

CITY OF YORK, PENNSYLVANIA

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2006

CITY OF YORK, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2006

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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, 2006, 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of York, Pennsylvania as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows 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 14 to the basic financial statements, in 1992 grievances were filed by the police union and firefighters' union claiming the City violated the collective bargaining agreements by changing the method of calculating the cost of living pension benefits in 1972. 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) required 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 had received authorization from the Public Employee Retirement Commission to suspend these payments as long as the dispute continued 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, 2005, 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 \$26.5 million as of the valuation date of January 1, 2005. The City has not provided any liability related to the arbitrator's award. In 2006, the City commenced funding the obligation over an extended 30-year amortization period.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2007, 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 important for assessing the results of our audit.

The management's discussion and analysis on pages i through xvii, budgetary comparison information on pages 62 and 63 and schedules of historical pension information on pages 64 through 66 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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, Pennsylvania'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.

Maille, Falconiero & Copsy LLC

October 31, 2007

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2006

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, 2006. Please read it in conjunction with the City's financial statements, which begin with the Statement of Net Assets on page 1. 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 \$53,364,524 (Net Assets).
 - Invested in capital assets, net of related debt, in the amount of \$65,806,835, includes all capital assets including infrastructure.
 - Restricted net assets with external restrictions imposed by creditors or laws or regulations of other governments amounted to \$7,542,694.
 - Unrestricted net assets, which are assets not restricted for any particular purpose, were (\$19,985,005).
- Over 2006, the City of York's net assets increased by \$425,473. The increase in net assets primarily occurred in the governmental funds, as a result of amortization of capital appreciation bonds, offset by principal payments on long-term liabilities and the depreciation of capital assets, offset against the purchase of capital assets.
- At December 31, 2006, the fund balances of the City of York's governmental funds were \$1,920,693. This was a decrease of \$219,402 from December 31, 2005.

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.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2006

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.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2006

- 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, Sewer Transportation Fund, and White Rose Community Television Fund.
 - Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the financing of insurance services, human resource services, information services, central services and business administration services provided to the other funds of the City, both governmental and enterprise, on a cost reimbursement basis.

The City's major proprietary funds include the Intermunicipal Sewer Fund, Sewer Fund, and Ice Rink Fund. The Sewer Transportation Fund and White Rose Community Television Fund are the City's non-major proprietary funds.

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

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

- 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

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2006

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.

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.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2006

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

TABLE 1
CONDENSED STATEMENT OF NET ASSETS
DECEMBER 31, 2006 AND 2005

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Assets:						
Cash and investments	\$ 4,005,826	\$ 3,557,670	\$ 14,200,402	\$ 16,080,480	\$ 18,206,228	\$ 19,638,150
Other assets	15,463,107	18,619,375	16,572,796	16,506,137	32,035,903	35,125,512
Capital assets	47,929,135	48,873,047	53,205,046	53,869,796	101,134,181	102,742,843
Total Assets	67,398,068	71,050,092	83,978,244	86,456,413	151,376,312	157,506,505
Liabilities:						
Other liabilities	11,970,369	14,709,997	650,179	928,911	12,620,548	15,638,908
Long-term liabilities	51,129,531	52,767,444	34,261,709	36,161,102	85,391,240	88,928,546
Total Liabilities	63,099,900	67,477,441	34,911,888	37,090,013	98,011,788	104,567,454
Net Assets:						
Capital assets, net of related debt	32,981,821	32,923,005	32,825,014	32,571,380	65,806,835	65,494,385
Restricted	1,245,197	850,072	6,297,497	6,605,060	7,542,694	7,455,132
Unrestricted	(29,928,850)	(30,200,426)	9,943,845	10,189,960	(19,985,005)	(20,010,466)
Total Net Assets	\$ 4,298,168	\$ 3,572,651	\$ 49,066,356	\$ 49,366,400	\$ 53,364,524	\$ 52,939,051

Cash and investments represent 5.94% and 5.01% of the City of York's total governmental activities assets at December 31, 2006 and 2005, respectively. Of this amount, 18.02% or \$721,845, at December 31, 2006, and 13.82% or \$491,763, at December 31, 2005, is restricted, primarily for financing the Internal Service Fund. 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 \$14,200,402 and \$16,080,480 at December 31, 2006 and 2005, 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 \$50,303,545, or 51.21% and \$46,904,203, or 48.97%, of accumulated depreciation at December 31, 2006 and 2005. For the business-type activities the capital asset value is net of \$46,779,990, or 48.91% and \$44,569,788, or 45.28%, of accumulated depreciation at December 31, 2006 and 2005. These percentage rates for depreciation reflect that the capital assets of the City, as a whole, have almost 51% of their useful life remaining and also reflect the City's commitment to effective and efficient use of resources to provide services.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2006

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 \$53,364,524 and \$52,939,051 for years ending December 31, 2006 and 2005.

By far the largest portion of the City's net assets, 123.32% at December 31, 2006 and 123.72% at December 31, 2005, 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 (14.13%) represents resources that are subject to external restrictions on how they may be used. Of the \$7,542,694 that is restricted at December 31, 2006: \$3,544,934 is the value of bond escrow accounts held for debt service payments, while the remaining amount is restricted to use for streets, health initiatives, insurance and construction. Of the \$7,455,132 that is restricted at December 31, 2005: \$2,887,476 is the value of bond escrow accounts held for debt service payments, while the remaining amount is restricted to use for streets, health initiatives, insurance and construction.

The City of York's unrestricted net asset balance of (\$19,985,005) and (\$20,010,466) at December 31, 2006 and 2005, 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 \$34,452,636 and \$34,734,357, respectively.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2006

TABLE 2
CONDENSED STATEMENT CHANGES IN NET ASSETS
DECEMBER 31, 2006 AND 2005

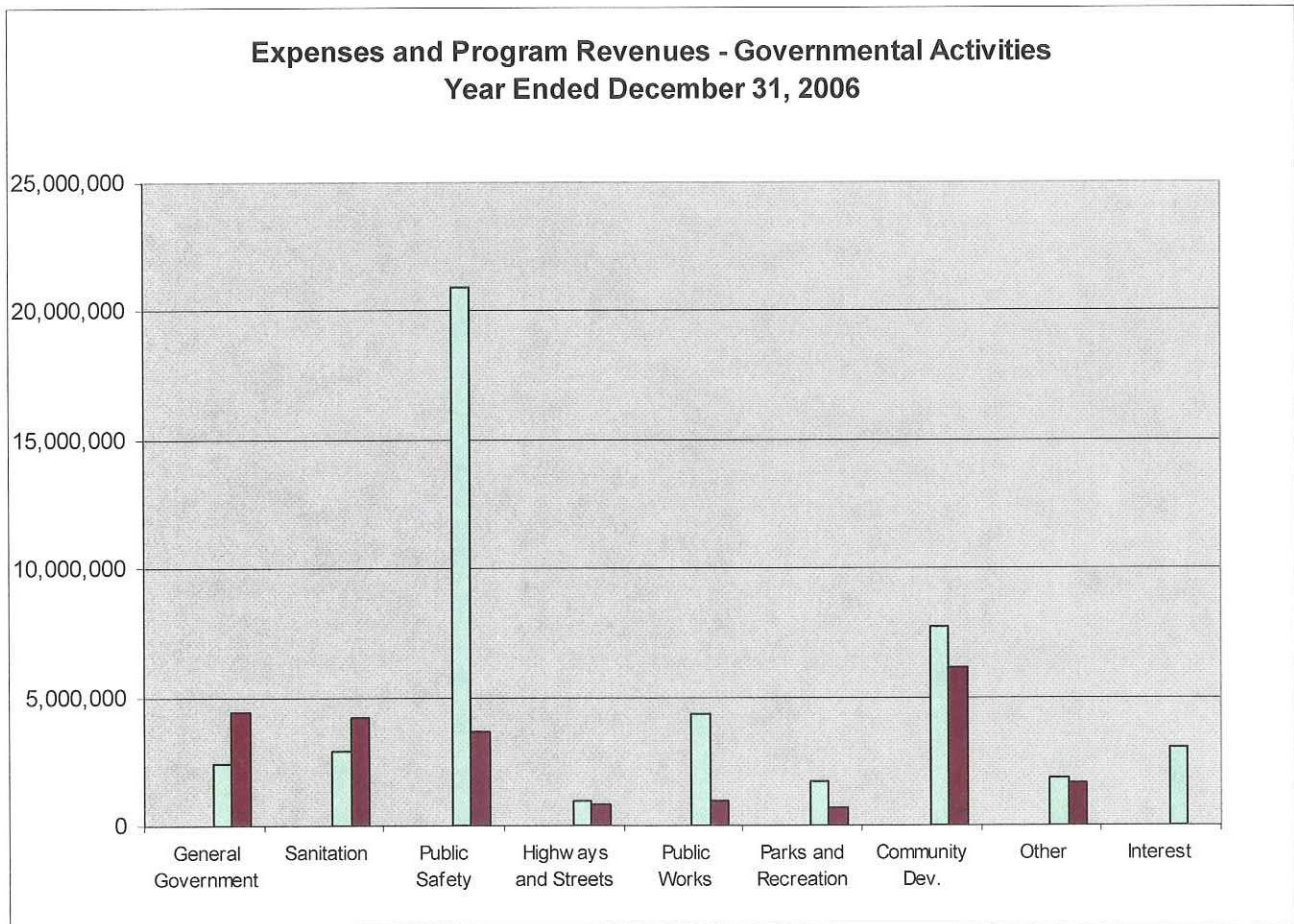
	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenue:						
Charges for services	\$ 11,669,846	\$ 11,744,143	\$ 12,692,366	\$ 13,183,626	\$ 24,362,212	\$ 24,927,769
Operating grants and contributions	10,886,335	10,159,074	7,012	-	10,893,347	10,159,074
Capital grants and contributions	100,000	100,000	-	121,115	100,000	221,115
Property taxes	12,954,686	11,712,494	-	-	12,954,686	11,712,494
Payment in lieu of taxes	576,293	638,093	-	-	576,293	638,093
Business taxes	2,854,792	3,013,250	-	-	2,854,792	3,013,250
Personal taxes	3,989,016	3,730,020	-	-	3,989,016	3,730,020
Unrestricted grants	1,602,978	1,545,336	-	151,500	1,602,978	1,696,836
Unrestricted investment earnings	650,484	514,352	1,730,620	1,855,468	2,381,104	2,369,820
Total revenues	45,284,430	43,156,762	14,429,998	15,311,709	59,714,428	58,468,471
Expenses:						
General government	2,437,556	5,738,806	-	-	2,437,556	5,738,806
Sanitation	2,877,840	2,624,749	-	-	2,877,840	2,624,749
Public safety	20,891,265	17,717,427	-	-	20,891,265	17,717,427
Highways and streets	1,001,138	1,069,370	-	-	1,001,138	1,069,370
Public works	4,364,167	4,332,422	-	-	4,364,167	4,332,422
Parks and recreation	1,699,250	1,570,672	-	-	1,699,250	1,570,672
Community development and planning	7,743,000	4,482,783	-	-	7,743,000	4,482,783
Other departments and programs	1,848,687	2,117,898	-	-	1,848,687	2,117,898
Legal Claims Settlement	-	1,500,000	-	-	-	1,500,000
Interest on long-term debt	3,044,555	3,018,908	-	-	3,044,555	3,018,908
Intermunicipal sewer	-	-	4,692,435	4,862,995	4,692,435	4,862,995
Sewer	-	-	7,039,675	7,568,148	7,039,675	7,568,148
Ice arena	-	-	1,597,970	1,830,206	1,597,970	1,830,206
Other	-	-	51,417	1,195	51,417	1,195
Total expenses	45,907,458	44,173,035	13,381,497	14,262,544	59,288,955	58,435,579
Change in net assets before transfers	(623,028)	(1,016,273)	1,048,501	1,049,165	425,473	32,892
Transfers	1,348,545	525,496	(1,348,545)	(525,496)	-	-
Change in net assets	725,517	(490,777)	(300,044)	523,669	425,473	32,892
Net assets, beginning of year, restated	3,572,651	4,060,532	49,366,400	48,842,731	52,939,051	52,903,263
Prior period adjustment	-	2,896	-	-	-	2,896
Net assets, end of year	\$ 4,298,168	\$ 3,572,651	\$ 49,066,356	\$ 49,366,400	\$ 53,364,524	\$ 52,939,051

