

CITY OF YORK, PENNSYLVANIA

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2009

CITY OF YORK, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2009

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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, 2009, 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2010, on our consideration of the City of York, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Members of City Council
City of York, Pennsylvania

The management's discussion and analysis on pages i through xix, budgetary comparison information on pages 75 and 76 and schedules of historical pension information on pages 77 through 80 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.

Mullis, Falcone & Company LLP

Oaks, Pennsylvania
September 20, 2010

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2009

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, 2009. Please read it in conjunction with the City's financial statements, which begin with the Statement of Net Assets on page 1. The discussion also focuses on the primary government and unless otherwise noted, component units are not included.

FINANCIAL HIGHLIGHTS:

- The assets of the City of York exceeded its liabilities by \$53,675,400 (Net Assets).
 - Invested in capital assets, net of related debt, in the amount of \$73,693,563, includes all capital assets including infrastructure.
 - Restricted net assets with external restrictions imposed by creditors or laws or regulations of other governments amounted to \$7,663,804.
 - Unrestricted net assets, which are assets not restricted for any particular purpose, were (\$27,681,967).
- Over 2009, the City of York's net assets decreased by \$1,952,937. The business-type activities net assets increased by \$3,019,280 primarily due to contributed capital totaling \$2,290,077. Governmental activities net assets decreased by \$4,972,217 primarily due to the increase in other post-employment liability of \$2,891,716 and amortization of bond discounts in the amount of \$2,419,603.
- At December 31, 2009, the fund balances of the City of York's governmental funds were \$(1,146,017). This was a decrease of \$1,373,921 from December 31, 2008. This decrease is primarily the result of a shortfall in earned income tax revenue due to the economy and increases in health care costs and pension costs associated with public safety.

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

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2009

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.

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

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2009

presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in supplementary information.

- The City's proprietary fund statements follow the governmental fund statements and include the statement of net assets, the statement of revenue, expenses, and changes in net assets and the statement of cash flows. The City maintains two different types of proprietary funds.
 - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Intermunicipal Sewer Fund, Sewer Fund, Ice Rink Fund, Sewer Transportation Fund, and White Rose Community Television Fund.
 - Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the financing of insurance services, human resource services, information services, central services and business administration services provided to the other funds of the City, both governmental and enterprise, on a cost reimbursement basis.

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

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

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

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

Other Required Supplementary Information is additional information consisting of a budgetary comparison schedule for the General Fund to demonstrate compliance with budget and certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and other post-retirement benefits to its employees

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2009

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 these entities 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, 2009

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, 2009 AND 2008

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Assets:						
Cash and investments	\$ 4,538,605	\$ 4,733,339	\$ 15,751,964	\$ 22,165,867	\$ 20,290,569	\$ 26,899,206
Other assets	12,914,141	13,475,085	22,176,876	19,811,639	35,091,017	33,286,724
Capital assets	49,134,284	48,577,231	64,471,607	55,353,780	113,605,891	103,931,011
Total Assets	66,587,030	66,785,655	102,400,447	97,331,286	168,987,477	164,116,941
Liabilities:						
Other liabilities	14,018,948	13,318,467	1,929,126	1,513,993	15,948,074	14,832,460
Long-term liabilities	57,434,885	53,479,852	41,929,118	40,294,370	99,364,003	93,774,222
Total Liabilities	71,453,833	66,798,319	43,858,244	41,808,363	115,312,077	108,606,682
Net Assets:						
Capital assets, net of related debt	32,456,668	34,129,726	41,236,895	32,571,243	73,693,563	66,700,969
Restricted	1,355,872	1,088,644	6,307,932	6,623,754	7,663,804	7,712,398
Unrestricted	(38,679,343)	(35,231,034)	10,997,376	16,327,926	(27,681,967)	(18,903,108)
Total Net Assets	\$ (4,866,803)	\$ (12,664)	\$ 58,542,203	\$ 55,522,923	\$ 53,675,400	\$ 55,510,259

Cash and investments represent 6.82% and 7.09% of the City's total governmental activities assets at December 31, 2009 and 2008, respectively. Of this amount, 13.73% or \$623,233, at December 31, 2009, and 11.61% or \$549,624, at December 31, 2008, 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 \$15,717,367 and \$22,088,106 at December 31, 2009 and 2008, 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 \$60,918,698, or 55.35% and \$57,191,907, or 54.07%, of accumulated depreciation at December 31, 2009 and 2008. For the business-type activities the capital asset value is net of \$52,967,552, or 45.10% and \$50,805,512, or 47.86%, of accumulated depreciation at December 31, 2009 and 2008. 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, 2009

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 \$53,675,400 and \$55,510,259 for years ending December 31, 2009 and 2008.

