

CITY OF YORK, PENNSYLVANIA

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2007

CITY OF YORK, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2007

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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, 2007, 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 auditing standards generally accepted in the United States of America 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, 2007, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 3, 2008, 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 accounting principles generally accepted in the United States of America. 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 & Company, LLP

Oaks, Pennsylvania
October 3, 2008

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2007

Our discussion and analysis of the City of York's (City) financial performance provides an overview, perspective and analysis of the City's financial activities for the year ended December 31, 2007. 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 \$59,998,303 (Net Assets).
 - Invested in capital assets, net of related debt, in the amount of \$64,322,815, includes all capital assets including infrastructure.
 - Restricted net assets with external restrictions imposed by creditors or laws or regulations of other governments amounted to \$7,735,028.
 - Unrestricted net assets, which are assets not restricted for any particular purpose, were (\$12,059,540).
- Over 2007, the City of York's net assets increased by \$6,633,779. The increase in net assets primarily occurred in the proprietary funds, as a result of contributed capital totaling \$5,351,000, which represents the increase in lease rental receivables due from other municipalities. The increase in the governmental net assets was primarily a result of amortization of capital appreciation bonds, offset by principal payments on long-term liabilities.
- At December 31, 2007, the fund balances of the City of York's governmental funds were \$1,588,305. This was a decrease of \$332,388 from December 31, 2006.

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, 2007

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 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, 2007

- 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 three 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, 2007

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, 2007

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, 2007 AND 2006

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Assets:						
Cash and investments	\$ 2,280,614	\$ 4,005,826	\$ 23,405,028	\$ 14,200,402	\$ 25,685,642	\$ 18,206,228
Other assets	15,921,297	15,463,107	20,611,498	16,572,796	36,532,795	32,035,903
Capital assets	47,756,997	47,929,135	54,331,348	53,205,046	102,088,345	101,134,181
Total Assets	65,958,908	67,398,068	98,347,874	83,978,244	164,306,782	151,376,312
Liabilities:						
Other liabilities	11,271,848	11,970,369	1,417,091	650,179	12,688,939	12,620,548
Long-term liabilities	49,692,758	51,129,531	41,926,782	34,261,709	91,619,540	85,391,240
Total Liabilities	60,964,606	63,099,900	43,343,873	34,911,888	104,308,479	98,011,788
Net Assets:						
Capital assets, net of related debt	33,705,708	32,981,821	30,617,107	32,825,014	64,322,815	65,806,835
Restricted	1,301,728	1,245,197	6,433,300	6,297,497	7,735,028	7,542,694
Unrestricted	(30,013,134)	(29,928,850)	17,953,594	9,943,845	(12,059,540)	(19,985,005)
Total Net Assets	\$ 4,994,302	\$ 4,298,168	\$ 55,004,001	\$ 49,066,356	\$ 59,998,303	\$ 53,364,524

Cash and investments represent 3.46% and 5.94% of the City's total governmental activities assets at December 31, 2007 and 2006, respectively. Of this amount, 23.78% or \$542,338, at December 31, 2007, and 18.02% or \$721,845, at December 31, 2006, 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. The \$23,405,028 and \$14,200,402 at December 31, 2007 and 2006, 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 \$53,669,547, or 52.91% and \$50,303,545, or 51.21%, of accumulated depreciation at December 31, 2007 and 2006. For the business-type activities the capital asset value is net of \$48,721,054, or 47.28% and \$46,779,990, or 46.79%, of accumulated depreciation at December 31, 2007 and 2006. These percentage rates for depreciation reflect that the capital assets of the City, as a whole, have almost 50% 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, 2007

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. The City's assets exceeded its liabilities by \$59,998,303 and \$53,364,524 for years ending December 31, 2007 and 2006.

By far the largest portion of the City's net assets, 107.24% at December 31, 2007 and 123.32% at December 31, 2006, 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 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 (12.89%) represents resources that are subject to external restrictions on how they may be used. Of the \$7,735,028 that is restricted at December 31, 2007: \$3,461,886 is the value of bond escrow accounts held for debt service payments, while the remaining amount is restricted to use for community planning and development, streets, health initiatives, insurance and construction. 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.

The City's unrestricted net asset balance of (\$12,059,540) and (\$19,985,005) at December 31, 2007 and 2006, 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 \$34,125,333 and \$34,452,636, respectively.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2007

TABLE 2
CONDENSED STATEMENT CHANGES IN NET ASSETS
DECEMBER 31, 2007 AND 2006

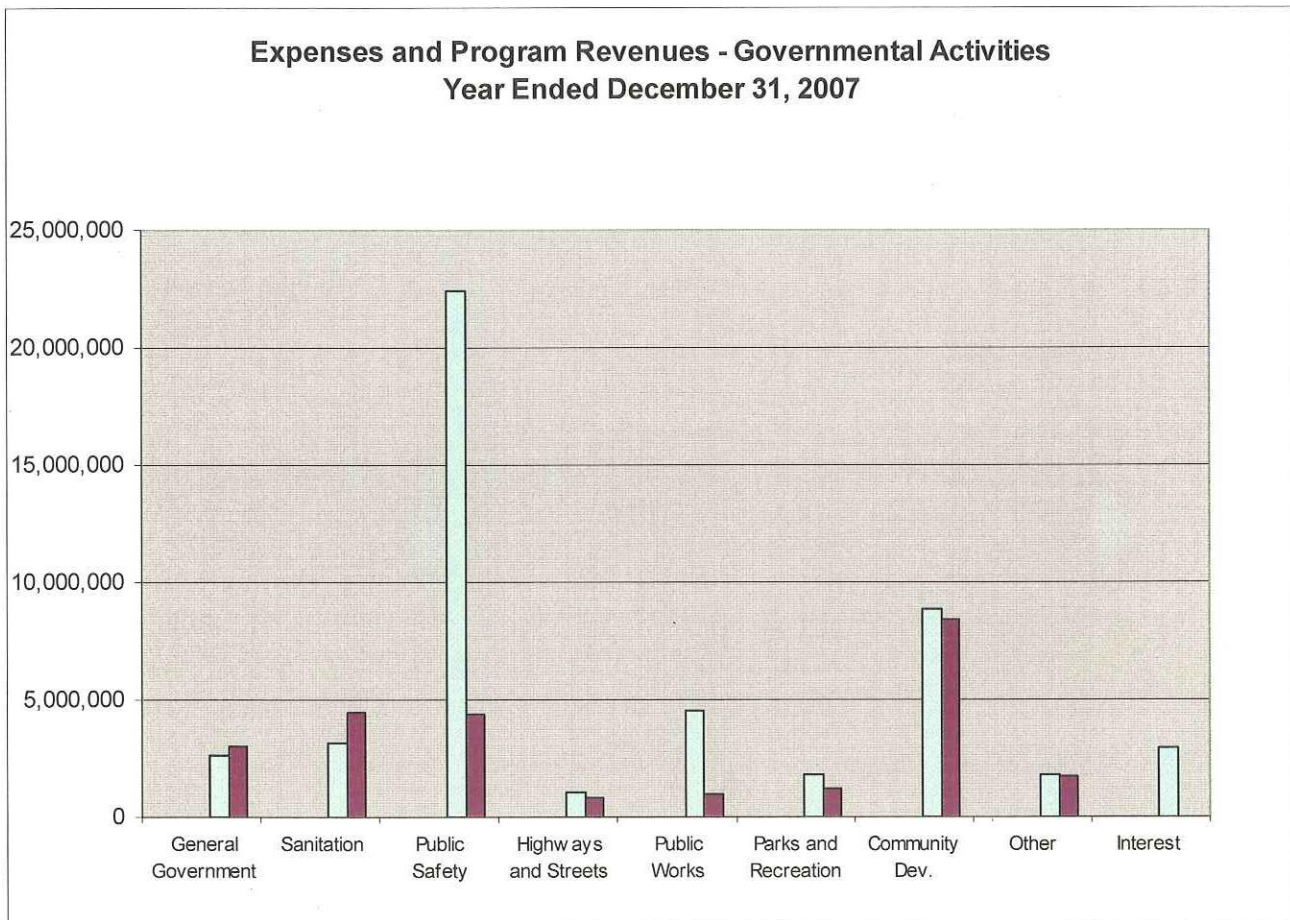
	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenue:						
Charges for services	\$ 11,837,237	\$ 11,669,846	\$ 13,927,968	\$ 12,692,366	\$ 25,765,205	\$ 24,362,212
Operating grants and contributions	11,489,368	10,886,335	26,571	7,012	11,515,939	10,893,347
Capital grants and contributions	1,730,224	100,000	5,351,000	-	7,081,224	100,000
Property taxes	13,435,540	12,954,686	-	-	13,435,540	12,954,686
Payment in lieu of taxes	369,719	576,293	-	-	369,719	576,293
Business taxes	3,144,505	2,854,792	-	-	3,144,505	2,854,792
Personal taxes	4,407,949	3,989,016	-	-	4,407,949	3,989,016
Unrestricted grants	1,615,118	1,602,978	-	-	1,615,118	1,602,978
Unrestricted investment earnings	618,757	650,484	1,710,032	1,730,620	2,328,789	2,381,104
Total revenues	48,648,417	45,284,430	21,015,571	14,429,998	69,663,988	59,714,428
Expenses:						
General government	2,625,730	2,437,556	-	-	2,625,730	2,437,556
Sanitation	3,197,851	2,877,840	-	-	3,197,851	2,877,840
Public safety	22,443,207	20,891,265	-	-	22,443,207	20,891,265
Highways and streets	1,080,516	1,001,138	-	-	1,080,516	1,001,138
Public works	4,526,431	4,364,167	-	-	4,526,431	4,364,167
Parks and recreation	1,796,761	1,699,250	-	-	1,796,761	1,699,250
Community development and planning	8,826,877	7,743,000	-	-	8,826,877	7,743,000
Other departments and programs	1,850,567	1,848,687	-	-	1,850,567	1,848,687
Legal Claims Settlement	-	-	-	-	-	-
Interest on long-term debt	2,976,850	3,044,555	-	-	2,976,850	3,044,555
Intermunicipal sewer	-	-	4,931,820	4,692,435	4,931,820	4,692,435
Sewer	-	-	7,043,671	7,039,675	7,043,671	7,039,675
Ice arena	-	-	1,638,268	1,597,970	1,638,268	1,597,970
Other	-	-	91,660	51,417	91,660	51,417
Total expenses	49,324,790	45,907,458	13,705,419	13,381,497	63,030,209	59,288,955
Change in net assets before transfers	(676,373)	(623,028)	7,310,152	1,048,501	6,633,779	425,473
Transfers	1,372,507	1,348,545	(1,372,507)	(1,348,545)	-	-
Change in net assets	696,134	725,517	5,937,645	(300,044)	6,633,779	425,473
Net assets, beginning of year	4,298,168	3,572,651	49,066,356	49,366,400	53,364,524	52,939,051
Net assets, end of year	\$ 4,994,302	\$ 4,298,168	\$ 55,004,001	\$ 49,066,356	\$ 59,998,303	\$ 53,364,524

CITY OF YORK, PENNSYLVANIA

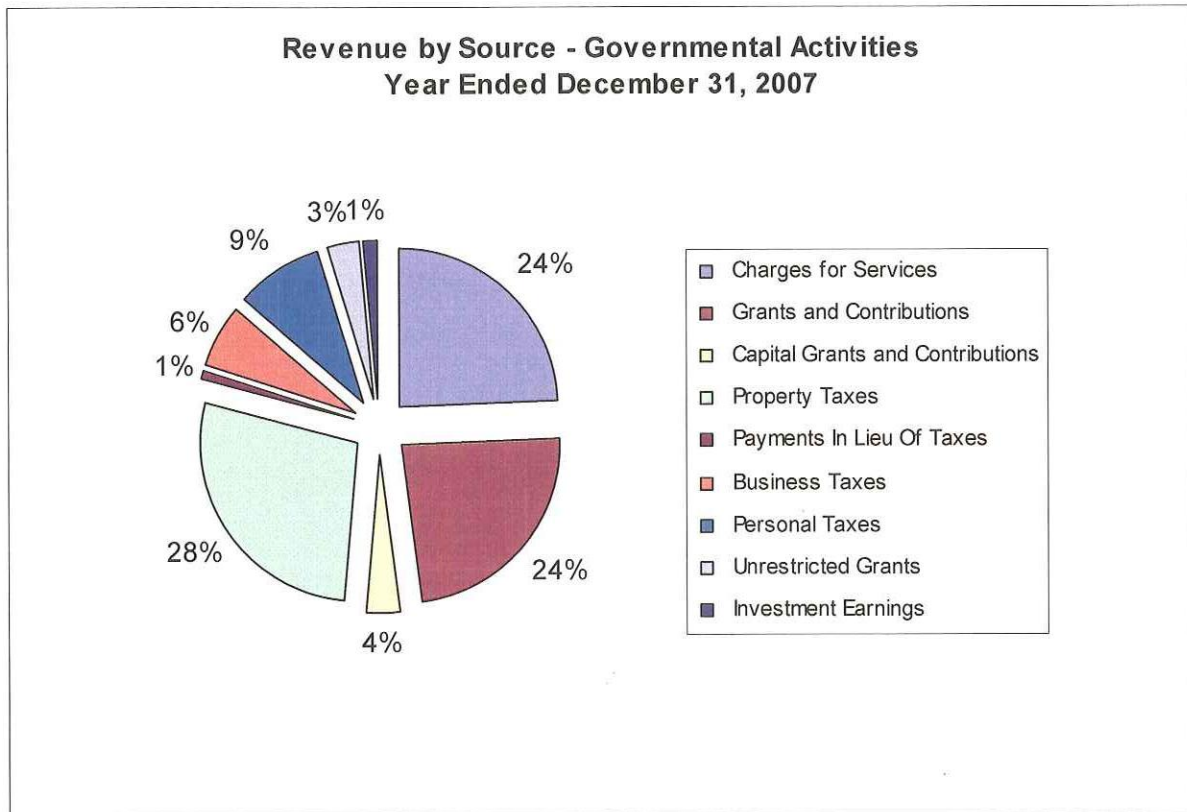
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2007

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, 2007, the increase in net assets of governmental activities resulted primarily from the accretion of capital appreciation debt in the amount of \$2,203,773, offset by principal payments on long-term debt of \$3,640,546. 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.



CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007



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.

66.27% 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 last increased in January 2008.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2007

The City operates a state of the art regional wastewater treatment plant that provides service to six 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 wastewater 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 wastewater sent by industrial facilities. Each year in October, the City estimates the wastewater 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 cost 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. Wastewater 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 wastewater 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 wastewater 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 wastewater flows.

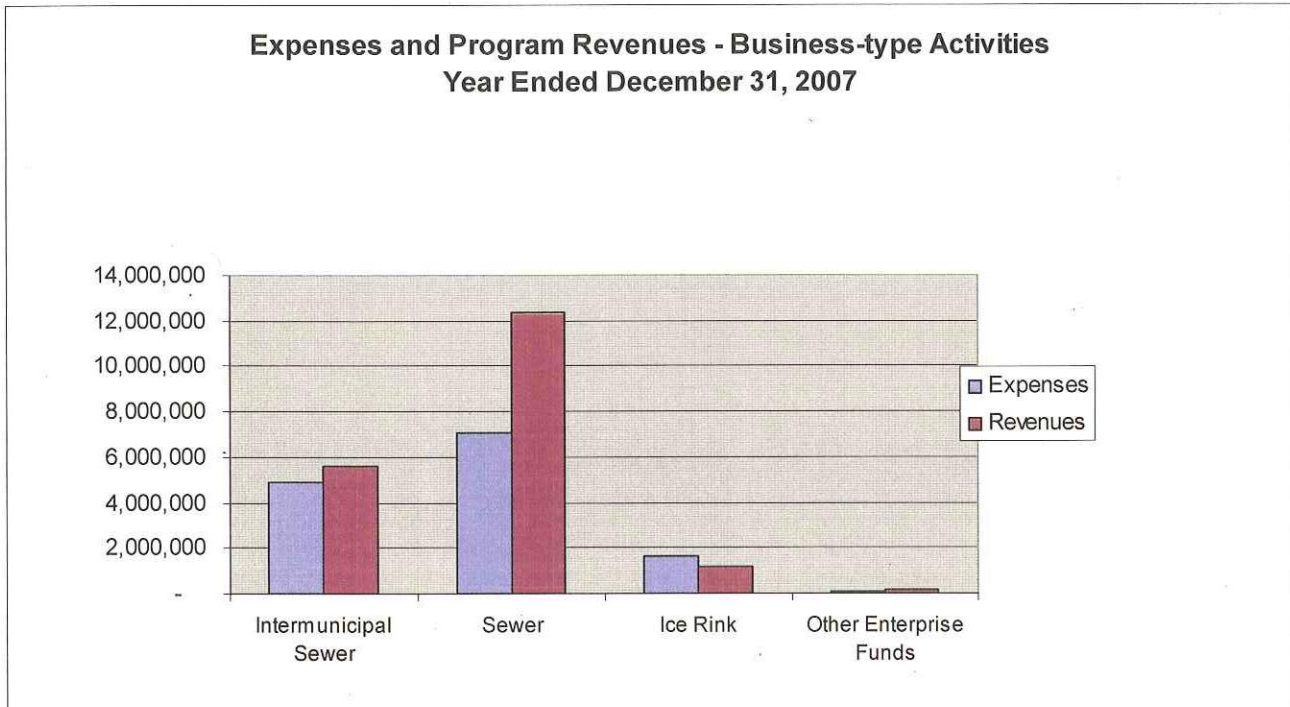
The York City Ice Arena is a two-pad ice skating sports facility that was built and put into service in 2001. The Arena was built by the York City Recreation Corporation (YCRC) using tax exempt proceeds from a bond issue guaranteed by the City. It is situated on land owned by the City in the Memorial 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, 2007



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, 2007 and 2006, the City's governmental funds reported combined ending fund balances of \$1,588,305 and \$1,920,693. The City's unreserved fund balance (deficit), which is available for spending at the government's discretion, was \$1,214,243 and \$1,537,565 at December 31, 2007 and 2006. The remainder of the fund balance at December 31, 2007 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 \$223,950 and 2) for a community development in the amount of \$150,112.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2007

The general fund is the chief operating fund of the City. At December 31, 2007 and 2006, unreserved fund balance of the general fund was \$2,414,801 and \$2,648,462. 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 7.64% and 8.63% of total general fund expenditures at December 31, 2007 and 2006.

The fund balance of the City's general fund decreased by \$233,661 during the year ended December 31, 2007. 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.
- Increases in public safety employee cost due to rising wages and rising health care costs.

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 debt service fund has a total fund balance (deficit) of \$(115,558) and \$(186,959). The net increase in fund balance for the year ended December 31, 2007 and 2006 in the debt service fund was \$71,401 and \$110,896. The 2007 increase was due to the increase of property tax revenue.

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, 2007 amounted to \$-, \$15,216,939 and (\$352,235), respectively. 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. The total increase/ (decrease) in net assets for these funds for the year ended December 31, 2007 was \$332,493, \$5,252,155 and (\$20,072), 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. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2007

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, 2007, the final revenue, including transfers-in, budget was \$32,738,963 and the final expenditure, including transfers-out, budget was \$32,486,588.

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 2007, the single largest revenue item in General Fund was taxes at \$17,045,285. Actual taxes included \$10,290,518 in real estate taxes, \$2,698,073 in business taxes, \$4,056,694 in income and emergency municipal service taxes. The second largest item includes charges for services which at \$7,330,898 includes sanitation fees of \$4,307,911. Grants and Contributions, at \$1,799,898, include \$369,719 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 \$291,782. This shortfall represents the difference between budget and actual in several grant programs. Budget amounts are estimates that are made based on information available at the time. Actual amounts result from factors that are not predictable at the time that the budget estimates are made. The City also had a significant negative variance between final budget and actual in the charges for services line item in the amount of \$483,569, which is mainly attributable to budget projections that were based upon an ordinance directing inspection of daycare facilities which was later repealed by City Council and timing of some refuse collection rate changes. The City also had a significant negative variance between final budget and actual in the licenses and permits line item in the amount of \$326,435. This shortfall is the result of both the repeal of the daycare ordinance and the building permit revenue falling short due to overestimates of the value of construction that occurred in the City during 2007.

Total General Fund expenditures were \$31,620,039 for the year ended December 31, 2007. The single most expensive activity in the general fund is public safety, which is comprised of police and fire-rescue services, which amount to \$21,914,469, or 69.31% of the General Fund actual expenditures for the year ended December 31, 2007.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2007

All of the expenditure variances between final budget and actual were positive. The largest was in general government at \$349,380, 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, 2007 and 2006 amounts to \$102,088,345 and \$101,134,181, respectively. This investment in capital assets includes land, buildings, land improvements, equipment and furniture and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was .93 percent (a .36 percent decrease for governmental activities and a 2.12 percent increase for business-type activities).

Major capital asset events during the year ended December 31, 2007 included the following:

- Various infrastructure projects, including road and walkway improvements, were completed at a cost of \$2,168,381
- The City purchased several vehicles, including a \$246,952 street tractor, \$52,789 recreation dump truck, and police vehicles in the amount of \$70,150.
- The City purchased camera equipment for police vehicles totaling \$106,106.
- The City purchased \$111,650 worth of police and fire radio equipment.
- Various building and system additions and improvements were completed in the Sewer Fund's waste water treatment plant at a cost of \$2,955,342.

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.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2007 and 2006, the City had total general obligation bonded debt outstanding of \$46,679,746 and \$48,319,512, respectively. Revenue bonds in the amount of \$41,468,536 and \$33,746,344, respectively, represent bonds secured solely by specified revenue sources.

The City's total debt increased by \$6,228,300 during the year ended December 31, 2007. The City issued Series 2007 Guaranteed Sewer Revenue Bonds, in the amount of \$10,000,000, in order 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 sewer system. This increase, in addition to \$4.1 million in accretion of capital appreciation bonds, was offset by \$8.5 million in debt repayments. Additionally, the City entered into several capital leases during 2007, to the acquisition of a mower, radio equipment, five vehicles, street cleaning truck, and a spectrometer, in the aggregate amount of \$507,136.

The City's total debt decreased 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.

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:

In recent years, the most significant challenges to the maintenance of an appropriate level of public services has been the rising cost of employee health care, the increased MMO for public safety 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.

In 2005, the City contribution to the employee pension funds was \$2,034,131. In 2006 and 2007, the obligation was \$4,863,063 and \$4,960,833, respectively. In 2008, the City's contribution is calculated to be \$5,069,057. 98% of this contribution comes from the General Fund. For 2009, the MMO will be approximately \$5.25 million.

Employee health care costs continue to rise well beyond the rate of inflation. In 2006, the City budgeted \$3,150,000 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, on a modified accrual basis, the City spent \$4.05 million. 2008 City employee medical, surgical, and dental benefits

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are budgeted at \$3.6 million. As of September 15, 2008, the City had spent approximately \$2.9 million and was on track to spend an estimated \$4.5 million for 2008. In 2002, the City spent approximately \$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 51.1%.

Prescription plan costs have likewise risen significantly over the same period. In 2002, the City budgeted approximately \$785,000 for prescriptions and spent approximately \$982,000. In 2006, on a modified accrual basis, the City spent approximately \$1.4 million on employee prescriptions. For employee prescription coverage for 2007, the City budgeted \$1.5 million and spent approximately \$1.498 million, right on target, and a 52.54% increase since 2002. For 2008, the City again budgeted \$1.5 million and appears on target to spend a projected \$1.65 million

The latest challenge is retiree health insurance brought into stark relief by GASB 45. As of December 31, 2005, the total liability for all employee units was estimated to be 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.

During the 2008 budget process, the City struggled with the possibility of setting aside funds to begin to build a reserve to pay for retiree health insurance in the future. The Risk Management budget initially proposed to the Mayor included the annual normal cost based upon the prepayment method along with nothing toward the accrued unfunded liability. This amount was just under \$1.5 million. All of this was removed from the final budget proposed to and adopted by City Council.

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, Mercantile Tax, and EMST tax, while others can be increased, such as 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 past six years, the City has increased the real estate tax rate from the 2002 total millage of 11.39 to a 2007 total millage of 13.67. This is a 20% increase over the period and 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. In 2008, the real estate tax rate was increased to 14.67, a 7.32% increase over the 2007 rate.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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.5 mills bringing the real estate tax rate to 13.67 mills for 2007. For 2008, the rate increased by 7.32%, somewhat higher than the CPI, but in line with the increase in the city's cost of operations.

In 2005, the City conducted an in depth financial study and prepared a five year budget projection. The City employed the aid of a public finance consultant, Public Financial Management (PFM). PFM made some suggestions and recommendations to reduce costs and increase revenue. Since that time, the City has made efforts and progress on implementing some of those suggestions and recommendations. A key recommendation was to reduce some labor costs by modifying the employee health plan design and by limiting wage increases over the coming years.

Since the five year financial study was completed, contracts with all five bargaining units have been in negotiation. The non-public safety unions have negotiated contracts for anywhere from six to nine years with average annual increases of 2.4% over the life of the contracts. Additionally, the contracts have provided for significant increases in employee and retiree premium sharing for health insurance. In two of the contracts, employees hired after a date certain will pay the 2012 premium rate throughout the life of the contract and access to retiree health insurance will require the employee to pay the full COBRA rate. Finally, the City employee health insurance plans have been redesigned to a true PPO plan with significant steerage provisions. The prescription medication element of the plan has been redesigned to encourage mail order, encourage generic usage and requires much greater employee co-payments. While these provisions will certainly ameliorate the rate of increase of cost of these plans, this part of the labor cost will remain high and troublesome for the City.