CITY OF YORK, PENNSYLVANIA

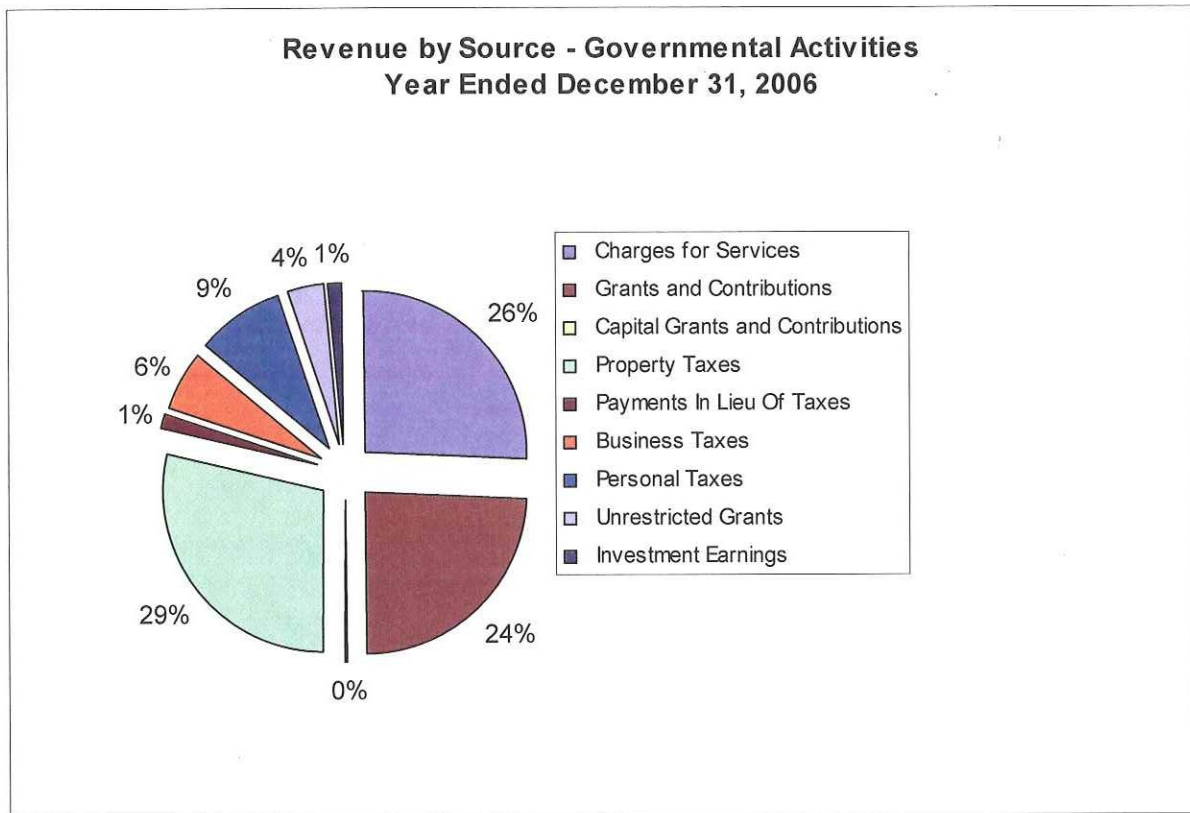
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2006

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, 2006, the increase in net assets of governmental activities resulted primarily from the accretion of capital appreciation debt in the amount of \$2,119,174, offset by principal payments on long-term debt of \$3,765,402 and depreciation of capital assets in the amount of \$3,399,342, offset against purchases of capital assets of \$2,455,432. For the year ended December 31, 2005, the decrease in net assets of governmental activities resulted primarily from the accretion of capital appreciation debt in the amount of \$2,037,103, offset by principal payments on long-term debt of \$3,660,303 and depreciation of capital assets in the amount of \$3,439,326, offset against purchases of capital assets of \$1,303,612.



CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006



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

87.96% of the revenue for business-type activities is derived from charges for services. The City's sewer system is comprised of the sewage collection infrastructure, one pumping station and the staff and equipment for the maintenance thereof. Expenses include the City's share of the annual debt payment on the 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 increased in January 2007.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2006

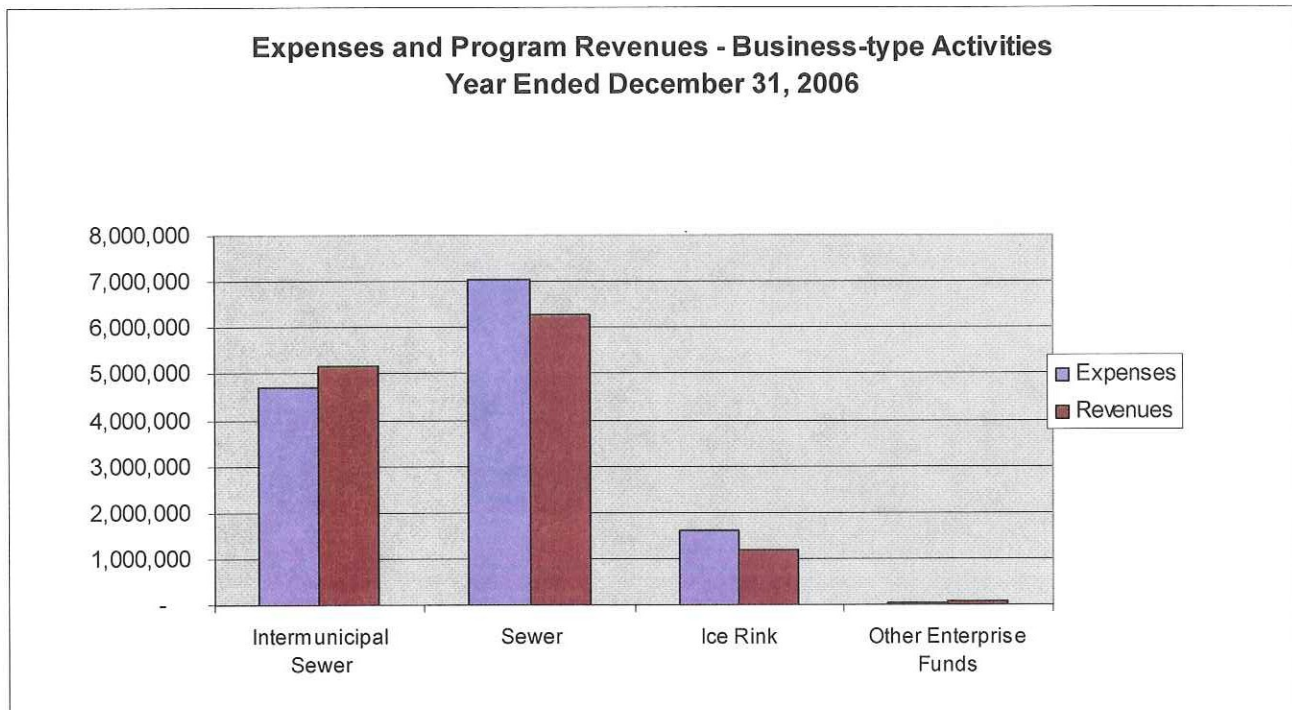
The City operates a state of the art regional waste water treatment plant that provides service to seven municipalities in addition to the City. Each municipality, including the City, pays a share of the bond debt on the facility and pays the actual cost of treatment for the waste water that the municipality 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. 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.

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006



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, 2006 and 2005, the City's governmental funds reported combined ending fund balances of \$1,920,693 and \$2,140,095. The City's unreserved fund balance (deficit), which is available for spending at the government's discretion, was \$1,537,565 and \$1,735,885 at December 31, 2006 and 2005. The remainder of the fund balance at December 31, 2006 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 \$241,628 and 2) for a community development in the amount of \$141,500.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2006

The general fund is the chief operating fund of the City. At December 31, 2006 and 2005, unreserved fund balance of the general fund was \$2,648,462 and \$2,729,524. 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 8.63% and 9.2% of total general fund expenditures at December 31, 2006 and 2005.

The fund balance of the City's general fund decreased by \$81,062 during the year ended December 31, 2006. Key factors in this decrease are as follows:

- Public safety expenditures increased due to significant increases in required contributions to the police and fire pension plans.
- Personnel costs increased overall due to continued increases in the cost of employee healthcare.

The fund balance of the City's general fund increased by \$1,352,135 during the year ended December 31, 2005. Key factors in this decrease are as follows:

- Earned tax collections increased due to an increase in the taxable earned income of city residents.
- Various projects in public works were funded for 2005, but no expenditures were made towards the projects. The combination of increased revenue and decreased expense in public works contributed \$215,000 toward the increase in the general fund.
- Several community development and public safety grant programs were budgeted to commence in 2005; however, did not begin until mid-year or were not operated due to low staffing.
- Approximately \$300,000 of the increase in the General Fund Budget can be contributed to the City police department through the combination of revenue lines exceeding budgeted amounts and actual expenditure under budgeted expenditures.
- Several budgeted positions were not staffed during the year.

The debt service fund has a total fund balance (deficit) of (\$186,959) and \$(297,855). The net increase/(decrease) in fund balance for the year ended December 31, 2006 and 2005 in the debt service fund was \$110,896 and (\$150,154). The 2006 increase was due to the increase of property tax revenue. The 2005 decrease was due to the state aid contribution being almost \$150,000 less than anticipated during the year.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2006

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, 2006 amounted to \$-, \$7,524,283 and (\$297,259), respectively. Unrestricted net assets of the Intermunicipal Sewer Fund, the Sewer Fund and the Ice Rink Fund at December 31, 2005 amounted to \$-, \$8,116,880 and (\$215,751), respectively. The total increase/(decrease) in net assets for these funds for the year ended December 31, 2006 was \$52,141, (\$753,872) and (\$26,303), respectively. The total decrease in net assets for these funds for the year ended December 31, 2005 was \$493,435, (\$330,008) and (\$60,310), 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, 2006, the final revenue, including transfers-in, budget was \$32,294,555 and the final expenditure, including transfers-out, budget was \$32,098,010.

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 2006, the single largest revenue item in General Fund was taxes at \$16,051,094. Actual taxes included \$9,763,163 in real estate taxes, \$2,535,198 in business taxes, \$3,752,733 in income and occupational privilege taxes. The second largest item includes charges for services which at \$6,936,883 includes sanitation fees of \$4,042,998. Grants and Contributions, at \$1,959,837, includes \$594,917 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 \$795,588. This shortfall represents the difference between several grant programs which were originally funded in 2006, but did not begin until mid-year or were not operated due to low staffing. The City also had a significant negative variance between final

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2006

budget and actual in the charges for services line item in the amount of \$645,579, which is mainly attributable to budgeted refuse fees. The City budgeted for an increase in refuse fees for the year ended December 31, 2006. However, this increase did not take place until April 2006. Therefore, actual revenues were less than the amount anticipated when the budget was prepared.

Total General Fund expenditures were \$30,662,973 for the year ended December 31, 2006. The single most expensive activity in the general fund is public safety, which is comprised of police and fire-rescue services, which amount to \$21,005,272, or 68.5% of the General Fund actual expenditures for the year ended December 31, 2006.

Most of the expenditure variances between final budget and actual were positive. The largest was in general government at \$478,339, and like its concomitant revenue, it was primarily due to the grant funding that was not fully drawn down and spent.

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, 2006 and 2005, amounts to \$101,134,181 and \$102,742,843 (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 1.6 percent (a 1.9 percent decrease for governmental activities and a 1.2 percent decrease for business-type activities).

Major capital asset events during the year ended December 31, 2006 included the following:

- A new traffic signal device was installed at a cost of approximately \$187,270.
- Various infrastructure projects, including road and walkway improvements, were completed at a cost of \$1,972,088.
- The City purchased several vehicles, including a \$275,496 sewer maintenance truck, \$125,422 recreation department front loader, community planning and development vehicles in the amount of \$44,819, and police vehicles in the amount of \$46,100.
- Various building and system additions and improvements were completed in the Sewer Fund's waste water treatment plant at a cost of \$1,228,114.

Major capital asset events during the year ended December 31, 2005 included the following:

- New computers, servers and related equipment and software were purchased for the City at the cost of approximately \$100,021.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2006

- Various infrastructure projects, including road and walkway improvements and handicap ramp projects, were completed at a cost of \$409,954.
- The City purchased several vehicles, including a \$47,140 dump truck, a \$52,079 mower, public works vehicles in the amount of \$152,346, and police vehicles in the amount of \$29,650.
- Various building and system additions and improvements were completed in the Sewer Fund's waste water treatment plant at a cost of \$1,695,717.

Additional information on the City's capital assets can be found in note 9 on page 38 of this report.

Long-Term Debt

At December 31, 2006 and 2005, the City had total bonded debt outstanding of \$48,319,512 and \$48,407,838, respectively. Revenue bonds in the amount of \$33,746,344 and \$35,880,246, respectively, represent bonds secured solely by specified revenue sources.

The City's total debt increased by \$2,222,228 during the year ended December 31, 2006. The City issued Series 2006 General Obligation Notes, in the amount of \$1,337,500, in order to finance a litigation settlement. This increase, in addition to \$4.1 million in accretion of capital appreciation bonds, was offset by \$7.7 million in debt repayments. Additionally, the City entered into several capital leases during 2006, to fund the installation of traffic lights and the acquisition of a dump truck, in the aggregate amount of \$462,766.

The City's total debt decreased by \$3,579,130 during the year ended December 31, 2005. 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 2005, to fund the acquisition of a dump truck, in an asphalt zipper and a diesel sweeper, in the aggregate amount of \$317,810.

Additional information on the City's long-term debt can be found in note 12 on page 42 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES:

The City of York continues to struggle to deliver critical public services to its residents. In this effort, York is not alone. Almost all 3rd class cities in Pennsylvania and many 1st class townships and boroughs face the same challenges: rising cost of services to be paid with a flat rate of growth of revenue in the context of continued requests by the public for more services.

In recent years, the most significant challenges have been the rising cost of employee health care, the increased MMO for employee pensions and increases in debt service that were scheduled back in 1998. A new challenge is presented by GASB 45, which prescribes the manner of calculating the amount of, and reporting the liability for, other post employment benefits, primarily retiree health care.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2006

In 2005, the City contribution to the employee pension funds was \$2,034,131. In 2006, the obligation was \$4,863,063, in 2007 \$4,960,833, and in 2008 it is calculated to be \$5,069,057. 98% of this contribution comes from the General Fund.

Employee health care costs continue to rise well beyond the rate of inflation. In 2006, the city budgeted \$3.15 million for medical, surgical, and dental employee health care. On a modified accrual basis, the city spent just under \$3.9 million, almost 20% more than was budgeted. For 2007, the city budgeted \$3.3 million for medical, surgical, and dental benefits for city employees and the latest projections predict that the City may spend up to \$4.3 million. The 2008 budget preparation is underway and preliminary proposals for a 2008 budget for city employee medical, surgical, and dental benefits are \$4.45 million. In 2002, the city spent \$2.3 million for this employee health care item. Thus, if projections hold true, the increase in this line item from 2002 through 2007 will be 46.5%.

Prescription plan costs have likewise risen significantly over the same period. In 2002, the city budgeted \$785k for prescriptions and spent \$982k. In 2006, on a modified accrual basis, we spent \$1.4 million on employee prescriptions. A 30% increase over that period of time.

With a flat real estate tax base value and essentially flat rate of revenue changes from other sources, the City cannot long sustain these rates of increase.