By far the largest portion of the City's net assets, 137.29% at December 31, 2009 and 120.16% at December 31, 2008, 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 (14.28% and 13.89% at December 31, 2009 and 2008, respectively) represents resources that are subject to external restrictions on how they may be used. Of the \$7,663,804 that is restricted at December 31, 2009: \$2,963,348 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 \$7,712,398 that is restricted at December 31, 2008: \$3,419,961 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.

The City's unrestricted net asset balance of (\$27,681,967) and (\$18,903,108) at December 31, 2009 and 2008, 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 \$33,573,938 and \$33,941,048, respectively. Additionally, the unrestricted net assets for the year ended December 31, 2009 included the increase of the unfunded other post-employment liability in the amount of \$2,928,056.

CITY OF YORK, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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TABLE 2
CONDENSED STATEMENT CHANGES IN NET ASSETS
DECEMBER 31, 2009 AND 2008

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenue:						
Charges for services	\$ 12,680,636	\$ 12,569,106	\$ 15,069,704	\$ 14,256,443	\$ 27,750,340	\$ 26,825,549
Operating grants and contributions	9,666,793	7,472,475	44,295	1,475	9,711,088	7,473,950
Capital grants and contributions	701,851	1,361,642	3,290,077	246,956	3,991,928	1,608,598
Property taxes	15,099,953	14,340,168	-	-	15,099,953	14,340,168
Payment in lieu of taxes	434,838	455,339	-	-	434,838	455,339
Business taxes	2,879,643	2,827,903	-	-	2,879,643	2,827,903
Personal taxes	3,059,779	3,163,940	-	-	3,059,779	3,163,940
Unrestricted grants	1,676,615	1,645,273	-	-	1,676,615	1,645,273
Unrestricted investment earnings	166,041	396,130	1,177,865	2,143,538	1,343,906	2,539,668
Proceeds from sale of assets	325,000	-	-	-	325,000	-
Total revenues	46,691,149	44,231,976	19,581,941	16,648,412	66,273,090	60,880,388
Expenses:						
General government	2,417,159	2,586,631	-	-	2,417,159	2,586,631
Sanitation	3,036,923	3,102,156	-	-	3,036,923	3,102,156
Public safety	27,699,760	26,850,652	-	-	27,699,760	26,850,652
Highways and streets	1,221,514	1,069,072	-	-	1,221,514	1,069,072
Public works	5,243,094	5,078,097	-	-	5,243,094	5,078,097
Parks and recreation	1,959,134	1,856,006	-	-	1,959,134	1,856,006
Community development and planning	7,361,148	5,089,778	-	-	7,361,148	5,089,778
Other departments and programs	1,718,674	1,738,341	-	-	1,718,674	1,738,341
Interest on long-term debt	2,978,286	2,949,697	-	-	2,978,286	2,949,697
Intermunicipal sewer	-	-	5,307,439	5,214,213	5,307,439	5,214,213
Sewer	-	-	7,550,063	7,894,622	7,550,063	7,894,622
Ice rink	-	-	1,605,721	1,627,972	1,605,721	1,627,972
Other enterprise funds	-	-	127,112	119,310	127,112	119,310
Total expenses	53,635,692	50,320,430	14,590,335	14,856,117	68,226,027	65,176,547
Change in net assets before transfers	(6,944,543)	(6,088,454)	4,991,606	1,792,295	(1,952,937)	(4,296,159)
Transfers	1,972,326	1,273,373	(1,972,326)	(1,273,373)	-	-
Change in net assets	(4,972,217)	(4,815,081)	3,019,280	518,922	(1,952,937)	(4,296,159)
Net assets, beginning of year	(12,664)	4,994,302	55,522,923	55,004,001	55,510,259	59,998,303
Prior period adjustment	118,078	(191,885)	-	-	118,078	(191,885)
Net assets, end of year	\$ (4,866,803)	\$ (12,664)	\$ 58,542,203	\$ 55,522,923	\$ 53,675,400	\$ 55,510,259

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MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2009

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. In the same manner, issuance of debt, while providing current financial resources in 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.