The costs of providing City services rise faster than the revenue that is necessary to pay for the services. The City's financial challenges remain rooted in the disjuncture of its revenue sources and expenditure obligations. General revenue is primarily generated from taxes: real estate, earned income, business privilege and mercantile taxes, and municipal services. The tax bases from which these revenues flow are highly local. Costs on the other hand are global: energy, materials, insurance, labor, and money are highly influenced by the global economy. So long as Pennsylvania's structure for providing and paying for municipal services remains rooted in a colonial era governmental and tax structure, a Herculean effort will be the annual demand upon the energy and creativity of urban municipal officials. Until there is fundamental change in this structure, the City will search for creative ways to raise revenue and reduce costs and keep the City on its current course of revitalization.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Primary Government				
	Governmental	Business-type		Component	
	Activities	Activities	Total	Units	Total
ASSETS					
Cash and cash equivalents	\$ 1,738,276	\$ 6,332,261	\$ 8,070,537	\$ 672,445	\$ 8,742,982
Receivables, net of allowance for uncollectible accounts:					
Taxes	6,108,447	-	6,108,447	-	6,108,447
Accounts	3,965,413	1,394,804	5,360,217	3,267,823	8,628,040
Loans	3,644,447	-	3,644,447	-	3,644,447
Interest	-	28,695	28,695	5,952	34,647
Internal balances	(1,019,917)	1,019,917	-	-	-
Due from component unit	304,174	-	304,174	-	304,174
Due from other governments	-	126,896	126,896	-	126,896
Inventory	-	6,171	6,171	-	6,171
Prepaid expenses	82,955	14,249	97,204	3,646	100,850
Restricted assets:					
Cash and cash equivalents	542,338	2,379,663	2,922,001	2,322,230	5,244,231
Investments, at fair value	-	14,693,104	14,693,104	-	14,693,104
Notes receivable - due from component unit	2,835,778	-	2,835,778	-	2,835,778
Lease rentals receivable	-	18,020,766	18,020,766	-	18,020,766
Capital assets, less accumulated depreciation and amortization	47,756,997	54,331,348	102,088,345	5,649,467	107,737,812
Land held for development	-	-	-	125,000	125,000
Deferred charges, net of accumulated amortization	-	-	-	191,933	191,933
Total assets	65,958,908	98,347,874	164,306,782	12,238,496	176,545,278
LIABILITIES					
Accounts payable and other current liabilities	2,992,143	1,227,449	4,219,592	30,034	4,249,626
Accrued liabilities	851,412	150,803	1,002,215	-	1,002,215
Due to primary government	-	-	-	306,174	306,174
Due to other governments	339,441	-	339,441	104,110	443,551
Deferred revenue	7,088,852	38,839	7,127,691	544,378	7,672,069
Line of credit	-	-	-	3,700,241	3,700,241
Noncurrent liabilities:					
Due within one year	4,252,953	4,271,837	8,524,790	90,000	8,614,790
Due within one year - due to primary government	-	-	-	651,789	651,789
Due in more than one year	45,439,805	37,654,945	83,094,750	3,260,000	86,354,750
Due in more than one year - due to primary government	-	-	-	2,183,989	2,183,989
Total liabilities	60,964,606	43,343,873	104,308,479	10,870,715	115,179,194

See accompanying notes to basic financial statements.

	Primary Government				
	Governmental	Business-type		Component	
	Activities	Activities	Total	Units	Total
NET ASSETS					
Invested in capital assets, net of related debt	33,705,708	30,617,107	64,322,815	492,622	64,815,437
Restricted for:					
Community development and planning	150,112	-	150,112	-	150,112
Health initiatives	223,950	-	223,950	-	223,950
Highways and streets	385,329	-	385,329	-	385,329
Workers' compensation	542,337	-	542,337	-	542,337
Debt service	-	3,461,886	3,461,886	16,621	3,478,507
Construction	-	2,971,414	2,971,414	-	2,971,414
Unrestricted	(30,013,134)	17,953,594	(12,059,540)	858,538	(11,201,002)
Total net assets	\$ 4,994,302	\$ 55,004,001	\$ 59,998,303	\$ 1,367,781	\$ 61,366,084

CITY OF YORK, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		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	\$ 2,625,730	\$ 2,331,069	\$ 733,128	\$ -	\$ 438,467	\$ -	\$ 438,467	\$ -	\$ 438,467
Sanitation	3,197,851	4,397,650	37,206	-	1,237,005	-	1,237,005	-	1,237,005
Public safety	22,443,207	3,344,282	789,935	276,661	(18,032,329)	-	(18,032,329)	-	(18,032,329)
Highways and streets	1,080,516	98,344	731,490	-	(250,682)	-	(250,682)	-	(250,682)
Public works	4,526,431	88,292	-	878,579	(3,559,560)	-	(3,559,560)	-	(3,559,560)
Parks and recreation	1,796,761	473,437	161,376	574,984	(586,964)	-	(586,964)	-	(586,964)
Community development and planning	8,826,877	1,095,193	7,279,495	-	(452,189)	-	(452,189)	-	(452,189)
Other departments and programs	1,850,567	8,970	1,756,738	-	(84,859)	-	(84,859)	-	(84,859)
Interest on long-term debt	2,976,850	-	-	-	(2,976,850)	-	(2,976,850)	-	(2,976,850)
Total governmental activities	49,324,790	11,837,237	11,489,368	1,730,224	(24,267,961)	-	(24,267,961)	-	(24,267,961)
Business-type activities:									
Intermunicipal sewer	4,931,820	5,578,689	-	-	-	646,869	646,869	-	646,869
Sewer	7,043,671	7,003,107	-	5,351,000	-	5,310,436	5,310,436	-	5,310,436
Ice rink	1,638,268	1,185,177	5,000	-	-	(448,091)	(448,091)	-	(448,091)
Other enterprise funds	91,660	160,995	21,571	-	-	90,906	90,906	-	90,906
Total business-type activities	13,705,419	13,927,968	26,571	5,351,000	-	5,600,120	5,600,120	-	5,600,120
Total primary government	\$ 63,030,209	\$ 25,765,205	\$ 11,515,939	\$ 7,081,224	(24,267,961)	5,600,120	(18,667,841)	-	(18,667,841)
Component units:									
Redevelopment Authority	\$ 3,178,093	\$ 294,488	\$ 2,394,645	\$ -	-	-	-	(488,960)	(488,960)
General Authority	1,524,482	2,020,831	-	-	-	-	-	496,349	496,349
Total component units	\$ 4,702,575	\$ 2,315,319	\$ 2,394,645	\$ -	-	-	-	7,389	7,389
General revenues:									
Property taxes					13,435,540	-	13,435,540	-	13,435,540
Occupational privilege taxes					1,549,020	-	1,549,020	-	1,549,020
Earned income taxes					2,858,929	-	2,858,929	-	2,858,929
Business privilege taxes					2,805,569	-	2,805,569	-	2,805,569
Franchise taxes					297,047	-	297,047	-	297,047
Public utility realty taxes					23,929	-	23,929	-	23,929
Beverage taxes					17,960	-	17,960	-	17,960
Payments in lieu of taxes					369,719	-	369,719	-	369,719
Grants and contributions not restricted to specific functions					1,615,118	-	1,615,118	-	1,615,118
Miscellaneous revenue					-	-	-	162,062	162,062
Unrestricted investment earnings					618,757	1,710,032	2,328,789	111,587	2,440,376
Transfers - internal activities					1,372,507	(1,372,507)	-	-	-
Total general revenues and transfers					24,964,095	337,525	25,301,620	273,649	25,575,269
Change in net assets (deficits)					696,134	5,937,645	6,633,779	281,038	6,914,817
Net assets - beginning of year					4,298,168	49,066,356	53,364,524	1,086,743	54,451,267
Net assets - end of year					\$ 4,994,302	\$ 55,004,001	\$ 59,998,303	\$ 1,367,781	\$ 61,366,084

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 17,901	\$ -	\$ -	\$ 17,901
Restricted cash and cash equivalents	-	1	-	1
Receivables:				
Loans (less allowance for doubtful accounts of \$33,000 in the General Fund, \$635,375 in Other Governmental Funds)	370,847	-	3,273,600	3,644,447
Taxes (less allowance for doubtful accounts of \$837,470 in the General Fund, \$183,843 in the Debt Service Fund, \$87,473 in the Other Governmental Funds)	5,803,090	210,066	95,291	6,108,447
Accounts (less allowance for doubtful accounts of \$3,011,105 in the General Fund)	2,067,619	-	1,625,202	3,692,821
Notes receivable	-	2,835,778	-	2,835,778
Due from other funds	847,022	-	897,037	1,744,059
Due from component units	304,174	-	-	304,174
Total assets	<u>\$ 9,410,653</u>	<u>\$ 3,045,845</u>	<u>\$ 5,891,130</u>	<u>\$ 18,347,628</u>
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable and accrued expenses	\$ 650,407	\$ 1,025	\$ 1,329,546	\$ 1,980,978
Accrued wages payable	577,349	-	52,976	630,325
Due to other funds	651,753	140,756	913,298	1,705,807
Due to other governments	-	-	339,441	339,441
Deferred revenues	5,116,343	3,019,622	3,966,807	12,102,772
Total liabilities	<u>6,995,852</u>	<u>3,161,403</u>	<u>6,602,068</u>	<u>16,759,323</u>
Fund balances (deficits):				
Reserved for:				
Health initiatives	-	-	223,950	223,950
Community development	-	-	150,112	150,112
Unreserved, reported in:				
General fund	2,414,801	-	-	2,414,801
Debt service fund	-	(115,558)	-	(115,558)
Special revenue funds	-	-	(407,511)	(407,511)
Capital projects	-	-	(677,489)	(677,489)
Total fund balances (deficits)	<u>2,414,801</u>	<u>(115,558)</u>	<u>(710,938)</u>	<u>1,588,305</u>
Total liabilities and fund balances (deficits)	<u>\$ 9,410,653</u>	<u>\$ 3,045,845</u>	<u>\$ 5,891,130</u>	<u>\$ 18,347,628</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, 2007**

Fund balances - total governmental funds \$ 1,588,305

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	\$ 101,426,544	
Less accumulated depreciation	<u>(53,669,547)</u>	47,756,997

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 5,013,920

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	(34,125,333)	
Notes payable	(11,370,452)	
Loans from other governmental entities	(1,403,488)	
Capitalized lease obligation	(619,468)	
Compensated absences	(969,942)	
Accrued interest payable	<u>(204,470)</u>	(48,693,153)

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 assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Internal service fund net assets	386,402	
Adjustment related to enterprise funds	<u>(1,058,169)</u>	<u>(671,767)</u>

Net assets of governmental activities \$ 4,994,302

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, 2007

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 17,045,285	\$ 2,341,676	\$ 988,988	\$ 20,375,949
Licenses and permits	1,600,799	-	-	1,600,799
Fines and forfeits	1,473,784	-	-	1,473,784
Grants and contributions	1,799,898	1,612,815	11,243,362	14,656,075
Charges for services	7,330,898	-	655,860	7,986,758
Loan repayments	105,000	780,265	352,604	1,237,869
Interest	351,371	8,690	58,645	418,706
Miscellaneous	186,067	-	144,675	330,742
Total revenues	29,893,102	4,743,446	13,444,134	48,080,682
Expenditures:				
Current				
General government	2,033,300	25,351	153,849	2,212,500
Sanitation	2,959,720	-	-	2,959,720
Public safety	21,914,469	-	273,485	22,187,954
Highways and streets	536,803	-	384,465	921,268
Public works	2,008,901	-	21,475	2,030,376
Parks and recreation	-	-	1,454,612	1,454,612
Community development and planning	2,071,869	-	6,664,623	8,736,492
Other departments and programs	94,977	-	1,665,048	1,760,025
Debt service:				
Principal retirements	-	3,690,000	332,788	4,022,788
Interest	-	659,201	96,072	755,273
Capital outlay	-	-	3,200,664	3,200,664
Total expenditures	31,620,039	4,374,552	14,247,081	50,241,672
Excess (deficiency) of revenues over (under) expenditures	(1,726,937)	368,894	(802,947)	(2,160,990)
Other financing sources (uses):				
Proceeds from the issuance of debt	-	-	456,095	456,095
Transfers in	1,800,000	326,665	568,027	2,694,692
Transfers out	(306,724)	(624,158)	(391,303)	(1,322,185)
Total other financing sources (uses)	1,493,276	(297,493)	632,819	1,828,602
Net change in fund balances (deficits)	(233,661)	71,401	(170,128)	(332,388)
Fund balances (deficits) - beginning of year	2,648,462	(186,959)	(540,810)	1,920,693
Fund balances (deficits) - end of year	\$ 2,414,801	\$ (115,558)	\$ (710,938)	\$ 1,588,305

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, 2007

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

Net change in fund balances (deficits) - total governmental funds	\$	(332,388)
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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	\$ 3,413,175	
Depreciation expense	(3,440,702)	
Gain/(loss) on disposal	<u>(144,611)</u>	(172,138)

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

501,444

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	(456,095)	
Principal repayments	<u>4,022,788</u>	3,566,693

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.