The most significant challenge is raised by GASB 45. The issue is how to fund and report the liability for retiree health insurance. Does the City pre-fund it or continue the past practice of "pay as you go." As of December 31, 2005, the total liability for all employee units was between \$39,924,582 and \$60,170,228. If the City were to act prudently and build resources in an irrevocable trust for the future payment of these benefits, as we do with employee pensions, our annual normal cost, amortization payment of the accrued unfunded liability and interest for one year would be \$4,777,974, while the amount of the liability to be added to our balance sheet if we choose to continue to pay as we go would be \$ 6,329,606. Complicating the decision process on this issue is that if the city were to deposit the resources into an irrevocable trust, the trust could only invest the resources in the same types of investments approved for all other city funds. Hence, while we could calculate the amount of the deposit using the higher rate of interest to reduce the amount required, the trust would not be permitted to invest in instruments that would yield such a return.

To meet these rapidly rising obligations, the City has increased fees, fines and taxes. Any revenue source of the city has been evaluated to determine whether it can be increased by the city. Some rates cannot be increased such as Business Privilege Tax and Mercantile Tax and EMST tax, while others can be increased like real estate taxes and some fines and fees. While the EMST tax brought in almost \$1.6 million in 2006, for 2008 certain amendments to the law passed by the state legislature in 2007 will reduce that revenue by 20% –30%, over the course of the next five years.

The City has increased the real estate tax rate from the 2002 total millage of 11.39 to a 2006 total millage of 13.17. This is a 13.5% increase over the period and that includes an adjustment of the rate downward to account for a 10% increase in real estate tax revenue resulting from a reassessment implemented in 2006.

CITY OF YORK, PENNSYLVANIA

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For 2007, the administration proposed to City Council that the City adopt a policy that each year the city would increase rates for taxes, fees and fines, in every class of revenue which the city can increase, by a factor related to the Consumer Price Index. This resulted in a real estate tax increase of .5 mills bringing the real estate tax rate to 13.67 mills for 2007.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	Primary Government				
	Governmental	Business-type		Component	
	Activities	Activities	Total	Units	Total
ASSETS					
Cash and cash equivalents	\$ 3,283,981	\$ 5,050,421	\$ 8,334,402	\$ 892,640	\$ 9,227,042
Receivables, net of allowance for uncollectible accounts:					
Taxes	5,396,320	-	5,396,320	-	5,396,320
Accounts	3,199,512	1,464,446	4,663,958	1,397,180	6,061,138
Loans	3,805,368	-	3,805,368	-	3,805,368
Interest	-	23,438	23,438	7,449	30,887
Internal balances	(840,295)	840,295	-	-	-
Due from component unit	312,910	-	312,910	-	312,910
Due from other governments	44,429	566,645	611,074	-	611,074
Inventory	-	8,403	8,403	-	8,403
Prepaid expenses	74,274	11,375	85,649	3,439	89,088
Restricted assets:					
Cash and cash equivalents	721,845	2,001,690	2,723,535	1,953,290	4,676,825
Investments, at fair value	-	7,148,291	7,148,291	-	7,148,291
Notes receivable	3,470,589	-	3,470,589	-	3,470,589
Lease rentals receivable	-	13,658,194	13,658,194	-	13,658,194
Capital assets, less accumulated depreciation and amortization	47,929,135	53,205,046	101,134,181	6,002,320	107,136,501
Deferred charges, net of accumulated amortization	-	-	-	233,777	233,777
Total assets	67,398,068	83,978,244	151,376,312	10,490,095	161,866,407
LIABILITIES					
Accounts payable and other current liabilities	3,295,996	356,684	3,652,680	30,554	3,683,234
Accrued liabilities	909,447	149,987	1,059,434	-	1,059,434
Due to primary government	-	-	-	314,910	314,910
Due to other governments	257,714	-	257,714	3,393	261,107
Deferred revenue	7,507,212	143,508	7,650,720	495,840	8,146,560
Line of credit	-	-	-	1,651,000	1,651,000
Noncurrent liabilities:					
Due within one year	4,076,107	4,252,220	8,328,327	721,877	9,050,204
Due in more than one year	47,053,424	30,009,489	77,062,913	6,185,778	83,248,691
Total liabilities	63,099,900	34,911,888	98,011,788	9,403,352	107,415,140

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	32,981,821	32,825,014	65,806,835	250,422	66,057,257
Restricted for:					
Community development and planning	141,500	-	141,500	-	141,500
Health initiatives	241,628	-	241,628	-	241,628
Highways and streets	253,807	-	253,807	-	253,807
Workers' compensation	608,262	-	608,262	-	608,262
Debt service	-	3,544,934	3,544,934	15,575	3,560,509
Construction	-	2,752,563	2,752,563	-	2,752,563
Unrestricted	<u>(29,928,850)</u>	<u>9,943,845</u>	<u>(19,985,005)</u>	<u>820,746</u>	<u>(19,164,259)</u>
Total net assets	<u>\$ 4,298,168</u>	<u>\$ 49,066,356</u>	<u>\$ 53,364,524</u>	<u>\$ 1,086,743</u>	<u>\$ 54,451,267</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2006

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		Component Units	Total	
						Governmental Activities	Business-type Activities			
Primary government										
Governmental activities:										
General government	\$ 2,437,556	\$ 2,283,060	\$ 2,153,300	\$ -	\$ -	\$ 1,998,804	\$ -	\$ -	\$ 1,998,804	\$ 1,998,804
Sanitation	2,877,840	4,187,173	36,642	-	-	1,345,975	-	-	1,345,975	1,345,975
Public safety	20,891,265	3,131,145	508,630	-	-	(17,251,490)	-	-	(17,251,490)	(17,251,490)
Highways and streets	1,001,138	119,075	734,420	-	-	(147,643)	-	-	(147,643)	(147,643)
Public works	4,564,167	74,780	903,735	-	-	(3,385,652)	-	-	(3,385,652)	(3,385,652)
Parks and recreation	1,699,250	395,926	204,418	100,000	-	(998,906)	-	-	(998,906)	(998,906)
Community development and planning	7,743,000	1,475,473	4,695,831	-	-	(1,571,696)	-	-	(1,571,696)	(1,571,696)
Other departments and programs	1,848,687	3,214	1,649,359	-	-	(196,114)	-	-	(196,114)	(196,114)
Interest on long-term debt	3,044,555	-	-	-	-	(3,044,555)	-	-	(3,044,555)	(3,044,555)
Total governmental activities	45,907,458	11,669,846	10,886,335	100,000	-	(23,251,277)	-	-	(23,251,277)	(23,251,277)
Business-type activities:										
Intermunicipal sewer	4,692,435	5,171,067	-	-	-	-	478,632	-	478,632	478,632
Sewer	7,039,675	6,259,748	-	-	-	-	(779,927)	-	(779,927)	(779,927)
Ice rink	1,597,970	1,178,060	-	-	-	-	(419,910)	-	(419,910)	(419,910)
Other enterprise funds	51,417	83,491	7,012	-	-	-	39,086	-	39,086	39,086
Total business-type activities	13,381,497	12,692,366	7,012	-	-	-	(682,119)	-	(682,119)	(682,119)
Total primary government	59,288,955	24,362,212	10,893,347	100,000	-	(23,251,277)	(682,119)	-	(23,933,396)	(23,933,396)
Component units:										
Redevelopment Authority	\$ 3,577,325	\$ 265,500	\$ 2,477,719	\$ -	\$ -	-	-	(834,106)	(834,106)	(834,106)
General Authority	1,769,055	1,969,275	-	-	-	-	-	200,220	200,220	200,220
Total component units	5,346,380	2,234,775	2,477,719	-	-	-	-	(633,886)	(633,886)	(633,886)
General revenues:										
Property taxes						12,931,883	-	-	12,931,883	12,931,883
Occupational privilege taxes						1,511,676	-	-	1,511,676	1,511,676
Earned income taxes						2,477,340	-	-	2,477,340	2,477,340
Business privilege taxes						2,410,917	-	-	2,410,917	2,410,917
Franchise taxes						426,650	-	-	426,650	426,650
Public utility realty taxes						22,803	-	-	22,803	22,803
Beverage taxes						17,225	-	-	17,225	17,225
Payments in lieu of taxes						576,293	-	-	576,293	576,293
Grants and contributions not restricted to specific functions						1,602,978	-	-	1,602,978	1,602,978
Miscellaneous revenue						-	-	-	-	-
Unrestricted investment earnings						650,484	1,730,620	518,700	2,381,104	518,700
Transfers - internal activities						1,348,545	(1,348,545)	106,314	-	106,314
Total general revenues and transfers						23,976,794	382,075	625,014	24,358,869	24,983,883
Change in net assets (deficits)						725,517	(300,044)	(8,872)	425,473	416,601
Net assets - beginning of year, restated						3,572,651	49,366,400	1,095,615	52,939,051	54,034,666
Net assets - end of year						\$ 4,298,168	\$ 49,066,356	\$ 1,086,743	\$ 53,364,524	\$ 54,451,267

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 184,523	\$ -	\$ 500,523	\$ 685,046
Restricted cash and cash equivalents	-	113,583	-	113,583
Receivables:				
Loans (less allowance for doubtful accounts of \$33,000 in the General Fund, \$693,689 in Other Governmental Funds)	370,847	-	3,434,521	3,805,368
Taxes (less allowance for doubtful accounts of \$799,429 in the General Fund, \$192,253 in the Debt Service Fund, \$83,209 in the Other Governmental Funds)	5,098,502	205,713	92,105	5,396,320
Accounts (less allowance for doubtful accounts of \$2,747,873 in the General Fund)	1,342,550	123	1,784,098	3,126,771
Notes receivable	-	3,464,319	-	3,464,319
Due from other funds	1,852,296	-	150,006	2,002,302
Due from other governments	-	-	44,429	44,429
Due from component units	312,910	-	-	312,910
Total assets	<u>\$ 9,161,628</u>	<u>\$ 3,783,738</u>	<u>\$ 6,005,682</u>	<u>\$ 18,951,048</u>
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable and accrued expenses	\$ 675,342	\$ 2,505	\$ 1,286,951	\$ 1,964,798
Accrued wages payable	586,029	-	45,311	631,340
Due to other funds	650,204	311,619	1,201,262	2,163,085
Due to other governments	-	-	257,714	257,714
Deferred revenues	4,601,591	3,656,573	3,755,254	12,013,418
Total liabilities	<u>6,513,166</u>	<u>3,970,697</u>	<u>6,546,492</u>	<u>17,030,355</u>
Fund balances (deficits):				
Reserved for:				
Health initiatives	-	-	241,628	241,628
Community development	-	-	141,500	141,500
Unreserved, reported in:				
General fund	2,648,462	-	-	2,648,462
Debt service fund	-	(186,959)	-	(186,959)
Special revenue funds	-	-	(574,913)	(574,913)
Capital projects	-	-	(349,025)	(349,025)
Total fund balances (deficits)	<u>2,648,462</u>	<u>(186,959)</u>	<u>(540,810)</u>	<u>1,920,693</u>
Total liabilities and fund balances (deficits)	<u>\$ 9,161,628</u>	<u>\$ 3,783,738</u>	<u>\$ 6,005,682</u>	<u>\$ 18,951,048</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS****DECEMBER 31, 2006**

Fund balances - total governmental funds \$ 1,920,693

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	98,232,680	
Less accumulated depreciation	<u>(50,303,545)</u>	47,929,135

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

4,512,476

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	(34,452,636)	
Notes payable	(14,036,065)	
Capitalized lease obligation	(392,960)	
Compensated absences	(893,711)	
Accrued interest payable	<u>(261,691)</u>	(50,037,063)

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	839,260	
Adjustment related to enterprise funds	<u>(866,333)</u>	<u>(27,073)</u>

Net assets of governmental activities \$ 4,298,168

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2006

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 16,051,094	\$ 2,339,661	\$ 992,697	\$ 19,383,452
Licenses and permits	1,709,334	-	-	1,709,334
Fines and forfeits	1,417,026	-	-	1,417,026
Grants and contributions	1,959,837	1,602,943	9,232,151	12,794,931
Charges for services	6,936,883	-	516,790	7,453,673
Loan repayments	31,500	777,815	388,315	1,197,630
Interest	335,363	9,573	48,038	392,974
Miscellaneous	475,048	-	211,745	686,793
Total revenues	28,916,085	4,729,992	11,389,736	45,035,813
Expenditures:				
Current				
General government	2,021,843	9,938	118,463	2,150,244
Sanitation	2,842,478	-	-	2,842,478
Public safety	21,005,272	-	-	21,005,272
Highways and streets	569,083	-	349,760	918,843
Public works	1,942,525	-	-	1,942,525
Parks and recreation	-	-	1,419,010	1,419,010
Community development and planning	2,161,459	-	5,543,197	7,704,656
Other departments and programs	120,313	-	1,627,658	1,747,971
Debt service:				
Principal retirements	-	3,545,000	220,402	3,765,402
Interest	-	802,703	97,884	900,587
Capital outlay	-	-	2,394,042	2,394,042
Total expenditures	30,662,973	4,357,641	11,770,416	46,791,030
Excess (deficiency) of revenues over (under) expenditures	(1,746,888)	372,351	(380,680)	(1,755,217)
Other financing sources (uses):				
Proceeds from the issuance of debt	-	-	187,270	187,270
Transfers in	1,748,094	130,000	453,305	2,331,399
Transfers out	(82,268)	(391,455)	(509,131)	(982,854)
Total other financing sources (uses)	1,665,826	(261,455)	131,444	1,535,815
Net change in fund balances (deficits)	(81,062)	110,896	(249,236)	(219,402)
Fund balances (deficits) - beginning of year, restated	2,729,524	(297,855)	(291,574)	2,140,095
Fund balances (deficits) - end of year	\$ 2,648,462	\$ (186,959)	\$ (540,810)	\$ 1,920,693

