	6,084,698
Total additions	2,013,475	4,055,105	2,586,721	8,655,301
Deductions				
Benefit payments	(639,915)	(2,677,918)	(1,823,450)	(5,141,283)
Net increase	1,373,560	1,377,187	763,271	3,514,018
Net assets held in trust for pension benefits, beginning of year	17,608,529	31,500,243	21,284,863	70,393,635
Net assets held in trust for pension benefits, end of year	<u>\$ 18,982,089</u>	<u>\$ 32,877,430</u>	<u>\$ 22,048,134</u>	<u>\$ 73,907,653</u>