Change in compensated absences	(76,231)	
Change in accrued interest	57,221	
Amortization of bond discounts	<u>(2,203,773)</u>	(2,222,783)

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	(452,858)	
Adjustment related to enterprise funds	<u>(191,836)</u>	<u>(644,694)</u>

Change in net assets of governmental activities	\$	<u><u>696,134</u></u>
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See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS (DEFICITS) - PROPRIETARY FUNDS
DECEMBER 31, 2007

Business-type Activities - Enterprise Funds						
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Funds	Total	Internal Services Fund
Assets						
Current assets:						
Cash and cash equivalents	\$ 2,993,081	\$ 1,356,325	\$ (10,490)	\$ 1,993,345	\$ 6,332,261	\$ 1,720,375
Receivables:						
Lease rentals, current	-	1,056,941	-	-	1,056,941	-
Accrued interest receivable	-	28,695	-	-	28,695	-
Accounts receivable (less allowance for doubtful accounts of \$4,486,611)	175,974	1,117,817	53,193	47,820	1,394,804	272,592
Inventory	-	-	6,171	-	6,171	-
Prepaid expenses	-	-	14,249	-	14,249	82,955
Due from other funds	-	556,442	-	-	556,442	-
Due from other governments	126,896	-	-	-	126,896	-
Total current assets	3,295,951	4,116,220	63,123	2,041,165	9,516,459	2,075,922
Restricted assets:						
Cash and cash equivalents	-	2,379,663	-	-	2,379,663	542,337
Investments	-	14,693,104	-	-	14,693,104	-
Total restricted assets	-	17,072,767	-	-	17,072,767	542,337
Noncurrent assets:						
Lease rentals receivable, long-term	-	16,963,825	-	-	16,963,825	-
Capital assets, net of accumulated depreciation	-	49,502,218	4,829,130	-	54,331,348	-
Total noncurrent assets	-	66,466,043	4,829,130	-	71,295,173	-
Total assets	3,295,951	87,655,030	4,892,253	2,041,165	97,884,399	2,618,259
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	261,424	892,594	66,886	6,545	1,227,449	1,011,165
Accrued wages payable	65,378	14,044	15,989	3,241	98,652	16,617
Accrued interest	-	-	52,151	-	52,151	-
Due to other funds	353,201	-	241,493	-	594,694	-
Deferred revenue	-	-	38,839	-	38,839	-
Total current liabilities	680,003	906,638	415,358	9,786	2,011,785	1,027,782
Current liabilities payable from restricted assets:						
Current portion of capitalized lease obligations	-	81,837	-	-	81,837	-
Current portion of bonds and notes payable	-	3,875,000	315,000	-	4,190,000	118,221
Total current liabilities payable from restricted resources	-	3,956,837	315,000	-	4,271,837	118,221
Noncurrent liabilities:						
Accrued compensated absences	149,150	41,967	-	658	191,775	20,114
Capitalized lease obligations	-	184,634	-	-	184,634	-
Bonds and notes outstanding	-	31,428,536	5,850,000	-	37,278,536	1,065,740
Total noncurrent liabilities	149,150	31,655,137	5,850,000	658	37,654,945	1,085,854
Total liabilities	829,153	36,518,612	6,580,358	10,444	43,938,567	2,231,857
Net Assets (Deficits)						
Invested in capital assets, net of related debt	-	31,952,977	(1,335,870)	-	30,617,107	-
Restricted:						
Debt service	-	3,461,886	-	-	3,461,886	-
Construction	2,466,798	504,616	-	-	2,971,414	-
Workers' compensation	-	-	-	-	-	542,337
Unrestricted	-	15,216,939	(352,235)	2,030,721	16,895,425	(155,935)
Total net assets (deficits)	\$ 2,466,798	\$ 51,136,418	\$ (1,688,105)	\$ 2,030,721	\$ 53,945,832	\$ 386,402
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					1,058,169	
Net assets of business-type activities					\$ 55,004,001	

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, 2007

	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	\$ 5,567,135	\$ 6,159,405	\$ 643,548	\$ 52,420	\$ 12,422,508	\$ 9,035,189
Rental income	-	-	541,629	-	541,629	-
Revenue from other local governments	-	-	-	94,051	94,051	-
Operating Grants	-	-	-	14,524	14,524	-
Miscellaneous income	11,554	12,702	-	-	24,256	620
Total operating revenues	5,578,689	6,172,107	1,185,177	160,995	13,096,968	9,035,809
Operating expenses:						
Personnel services	1,588,358	378,829	378,777	48,881	2,394,845	781,434
Utilities	703,637	-	163,914	619	868,170	-
Treatment costs	-	1,628,578	-	-	1,628,578	-
Contractual services	213,094	202,141	38,147	-	453,382	-
Professional services	167,532	190,359	60,000	8,495	426,386	252,534
Materials and supplies	339,462	28,135	211,195	5,306	584,098	162,867
Sludge	384,673	-	-	-	384,673	-
Administrative	460,960	539,847	172,785	19,485	1,193,077	257,486
Health insurance claims	-	-	-	-	-	6,044,814
Insurance premiums	-	-	24,713	-	24,713	764,138
Workers' compensation insurance	-	-	-	-	-	513,308
Depreciation	-	1,676,693	271,249	-	1,947,942	-
Miscellaneous	1,196,038	133,965	414	8,874	1,339,291	715,677
Total operating expenses	5,053,754	4,778,547	1,321,194	91,660	11,245,155	9,492,258
Operating income (loss)	524,935	1,393,560	(136,017)	69,335	1,851,813	(456,449)
Nonoperating revenue (expenses):						
Investment income	72,357	1,547,822	526	89,327	1,710,032	78,616
Contributions	-	-	5,000	21,571	26,571	-
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Interest expense	-	(2,335,026)	(317,074)	-	(2,652,100)	(75,025)
Total nonoperating revenue (expenses)	72,357	43,796	(311,548)	110,898	(84,497)	3,591
Change in net assets before transfers	597,292	1,437,356	(447,565)	180,233	1,767,316	(452,858)
Transfers in	-	263,799	427,493	-	691,292	-
Transfers out	(263,799)	(1,800,000)	-	-	(2,063,799)	-
Change in net assets before contributed capital	333,493	(98,845)	(20,072)	180,233	394,809	(452,858)
Contributed capital	-	5,351,000	-	-	5,351,000	-
Change in net assets (deficits)	333,493	5,252,155	(20,072)	180,233	5,745,809	(452,858)
Net assets (deficits) - beginning of year	2,133,305	45,884,263	(1,668,033)	1,850,488		839,260
Net assets (deficits) - end of year	\$ 2,466,798	\$ 51,136,418	\$ (1,688,105)	\$ 2,030,721		\$ 386,402
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					191,836	
Change in net assets (deficits) of business-type activities					\$ 5,937,645	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2007

	Business-type Activities - Enterprise Funds					
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Funds	Total	Internal Services Fund
Cash flows from operating activities:						
Receipts from customers and users	\$ 6,185,625	\$ 5,961,445	\$ 1,196,372	\$ 158,248	\$ 13,501,690	\$ 9,022,779
Payments to suppliers	(4,041,248)	(1,234,972)	(704,058)	(39,752)	(6,020,030)	(9,039,538)
Payments to employees	(1,634,588)	(365,338)	(377,089)	(46,638)	(2,423,653)	(777,778)
Net cash provided by operating activities	509,789	4,361,135	115,225	71,858	5,058,007	(794,537)
Cash flows from noncapital financing activities:						
Transfers in	-	263,799	427,493	-	691,292	-
Transfers out	(263,799)	(1,800,000)	-	-	(2,063,799)	-
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Net cash provided by (used in) noncapital financing activities	(263,799)	(705,201)	427,493	-	(541,507)	-
Cash flows from capital and related financing activities:						
Capital outlays	-	(3,022,050)	(1,153)	-	(3,023,203)	-
Contributions	-	-	5,000	21,571	26,571	-
Proceeds from the issuance of debt	-	10,000,000	-	-	10,000,000	-
Principal receipts on lease rentals receivable	-	988,428	-	-	988,428	-
Principal payments on bonds and notes	-	(3,875,000)	(305,000)	-	(4,180,000)	(153,539)
Principal payments on capital lease	-	(76,452)	-	-	(76,452)	-
Interest paid	-	(432,834)	(319,158)	-	(751,992)	(75,025)
Net cash provided by (used in) capital and related financing activities	-	3,582,092	(620,311)	21,571	2,983,352	(228,564)
Cash flows from investing activities:						
Purchases of investment securities	-	(7,544,813)	-	-	(7,544,813)	-
Investment income	72,357	1,542,565	526	89,327	1,704,775	78,616
Net cash provided by (used in) investing activities	72,357	(6,002,248)	526	89,327	(5,840,038)	78,616
Net increase (decrease) in cash and cash equivalents	318,347	1,235,778	(77,067)	182,756	1,659,814	(944,485)
Cash and cash equivalents - beginning of year	2,674,734	2,500,210	66,577	1,810,589	7,052,110	3,207,197
Cash and cash equivalents - end of year	\$ 2,993,081	\$ 3,735,988	\$ (10,490)	\$ 1,993,345	\$ 8,711,924	\$ 2,262,712
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 524,935	\$ 1,393,560	\$ (136,017)	\$ 69,335	\$ 1,851,813	\$ (456,449)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	-	1,676,693	271,249	-	1,947,942	-
(Increase) decrease in:						
Accounts receivable	167,187	(95,668)	870	(2,747)	69,642	(199,851)
Inventory	-	-	2,232	-	2,232	-
Prepaid expenses	-	-	(2,874)	-	(2,874)	(8,681)
Due from other funds	-	625,561	-	-	625,561	-
Due from other governments	439,749	-	-	-	439,749	186,821
Increase (decrease) in:						
Accounts payable and accrued expenses	(21,460)	862,492	26,707	3,027	870,766	(320,033)
Accrued wages payable	(899)	526	1,688	1,585	2,900	201
Accrued compensated absences	(45,331)	12,965	-	658	(31,708)	3,455
Deferred revenue	-	(114,994)	10,325	-	(104,669)	-
Due to other funds	(554,392)	-	(58,955)	-	(613,347)	-
Net cash provided by operating activities	\$ 509,789	\$ 4,361,135	\$ 115,225	\$ 71,858	\$ 5,058,007	\$ (794,537)
Non cash items:						
Proceeds from capital lease obligations	\$ -	\$ 51,041	\$ -	\$ -	\$ 51,041	\$ -
Acquisition of equipment through capital lease obligations	\$ -	\$ 51,041	\$ -	\$ -	\$ 51,041	\$ -

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2007

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 5,631,298	\$ 414,158
Investments, at fair value	84,297,666	-
Total assets	89,928,964	414,158
Liabilities		
Accounts payable and accrued expenses	-	396,784
Other payables	-	6,123
Due to other governments	-	11,251
Total liabilities	-	\$ 414,158
Net assets		
Held in trust for pension benefits	\$ 89,928,964	

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, 2007**

Additions:

Contributions

Employee contributions

\$ 617,684

Employer contributions

4,960,833

Total contributions

5,578,517

Investment income:

Interest and dividend income

1,698,767

Net appreciation of investments

6,424,822

8,123,589

Less investment expense

(476,231)

Net investment income

7,647,358

Total additions

13,225,875

Deductions:

Benefit payments

5,691,545

Total deductions

5,691,545

Net increase

7,534,330

Net assets held in trust for pension benefits,
beginning of year82,394,634Net assets held in trust for pension benefits,
end of year\$ 89,928,964

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS - COMPONENT UNITS
DECEMBER 31, 2007

	Redevelopment Authority	General Authority	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 467,539	\$ 204,906	\$ 672,445
Restricted cash and cash equivalents	-	2,322,230	2,322,230
Accounts receivable	3,267,823	-	3,267,823
Accrued interest	-	5,952	5,952
Prepaid expenses	3,646	-	3,646
Total current assets	3,739,008	2,533,088	6,272,096
Noncurrent assets:			
Capital assets (net of accumulated depreciation of \$705,015 and \$6,444,926)	2,820,050	2,829,417	5,649,467
Land held for development	125,000	-	125,000
Capitalized bond costs (net of accumulated amortization of \$24,686 and \$377,030)	78,827	113,106	191,933
Total noncurrent assets	3,023,877	2,942,523	5,966,400
Total assets	6,762,885	5,475,611	12,238,496
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	14,510	15,524	30,034
Due to primary government	2,000	304,174	306,174
Due to other governments	104,110	-	104,110
Deferred revenues	112,218	432,160	544,378
Line of credit	3,700,241	-	3,700,241
Current portion of bonds payable	90,000	-	90,000
Current portion of note payable	-	651,789	651,789
Total current liabilities	4,023,079	1,403,647	5,426,726
Noncurrent liabilities:			
Bonds payable	3,260,000	-	3,260,000
Note payable	-	2,183,989	2,183,989
Total noncurrent liabilities	3,260,000	2,183,989	5,443,989
Total liabilities	7,283,079	3,587,636	10,870,715
Net Assets			
Invested in capital assets, net of related debt	(451,123)	943,745	492,622
Restricted:			
Debt service	16,621	-	16,621
Unrestricted	(85,692)	944,230	858,538
Total net assets	\$ (520,194)	\$ 1,887,975	\$ 1,367,781

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF ACTIVITIES - COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2007

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Redevelopment Authority	General Authority	Total
Redevelopment Authority	\$ 3,178,093	\$ 294,488	\$ 2,394,645	\$ (488,960)	\$ -	\$ (488,960)
General Authority	1,524,482	2,020,831	-	-	496,349	496,349
Total component units	<u>\$ 4,702,575</u>	<u>\$ 2,315,319</u>	<u>\$ 2,394,645</u>	<u>(488,960)</u>	<u>496,349</u>	<u>7,389</u>
General revenues:						
Miscellaneous revenue				74,062	88,000	162,062
Unrestricted investment earnings				7,548	104,039	111,587
Total general revenues				<u>81,610</u>	<u>192,039</u>	<u>273,649</u>
Change in net assets				(407,350)	688,388	281,038
Net assets - beginning of year				<u>(112,844)</u>	<u>1,199,587</u>	<u>1,086,743</u>
Net assets - end of year				<u>\$ (520,194)</u>	<u>\$ 1,887,975</u>	<u>\$ 1,367,781</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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, 2007

- 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.