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, 2006

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

Net change in fund balances (deficits) - total governmental funds	\$	(219,402)
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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	2,455,431	
Depreciation expense	<u>(3,399,342)</u>	(943,911)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

154,695

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	(187,270)	
Principal repayments	<u>3,765,402</u>	3,578,132

Some expenses reported in the statement of activities when incurred do not require the use of current financial resources when paid in governmental funds and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	18,325	
Accrued interest	52,413	
Litigation Settlement	1,300,000	
Amortization of bond discounts	<u>(2,118,908)</u>	(748,170)

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	(785,926)	
Adjustment related to enterprise funds	<u>(309,901)</u>	<u>(1,095,827)</u>

Change in net assets of governmental activities	\$	<u><u>725,517</u></u>
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See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2006

	Business-type Activities - Enterprise Funds					
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Funds	Total	Internal Service Fund
Assets						
Current assets:						
Cash and cash equivalents	\$ 2,674,735	\$ 498,520	\$ 66,577	1,810,589	\$ 5,050,421	\$ 2,598,935
Receivables:						
Lease rentals, current	-	988,428	-	-	988,428	-
Accrued interest receivable	-	23,438	-	-	23,438	-
Accounts receivable (less allowance for doubtful accounts of \$4,095,160)	343,161	1,022,149	54,063	45,073	1,464,446	72,741
Inventory	-	-	8,403	-	8,403	-
Prepaid expenses	-	-	11,375	-	11,375	74,274
Due from other funds	-	1,182,003	-	-	1,182,003	186,821
Due from other governments	566,645	-	-	-	566,645	-
Total current assets	3,584,541	3,714,538	140,418	1,855,662	9,295,159	2,932,771
Restricted assets:						
Cash and cash equivalents	-	2,001,690	-	-	2,001,690	608,262
Investments	-	7,148,291	-	-	7,148,291	-
Total restricted assets	-	9,149,981	-	-	9,149,981	608,262
Noncurrent assets:						
Lease rentals receivable, long term	-	12,669,766	-	-	12,669,766	-
Capital assets, net of accumulated depreciation	-	48,105,820	5,099,226	-	53,205,046	-
Total noncurrent assets	-	60,775,586	5,099,226	-	65,874,812	-
Total assets	3,584,541	73,640,105	5,239,644	1,855,662	84,319,952	3,541,033
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	282,885	30,102	40,179	3,518	356,684	1,331,198
Accrued wages payable	66,277	13,518	14,301	1,656	95,752	16,416
Accrued interest	-	-	54,235	-	54,235	-
Due to other funds	907,593	-	300,448	-	1,208,041	-
Deferred revenue	-	114,994	28,514	-	143,508	-
Total current liabilities	1,256,755	158,614	437,677	5,174	1,858,220	1,347,614
Current liabilities payable from restricted assets:						
Current portion of capitalized lease obligations	-	72,220	-	-	72,220	-
Current portion of bonds and notes payable	-	3,875,000	305,000	-	4,180,000	153,539
Total current liabilities payable from restricted resources	-	3,947,220	305,000	-	4,252,220	153,539
Noncurrent liabilities:						
Accrued compensated absences	194,481	29,002	-	-	223,483	16,659
Capitalized lease obligations	-	219,662	-	-	219,662	-
Bonds and notes outstanding	-	23,401,344	6,165,000	-	29,566,344	1,183,961
Total noncurrent liabilities	194,481	23,650,008	6,165,000	-	30,009,489	1,200,620
Total liabilities	1,451,236	27,755,842	6,907,677	5,174	36,119,929	2,701,773
Net Assets (Deficits)						
Invested in capital assets, net of related debt	-	34,195,788	(1,370,774)	-	32,825,014	-
Restricted:						
Debt service	-	3,544,934	-	-	3,544,934	-
Construction	2,133,305	619,258	-	-	2,752,563	-
Workers' compensation	-	-	-	-	-	608,262
Unrestricted	-	7,524,283	(297,259)	1,850,488	9,077,512	230,998
Total net assets (deficits)	\$ 2,133,305	\$ 45,884,263	\$ (1,668,033)	\$ 1,850,488	\$ 48,200,023	\$ 839,260
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					866,333	
Net assets of business-type activities					\$ 49,066,356	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS (DEFICITS) - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2006

	Business-type Activities - Enterprise Funds					
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Funds	Total	Internal Service Fund
Operating revenues:						
Charges for services	\$ 5,168,117	\$ 5,427,989	\$ 637,913	\$ -	\$ 11,234,019	\$ 8,661,265
Rental income	-	-	537,703	-	537,703	-
Revenue from other local governments	-	-	-	83,491	83,491	-
Miscellaneous income	2,950	759	2,444	-	6,153	59
Total operating revenues	5,171,067	5,428,748	1,178,060	83,491	11,861,366	8,661,324
Operating expenses:						
Personnel services	1,643,078	352,002	390,075	33,123	2,418,278	738,505
Utilities	591,594	-	147,755	1,451	740,800	-
Treatment costs	-	1,375,494	-	-	1,375,494	-
Contractual services	228,991	213,757	44,072	-	486,820	-
Professional services	117,160	301,100	60,000	1,300	479,560	237,195
Materials and supplies	384,529	67,138	198,810	11,392	661,869	135,545
Sludge	403,002	-	-	-	403,002	-
Administrative	460,960	539,847	125,666	-	1,126,473	178,700
Health insurance claims	-	-	-	-	-	5,311,924
Insurance premiums	-	-	30,342	-	30,342	826,619
Worker's compensation insurance	-	-	-	-	-	256,408
Depreciation	-	1,942,051	268,150	-	2,210,201	-
Miscellaneous	1,100,594	279,153	3,340	4,151	1,387,238	492,499
Total operating expenses	4,929,908	5,070,542	1,268,210	51,417	11,320,077	8,177,395
Operating income (loss)	241,159	358,206	(90,150)	32,074	541,289	483,929
Nonoperating revenue (expenses):						
Investment income	118,346	1,531,119	2,152	79,003	1,730,620	107,352
Contributions	-	-	-	7,012	7,012	-
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Legal claims settlement	-	-	-	-	-	(1,300,000)
Interest expense	-	(2,041,561)	(329,760)	-	(2,371,321)	(77,207)
Total nonoperating revenue (expenses)	118,346	320,558	(327,608)	86,015	197,311	(1,269,855)
Change in net assets before transfers	359,505	678,764	(417,758)	118,089	738,600	(785,926)
Transfers in	-	307,364	391,455	-	698,819	-
Transfers out	(307,364)	(1,740,000)	-	-	(2,047,364)	-
Change in net assets (deficits)	52,141	(753,872)	(26,303)	118,089	(609,945)	(785,926)
Net assets (deficits) - beginning of year	2,081,164	46,638,135	(1,641,730)	1,732,399		1,625,186
Net assets (deficits) - end of year	\$ 2,133,305	\$ 45,884,263	\$ (1,668,033)	\$ 1,850,488		\$ 839,260
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					309,901	
Change in net assets (deficits) of business-type activities					\$ (300,044)	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2006

	Business-type Activities - Enterprise Funds					
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Funds	Total	Internal Service Fund
Cash flows from operating activities:						
Receipts from customers and users	\$ 4,307,809	\$ 5,455,776	\$ 1,223,907	\$ 66,266	\$ 11,053,758	\$ 8,633,410
Payments to suppliers	(2,539,693)	(3,697,940)	(600,430)	(7,878)	(6,845,941)	(7,145,687)
Payments to employees	(1,618,786)	(351,511)	(388,229)	(31,467)	(2,389,993)	(735,500)
Net cash provided by operating activities	149,330	1,406,325	235,248	26,921	1,817,824	752,223
Cash flows from noncapital financing activities:						
Transfers in	-	307,364	391,455	-	698,819	-
Transfers out	(307,364)	(1,740,000)	-	-	(2,047,364)	-
Proceeds from issuance of bonds	-	-	-	-	-	1,337,500
Payment of legal claim settlement	-	-	-	-	-	(1,300,000)
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Net cash provided by (used in) noncapital financing activities	(307,364)	(601,636)	391,455	-	(517,545)	37,500
Cash flows from capital and related financing activities:						
Capital outlays	-	(1,236,600)	(33,356)	-	(1,269,956)	-
Contributions	-	-	-	7,012	7,012	-
Principal receipts on lease rentals receivable	-	923,636	-	-	923,636	-
Principal payments on bonds	-	(3,875,000)	(290,000)	-	(4,165,000)	-
Principal payments on capital lease	-	(64,622)	-	-	(64,622)	-
Interest paid	-	(10,111)	(331,936)	-	(342,047)	(77,207)
Net cash provided by (used in) capital and related financing activities	-	(4,262,697)	(655,292)	7,012	(4,910,977)	(77,207)
Cash flows from investing activities:						
Sales of investment securities	-	315,808	-	-	315,808	-
Investment income	118,346	1,531,119	2,152	79,003	1,730,620	107,352
Net cash provided by investing activities	118,346	1,846,927	2,152	79,003	2,046,428	107,352
Net increase (decrease) in cash and cash equivalents	(39,688)	(1,611,081)	(26,437)	112,936	(1,564,270)	819,868
Cash and cash equivalents - beginning of year	2,714,423	4,111,291	93,014	1,697,653	8,616,381	2,387,329
Cash and cash equivalents - end of year	\$ 2,674,735	\$ 2,500,210	\$ 66,577	\$ 1,810,589	\$ 7,052,111	\$ 3,207,197
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 241,159	\$ 358,206	\$ (90,150)	\$ 32,074	\$ 541,289	\$ 483,929
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	-	1,942,051	268,150	-	2,210,201	-
(Increase) decrease in:						
Accounts receivable	(155,037)	24,775	36,142	(20,717)	(114,837)	(27,914)
Inventory	-	-	(1,305)	-	(1,305)	-
Prepaid expenses	-	-	2,042	-	2,042	66,499
Due from other funds	-	(740,607)	-	10,416	(730,191)	-
Due from other governments	(566,645)	-	-	-	(566,645)	-
Increase (decrease) in:						
Accounts payable and accrued expenses	16,946	(180,844)	8,818	3,492	(151,588)	226,704
Accrued wages payable	1,329	(180)	1,846	1,656	4,651	867
Accrued compensated absences	22,963	671	-	-	23,634	2,138
Deferred revenue	-	2,253	9,705	-	11,958	-
Due to other funds	730,191	-	-	-	730,191	-
Due to other governments	(141,576)	-	-	-	(141,576)	-
Net cash provided by operating activities	\$ 149,330	\$ 1,406,325	\$ 235,248	\$ 26,921	\$ 1,817,824	\$ 752,223
Non cash items:						
Proceeds from capital lease obligations	\$ -	\$ 275,496	\$ -	\$ -	\$ 275,496	\$ -
Acquisition of equipment through capital lease obligations	\$ -	\$ 275,496	\$ -	\$ -	\$ 275,496	\$ -

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2006

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 3,730,896	\$ 373,700
Investments, at fair value	78,663,738	-
Total assets	82,394,634	373,700
Liabilities		
Accounts payable and accrued expenses	-	332,091
Other payables	-	6,123
Due to other governments	-	35,486
Total liabilities	-	\$ 373,700
Net assets		
Held in trust for pension benefits	\$ 82,394,634	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUNDS****YEAR ENDED DECEMBER 31, 2006**

Additions:

Contributions

Employee contributions

\$ 562,311

Employer contributions

4,863,063

Total contributions

5,425,374

Investment income:

Interest and dividend income

1,403,131

Net appreciation of investments

6,714,752

8,117,883

Less investment expense

(263,190)

Net investment income

7,854,693

Total additions

13,280,067

Deductions:

Benefit payments

(5,596,631)

Net increase

7,683,436

Net assets held in trust for pension benefits,
beginning of year74,711,198Net assets held in trust for pension benefits,
end of year\$ 82,394,634

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS - COMPONENT UNITS
DECEMBER 31, 2006

	Redevelopment Authority	General Authority	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 593,834	\$ 298,806	\$ 892,640
Restricted cash and cash equivalents	-	1,953,290	1,953,290
Accounts receivable	1,397,180	-	1,397,180
Due from other governments	-	-	-
Accrued interest	-	7,449	7,449
Prepaid expenses	3,439	-	3,439
Total current assets	1,994,453	2,259,545	4,253,998
Noncurrent assets:			
Capital assets (net of accumulated depreciation of \$564,012 and \$5,823,331)	2,961,053	3,041,267	6,002,320
Capitalized bond costs (net of accumulated amortization of \$20,545 and \$339,327)	82,968	150,809	233,777
Total noncurrent assets	3,044,021	3,192,076	6,236,097
Total assets	5,038,474	5,451,621	10,490,095
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	11,589	18,965	30,554
Due to primary governments	2,000	312,910	314,910
Due to other governments	3,393	-	3,393
Deferred revenues	40,000	455,840	495,840
Escrowed funds	-	-	-
Line of credit	1,651,000	-	1,651,000
Current portion of bonds payable	85,000	-	85,000
Current portion of note payable	8,336	628,541	636,877
Total current liabilities	1,801,318	1,416,256	3,217,574
Noncurrent liabilities:			
Bonds payable	3,350,000	-	3,350,000
Note payable	-	2,835,778	2,835,778
Total noncurrent liabilities	3,350,000	2,835,778	6,185,778
Total liabilities	5,151,318	4,252,034	9,403,352
Net Assets			
Invested in capital assets, net of related debt	(390,979)	641,401	250,422
Restricted:			
Debt service	15,575	-	15,575
Construction	-	-	-
Unrestricted	262,560	558,186	820,746
Total net assets	\$ (112,844)	\$ 1,199,587	\$ 1,086,743

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF ACTIVITIES - COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2006

	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	\$ 3,577,325	\$ 265,500	\$ 2,477,719	\$ (834,106)	\$ -	\$ (834,106)
General Authority	1,769,055	1,969,275	-	-	200,220	200,220
Total component units	<u>\$ 5,346,380</u>	<u>\$ 2,234,775</u>	<u>\$ 2,477,719</u>	<u>\$ (834,106)</u>	<u>200,220</u>	<u>(633,886)</u>
General revenues:						
Miscellaneous revenue				518,700	-	518,700
Unrestricted investment earnings				10,000	96,314	106,314
Change in net assets				(305,406)	296,534	(8,872)
Net assets - beginning of year				192,562	903,053	1,095,615
Net assets - end of year				<u>\$ (112,844)</u>	<u>\$ 1,199,587</u>	<u>\$ 1,086,743</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

- Organizations that are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the City.

Based on the foregoing criteria, the reporting entity has been defined to include all the fund types for which the City is financially accountable and entities with which there is a significant relationship. Specific information on the nature of the various component units and a 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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 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,

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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 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.

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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.

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 - 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.

CITY OF YORK, PENNSYLVANIA

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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 and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted Cash, Cash Equivalents, and Investments

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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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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 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.

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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 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

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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 reduce 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.

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.

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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, 2006.

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 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.

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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.
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 year's budget document. The City does not amend the original budget in accordance with the Third Class Code.

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NOTES TO BASIC FINANCIAL STATEMENTS

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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.

3. FUND DEFICITS/DEFICIT NET ASSETS

As of December 31, 2006, six 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, 2006, of \$646,308, is financed by loans from the general fund as a result of revenue falling short of the budget.

Special Projects Fund - The fund deficit, at December 31, 2006, of \$182,412, 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, 2006, of \$186,959, is financed by loans from the general fund as a result of revenue falling short of the budget.

Capital Projects Fund - The fund deficit, at December 31, 2006, of \$349,025, is financed by loans from the general fund as a result of revenue falling short of budget.

Weyer Trust Fund - The fund deficit, at December 31, 2006, of \$6,838, is financed by loans from the general fund. The deficit resulted from losses during the period of 1999 to 2002. The City continues to reduce the deficit annually.

Ice Rink Fund - The fund deficit, at December 31, 2006, of \$1,668,033, is a result of assuming the capital assets and debt of the York Recreation Corporation and continuing losses. To assist in reducing the deficit, the City has hired a private company with expertise in operating public ice skating rinks nationally.

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NOTES TO BASIC FINANCIAL STATEMENTS

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During 2006, 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 the general fund and other funds.

Early Intervention Program

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

The City of York's EIP report projects that if no changes are made, by 2010 the City will be confronted by annual budget deficits in excess of \$4.9 million. The report includes a list of options to increase revenue and decrease the rate of growth in expenses. If all of the options listed were implemented and the projections included in the report were realized, the annual budgetary deficits would be tenuously balanced through 2009 and would fall out of balance again in 2010.

The City has implemented many of the options described in the report. Although the changes do not eliminate the projected deficits, they are significantly reduced. While it may be necessary in the future for the City to evaluate whether it should file for distressed municipality status under Act 47, that action is not currently under consideration.

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 13.17 mills including amounts for debt service and recreation.

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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 2006, was as follows:

February 15, 2006	—	levy date
February 15 – April 17, 2006	—	2% discount period
April 17 – June 16, 2006	—	face payment period
June 16 – December 31, 2006	—	10% penalty period
January 1, 2007	—	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.

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.

CITY OF YORK, PENNSYLVANIA

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The deposits and investments of the fiduciary funds are administered by trustees and are held separately from those of public funds.

A. Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a custodial credit risk policy for deposits. As of December 31, 2006, the City's book balance was \$10,808,209 and the bank balance was \$11,212,992. Of the bank balance, \$479,152 was covered by federal depository insurance, \$10,733,840 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of Federal Depository Insurance limits.

Cash and cash equivalents per financial statement:

Governmental activities:

Unrestricted \$ 3,283,981

Restricted 721,845

Business-type activities:

Unrestricted 5,050,421

Restricted 2,001,690

Fiduciary funds:

Pension trust funds 3,730,896

Agency funds 373,700

15,162,533

Less money market funds (4,354,324)

Total deposits \$ 10,808,209

CITY OF YORK, PENNSYLVANIA

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B. Investments

The fair value of the investments of the City at December 31, 2006, was as follows:

	<u>Fair Value</u>
Governmental activities:	
Unrestricted - Money market funds	\$ 15,166
Restricted - Money market funds	<u>608,262</u>
Total governmental activities	<u>623,428</u>
Business-type activities:	
Restricted:	
U.S. Government Obligations	3,469,288
Guaranteed investment contracts	<u>3,679,003</u>
Total business-type activities	<u>7,148,291</u>
Fiduciary funds:	
Pension trust funds:	
Money market funds	3,730,896
U.S. Government Agency Obligations	1,265,231
Corporate bonds/notes	493,040
Fixed income mutual funds	15,432,365
Real estate investment trust	2,724,622
Equity mutual funds	42,632,954
Common stock	<u>16,115,526</u>
Total fiduciary funds	<u>82,394,634</u>
Total investments	<u>\$ 90,166,353</u>

In addition, at December 31, 2006, the City had \$816,166 held in money market funds which had a book balance of zero.

Custodial credit risk. Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The City does not have an investment policy for custodial credit risk. All of the City's investments are held by the counterparty's trust department or agent not in the City's name.

CITY OF YORK, PENNSYLVANIA

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The U.S. government obligations of the business-type activities are comprised of U.S. Treasury principal-only STRIPS. These particular STRIPS have little credit and legal risk while the market risk is significant as principal-only STRIPS are more sensitive to fluctuations in interest rates than other traditional investments. The carrying amount of these STRIPS at December 31, 2006 was \$3,469,288 and is reported as part of restricted investments on the statement of net assets.

Concentration of credit risk. The City places no limit on the amount the City may invest in any one issuer. More than 5 percent of the City's investments are held as follows:

	<u>Fair Value</u>	<u>Percent of Investments</u>
Western Asset Core Plus Bond Fund I	\$ 11,570,505	12.72%

Credit risk. The City's fixed income investments had the following level of exposure to credit risk as of December 31, 2006:

	<u>Fair Value</u>	<u>Rating</u>
Money market funds	\$ 1,924,046	Aaa
Money market funds	\$ 3,246,444	Unrated
Fixed income mutual funds	\$ 15,432,365	Unrated
U.S. Government Agency Obligations	\$ 297,468	Aaa
U.S. Government Agency Obligations	\$ 967,763	Bb
Corporate bonds and notes	\$ 493,040	Aaa
Guaranteed investment contract	\$ 3,679,003	Unrated
Real estate investment trust	\$ 2,724,622	Unrated

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

	Fair Value	Investment Maturity (In Years)			
		Less than 1	1-5	6-10	Greater than 10
Money market funds	\$ 5,170,490	\$ 5,170,490	\$ -	\$ -	\$ -
Fixed income mutual funds	15,432,365	-	-	15,432,365	-
U.S. Government Agency obligations	1,265,231	1,265,231	-	-	-
Corporate bonds and notes	493,040	493,040	-	-	-
Guaranteed investment contracts	3,679,003	-	-	-	3,679,003
	<u>\$ 26,040,129</u>	<u>\$ 6,928,761</u>	<u>\$ -</u>	<u>\$ 15,432,365</u>	<u>\$ 3,679,003</u>

Component Units

General Authority

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

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2006, the Authority's book balances were \$298,806 and the bank balance was \$110,860. Of the bank balance, \$101,000 was covered by federal depository insurance and \$9,860 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of Federal Depository Insurance limits.

Investments

At December 31, 2006, the fair value of the Authority's investment in money market funds was \$1,953,290.

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Custodial credit risk – Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Authority does not have an investment policy for custodial credit risk. All investments of the Authority are held by the financial institution, not in the Authority's name.

Concentration of credit risk – The Authority places no limit on the amount the Authority may invest in any one issuer. At December 31, 2006, 100% of the Authority's investments were held in MTB U.S. Government money market funds.

Credit risk – At December 31, 2006, the money market funds were rated AAAM by Standard and Poors.

Interest rate risk – The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority's money market funds had a weighted average maturity of less than one year.

Redevelopment Authority

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

Deposits

Custodial Credit Risk - The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2006, the Authority's book balances were \$578,258 and the bank balance was \$578,258. Of the bank balance, \$299,213 was covered by federal depository insurance, and the remaining balance of \$279,045 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of Federal Depository Insurance limits.

Investments

At December 31, 2006, the fair value of the Authority's investment in money market funds was \$15,576.

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Custodial credit risk – The Authority does not have an investment policy for custodial credit risk. All investments of the Authority are held by the financial institution, not in the Authority's name.

Concentration of credit risk – The Authority places no limit on the amount the Authority may invest in any one issuer. At December 31, 2006, 100% of the Authority's investments were held in MTB U.S. Government money market funds.

Credit risk – At December 31, 2006, the money market funds were rated AAA by Standard and Poors.

Interest rate risk – The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority's money market funds had a weighted average maturity of less than one year.

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, 2006.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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, 2006.

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, 2006.

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 loan bears no interest and the principal shall be due and payable December 31, 2035. As of December 31, 2006, 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, 2006.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

7. DUE TO/FROM AND INTERFUND TRANSFERS

Individual due to/from other fund balances at December 31, 2006, were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ 1,852,296	\$ 650,204
Debt service fund	-	311,619
Other governmental funds	150,006	1,201,262
Intermunicipal sewer fund	-	907,593
Sewer fund	1,182,003	-
Ice rink fund	-	300,448
Internal service fund	186,821	-
Total primary government	<u>\$ 3,371,126</u>	<u>\$ 3,371,126</u>

A reconciliation of the interfund transfers for the year ended December 31, 2006, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 1,748,094	\$ 82,268
Debt service fund	130,000	391,455
Other governmental funds	453,305	509,131
Intermunicipal sewer fund	-	307,364
Sewer fund	307,364	1,740,000
Ice rink fund	391,455	-
Total primary government	<u>\$ 3,030,218</u>	<u>\$ 3,030,218</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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, 2006 are:

<u>Years Ending December 31,</u>	<u>Amount</u>
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	<u>1,941,071</u>
Total minimum lease rentals receivable	19,430,416
Less amount representing interest (at an average rate of 6.7%)	<u>(5,772,222)</u>
Present value of minimum lease rentals receivable	13,658,194
Less current installments of lease rentals	<u>(988,428)</u>
Lease rentals, excluding current installments	<u>\$ 12,669,766</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

9. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

Primary Government

	Beginning of Year	Additions/ Transfers in	Retirements and Dispositions/ Transfers out	End of Year
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 5,485,381	\$ -	\$ -	\$ 5,485,381
Work in progress	465,837	-	(465,837)	-
Total capital assets, not being depreciated	5,951,218	-	(465,837)	5,485,381
Capital assets, being depreciated:				
Buildings	8,818,973	-	-	8,818,973
Land improvements	2,439,963	880,103	-	3,320,066
Equipment and furniture	12,262,995	261,458	-	12,524,453
Infrastructure	66,304,099	1,779,708	-	68,083,807
Total capital assets, being depreciated	89,826,030	2,921,269	-	92,747,299
Less accumulated depreciation for:				
Buildings	(3,051,479)	(165,421)	-	(3,216,900)
Land improvements	(1,576,816)	(138,822)	-	(1,715,638)
Equipment and furniture	(8,727,709)	(793,490)	-	(9,521,199)
Infrastructure	(33,548,199)	(2,301,609)	-	(35,849,808)
Total accumulated depreciation	(46,904,203)	(3,399,342)	-	(50,303,545)
Total capital assets, being depreciated, net	42,921,827	(478,073)	-	42,443,754
Governmental activities capital assets, net	\$ 48,873,045	\$ (478,073)	\$ (465,837)	\$ 47,929,135

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

	<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	79,584,785	1,063,088	-	80,647,873
Land improvements	22,145	-	-	22,145
Equipment and furniture	3,019,282	482,364	-	3,501,646
Infrastructure	15,795,927	-	-	15,795,927
Total capital assets being depreciated	98,422,139	1,545,452	-	99,967,591
Less accumulated depreciation for:				
Buildings	(35,722,651)	(1,729,113)	-	(37,451,764)
Land improvements	(2,565)	(1,107)	-	(3,672)
Equipment and furniture	(1,505,789)	(215,336)	-	(1,721,125)
Infrastructure	(7,338,783)	(264,646)	-	(7,603,429)
Total accumulated depreciation	(44,569,788)	(2,210,202)	-	(46,779,990)
Total capital assets, being depreciated, net	53,852,351	(664,750)	-	53,187,601
Business-type activities capital assets, net	<u>\$ 53,869,796</u>	<u>\$ (664,750)</u>	<u>\$ -</u>	<u>\$ 53,205,046</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 28,729
Sanitation	29,647
Public safety	533,061
Highways and streets	98,279
Public works	2,384,994
Parks and recreation	281,338
Community development and planning	28,463
Other departments and programs	<u>9,540</u>

Total depreciation expense – governmental activities	3,394,051
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Internal service fund depreciation expense allocated to governmental activities	<u>5,291</u>
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Total additions to accumulated depreciation for governmental activities	<u><u>\$ 3,399,342</u></u>
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Business-type activities:

Sewer	\$ 1,942,052
Ice rink	<u>268,150</u>

Total depreciation and amortization expenses – enterprise funds	2,210,202
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Internal service fund depreciation expense allocated to business-type activities	<u>5,291</u>
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Total depreciation and amortization expenses – business-type activities	<u><u>\$ 2,215,493</u></u>
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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

Component Units

<i>Component Units</i>	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Redevelopment Authority:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,525,065	\$ -	\$ -	\$ 3,525,065
Less accumulated depreciation	(423,009)	(141,003)	-	(564,012)
Redevelopment Authority:				
Capital assets, net	<u>\$ 3,102,056</u>	<u>\$ (141,003)</u>	<u>\$ -</u>	<u>\$ 2,961,053</u>
General Authority:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,848,018	\$ 16,580	\$ -	\$ 8,864,598
Less accumulated depreciation	(5,215,077)	(608,254)	-	(5,823,331)
General Authority:				
Capital assets, net	<u>\$ 3,632,941</u>	<u>\$ (591,674)</u>	<u>\$ -</u>	<u>\$ 3,041,267</u>

10. LOAN GUARANTEES

As of December 31, 2006, the City has granted loan guarantees aggregating approximately \$62,500 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 2006

In January of 2006, the City borrowed \$5,900,000 in the form of a Tax and Revenue Anticipation Note, Series of 2006, bearing interest at an annual rate of 3.57% 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 \$198,343. The entire balance of the note was paid in full by the City in December of 2006.