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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,

CITY OF YORK, PENNSYLVANIA

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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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NOTES TO BASIC FINANCIAL STATEMENTS

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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.

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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 or in the aggregate 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.

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	20 years
Buildings and improvements	15 to 75 years
Equipment and furniture	5 to 20 years
Infrastructure	10 to 75 years

Because the mission of the Redevelopment Authority is to acquire vacant and dilapidated residential and commercial properties for the City to rehabilitate for sale to low- to moderate-income home buyers, which it does at little or no profit, the Redevelopment Authority's capital asset purchases are expensed at the time of acquisition.

However, during the year ended December 31, 2007, the Redevelopment Authority entered into an agreement to sell certain property acquisitions for \$125,000. Therefore, the Redevelopment Authority has reported the acquisition price as an asset in the amount of \$125,000, which is presented on the Statement on Net Assets as Land held for development.

Vested Compensated Absences

Vested compensated absences represent 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

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effective interest method. Debt is reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related obligation.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Accretion of Interest

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

Fund Equity and Net Assets

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

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

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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.

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, 2007.

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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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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.
 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.
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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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 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, 1998, 2001, and 2002 debt service funds.
4. Capital projects fund.
5. All proprietary funds.

3. FUND DEFICITS/DEFICIT NET ASSETS

As of December 31, 2007, five funds each had a deficit fund balance or net assets. The City's management has addressed this situation and has prepared the following action plan to eliminate these deficits in a timely manner:

Recreation Fund - The fund deficit, at December 31, 2007, of \$635,587, 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, 2007, of \$166,992, is a result of a loan guaranteed by the land proceeds fund. The City will eliminate the deficit through charges to other funds.

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Debt Service Fund - The fund deficit, at December 31, 2007, of \$115,558, 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, 2007, of \$677,489, is financed by loans from the general fund as a result of revenue falling short of budget.

Ice Rink Fund - The fund deficit, at December 31, 2007, of \$1,688,105, 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.

During 2007, 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.

CITY OF YORK, PENNSYLVANIA

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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 13.67 mills including amounts for debt service and recreation.

Based upon assessed valuations provided by the County of York, the City bills and collects its own real estate taxes. The schedule for real estate taxes levied for 2007 was as follows:

February 15, 2007	—	levy date
February 15 – April 16, 2007	—	2% discount period
April 16 – June 15, 2007	—	face payment period
June 15 – December 31, 2007	—	10% penalty period
January 1, 2008	—	lien date

By the first Monday in January of the year subsequent to levy, the City turns over all delinquent taxes to the County of York Tax Claim Bureau which collects these taxes on behalf of the City.

5. DEPOSITS AND INVESTMENTS

The deposit and investment policy of the City adheres to the Pennsylvania Third Class City Code and prudent business practices. City deposits must be held in insured, federally regulated banks or financial institutions and must be fully collateralized in accordance with state statutes. Except for investments in the pension trust funds, permissible investments include direct obligations of the U.S. Treasury and U.S. government agencies; certificates of deposit issued by insured banks, bank and trust companies, and savings and loan associations; repurchase agreements with maturities not to exceed 30 days, secured by U.S. government obligations with collateral to be delivered to a third-party custodian; shares of registered investment companies whose portfolios consist solely of government securities; general obligation bonds of any state, Pennsylvania subdivisions, or any of its agencies or instrumentalities backed by the full faith and credit of the issuing entity and having the highest rating of a recognized bond rating agency; and pooled funds of public agencies of the Commonwealth of Pennsylvania. Investments in the pension trust fund are not restricted. The policy also allows investment of funds received as a result of debt issuance in any security in which the Commonwealth of Pennsylvania may invest.

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NOTES TO BASIC FINANCIAL STATEMENTS

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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. Interest earnings are allocated to funds based upon the average balance of funds invested in the pool over the previous six month period. The allocation of the pooled investment is included in the respective fund's cash and cash equivalents.

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

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, 2007, the City's book balance was \$8,995,540 and the bank balance was \$9,106,512. Of the bank balance, \$385,741 was covered by federal depository insurance, \$8,172,927 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. The remaining balance of \$547,844 was collateralized by securities held by the financial institution.

Cash and cash equivalents per financial statement:

Governmental activities:	
Unrestricted	\$ 1,738,276
Restricted	542,338
Business-type activities:	
Unrestricted	6,332,261
Restricted	2,379,663
Fiduciary funds:	
Pension trust funds	5,631,298
Agency funds	414,158
	<u>17,037,994</u>
Less money market funds	<u>(8,042,454)</u>
Total deposits	<u>\$ 8,995,540</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

B. Investments

The fair value of the investments of the City at December 31, 2007, was as follows:

	<u>Fair Value</u>
Governmental activities:	
Unrestricted - Money market funds	\$ 37,000
Restricted - Money market funds	<u>542,337</u>
Total governmental activities	<u>579,337</u>
Business-type activities:	
Restricted:	
Money market funds	2,379,663
U.S. Government Obligations	11,014,101
Guaranteed investment contract	<u>3,679,003</u>
Total business-type activities	<u>17,072,767</u>
Fiduciary funds:	
Pension trust funds:	
Money market funds	5,083,454
Fixed income mutual funds	24,454,236
Real estate investment trust	3,103,461
Equity mutual funds	42,571,732
Common stock	<u>14,168,237</u>
Total fiduciary funds	<u>89,381,120</u>
Total investments	<u><u>\$ 107,033,224</u></u>

In addition, at December 31, 2007, the City had \$121,000 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

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

The U.S. government obligations of the business-type activities are comprised of U.S. Treasury principal-only STRIPS and U.S. Treasury Investment Growth Receipts (TIGR). These particular STRIPS and TIGR's have little credit and legal risk while the market risk is significant as principal-only STRIPS and TIGR's are more sensitive to fluctuations in interest rates than other traditional investments. The carrying amount of these STRIPS and TIGR's at December 31, 2007 was \$3,331,711 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. At December 31, 2007, there were no investments that exceeded more than 5 percent of the City's total investments.

Credit risk. The City does not have a formal policy that would limit its investment choices with regard to credit risk. The City's investments had the following level of exposure to credit risk as of December 31, 2007:

	Fair Value	Rating
Money market funds	\$ 3,080,000	AAA
Money market funds	\$ 5,083,454	Unrated
Fixed income mutual funds	\$ 24,454,236	Unrated
Guaranteed investment contract	\$ 3,679,003	Unrated
Real estate investment trust	\$ 3,103,461	Unrated

In June 2008, MBIA, the issuer of the Authority's guaranteed investment contract, experienced a change in rating. The Authority has consulted with its financial advisor, Trustee, and bond counsel and, as a result of that consultation, has determined that it cannot legally terminate the GIC at this time.

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
Money market funds	\$ 8,163,454	\$ 8,163,454	\$ -	\$ -
U.S. Government Obligations	11,014,101	3,323,854	6,725,660	964,587
Fixed income mutual funds	24,454,236	-	7,287,073	17,167,163
Guaranteed investment contract	3,679,003	-	-	3,679,003
	<u>\$ 47,310,794</u>	<u>\$ 11,487,308</u>	<u>\$ 14,012,733</u>	<u>\$ 21,810,753</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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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, 2007, the Authority's book balance was \$204,906 and the bank balance was \$155,723. Of the bank balance, \$101,000 was covered by federal depository insurance and \$54,723 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, 2007, the fair value of the Authority's investment in money market funds was \$2,322,230.

Credit risk - The Authority does not have a formal policy that would limit its investment choices with regard to credit risk. At December 31, 2007, 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.

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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

Deposits

Custodial Credit Risk - The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2007, the Authority's book balances were \$450,917 and the bank balance was \$454,567. Of the bank balance, \$357,439 was covered by federal depository insurance, and the remaining balance of \$97,128 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, 2007, the fair value of the Authority's investment in money market funds was \$16,622.

Credit risk - The Authority does not have a formal policy that would limit its investment choices with regard to credit risk. At December 31, 2007, 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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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, 2007.

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, 2007.

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, 2007.

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, 2007, 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, 2007.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

7. DUE TO/FROM AND INTERFUND TRANSFERS

Individual due to/from other fund balances at December 31, 2007, were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ 847,022	\$ 651,753
Debt service fund	-	140,756
Other governmental funds	897,037	913,298
Intermunicipal sewer fund	-	353,201
Sewer fund	556,442	-
Ice rink fund	-	241,493
Total primary government	<u>\$ 2,300,501</u>	<u>\$ 2,300,501</u>

A reconciliation of the interfund transfers for the year ended December 31, 2007, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 1,800,000	\$ 306,724
Debt service fund	326,665	624,158
Other governmental funds	568,027	391,303
Intermunicipal sewer fund	-	263,799
Sewer fund	263,799	1,800,000
Ice rink fund	427,493	-
Total primary government	<u>\$ 3,385,984</u>	<u>\$ 3,385,984</u>

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, Series of 1992, and Series of 2007, and pay a service charge based on usage for the

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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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, 2007 are:

<u>Years Ending December 31,</u>	<u>Amount</u>
2008	\$ 2,168,627
2009	2,168,627
2010	2,168,627
2011	2,168,627
2012	2,165,817
2013	2,165,817
2014	2,168,627
2015	2,168,627
2016	2,165,817
2017	2,011,976
2018	2,011,826
2019	<u>1,773,084</u>
Total minimum lease rentals receivable	25,306,099
Less amount representing interest (at an average rate of 5.6%)	<u>(7,285,333)</u>
Present value of minimum lease rentals receivable	18,020,766
Less current installments of lease rentals	<u>(1,056,941)</u>
Lease rentals, excluding current installments	<u><u>\$ 16,963,825</u></u>

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YEAR ENDED DECEMBER 31, 2007

9. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

Primary Government

	Beginning of Year	Additions	Retirements and Dispositions	End of Year
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 5,485,381	\$ -	\$ -	\$ 5,485,381
Construction in progress	-	161,453	-	161,453
Total capital assets, not being depreciated	5,485,381	161,453	-	5,646,834
Capital assets, being depreciated:				
Buildings	8,818,973	-	-	8,818,973
Land improvements	3,320,066	339,664	-	3,659,730
Equipment and furniture	12,524,453	1,048,303	(219,311)	13,353,445
Infrastructure	68,083,807	1,863,755	-	69,947,562
Total capital assets, being depreciated	92,747,299	3,251,722	(219,311)	95,779,710
Less accumulated depreciation for:				
Buildings	(3,216,900)	(161,881)	-	(3,378,781)
Land improvements	(1,715,638)	(169,317)	-	(1,884,955)
Equipment and furniture	(9,521,199)	(759,199)	74,700	(10,205,698)
Infrastructure	(35,849,808)	(2,350,305)	-	(38,200,113)
Total accumulated depreciation	(50,303,545)	(3,440,702)	74,700	(53,669,547)
Total capital assets, being depreciated, net	42,443,754	(188,980)	(144,611)	42,110,163
Governmental activities capital assets, net	\$ 47,929,135	\$ (27,527)	\$ (144,611)	\$ 47,756,997

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retirements and Dispositions</u>	<u>End of Year</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 17,445	\$ -	\$ -	\$ 17,445
Construction in progress	-	2,388,205	-	2,388,205
Total capital assets, not being depreciated	<u>17,445</u>	<u>2,388,205</u>	<u>-</u>	<u>2,405,650</u>
Capital assets, being depreciated:				
Buildings	80,647,873	474,880	(118,123)	81,004,630
Land improvements	22,145	-	-	22,145
Equipment and furniture	3,501,646	138,381	(121,596)	3,518,431
Infrastructure	15,795,927	305,619	-	16,101,546
Total capital assets being depreciated	<u>99,967,591</u>	<u>918,880</u>	<u>(239,719)</u>	<u>100,646,752</u>
Less accumulated depreciation for:				
Buildings	(37,451,764)	(1,443,601)	-	(38,895,365)
Land improvements	(3,672)	(1,107)	-	(4,779)
Equipment and furniture	(1,721,125)	(247,047)	4,375	(1,963,797)
Infrastructure	(7,603,429)	(256,187)	2,503	(7,857,113)
Total accumulated depreciation	<u>(46,779,990)</u>	<u>(1,947,942)</u>	<u>6,878</u>	<u>(48,721,054)</u>
Total capital assets, being depreciated, net	<u>53,187,601</u>	<u>(1,029,062)</u>	<u>(232,841)</u>	<u>51,925,698</u>
Business-type activities capital assets, net	<u>\$ 53,205,046</u>	<u>\$ 1,359,143</u>	<u>\$ (232,841)</u>	<u>\$ 54,331,348</u>