Tax anticipation note transactions for the year ended December 31, 2006 were as follows:

Outstanding at December 31, 2005	\$ -
New borrowings	5,900,000
Repayments	<u>(5,900,000)</u>
Outstanding at December 31, 2006	<u>\$ -</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

12. LONG TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2006, was as follows:

Primary Government

<i>Governmental Activities</i>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Accretion</u>	<u>Retirements</u>	<u>End of Year</u>	<u>Current Portion</u>
Loans from other governmental entities	\$ 1,645,023	\$ -	\$ -	\$ (138,334)	\$ 1,506,689	\$ 106,689
General Obligation Notes	13,673,481	1,337,500	450,895	(1,595,000)	13,866,876	1,728,539
General Obligation Bonds	34,734,357	-	1,668,279	(1,950,000)	34,452,636	2,115,000
Litigation liability	1,500,000	-	-	(1,500,000)	-	-
Capitalized lease obligation	288,025	187,270	-	(82,335)	392,960	125,879
Vested compensated absences	926,558	-	-	(16,188)	910,370	-
	<u>\$ 52,767,444</u>	<u>\$ 1,524,770</u>	<u>\$ 2,119,174</u>	<u>\$ (5,281,857)</u>	<u>\$ 51,129,531</u>	<u>\$ 4,076,107</u>
<i>Business-type Activities</i>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Accretion</u>	<u>Retirements</u>	<u>End of Year</u>	<u>Current Portion</u>
Sewer Revenue Bonds	\$ 29,120,246	\$ -	\$ 2,031,098	\$ (3,875,000)	\$ 27,276,344	\$ 3,875,000
Recreation Revenue Bonds	6,760,000	-	-	(290,000)	6,470,000	305,000
Capitalized lease obligations	81,008	275,496	-	(64,622)	291,882	72,220
Vested compensated absences	199,848	23,635	-	-	223,483	-
	<u>\$ 36,161,102</u>	<u>\$ 299,131</u>	<u>\$ 2,031,098</u>	<u>\$ (4,229,622)</u>	<u>\$ 34,261,709</u>	<u>\$ 4,252,220</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

Component Units

	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Redevelopment Authority:						
Revenue bonds	\$ 3,515,000	\$ -		\$ (80,000)	\$ 3,435,000	\$ 85,000
General Authority:						
Note payable	\$ 4,064,141	\$ -	\$ -	\$ (599,822)	\$ 3,464,319	\$ 628,541

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, 2006 was \$6,689.

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, 2006, was \$1,500,000.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

The annual principal and interest requirements for amounts due from the City under loans from other governmental entities as of December 31, 2006 are as follows:

Years Ending December 31,	Principal	Interest
2007	\$ 106,689	\$ 78,416
2008	100,000	74,600
2009	100,000	70,440
2010	100,000	66,010
2011	100,000	61,340
2012 - 2016	500,000	230,200
2017 - 2020	500,000	83,260
	<u>\$ 1,506,689</u>	<u>\$ 664,266</u>

General Obligation Notes

The general obligation notes are backed by the full faith and credit of the City.

General obligation notes payable at December 31, 2006 is comprised of:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
General Obligation Refunding Notes, Series D of 1998	\$ 7,634,459	Thru 2023	0%	\$ 12,985,000
General Obligation Notes, Series of 2002	\$ 5,285,000	Thru 2013	3.00% - 3.80%	3,910,000
General Obligation Notes, Series of 2006	\$ 1,337,500	Thru 2015	6.25%	1,337,500
General Obligation Notes at December 31, 2006				18,232,500
Less unamortized discount on zero coupon notes				(4,365,624)
General Obligation Notes, net of discount, at December 31, 2006				<u>\$ 13,866,876</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

The annual principal and interest requirements for amounts due from the City under general obligation notes at December 31, 2006 are as follows:

Years Ending December 31,	Principal	Interest
2007	\$ 1,728,539	\$ 164,467
2008	1,858,221	183,759
2009	1,710,527	159,566
2010	1,603,667	133,623
2011	1,552,137	106,012
2012 - 2016	4,674,409	154,705
2017 - 2021	840,000	-
2022 - 2023	4,265,000	-
	18,232,500	902,132
Unamortized discount	(4,365,624)	-
	<u>\$ 13,866,876</u>	<u>\$ 902,132</u>

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, 2006:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
1995A	\$ 76,030,000	Thru 2022	0.00% - 6.5%	\$ 55,195,000
1998B	\$ 4,440,000	Thru 2024	0.00%	4,440,000
General Obligation Bonds at December 31, 2006				59,635,000
Less unamortized discount on zero coupon notes				
(Series A of 1995)				(22,505,651)
(Series B of 1998)				(2,676,713)
General Obligation Bonds, net of discount at December 31, 2006				<u>\$ 34,452,636</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

The annual principal and interest requirements for amounts due from the City under general obligation bonds at December 31, 2006 are as follows:

Years Ending December 31,	Principal	Interest
2007	\$ 2,115,000	\$ 534,441
2008	2,100,000	400,090
2009	2,420,000	254,845
2010	2,720,000	88,400
2011	2,885,000	-
2012 - 2016	17,695,000	-
2017 - 2021	20,910,000	-
2022 - 2024	8,790,000	-
	<u>59,635,000</u>	<u>1,277,776</u>
Unamortized discount	<u>(25,182,364)</u>	<u>-</u>
	<u>\$ 34,452,636</u>	<u>\$ 1,277,776</u>

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, 2006, the following defeased debt was outstanding:

	Funds Escrowed as of December 31, 2006	Defeased Debt Outstanding as of December 31, 2006
General Obligation Bonds, Series A of 1995	\$ 5,900,272	\$ 4,273,445
Guaranteed Sewer Revenue Bonds, Series of 1977	<u>1,306,768</u>	<u>1,385,000</u>
	<u>\$ 7,207,040</u>	<u>\$ 5,658,445</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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, 2006 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
Guaranteed Sewer Revenue Bonds - Series of 1990	\$ 69,775,000	2016	6.45% - 7.10%	\$ 38,735,000
Less unamortized discount on zero coupon bonds				<u>(11,458,656)</u>
General Sewer Revenue Bonds, net of discount at December 31, 2006				<u>\$ 27,276,344</u>

The annual principal and interest requirements for amounts due from the City under the guaranteed sewer revenue bonds at December 31, 2006 are as follows:

Years Ending December 31,	Sewer Revenue Bonds - Series of 1990
2007	\$ 3,875,000
2008	3,875,000
2009	3,875,000
2010	3,875,000
2011	3,875,000
2012 - 2016	<u>19,360,000</u>
	38,735,000
Unamortized discount	<u>(11,458,656)</u>
	<u>\$ 27,276,344</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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

the federal government. This transaction is not considered a legal defeasance and there was no verification of the escrow performed. Because this is not a legal defeasance, the bonds are not removed from the financial statements and the escrow transactions are recorded. This transaction reduces the lease rental receivable from the municipalities based upon the present value of the defeased bonds and the percentage of the debt owed by the municipalities.

York City Recreation Corporation Guaranteed Revenue Bonds, Series of 2001

The York Recreation Corporation was unable to make its required interest payment 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, 2006 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
2001	\$ 7,305,000	Thru 2021	4.10% - 5.15%	<u>\$ 6,470,000</u>

The annual principal and interest requirements for amounts due from the City under the guaranteed recreation revenue bonds at December 31, 2006 are as follows:

Years Ending December 31,	Principal	Interest
2007	\$ 305,000	\$ 319,157
2008	315,000	306,211
2009	330,000	292,258
2010	345,000	277,235
2011	360,000	261,013
2012 - 2016	2,095,000	1,011,856
2017 - 2021	2,720,000	366,405
	<u>\$ 6,470,000</u>	<u>\$ 2,834,135</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

Capitalized Lease Obligations

The City leases certain equipment under long-term lease agreements which are classified as capital leases. As of December 31, 2006, the governmental activities and the business-type activities include equipment and furniture under capital leases with a net book value of \$514,105 and \$345,909, respectively. The future minimum payments under capital leases and the present value of the future minimum lease payments at December 31, 2006 are as follows:

	Year ending December 31,	Governmental Activities	Business-type Activities	Total
	2007	\$ 139,528	\$ 85,712	\$ 225,240
	2008	114,161	82,209	196,370
	2009	97,850	76,429	174,279
	2010	41,702	64,300	106,002
	2011	41,703	15,437	57,140
Total minimum lease payments		434,944	324,087	759,031
Less amount representing interest		(41,984)	(32,205)	(74,189)
Present value of future minimum lease payments		<u>\$ 392,960</u>	<u>\$ 291,882</u>	<u>\$ 684,842</u>

Redevelopment Authority Series of 2002 Revenue Bonds

In January of 2002, the Redevelopment Authority issued the Series of 2002 Variable Rate Demand/Fixed Rate Revenue Bonds 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 surety ship agreement was entered into by Creekside Investors, L.P. and Susquehanna Pfaltzgraff Company to act as a surety and unconditionally guarantee the 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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, 2006 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
2002	\$ 3,725,000	Thru 2027	Variable (4.01% at 12-31-06)	<u>\$ 3,435,000</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

The annual principal and interest requirements for amounts due from the Redevelopment Authority under the 2002 revenue bonds using the 4.01% interest rate in effect at December 31, 2006 are as follows:

Years Ending December 31,	Principal	Interest
2007	\$ 85,000	\$ 137,033
2008	90,000	133,583
2009	95,000	129,932
2010	100,000	126,081
2011	105,000	122,029
2012 - 2016	645,000	539,370
2017 - 2021	875,000	390,683
2022 - 2126	1,160,000	191,411
2027	280,000	8,889
	<u>\$ 3,435,000</u>	<u>\$ 1,779,011</u>

Redevelopment Authority Note Payable

During 2005, the Redevelopment Authority entered into a loan agreement with a maximum principal amount of \$90,000. Variable interest is payable monthly. The balance outstanding under the agreement as of December 31, 2006 was \$8,336. The outstanding principal of the note was due July 2007.

General Authority Parking System Revenue Note Payable

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, 2006 is \$3,464,319 and is recorded as a receivable in the City's debt service fund.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

The annual principal and interest requirements for amounts due from the General Authority under the Parking System Revenue Notes at December 31, 2006 are as follows:

Years Ending December 31,	Principal	Interest
2007	\$ 628,541	\$ 151,724
2008	651,789	124,196
2009	683,585	95,650
2010	715,023	65,712
2011	785,381	34,398
	<u>\$ 3,464,319</u>	<u>\$ 471,680</u>

13. REDEVELOPMENT AUTHORITY LINE OF CREDIT

During February 2006, the Redevelopment Authority entered into a \$49,000 non-revolving line of credit agreement with a local bank through September 2006. This line of credit was extended through April 2007. Fixed interest of 7% is payable monthly. The balance outstanding under the agreement as of December 31, 2006 was \$49,000.

In July 2006, the Redevelopment Authority entered into a \$52,000 non-revolving line of credit agreement with a local bank through March 2007. Fixed interest of 7% is payable monthly. The balance outstanding under the agreement as of December 31, 2006 was \$52,000.

In November 2006, the Redevelopment Authority entered into a \$5.5 million non-revolving line of credit agreement with a local bank through November 2009. Fixed interest of 6.4% is payable monthly, beginning February 2007. The balance outstanding under the agreement as of December 31, 2006 was \$1,550,000.

14. EMPLOYEE RETIREMENT PLANS (PENSION TRUST FUNDS)

Description of the Plans

The City maintains single-employer defined benefit plans for Officers and Employees, Police, and Paid Firefighters, which are accounted for as pension trust funds. Participation in the plans is a required condition of employment for all regular, full-time employees, except laborers paid on a per diem basis. The plans do not issue separate reports.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

The plans are governed by the Third Class City Code of the Commonwealth of Pennsylvania, as amended. At January 1, 2005, 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	62	111	80
Terminated employees entitled to deferred benefits	26	5	-
Active employees:			
Vested	88	46	32
Partially vested	97	49	38
Total	<u>273</u>	<u>211</u>	<u>150</u>

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 to all eligible members. For certain police pension plan members retired between January 1, 2003 and January 15, 2003, the annual pension increase is equal to 4%.

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 5% 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

Effective with the 1985 plan year, the City has participated in Level III of the Act 205 Recovery Program, a Commonwealth of Pennsylvania program that reduces contribution requirements and subsidizes underfunded pension plans. Eligibility to participate in Level III is based on the distress determination of the City as provided by the Public Employee Retirement Study Commission based on the procedures specified in Chapter 5 of Act 205. The Commission has determined the City to be a severely distressed municipality.