CITY OF YORK, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2007

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 33,012
Sanitation	34,259
Public safety	488,055
Highways and streets	119,955
Public works	2,449,281
Parks and recreation	271,179
Community development and planning	30,888
Other departments and programs	<u>9,265</u>

Total depreciation expense – governmental activities	3,435,894
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Internal service fund depreciation expense allocated to governmental activities	<u>4,808</u>
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Total depreciation expense for governmental activities	<u><u>\$ 3,440,702</u></u>
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Business-type activities:

Sewer	\$ 1,676,693
Ice rink	<u>271,249</u>

Total depreciation and amortization expenses – enterprise funds	<u><u>\$ 1,947,942</u></u>
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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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	(564,012)	(141,003)	-	(705,015)
Redevelopment Authority:				
Capital assets, net	<u>\$ 2,961,053</u>	<u>\$ (141,003)</u>	<u>\$ -</u>	<u>\$ 2,820,050</u>
General Authority:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,864,598	\$ 96,217	\$ -	\$ 8,960,815
Less accumulated depreciation	(5,823,331)	(308,067)	-	(6,131,398)
General Authority:				
Capital assets, net	<u>\$ 3,041,267</u>	<u>\$ (211,850)</u>	<u>\$ -</u>	<u>\$ 2,829,417</u>

During the year ended December 31, 2007, after consideration of the advice of the General Authority's engineer, the General Authority changed its estimated useful life for assets acquired prior to 1999 from a remaining life of 5 years to a remaining life of 15 years. Had the General Authority continued to use the prior estimated useful life for the year ended December 31, 2007, the General Authority's change in net assets would have been \$381,034, \$307,354 less than reported at December 31, 2007.

10. LOAN GUARANTEES

As of December 31, 2007, 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 2007

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% 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 \$207,458. The entire balance of the note was paid in full by the City in December of 2007.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

Tax anticipation note transactions for the year ended December 31, 2007 were as follows:

Outstanding at December 31, 2006	\$ -
New borrowings	6,000,000
Repayments	(6,000,000)
Outstanding at December 31, 2007	<u>\$ -</u>

12. LONG TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2007, 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	\$ 1,506,689	\$ -	\$ -	\$ (103,201)	\$ 1,403,488	\$ 103,488
General Obligation Notes	13,866,876	-	416,076	(1,728,539)	12,554,413	1,858,221
General Obligation Bonds	34,452,636	-	1,787,697	(2,115,000)	34,125,333	2,100,000
Capitalized lease obligation	392,960	456,095	-	(229,587)	619,468	191,244
Vested compensated absences	910,370	79,686	-	-	990,056	-
	<u>\$ 51,129,531</u>	<u>\$ 535,781</u>	<u>\$ 2,203,773</u>	<u>\$ (4,176,327)</u>	<u>\$ 49,692,758</u>	<u>\$ 4,252,953</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

<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	\$ 27,276,344	\$ 10,000,000	\$ 1,902,192	\$ (3,875,000)	\$ 35,303,536	\$ 3,875,000
Recreation						
Revenue Bonds	6,470,000	-	-	(305,000)	6,165,000	315,000
Capitalized lease						
obligations	291,882	51,041	-	(76,452)	266,471	81,837
Vested compensated						
absences	223,483	-	-	(31,708)	191,775	-
	<u>\$ 34,261,709</u>	<u>\$ 10,051,041</u>	<u>\$ 1,902,192</u>	<u>\$ (4,288,160)</u>	<u>\$ 41,926,782</u>	<u>\$ 4,271,837</u>

Component Units

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Accretion</u>	<u>Retirements</u>	<u>End of Year</u>	<u>Current Portion</u>
Redevelopment						
Authority:						
Revenue bonds	\$ 3,435,000	\$ -	\$ -	\$ (85,000)	\$ 3,350,000	\$ 90,000
General Authority:						
Note payable	\$ 3,464,319	\$ -	\$ -	\$ (628,541)	\$ 2,835,778	\$ 651,789

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, 2007 was \$3,488.

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, 2007, was \$1,400,000.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

The annual principal and interest requirements for amounts due from the City under loans from other governmental entities as of December 31, 2007 are as follows:

Years Ending December 31,	Principal	Interest
2008	\$ 103,488	\$ 74,606
2009	100,000	70,440
2010	100,000	66,010
2011	100,000	61,340
2012	100,000	56,490
2013 - 2017	500,000	203,260
2018 - 2020	400,000	53,710
	<u>\$ 1,403,488</u>	<u>\$ 585,856</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, 2007 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%	\$ 11,915,000
General Obligation Notes, Series of 2002	\$ 5,285,000	Thru 2013	3.00% - 3.80%	3,405,000
General Obligation Notes, Series of 2006	\$ 1,337,500	Thru 2015	6.25%	1,183,961
General Obligation Notes at December 31, 2007				16,503,961
Less unamortized discount on zero coupon notes				(3,949,548)
General Obligation Notes, net of discount, at December 31, 2007				<u>\$ 12,554,413</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

The annual principal and interest requirements for amounts due from the City under general obligation notes at December 31, 2007 are as follows:

Years Ending December 31,	Principal	Interest
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	1,451,144	76,446
2013 - 2017	3,423,265	78,259
2018 - 2022	645,000	-
2023	4,260,000	-
	16,503,961	737,665
Unamortized discount	(3,949,548)	-
	<u>\$ 12,554,413</u>	<u>\$ 737,665</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, 2007:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
1995A	\$ 76,030,000	Thru 2022	0.00% - 6.5%	\$ 53,080,000
1998B	\$ 4,440,000	Thru 2024	0.00%	4,440,000
General Obligation Bonds at December 31, 2007				57,520,000
Less unamortized discount on zero coupon notes				
(Series A of 1995)				(20,811,567)
(Series B of 1998)				(2,583,100)
General Obligation Bonds, net of discount at December 31, 2007				<u>\$ 34,125,333</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

The annual principal and interest requirements for amounts due from the City under general obligation bonds at December 31, 2007 are as follows:

Years Ending December 31,	Principal	Interest
2008	\$ 2,100,000	\$ 400,090
2009	2,420,000	254,845
2010	2,720,000	88,400
2011	2,885,000	-
2012	3,015,000	-
2013 - 2017	18,830,000	-
2018 - 2022	21,110,000	-
2023 - 2024	4,440,000	-
	<u>57,520,000</u>	<u>743,335</u>
Unamortized discount	<u>(23,394,667)</u>	<u>-</u>
	<u>\$ 34,125,333</u>	<u>\$ 743,335</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, 2007, the following defeased debt was outstanding:

	Funds Escrowed as of December 31, 2007	Defeased Debt Outstanding as of December 31, 2007
General Obligation Bonds, Series A of 1995	\$ 6,478,259	\$ 4,549,610
Guaranteed Sewer Revenue Bonds, Series of 1977	<u>909,522</u>	<u>950,000</u>
	<u>\$ 7,387,781</u>	<u>\$ 5,499,610</u>

CITY OF YORK, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2007

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, 2007 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%	\$ 34,860,000
Guaranteed Sewer Revenue Bonds - Series of 2007	10,000,000	2019	4.20%	10,000,000
Guaranteed Sewer Revenue Bonds at December 31, 2007				44,860,000
Less unamortized discount on zero coupon bonds				(9,556,464)
General Sewer Revenue Bonds, net of discount at December 31, 2007				<u>\$ 35,303,536</u>

The annual principal and interest requirements for amounts due from the City under the guaranteed sewer revenue bonds at December 31, 2007 are as follows:

Years Ending December 31,	Principal	Interest
2008	\$ 3,875,000	\$ 420,000
2009	3,875,000	420,000
2010	3,875,000	420,000
2011	3,875,000	420,000
2012	3,870,000	420,000
2013 - 2017	18,830,000	2,100,000
2018 - 2019	6,660,000	413,280
	<u>44,860,000</u>	<u>4,613,280</u>
Unamortized discount	<u>(9,556,464)</u>	<u>-</u>
	<u>\$ 35,303,536</u>	<u>\$ 4,613,280</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

Economic Defeasance of Guaranteed Sewer Revenue Bonds

On July 15, 1998, the York City Sewer Authority entered into an escrow deposit agreement for partial defeasance of the 1990 York City Sewer Authority Bonds. \$5,000,000 was deposited into this escrow, which was obtained from capital grants from the federal government. This transaction is not considered a legal defeasance and there was no verification of the escrow performed. Because this is not a legal defeasance, the bonds are not removed from the financial statements and the escrow transactions are recorded. This transaction reduces the lease rental receivable from the municipalities based upon the present value of the defeased bonds and the percentage of the debt owed by the municipalities.

York City Recreation Corporation Guaranteed Revenue Bonds, Series of 2001

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, 2007 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>\$ 6,165,000</u>

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YEAR ENDED DECEMBER 31, 2007

The annual principal and interest requirements for amounts due from the City under the guaranteed recreation revenue bonds at December 31, 2007 are as follows:

Years Ending December 31,	Principal	Interest
2008	\$ 315,000	\$ 306,212
2009	330,000	292,258
2010	345,000	277,235
2011	360,000	261,013
2012	380,000	243,765
2013 - 2017	2,205,000	898,231
2018 - 2021	2,230,000	236,265
	<u>\$ 6,165,000</u>	<u>\$ 2,514,979</u>

Capitalized Lease Obligations

The City leases certain equipment under long-term lease agreements which are classified as capital leases. As of December 31, 2007, the governmental activities and the business-type activities include equipment and furniture under capital leases with a net book value of \$835,671 and \$513,372, respectively. The future minimum payments under capital leases and the present value of the future minimum lease payments at December 31, 2007 are as follows:

	Year ending December 31,	Governmental Activities	Business-type Activities	Total
	2008	\$ 221,869	\$ 94,029	\$ 315,898
	2009	205,559	88,249	293,808
	2010	130,312	76,120	206,432
	2011	130,312	27,256	157,568
	2012	-	5,910	5,910
Total minimum lease payments		688,052	291,564	979,616
Less amount representing interest		(68,584)	(25,093)	(93,677)
Present value of future minimum lease payments		<u>\$ 619,468</u>	<u>\$ 266,471</u>	<u>\$ 885,939</u>

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YEAR ENDED DECEMBER 31, 2007

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 expired January 25, 2007.

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

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

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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

The Redevelopment Authority Series of 2002 Revenue Bonds payable at December 31, 2007 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
			Variable (3.52% at 12-31-07)	
2002	\$ 3,725,000	Thru 2027		<u>\$ 3,350,000</u>

The annual principal and interest requirements for amounts due from the Redevelopment Authority under the 2002 revenue bonds using the 3.52% interest rate in effect at December 31, 2007 are as follows:

Years Ending December 31,	Principal	Interest
2008	\$ 90,000	\$ 117,260
2009	95,000	114,055
2010	100,000	110,675
2011	105,000	107,118
2012	115,000	103,349
2013 - 2017	685,000	450,465
2018 - 2022	925,000	311,777
2023 - 2027	1,235,000	126,639
	<u>\$ 3,350,000</u>	<u>\$ 1,441,338</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 outstanding principal of \$8,336 was paid in full during 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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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, 2007 is \$2,835,778 and is recorded as a receivable in the City's debt service fund.

The annual principal and interest requirements for amounts due from the General Authority under the Parking System Revenue Notes at December 31, 2007 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 651,789	\$ 124,196
2009	683,585	95,650
2010	715,023	65,712
2011	785,381	34,397
	<u>\$ 2,835,778</u>	<u>\$ 319,955</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 of \$49,000 was paid in full during 2007.

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 of \$52,000 was paid in full during 2007.

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. In March 2008, a loan modification agreement was approved to extend the line of credit up to \$7,000,000.00. Fixed interest of 6.4% is payable monthly, beginning February 2007. The balance outstanding under the agreement as of December 31, 2007 was \$3,700,241.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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.

The plans are governed by the Third Class City Code of the Commonwealth of Pennsylvania, as amended. At January 1, 2007, 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	67	113	80
Terminated employees entitled to deferred benefits	25	4	-
Active employees:			
Vested	84	50	40
Partially vested	90	45	28
Total	<u>266</u>	<u>212</u>	<u>148</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 on or before January 1, 1978, or after completion of 20 years and 6 months service if hired after January 1, 1978. Paid Firefighters are eligible for normal retirement at age 50 and 20 years service if hired before January 1, 1988, or after completion of 20 years and 6 months of 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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 firefighters pension plan members and 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.

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 2007, 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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	\$ 331,360	\$ 2,988,309	\$ 1,641,164
Contributions made	\$ 331,360	\$ 2,988,309	\$ 1,641,164
Actuarial valuation date	1/1/2007	1/1/2007	1/1/2007
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Asset valuation method	Market Value	Market Value	Market Value
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increases includes inflation	5%	5%	5%
Cost of living adjustment	-	5%	5%

Three-year trend information is as follows:

	Year Ended	Annual Pension Cost (APC)	Percentage of APC contributed	Net Pension Obligation
Officers' and Employees' Pension Plan	2007	\$ 331,360	100%	-
	2006	\$ 291,572	100%	-
	2005	\$ 316,290	100%	-
Police Pension Plan	2007	\$ 2,988,309	100%	-
	2006	\$ 2,949,964	100%	-
	2005	\$ 1,172,257	100%	-
Paid Firefighters Pension Plan	2007	\$ 1,641,164	100%	-
	2006	\$ 1,621,527	100%	-
	2005	\$ 545,584	100%	-

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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.

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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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.

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	\$ 1,439,386	\$ 2,547,221	\$ 1,644,691
Investments	21,546,869	38,130,613	24,620,184
Total assets	<u>\$ 22,986,255</u>	<u>\$ 40,677,834</u>	<u>\$ 26,264,875</u>
Net assets	<u>\$ 22,986,255</u>	<u>\$ 40,677,834</u>	<u>\$ 26,264,875</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

	Officers' and Employees' Pension Plan	Police Pension Plan	Paid Firefighter Pension Plan
Additions:			
Contributions:			
Employee contributions	\$ 134,201	\$ 293,914	\$ 189,569
Employer contributions	331,360	2,988,309	1,641,164
Total contributions	465,561	3,282,223	1,830,733
Investment income:			
Interest and dividend income	456,080	759,988	482,699
Net appreciation of investments	1,655,217	2,888,294	1,881,311
	2,111,297	3,648,282	2,364,010
Less investment expenses	(123,050)	(213,597)	(139,584)
Net investment income	1,988,247	3,434,685	2,224,426
Total additions	2,453,808	6,716,908	4,055,159
Deductions:			
Benefit payments	739,776	2,996,290	1,955,479
Total deductions	739,776	2,996,290	1,955,479
Change in Net Assets	1,714,032	3,720,618	2,099,680
Net assets, beginning of year	21,272,223	36,957,216	24,165,195
Net assets, end of year	\$ 22,986,255	\$ 40,677,834	\$ 26,264,875

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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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 \$2,181,549 in 2007.

At December 31, 2007, the number of retirees or spouses eligible for full health benefits was approximately 310.

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 \$4,349,599. 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.

Changes in the balances of claims liability (net of excess insurance) during the past two years ended December 31, 2007, were as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Year End Liability
2006	\$ 310,986	\$ 5,311,924	\$ 4,756,930	\$ 865,980
2007	\$ 865,980	\$ 6,044,814	\$ 6,405,890	\$ 504,904

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, 2007, 2006, and 2005 with the exception of the pension litigation disclosed in Note 14.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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 and through May 2007. Currently, office spaces are leased on a month to month basis with monthly payments of \$12,164. Rent expenditures under this agreement totaled \$145,698 for the year ended December 31, 2007. This lease may be increased annually based on the Consumer Price Index (CPI).

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.

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.

Guarantee

In November 2007, pursuant to a court order in an eminent domain case, the Redevelopment Authority was required to post a \$1.8 million bond as a contingency for the future acquisition of a certain property. In December 2007, the City entered into a Guarantee Agreement with the Redevelopment Authority in the amount of \$1.8 million.

Redevelopment Authority

During 2007, the Redevelopment Authority of the City of York assumed and acquired the title of three properties, of which, require environmental remediation. The contamination estimated cost is \$900,000 and the Redevelopment Authority has been approved for a \$1,050,000 grant through DCED in order to fund the project. The first stage of the remediation process is expected to be completed during 2008.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

General Authority

On March 15, 2007, the General Authority declared its intention to contribute funds to the Downtown Collaborative Initiative. The General Authority agreed to contribute funds in the amount of \$35,000 per annum for a period of three years, payable quarterly. The future commitment payments are:

Years Ending December 31,	
2008	\$ 35,000
2009	35,000
	<u>\$ 70,000</u>

During October 2007, the General Authority's Board of Directors adopted a resolution to contribute \$500,000 to the Northwest Triangle Initiative, one of the City's economic development projects, which is being significantly funded through Redevelopment Assistance Capital Program Grant (RCAP) to the Redevelopment Authority. Under the RCAP application, \$500,000 of local match is for the acquisition, design, related soft costs, and/or construction of parking related controls and/or facilities within the Northwest Triangle. The General Authority, in its sole discretion, will determine monthly rental rates and special event parking fees and will be responsible for staffing and maintenance of the digital meters and/or lot(s) or other parking facilities after title is conveyed to it; and the General Authority and the Redevelopment Authority agree that the \$500,000 contribution may also be in the way of repairs, renovations, or expansions of existing General Authority-owned facilities, or improvements to or replacement of such facilities. This contribution is contingent on the continuation of the Northwest Triangle Initiative.

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 \$660,211 in operating expenses and received \$797,305 in fees under the management agreement in 2007. The City received \$154,534 in administrative fees under an administration agreement in 2007. A receivable of \$304,174 is recorded in the general

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

fund for fees which were earned under these agreements, but unpaid at December 31, 2007.

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.

20. SUBSEQUENT EVENTS

In January of 2008, the City borrowed \$6,400,000 in the form of a Tax and Revenue Anticipation Note, Series of 2008, bearing interest at an annual rate of 3.70%.

In February of 2008, the City applied for a Section 108 Loan for the Rebuild York Initiative in the amount of \$2,530,000, to be repaid over a twenty-year period. This loan will allow for substantial streets street improvements within the City.

In May of 2008, the City entered into a guaranteed energy savings contract to improve various city facilities with energy efficient technology. This contract was financed through a fifteen-year capital lease in the principal amount of \$1,638,974, at an annual rate of 4.46%. Semi-annual payments of \$77,114 commence on May 15, 2009.

In May of 2008, the City entered into a capital lease in order to acquire a gunshot location system for the City's police department. This contract was financed through a five-year capital lease in the principal amount of \$573,540, at an annual rate of 3.94%. Semi-annual payments of \$64,336 commence on November 1, 2008.

In July of 2008, the Sewer Authority issued Guaranteed Sewer Revenue Bonds, Series of 2008, in the principal amount of \$10,000,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 16,698,044	\$ 16,698,044	\$ -	\$ 17,045,285	\$ 347,241
Licenses and permits	1,860,850	1,927,234	66,384	1,600,799	(326,435)
Fines and forfeits	1,439,500	1,439,500	-	1,473,784	34,284
Grants and contributions	2,401,731	2,091,680	(310,051)	1,799,898	(291,782)
Charges for services	7,612,001	7,814,467	202,466	7,330,898	(483,569)
Loan repayments	126,000	126,000	-	105,000	(21,000)
Interest	160,000	160,000	-	351,371	191,371
Miscellaneous	91,816	91,816	-	186,067	94,251
Total revenues	30,389,942	30,348,741	(41,201)	29,893,102	(455,639)
Expenditures:					
General government	2,315,257	2,382,680	(67,423)	2,033,300	349,380
Sanitation	3,067,525	2,971,726	95,799	2,959,720	12,006
Public safety	21,775,576	22,077,816	(302,240)	21,914,469	163,347
Highways and streets	537,728	541,699	(3,971)	536,803	4,896
Public works	2,080,969	2,023,996	56,973	2,008,901	15,095
Community development and planning	2,452,944	2,074,819	378,125	2,071,869	2,950
Other departments and programs	104,928	105,461	(533)	94,977	10,484
Total expenditures	32,334,927	32,178,197	156,730	31,620,039	558,158
Excess (deficiency) of revenues over (under) expenditures	(1,944,985)	(1,829,456)	115,529	(1,726,937)	102,519
Other financing sources (uses):					
Transfers in	2,355,347	2,390,222	34,875	1,800,000	(590,222)
Transfers out	(338,888)	(308,391)	30,497	(306,724)	1,667
Total other financing sources (uses)	2,016,459	2,081,831	65,372	1,493,276	(588,555)
Net change in fund balance	\$ 71,474	\$ 252,375	\$ 180,901	\$ (233,661)	\$ (486,036)

See notes to required supplementary information.

CITY OF YORK, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2007

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)
1/1/00	\$ 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%
1/1/07	21,302,613	19,688,657	1,613,956	108.2%	6,238,323	25.9%

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
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%
2007	331,360	331,360	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, 2007) follows:

Actuarial cost method	Entry age normal
Asset valuation method	Market 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)
1/1/00	\$ 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	39,534,359	(7,201,597)	81.8%	5,304,211	(135.8%)
1/1/05	33,350,980	60,516,086	(27,165,106)	55.1%	5,143,232	(528.2%)
1/1/07	36,900,720	64,763,758	(27,863,038)	57.0%	5,324,403	(523.3%)

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
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%
2007	2,988,309	2,988,309	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, 2007) follows:

Actuarial cost method	Entry age normal
Asset valuation method	Market 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)
1/1/00	\$ 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	25,337,706	(3,177,054)	87.5%	3,398,215	(93.5%)
1/1/05	22,436,006	38,117,710	(15,681,704)	58.9%	3,496,489	(448.5%)
1/1/07	24,114,327	40,781,209	(16,666,882)	59.1%	3,634,509	(458.6%)

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
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%
2007	1,641,164	1,641,164	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, 2007) follows:

Actuarial cost method	Entry age normal
Asset valuation method	Market 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%.

SUPPLEMENTARY INFORMATION

CITY OF YORK, PENNSYLVANIA
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	Special Revenue											Total	
	Recreation Fund	Community Development 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	Total	Capital Projects	Nonmajor Governmental Funds
Assets													
Cash and cash equivalents	\$ (682,751)	\$ 277,470	\$ 28,133	\$ 109,739	\$ 259,805	\$ 281,967	\$ (324,892)	\$ 112,184	\$ (59,277)	\$ (2,378)	\$ -	\$ -	\$ -
Receivables:													
Loans (less allowance for doubtful accounts of \$282,595 in CD Loan, \$184,151 in CDBG, \$106,213 in Section 108 and \$62,416 in HOME)	-	930,633	1,354,065	-	635,210	-	-	353,692	-	-	3,273,600	-	3,273,600
Taxes (less allowance for doubtful accounts of \$84,581 in recreation)	95,291	-	-	-	-	-	-	-	-	-	95,291	-	95,291
Accounts, notes, and grants	25,596	-	644,348	-	1,190	-	335	56,312	312,093	33,344	1,073,218	551,984	1,625,202
Due from other funds	60,000	-	114,153	-	-	131,764	543,203	-	-	-	849,120	47,917	897,037
Total assets	\$ (501,864)	\$ 1,208,103	\$ 2,140,699	\$ 109,739	\$ 896,205	\$ 413,731	\$ 218,646	\$ 522,188	\$ 252,816	\$ 30,966	\$ 5,291,229	\$ 599,901	\$ 5,891,130
Liabilities and Fund Balances (Deficits)													
Liabilities:													
Accounts payable and accrued expenses	\$ 25,151	\$ 4,303	\$ 644,522	\$ 100,000	\$ -	\$ 25,076	\$ 38,007	\$ 54,712	\$ 34,170	\$ 3	\$ 925,944	\$ 403,602	\$ 1,329,546
Accrued wages payable	23,991	-	-	-	-	3,326	-	-	23,638	2,021	52,976	-	52,976
Due to other funds	-	114,153	100,000	-	-	-	-	-	-	-	214,153	699,145	913,298
Due to other governments	-	8,902	42,112	-	-	-	-	113,784	-	-	164,798	174,643	339,441
Deferred revenues	84,581	930,633	1,354,065	-	896,205	-	347,631	353,692	-	-	3,966,807	-	3,966,807
Total liabilities	133,723	1,057,991	2,140,699	100,000	896,205	28,402	385,638	522,188	57,808	2,024	5,324,678	1,277,390	6,602,068
Fund balances (deficits):													
Reserved for health initiatives	-	-	-	-	-	-	-	-	195,008	28,942	223,950	-	223,950
Reserved for community development	-	150,112	-	-	-	-	-	-	-	-	150,112	-	150,112
Reserved for capital projects	-	-	-	-	-	-	-	-	-	-	-	(677,489)	(677,489)
Unreserved (deficit)	(635,587)	-	-	9,739	-	385,329	(166,992)	-	-	-	(407,511)	-	(407,511)
Total fund balances (deficits)	(635,587)	150,112	-	9,739	-	385,329	(166,992)	-	195,008	28,942	(33,449)	(677,489)	(710,938)
Total liabilities and fund balances (deficits)	\$ (501,864)	\$ 1,208,103	\$ 2,140,699	\$ 109,739	\$ 896,205	\$ 413,731	\$ 218,646	\$ 522,188	\$ 252,816	\$ 30,966	\$ 5,291,229	\$ 599,901	\$ 5,891,130