In 2006, state aid of \$1,602,943 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 64 to 66 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	\$ 291,572	\$ 2,949,964	\$ 1,621,527
Contributions made	\$ 291,572	\$ 2,949,964	\$ 1,621,527
Actuarial valuation date	1/1/2005	1/1/2005	1/1/2005
Actuarial cost method	Entry age normal 5-Year Smoothed Value	Entry age normal 5-Year Smoothed Value	Entry age normal 5-Year Smoothed Value
Asset valuation method			
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increases includes inflation	5%	5%	5%
Cost of living adjustment	-	5%	5%

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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	2006	\$ 291,572	100%	-
	2005	\$ 316,290	100%	-
	2004	\$ 295,282	100%	-
Police Pension Plan	2006	\$ 2,949,964	100%	-
	2005	\$ 1,172,257	100%	-
	2004	\$ 1,087,478	100%	-
Paid Firefighters Pension Plan	2006	\$ 1,621,527	100%	-
	2005	\$ 545,584	100%	-
	2004	\$ 509,242	100%	-

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

In 1992, grievances were filed by the police union and firefighters' union claiming the City violated the collective bargaining agreements by changing the method of calculating the cost of living pension benefits in 1972. 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

The revisions to each of the pension plans as provided by the aforementioned arbitrator's awards (awards) required 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 had received authorization from the Public Employee Retirement Commission to suspend these payments as long as the dispute continued 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, 2005, 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 \$26.5 million as of the valuation date of January 1, 2005.

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.

As part of the Early Intervention Program, the City evaluated the relative risks and rewards to funding the liability pursuant to Act 200 of 2004 versus issuing taxable obligation bonds. The recommendation of the Public Financial Management was that the City fund the obligation using the extended amortization period provided by Act 200 of 2004. In 2006, the City commenced funding the obligation pursuant to the extended 30 year amortization period. Under the extended amortization period, the annual minimum municipal obligation related to the pension arbitration would increase approximately \$1.3 million, excluding annual normal costs. The relative increase in minimum municipal obligation will continue to increase 5% each year over the 30 year amortization period. The annual minimum municipal obligation for the Fire and Police Pension funds are appropriated in the City's General Fund in the police and fire departments.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

The combining information for the plans is as follows:

	Officers' and Employees' Pension Plan	Police Pension Plan	Paid Firefighter Pension Plan
Cash and cash equivalents	\$ 946,852	\$ 1,675,301	\$ 1,108,743
Investments	20,325,371	35,281,915	23,056,452
Total assets	<u>\$ 21,272,223</u>	<u>\$ 36,957,216</u>	<u>\$ 24,165,195</u>
Net assets	<u>\$ 21,272,223</u>	<u>\$ 36,957,216</u>	<u>\$ 24,165,195</u>
Additions:			
Contributions:			
Employee contributions	\$ 123,219	\$ 270,530	\$ 168,562
Employer contributions	291,572	2,949,964	1,621,527
Total contributions	<u>414,791</u>	<u>3,220,494</u>	<u>1,790,089</u>
Investment income:			
Interest and dividend income	365,778	621,209	416,144
Net appreciation of investments	1,743,685	3,001,839	1,969,228
	2,109,463	3,623,048	2,385,372
Less investment expenses	<u>(69,073)</u>	<u>(116,837)</u>	<u>(77,280)</u>
Net investment income	<u>2,040,390</u>	<u>3,506,211</u>	<u>2,308,092</u>
Total additions	2,455,181	6,726,705	4,098,181
Deductions:			
Benefit payments	<u>(775,479)</u>	<u>(2,939,945)</u>	<u>(1,881,207)</u>
Change in Net Assets	1,679,702	3,786,760	2,216,974
Net assets, beginning of year	<u>19,592,521</u>	<u>33,170,456</u>	<u>21,948,221</u>
Net assets, end of year	<u>\$ 21,272,223</u>	<u>\$ 36,957,216</u>	<u>\$ 24,165,195</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

15. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 14, 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 \$1,616,490 in 2006.

At December 31, 2006, the number of retirees or spouses eligible for full health benefits was approximately 288.

16. 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 \$140,000 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 \$4,089,421. Premiums are paid into the internal service fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of recent claim settlement trends as determined by the City's independent third-party administrator.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

Changes in the balances of claims liability (net of excess insurance) during the past two years ended December 31, 2006, were as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Year End
2005	\$ 256,397	\$ 4,655,083	\$ 4,600,494	\$ 310,986
2006	\$ 310,986	\$ 5,311,924	\$ 4,756,930	\$ 865,980

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, 2006, 2005, and 2004 with the exception of the pension litigation disclosed in Note 14 and the legal settlement disclosed in Note 19.

17. 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, 2006. 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>	
2007	\$ 48,656
	<u>\$ 48,656</u>

The City also has several leases for vehicles used in City operations. The future minimum commitments for these leases are not material to the City's operations.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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.

18. MANAGEMENT'S AGREEMENT WITH THE YORK CITY GENERAL AUTHORITY

The City has entered into a management and an 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 \$582,645 in operating expenses and received \$723,268 in fees under the management agreement in 2006. The City received \$146,524 in administrative fees under an administration agreement in 2006. A receivable of \$312,910 is recorded in the general fund for fees which were earned under these agreements, but unpaid at December 31, 2006.

19. LITIGATION

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

On January 29, 2003, a lawsuit was filed in the United States District Court against the City of York. The complaint set forth a number of tort claims, including allegations that the defendants were, inter alia, grossly negligent and recklessly indifferent to the safety and well being of the plaintiffs. A settlement agreement and release of all claims was reached in late 2005.

The Settlement Agreement, which was approved on December 6, 2005, provides that the City of York is obligated to pay to the Plaintiffs the consideration of \$2,000,000 payable

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

\$200,000 a year without interest. The first payment was due on or before January 16, 2006 and the last payment was due on or before January 16, 2015. The City of York paid the first settlement payment in January 2006.

On June 20, 2006, the City authorized the issuance of General Obligation Note, Series of 2006 in the aggregate principal amount of \$1,337,500. The net proceeds of \$1,300,000 were used to fully extinguish the City's financial obligation of the legal claims settlement.

20. RESTATEMENT

Beginning net assets of the governmental activities have been decreased by \$3,352,391, from \$6,925,042 to \$3,572,651, to properly reflect the beginning cash and investment balance of the Weyer Trust Fund. Had the cash and investments been recorded properly, the change in net assets for the year ended December 31, 2005 would have increased by \$2,896, restating the decrease in net assets originally reported in the amount of (\$490,777) to a restated decrease in the amount of (\$487,881).

Beginning fund balances of governmental funds have been decreased by \$3,352,391, from \$5,492,486 to 2,140,095, to properly reflect the beginning cash and investment balance of the Weyer Trust Fund. Had the cash and investments been recorded properly, the change in net asset for the year ended December 31, 2005 would have increased by \$2,896, restating the increase in fund balances originally reported in the amount of \$1,345,364 to a restated increase in the amount of \$1,348,250.

21. SUBSEQUENT EVENTS

In February of 2007, the City borrowed \$6,000,000 in the form of a Tax and Revenue Anticipation Note, Series of 2007, bearing interest at an annual rate of 3.83%.

In April of 2007, the Sewer Authority issued Guaranteed Sewer Revenue Bonds, Series of 2007, in the principal amount of \$10,000,000. The Bonds bear interest at an annual rate of 4.20%, with semi-annual payments of interest commencing on June 1, 2007. Annual payments of principal commence on December 1, 2017, with a final payment on December 1, 2019. The Bonds were issued to provide funds for the planning, design and construction of additions, improvements, renovations and extraordinary repairs to, and the acquisition and installation of related equipment, machinery and furnishings for various buildings and facilities of the Authority.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 15,753,244	\$ 16,033,417	\$ 280,173	\$ 16,051,094	\$ 17,677
Licenses and permits	1,438,420	1,696,722	258,302	1,709,334	12,612
Fines and forfeits	1,414,600	1,520,138	105,538	1,417,026	(103,112)
Grants and contributions	2,610,833	2,755,425	144,592	1,959,837	(795,588)
Charges for services	7,226,080	7,582,462	356,382	6,936,883	(645,579)
Loan repayments	-	-	-	31,500	31,500
Interest	75,000	271,775	196,775	335,363	63,588
Miscellaneous	90,616	100,616	10,000	475,048	374,432
Total revenues	28,608,793	29,960,555	1,351,762	28,916,085	(1,044,470)
Expenditures:					
General government	2,157,840	2,500,182	(342,342)	2,021,843	478,339
Sanitation	2,920,364	2,899,864	20,500	2,842,478	57,386
Public safety	20,991,406	21,361,642	(370,236)	21,005,272	356,370
Highways and streets	531,693	562,659	(30,966)	569,083	(6,424)
Public works	2,065,761	2,075,983	(10,222)	1,942,525	133,458
Community development and planning	2,064,801	2,492,965	(428,164)	2,161,459	331,506
Other departments and programs	121,847	121,847	-	120,313	1,534
Total expenditures	30,853,712	32,015,142	(1,161,430)	30,662,973	1,352,169
Excess (deficiency) of revenues over (under) expenditures	(2,244,919)	(2,054,587)	190,332	(1,746,888)	307,699
Other financing sources (uses):					
Transfers in	2,295,347	2,334,000	38,653	1,748,094	(585,906)
Transfers out	(36,500)	(82,868)	(46,368)	(82,268)	600
Total other financing sources (uses)	2,258,847	2,251,132	(7,715)	1,665,826	(585,306)
Net change in fund balance	\$ 13,928	\$ 196,545	\$ 182,617	\$ (81,062)	\$ (277,607)

CITY OF YORK, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2006

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 AUDITOR'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 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)
1/1/99	\$ 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%
1/1/05	19,138,231	17,848,189	1,290,042	107.2%	6,386,560	20.2%

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage 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%
2005	316,290	316,290	100%
2006	291,572	291,572	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, 2005, 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%

CITY OF YORK, PENNSYLVANIA
REQUIRED SUPPLEMENTARY DATA
SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM THE EMPLOYER
POLICE PENSION PLAN
(UNAUDITED - SEE ACCOMPANYING AUDITOR'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)
1/1/99	\$ 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	32,332,762	55,445,972	(23,113,210)	58.3%	5,304,211	(435.8%)
1/1/05	33,350,980	60,516,086	(27,165,106)	55.1%	5,143,232	(528.2%)

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	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%
2005	1,172,257	1,172,257	100%
2006	2,949,964	2,949,964	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, 2005, 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)

(1) COLA is 5% per year. For certain members who retire between January 1, 2003 and January 15, 2003, the COLA is 4%.

CITY OF YORK, PENNSYLVANIA
REQUIRED SUPPLEMENTARY DATA
SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM THE EMPLOYER
PAID FIREFIGHTERS' PENSION PLAN
(UNAUDITED - SEE ACCOMPANYING AUDITOR'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 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)
1/1/99	\$ 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	22,160,652	34,759,338	(12,598,686)	63.8%	3,398,215	(370.7%)
1/1/05	22,436,006	38,117,710	(15,681,704)	58.9%	3,496,489	(448.5%)

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
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%
2005	545,584	545,584	100%
2006	1,621,527	1,621,527	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, 2005, 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	5%
Includes moderate inflation based on long-term historical average rates	5%
Cost-of-living adjustment	5% (1)

(1) COLA is 5% per year. For certain members who retire between January 1, 2003 and January 15, 2003, the COLA is 4%.

SUPPLEMENTARY INFORMATION

CITY OF YORK, PENNSYLVANIA
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	Special Revenue										Total	Nominal Governmental Funds
	Recreation Fund	Community Development Loan Fund	Community Development Block Grant	Conduit Fund	Section 108 Fund	State Liquid Fund Tax Fund	Special Projects Fund	HOME Fund	State Grant Health Funds	Weyer Trust	Total	Capital Projects
Assets												
Cash and cash equivalents	\$ (59,246)	\$ 164,321	\$ 25,105	\$ -	\$ 236,224	\$ 238,691	\$ (177,938)	\$ 68,928	\$ (11,107)	\$ (4,655)	\$ 500,523	\$ -
Receivables:												
Loans (less allowance for doubtful accounts of \$340,398 in CD Loan, \$184,662 in CDBG, \$106,213 in Section 108 and \$62,416 in HOME)	-	1,072,678	1,358,656	-	649,495	-	-	353,692	-	-	3,434,521	-
Taxes (less allowance for doubtful accounts of \$83,209 in recreation)	92,105	-	-	-	-	-	-	-	-	-	92,105	-
Accounts, notes, and grants	26,840	1,442	202,264	927,610	1,300	4,542	1,338	28,349	319,775	32,788	1,546,248	237,850
Due from other funds	60,000	-	10,860	-	-	10,860	-	-	32,778	-	103,638	46,368
Due from other governments	-	-	44,429	-	-	-	-	-	-	-	44,429	-
Total assets	\$ 119,699	\$ 1,238,641	\$ 1,641,314	\$ 927,610	\$ 887,019	\$ 263,233	\$ (176,600)	\$ 450,969	\$ 341,446	\$ 28,133	\$ 5,721,464	\$ 284,218
Liabilities and Fund Balances (Deficits)												
Liabilities:												
Accounts payable and accrued expenses	\$ 21,453	\$ 4,701	\$ 182,658	\$ 927,610	\$ -	\$ 7,702	\$ 5,812	\$ 23,108	\$ 67,489	\$ 50	\$ 1,240,583	\$ 46,368
Accrued wages payable	20,102	-	-	-	-	1,724	-	-	21,342	2,143	45,311	-
Due to other funds	641,243	10,860	100,000	-	-	-	-	-	4,149	32,778	789,030	412,232
Due to other governments	-	8,902	-	-	-	-	-	74,169	-	-	83,071	174,643
Deferred revenues	83,209	1,072,678	1,358,656	-	887,019	-	-	353,692	-	-	3,755,254	-
Total liabilities	766,007	1,097,141	1,641,314	927,610	887,019	9,426	5,812	450,969	92,980	34,971	5,913,249	633,243
Fund balances (deficits):												
Reserved for health initiatives	-	-	-	-	-	-	-	-	248,466	(6,838)	241,628	-
Reserved for community development	-	141,500	-	-	-	-	-	-	-	-	141,500	-
Reserved for capital projects	-	-	-	-	-	-	-	-	-	-	-	(349,025)
Unreserved (deficit)	(646,308)	-	-	-	-	253,807	(182,412)	-	-	-	(574,913)	-
Total fund balances (deficits)	(646,308)	141,500	-	-	-	253,807	(182,412)	-	248,466	(6,838)	(191,785)	(349,025)
Total liabilities and fund balances (deficits)	\$ 119,699	\$ 1,238,641	\$ 1,641,314	\$ 927,610	\$ 887,019	\$ 263,233	\$ (176,600)	\$ 450,969	\$ 341,446	\$ 28,133	\$ 5,721,464	\$ 284,218
												\$ 6,005,682