CITY OF YORK, PENNSYLVANIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES (DEFICITS) - OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2007

	Special Revenue											Total	
	Recreation Fund	Community Development 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	Total	Capital Projects	Nonmajor Governmental Funds
Revenues:													
Taxes	\$ 988,988	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 988,988	\$ -	\$ 988,988
Grants and contributions	7,245	-	2,551,647	3,682,522	-	728,773	96,746	804,724	1,756,738	133,367	9,761,762	1,481,600	11,243,362
Charges for services	578,807	-	65,947	-	-	-	3,732	7,374	-	-	655,860	-	655,860
Loan repayments	-	352,604	-	-	-	-	-	-	-	-	352,604	-	352,604
Interest	-	10,636	-	-	-	31,146	16,441	-	-	422	58,645	-	58,645
Miscellaneous	39,166	-	-	-	-	10,950	87,818	-	6,741	-	144,675	-	144,675
Total revenues	1,614,206	363,240	2,617,594	3,682,522	-	770,869	204,737	812,098	1,763,479	133,789	11,962,534	1,481,600	13,444,134
Expenditures:													
Current:													
General government	-	-	-	-	-	-	121,052	-	-	-	121,052	32,797	153,849
Highways and streets	-	-	-	-	-	384,465	-	-	-	-	384,465	-	384,465
Parks and recreations	1,454,529	-	-	-	-	-	83	-	-	-	1,454,612	-	1,454,612
Public Safety	-	-	-	266,090	-	-	7,395	-	-	-	273,485	-	273,485
Public Works	-	-	-	-	-	-	21,475	-	-	-	21,475	-	21,475
Community development and planning	-	90,101	2,329,052	3,300,587	-	-	34,776	812,098	-	98,009	6,664,623	-	6,664,623
Other departments and programs	-	-	-	-	-	-	-	-	1,665,048	-	1,665,048	-	1,665,048
Debt service:													
Principal retirements	-	3,201	100,000	-	-	108,419	-	-	-	-	211,620	121,168	332,788
Interest	-	23	78,400	-	-	7,752	-	-	-	-	86,175	9,897	96,072
Capital outlays	18,956	-	371,445	106,106	-	385,663	4,536	-	151,889	-	1,038,595	2,162,069	3,200,664
Total expenditures	1,473,485	93,325	2,878,897	3,672,783	-	886,299	189,317	812,098	1,816,937	98,009	11,921,150	2,325,931	14,247,081
Excess of revenues over (under) expenditures	140,721	269,915	(261,303)	9,739	-	(115,430)	15,420	-	(53,458)	35,780	41,384	(844,331)	(802,947)
Other financing sources (uses):													
Proceeds from the issuance of debt	-	-	-	-	-	246,952	-	-	-	-	246,952	209,143	456,095
Transfers in	-	-	261,303	-	-	-	-	-	-	-	261,303	306,724	568,027
Transfers out	(130,000)	(261,303)	-	-	-	-	-	-	-	-	(391,303)	-	(391,303)
Total other financing sources (uses)	(130,000)	(261,303)	261,303	-	-	246,952	-	-	-	-	116,952	515,867	632,819
Net change in fund balance	10,721	8,612	-	9,739	-	131,522	15,420	-	(53,458)	35,780	158,336	(328,464)	(170,128)
Fund balances (deficits) - beginning of year	(646,308)	141,500	-	-	-	253,807	(182,412)	-	248,466	(6,838)	(191,785)	(349,025)	(540,810)
Fund balances (deficits) - end of year	\$ (635,587)	\$ 150,112	\$ -	\$ 9,739	\$ -	\$ 385,329	\$ (166,992)	\$ -	\$ 195,008	\$ 28,942	\$ (33,449)	\$ (677,489)	\$ (710,938)

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
DEBT SERVICE FUND - MAJOR GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 2,264,034	\$ 2,264,034	\$ -	\$ 2,341,676	\$ 77,642
Grants and contributions	1,602,943	1,602,943	-	1,612,815	9,872
Loan repayments	780,265	780,265	-	780,265	-
Interest	-	-	-	8,690	8,690
Total revenues	<u>4,647,242</u>	<u>4,647,242</u>	<u>-</u>	<u>4,743,446</u>	<u>96,204</u>
Expenditures:					
Current					
General government	27,380	27,380	-	25,351	2,029
Debt service	<u>4,349,201</u>	<u>4,349,201</u>	<u>-</u>	<u>4,349,201</u>	<u>-</u>
Total expenditures	<u>4,376,581</u>	<u>4,376,581</u>	<u>-</u>	<u>4,374,552</u>	<u>2,029</u>
Excess (deficiency) of revenues (under) expenditures	<u>270,661</u>	<u>270,661</u>	<u>-</u>	<u>368,894</u>	<u>98,233</u>
Other financing sources (uses):					
Transfers in	360,480	360,480	-	326,665	(33,815)
Transfers out	<u>(624,158)</u>	<u>(624,158)</u>	<u>-</u>	<u>(624,158)</u>	<u>-</u>
Total other financing sources (uses)	<u>(263,678)</u>	<u>(263,678)</u>	<u>-</u>	<u>(297,493)</u>	<u>(33,815)</u>
Net change in fund balance	<u>\$ 6,983</u>	<u>\$ 6,983</u>	<u>\$ -</u>	<u>\$ 71,401</u>	<u>\$ 64,418</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
RECREATION FUND - OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 968,818	\$ 968,818	\$ -	\$ 988,988	\$ 20,170
Grants and contributions	20,000	20,000	-	7,245	(12,755)
Charges for services	618,500	618,500	-	578,807	(39,693)
Miscellaneous	35,000	35,000	-	39,166	4,166
Total revenues	1,642,318	1,642,318	-	1,614,206	(28,112)
Expenditures:					
Current:					
Parks and recreation	1,512,318	1,512,318	-	1,454,529	57,789
Capital outlay	-	-	-	18,956	(18,956)
Total expenditures	1,512,318	1,512,318	-	1,473,485	38,833
Excess (deficiency) of revenues (under) expenditures	130,000	130,000	-	140,721	10,721
Other financing sources (uses):					
Transfers out	(130,000)	(130,000)	-	(130,000)	-
Total other financing sources (uses)	(130,000)	(130,000)	-	(130,000)	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ 10,721	\$ 10,721

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2007

	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	\$ 3,400,897	\$ 3,601,586	\$ 200,689	\$ 2,551,647	\$ (1,049,939)
Charges for services	-	-	-	65,947	65,947
Total revenues	3,400,897	3,601,586	200,689	2,617,594	(983,992)
Expenditures:					
Current:					
Community development and planning	2,888,511	3,141,494	(252,983)	2,329,052	812,442
Debt service	45,839	45,839	-	178,400	(132,561)
Capital outlay	466,547	414,253	52,294	371,445	42,808
Total expenditures	3,400,897	3,601,586	(200,689)	2,878,897	722,689
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(261,303)	(261,303)
Other financing sources (uses):					
Transfers in	-	-	-	261,303	261,303
Total other financing sources (uses)	-	-	-	261,303	261,303
Change in net assets	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
STATE LIQUID FUELS TAX FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2007

	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	\$ 717,201	\$ 717,201	\$ -	\$ 728,773	\$ 11,572
Interest	6,500	6,500	-	31,146	24,646
Miscellaneous	9,000	9,000	-	10,950	1,950
Total revenues	<u>732,701</u>	<u>732,701</u>	<u>-</u>	<u>770,869</u>	<u>38,168</u>
Expenditures:					
Highways and streets	740,075	744,042	(3,967)	384,465	359,577
Debt service	-	-	-	116,171	(116,171)
Capital outlay	143,000	137,735	5,265	385,663	(247,928)
Total expenditures	<u>883,075</u>	<u>881,777</u>	<u>1,298</u>	<u>886,299</u>	<u>(4,522)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(150,374)</u>	<u>(149,076)</u>	<u>1,298</u>	<u>(115,430)</u>	<u>33,646</u>
Other financing sources (uses):					
Proceeds from issuance of debt	-	-	-	246,952	246,952
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,952</u>	<u>246,952</u>
Changes in net assets	<u>\$ (150,374)</u>	<u>\$ (149,076)</u>	<u>\$ 1,298</u>	<u>\$ 131,522</u>	<u>\$ 280,598</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
STATE HEALTH GRANT FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Grants and contributions	\$ 1,935,611	\$ 2,042,718	\$ 107,107	\$ 1,756,738	\$ (285,980)
Miscellaneous	6,500	6,500	-	6,741	241
Total revenues	1,942,111	2,049,218	107,107	1,763,479	(285,739)
Expenditures:					
Other departments and programs	1,949,466	2,055,169	(105,703)	1,665,048	390,121
Capital outlay	-	-	-	151,889	(151,889)
Total expenditures	1,949,466	2,055,169	(105,703)	1,816,937	238,232
Net change in fund balance	\$ (7,355)	\$ (5,951)	\$ 1,404	\$ (53,458)	\$ (47,507)

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2007

	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	\$ 2,028,500	\$ 2,366,500	\$ 338,000	\$ 1,481,600	\$ (884,900)
Total revenues	2,028,500	2,366,500	338,000	1,481,600	(884,900)
Expenditures:					
General government	-	-	-	32,797	(32,797)
Debt service	-	-	-	131,065	(131,065)
Capital outlay	2,367,388	2,729,928	(362,540)	2,162,069	567,859
Total expenditures	2,367,388	2,729,928	(362,540)	2,325,931	403,997
Excess (deficiency) of revenues over (under) expenditures	(338,888)	(363,428)	(24,540)	(844,331)	(480,903)
Other financing sources (uses):					
Proceeds from the issuance of debt	-	-	-	209,143	209,143
Transfers in	338,888	363,428	24,540	306,724	(56,704)
Total other financing sources (uses)	338,888	363,428	24,540	515,867	152,439
Net change in fund balance	\$ -	\$ -	\$ -	\$ (328,464)	\$ (328,464)

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

DECEMBER 31, 2007

	Officers' and Employees' Pension Fund	Police Pension Fund	Paid Firefighters' Pension Fund	Total
<hr/> Assets <hr/>				
Cash and cash equivalents	\$ 1,439,386	\$ 2,547,221	\$ 1,644,691	\$ 5,631,298
Investments, at fair value	<u>21,546,869</u>	<u>38,130,613</u>	<u>24,620,184</u>	<u>84,297,666</u>
Total assets	<u>22,986,255</u>	<u>40,677,834</u>	<u>26,264,875</u>	<u>89,928,964</u>
<hr/> Net Assets <hr/>				
Held in trust for pension benefits	<u>\$ 22,986,255</u>	<u>\$ 40,677,834</u>	<u>\$ 26,264,875</u>	<u>\$ 89,928,964</u>

CITY OF YORK, PENNSYLVANIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS

DECEMBER 31, 2007

	Escheats Fund	Fire Escrow	Escrow Fund	Total
Assets				
Cash and cash equivalents	\$ 17,374	\$ 378,393	\$ 18,391	\$ 414,158
Total assets	<u>17,374</u>	<u>378,393</u>	<u>18,391</u>	<u>414,158</u>
Liabilities				
Accounts payable and accrued expenses	-	378,393	18,391	396,784
Other payables	6,123	-	-	6,123
Due to other governments	<u>11,251</u>	<u>-</u>	<u>-</u>	<u>11,251</u>
Total liabilities	<u>\$ 17,374</u>	<u>\$ 378,393</u>	<u>\$ 18,391</u>	<u>\$ 414,158</u>

CITY OF YORK, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2007

	Officers' and Employees' Pension Fund	Police Pension Fund	Paid Firefighters' Pension Fund	Total
Additions:				
Contributions:				
Employee contributions	\$ 134,201	\$ 293,914	\$ 189,569	\$ 617,684
Employer contributions	331,360	2,988,309	1,641,164	4,960,833
Total contributions	465,561	3,282,223	1,830,733	5,578,517
Investment income:				
Interest and dividend income	456,080	759,988	482,699	1,698,767
Net appreciation of investments	1,655,217	2,888,294	1,881,311	6,424,822
	2,111,297	3,648,282	2,364,010	8,123,589
Less investment expenses	(123,050)	(213,597)	(139,584)	(476,231)
Net investment income	1,988,247	3,434,685	2,224,426	7,647,358
Total additions	2,453,808	6,716,908	4,055,159	13,225,875
Deductions:				
Benefit payments	739,776	2,996,290	1,955,479	5,691,545
Total deductions	739,776	2,996,290	1,955,479	5,691,545
Net increase	1,714,032	3,720,618	2,099,680	7,534,330
Net assets held in trust for pension benefits, beginning of year	21,272,223	36,957,216	24,165,195	82,394,634
Net assets held in trust for pension benefits, end of year	\$ 22,986,255	\$ 40,677,834	\$ 26,264,875	\$ 89,928,964