CITY OF YORK, PENNSYLVANIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES (DEFICITS) - OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2006

	Special Revenue										Total
	Recreation Fund	Community Loan Fund	Community Development Block Grant	Conduit Fund	Section 108 Fund	State Liquid Fuels Tax Fund	Special Projects Fund	HOME Fund	State Grant Health Funds	Weyer Trust	
Revenues:											
Taxes	\$ 992,697	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 992,697
Grants and contributions	8,050	-	2,711,655	2,032,644	-	695,386	177,265	854,188	1,649,359	163,527	9,232,151
Charges for services	502,383	-	-	-	-	-	6,694	7,713	-	-	516,790
Loan repayments	-	388,315	-	-	-	-	-	-	-	-	388,315
Interest	-	10,537	-	-	-	28,361	8,433	-	-	337	48,038
Miscellaneous	41,779	-	-	-	-	48,054	118,525	-	3,387	-	211,745
Total revenues	1,544,909	398,852	2,711,655	2,032,644	-	771,801	310,917	861,901	1,652,746	163,864	11,389,736
Expenditures:											
Current:											
General government	-	-	-	-	-	-	118,195	-	-	-	118,195
Highways and streets	-	-	-	-	-	349,760	-	-	-	-	349,760
Parks and recreations	1,411,678	-	-	-	-	-	7,332	-	-	-	1,419,010
Community development and planning	-	53,353	2,287,073	2,032,644	-	-	133,435	861,901	-	174,791	5,543,197
Other departments and programs	-	-	-	-	-	-	-	-	1,627,658	-	1,627,658
Debt service:											
Principal retirements	-	38,068	100,000	-	-	52,862	-	-	-	-	190,930
Interest	-	543	81,850	-	-	9,063	-	-	-	-	97,884
Capital outlays	-	-	576,769	-	-	297,888	-	-	-	-	874,657
Total expenditures	1,411,678	91,964	3,045,692	2,032,644	-	709,573	258,962	861,901	1,627,658	174,791	11,770,416
Excess of revenues over (under) expenditures	133,231	306,888	(334,037)	-	-	62,228	51,955	-	25,088	(10,927)	(380,680)
Other financing sources (uses):											
Proceeds from the issuance of debt	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	334,037	-	-	-	-	-	-	-	334,037
Transfers out	(167,000)	(334,037)	-	-	-	-	-	-	(8,094)	-	(509,131)
Total other financing sources (uses)	(167,000)	(334,037)	334,037	-	-	-	-	-	(8,094)	-	131,444
Net change in fund balance	(33,769)	(27,149)	-	-	-	62,228	51,955	-	16,994	(10,927)	(249,236)
Fund balances (deficits) - beginning of year, restated	(612,539)	168,649	-	-	-	191,579	(234,367)	-	231,472	4,089	(291,574)
Fund balances (deficits) - end of year	\$ (646,308)	\$ 141,500	\$ -	\$ -	\$ -	\$ 253,807	\$ (182,412)	\$ -	\$ 248,466	\$ (6,838)	\$ (540,810)

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
DEBT SERVICE FUND - MAJOR GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 2,300,080	\$ 2,302,821	\$ 2,741	\$ 2,339,661	\$ 36,840
Grants and contributions	1,545,336	1,545,336	-	1,602,943	57,607
Loan repayments	777,815	777,815	-	777,815	-
Interest	-	-	-	9,573	9,573
Total revenues	<u>4,623,231</u>	<u>4,625,972</u>	<u>2,741</u>	<u>4,729,992</u>	<u>104,020</u>
Expenditures:					
Current					
General government	12,441	13,483	(1,042)	9,938	3,545
Debt service	<u>4,347,703</u>	<u>4,347,703</u>	<u>-</u>	<u>4,347,703</u>	<u>-</u>
Total expenditures	<u>4,360,144</u>	<u>4,361,186</u>	<u>(1,042)</u>	<u>4,357,641</u>	<u>3,545</u>
Excess (deficiency) of revenues (under) expenditures	<u>263,087</u>	<u>264,786</u>	<u>1,699</u>	<u>372,351</u>	<u>107,565</u>
Other financing sources (uses):					
Transfers in	360,480	130,000	(230,480)	130,000	-
Transfers out	<u>(621,935)</u>	<u>(391,455)</u>	<u>230,480</u>	<u>(391,455)</u>	<u>-</u>
Total other financing sources (uses)	<u>(261,455)</u>	<u>(261,455)</u>	<u>-</u>	<u>(261,455)</u>	<u>-</u>
Net change in fund balance	<u>\$ 1,632</u>	<u>\$ 3,331</u>	<u>\$ 1,699</u>	<u>\$ 110,896</u>	<u>\$ 107,565</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
RECREATION FUND - OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 963,302	\$ 984,103	\$ 20,801	\$ 992,697	\$ 8,594
Grants and contributions	10,000	10,000	-	8,050	(1,950)
Charges for services	555,000	566,670	11,670	502,383	(64,287)
Miscellaneous	46,000	46,000	-	41,779	(4,221)
Total revenues	1,574,302	1,606,773	32,471	1,544,909	(61,864)
Expenditures:					
Current:					
Parks and recreation	1,405,788	1,426,636	(20,848)	1,411,678	14,958
Total expenditures	1,405,788	1,426,636	(20,848)	1,411,678	14,958
Excess (deficiency) of revenues (under) expenditures	168,514	180,137	11,623	133,231	(46,906)
Other financing sources (uses):					
Transfers out	(167,000)	(167,000)	-	(167,000)	-
Total other financing sources (uses)	(167,000)	(167,000)	-	(167,000)	-
Net change in fund balance	\$ 1,514	\$ 13,137	\$ 11,623	\$ (33,769)	\$ (46,906)

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2006

	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	\$ 3,706,614	\$ 4,406,332	\$ 699,718	\$ 2,711,655	\$ (1,694,677)
Charges for services	-	-	-	-	-
Total revenues	<u>3,706,614</u>	<u>4,406,332</u>	<u>699,718</u>	<u>2,711,655</u>	<u>(1,694,677)</u>
Expenditures:					
Current:					
Community development and planning	2,960,761	3,135,961	(175,200)	2,287,073	848,888
Debt service	181,850	181,850	-	181,850	-
Capital outlay	864,003	1,088,521	(224,518)	576,769	511,752
Total expenditures	<u>4,006,614</u>	<u>4,406,332</u>	<u>(399,718)</u>	<u>3,045,692</u>	<u>1,360,640</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(300,000)</u>	<u>-</u>	<u>300,000</u>	<u>(334,037)</u>	<u>(334,037)</u>
Other financing sources (uses):					
Transfers in	300,000	300,000	-	334,037	34,037
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>334,037</u>	<u>34,037</u>
Change in net assets	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ (300,000)</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
STATE LIQUID FUELS TAX FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2006

	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	\$ 682,970	\$ 682,970	\$ -	\$ 695,386	\$ 12,416
Interest	6,500	6,500	-	28,361	21,861
Miscellaneous	9,000	44,000	35,000	48,054	4,054
Total revenues	698,470	733,470	35,000	771,801	38,331
Expenditures:					
Highways and streets	773,085	814,310	(41,225)	349,760	464,550
Debt service	-	-	-	61,925	(61,925)
Capital outlay	130,000	123,775	6,225	297,888	(174,113)
Total expenditures	903,085	938,085	(35,000)	709,573	228,512
Net change in fund balance	\$ (204,615)	\$ (204,615)	\$ -	\$ 62,228	\$ 266,843

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
STATE HEALTH GRANT FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2006

	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	\$ 2,276,139	\$ 2,320,215	\$ 44,076	\$ 1,649,359	\$ (670,856)
Miscellaneous	6,500	6,500	-	3,387	(3,113)
Total revenues	<u>2,282,639</u>	<u>2,326,715</u>	<u>44,076</u>	<u>1,652,746</u>	<u>(673,969)</u>
Expenditures:					
Other departments and programs	<u>2,272,762</u>	<u>2,316,561</u>	<u>(43,799)</u>	<u>1,627,658</u>	<u>688,903</u>
Total expenditures	<u>2,272,762</u>	<u>2,316,561</u>	<u>(43,799)</u>	<u>1,627,658</u>	<u>688,903</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,877</u>	<u>10,154</u>	<u>277</u>	<u>25,088</u>	<u>14,934</u>
Other financing sources (uses):					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,094)</u>	<u>(8,094)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,094)</u>	<u>(8,094)</u>
Change in net assets	<u>\$ 9,877</u>	<u>\$ 10,154</u>	<u>\$ 277</u>	<u>\$ 16,994</u>	<u>\$ 6,840</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2006

	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	\$ 2,828,850	\$ 2,828,850	\$ -	\$ 940,077	\$ (1,888,773)
Miscellaneous	-	43,000	43,000	-	(43,000)
Interest	-	-	-	370	370
Total revenues	<u>2,828,850</u>	<u>2,871,850</u>	<u>43,000</u>	<u>940,447</u>	<u>(1,931,403)</u>
Expenditures:					
General government	-	-	-	268	(268)
Debt service	-	-	-	35,900	(35,900)
Capital outlay	<u>2,430,350</u>	<u>2,559,512</u>	<u>(129,162)</u>	<u>1,519,385</u>	<u>1,040,127</u>
Total expenditures	<u>2,430,350</u>	<u>2,559,512</u>	<u>(129,162)</u>	<u>1,555,553</u>	<u>1,003,959</u>
Excess (deficiency) of revenues over (under) expenditures	<u>398,500</u>	<u>312,338</u>	<u>(86,162)</u>	<u>(615,106)</u>	<u>(927,444)</u>
Other financing sources (uses):					
Proceeds from the issuance of debt	-	-	-	187,270	187,270
Transfers in	<u>73,500</u>	<u>119,868</u>	<u>46,368</u>	<u>119,268</u>	<u>(600)</u>
Total other financing sources (uses)	<u>73,500</u>	<u>119,868</u>	<u>46,368</u>	<u>306,538</u>	<u>186,670</u>
Net change in fund balance	<u>\$ 472,000</u>	<u>\$ 432,206</u>	<u>\$ (39,794)</u>	<u>\$ (308,568)</u>	<u>\$ (740,774)</u>

CITY OF YORK, PENNSYLVANIA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
PENSION TRUST FUNDS
DECEMBER 31, 2006

	Officers' and Employees' Pension Fund	Police Pension Fund	Paid Firefighters' Pension Fund	Total
<hr/>				
Assets				
Cash and cash equivalents	\$ 946,852	\$ 1,675,301	\$ 1,108,743	\$ 3,730,896
Investments, at fair value	<u>20,325,371</u>	<u>35,281,915</u>	<u>23,056,452</u>	<u>78,663,738</u>
Total assets	<u>21,272,223</u>	<u>36,957,216</u>	<u>24,165,195</u>	<u>82,394,634</u>
<hr/>				
Net Assets				
Held in trust for pension benefits	<u>\$ 21,272,223</u>	<u>\$ 36,957,216</u>	<u>\$ 24,165,195</u>	<u>\$ 82,394,634</u>

CITY OF YORK, PENNSYLVANIA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
DECEMBER 31, 2006

	Escheats Fund	Fire Escrow	Total
Assets			
Cash and cash equivalents	\$ 41,609	\$ 332,091	\$ 373,700
Total assets	<u>41,609</u>	<u>332,091</u>	<u>373,700</u>
Liabilities			
Accounts payable and accrued expenses	-	332,091	332,091
Other payables	6,123	-	6,123
Due to other governments	<u>35,486</u>	<u>-</u>	<u>35,486</u>
Total liabilities	<u>\$ 41,609</u>	<u>\$ 332,091</u>	<u>\$ 373,700</u>

CITY OF YORK, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2006

	Officers' and Employees' Pension Fund	Police Pension Fund	Paid Firefighters' Pension Fund	Total
Additions:				
Contributions:				
Employee contributions	\$ 123,219	\$ 270,530	\$ 168,562	\$ 562,311
Employer contributions	<u>291,572</u>	<u>2,949,964</u>	<u>1,621,527</u>	<u>4,863,063</u>
Total contributions	<u>414,791</u>	<u>3,220,494</u>	<u>1,790,089</u>	<u>5,425,374</u>
Investment income:				
Interest and dividend income	365,778	621,209	416,144	1,403,131
Net appreciation of investments	<u>1,743,685</u>	<u>3,001,839</u>	<u>1,969,228</u>	<u>6,714,752</u>
	2,109,463	3,623,048	2,385,372	8,117,883
Less investment expenses	<u>(69,073)</u>	<u>(116,837)</u>	<u>(77,280)</u>	<u>(263,190)</u>
Net investment income	<u>2,040,390</u>	<u>3,506,211</u>	<u>2,308,092</u>	<u>7,854,693</u>
Total additions	<u>2,455,181</u>	<u>6,726,705</u>	<u>4,098,181</u>	<u>13,280,067</u>
Deductions:				
Benefit payments	<u>(775,479)</u>	<u>(2,939,945)</u>	<u>(1,881,207)</u>	<u>(5,596,631)</u>
Change in Net Assets	1,679,702	3,786,760	2,216,974	7,683,436
Net assets held in trust for pension benefits, beginning of year	<u>19,592,521</u>	<u>33,170,456</u>	<u>21,948,221</u>	<u>74,711,198</u>
Net assets held in trust for pension benefits, end of year	<u><u>\$ 21,272,223</u></u>	<u><u>\$ 36,957,216</u></u>	<u><u>\$ 24,165,195</u></u>	<u><u>\$ 82,394,634</u></u>