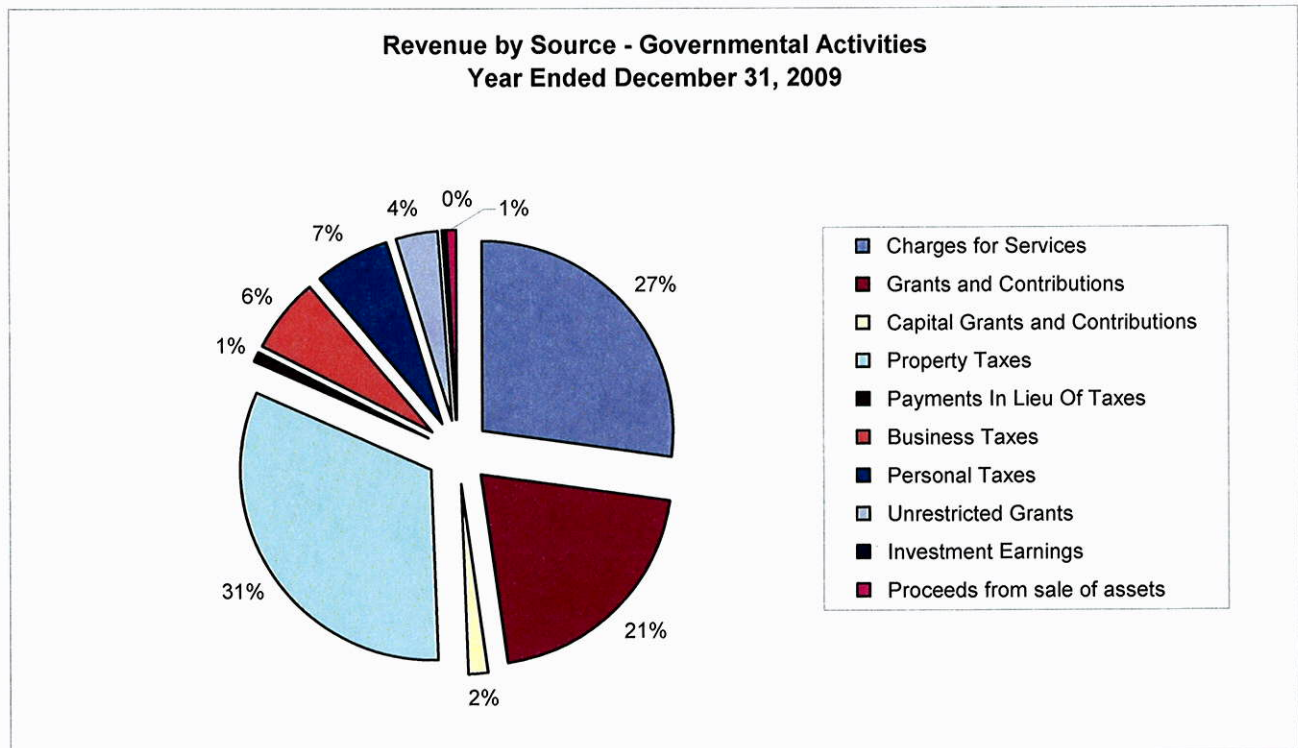
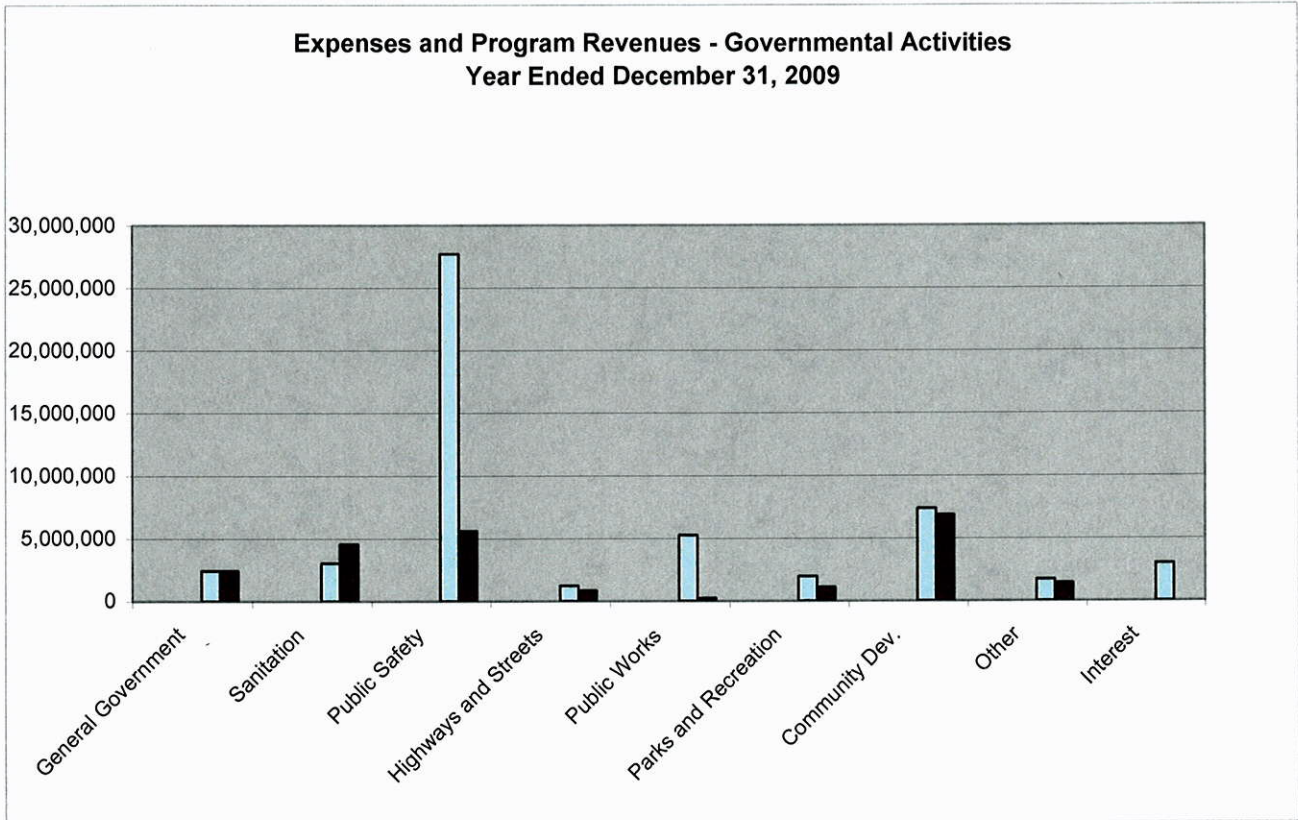
For the year ended December 31, 2009, the decrease in net assets of governmental activities resulted primarily from the accretion of capital appreciation debt in the amount of \$2,419,603 and issuance of debt in the amount of \$3,629,400, offset by principal payments on long-term debt of \$4,651,816; depreciation of capital assets in the amount of \$3,991,746, offset against purchases of capital assets of \$4,556,664; and the accrual of other post-employment liabilities in the amount of \$2,891,716. The other post-employment cost was allocated to all general government departments based on current employment.

For the year ended December 31, 2008, the decrease in net assets of governmental activities resulted primarily from the accretion of capital appreciation debt in the amount of \$2,306,981 and issuance of debt in the amount of \$2,200,928, offset by principal payments on long-term debt of \$4,237,703; depreciation of capital assets in the amount of \$3,557,168, offset against purchases of capital assets of \$4,377,402; and the accrual of other post-employment liabilities in the amount of \$3,506,521. The other post-employment cost was allocated to all general government departments based on current employment.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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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.

76.96% of the revenue for business-type activities is derived from charges for services. The City's sewer system is comprised of the sewage collection infrastructure, one pumping station and the staff and equipment for the maintenance thereof. Expenses include the City's share of the annual debt payment on the WWTP and the costs of treatment of the waste water. The costs of treatment are paid to the Intermunicipal Sewer Fund toward the cost of the operation of the waste water treatment plant and the debt service is paid to the Sewer Authority. Sewer rates last increased in January 2009.

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.

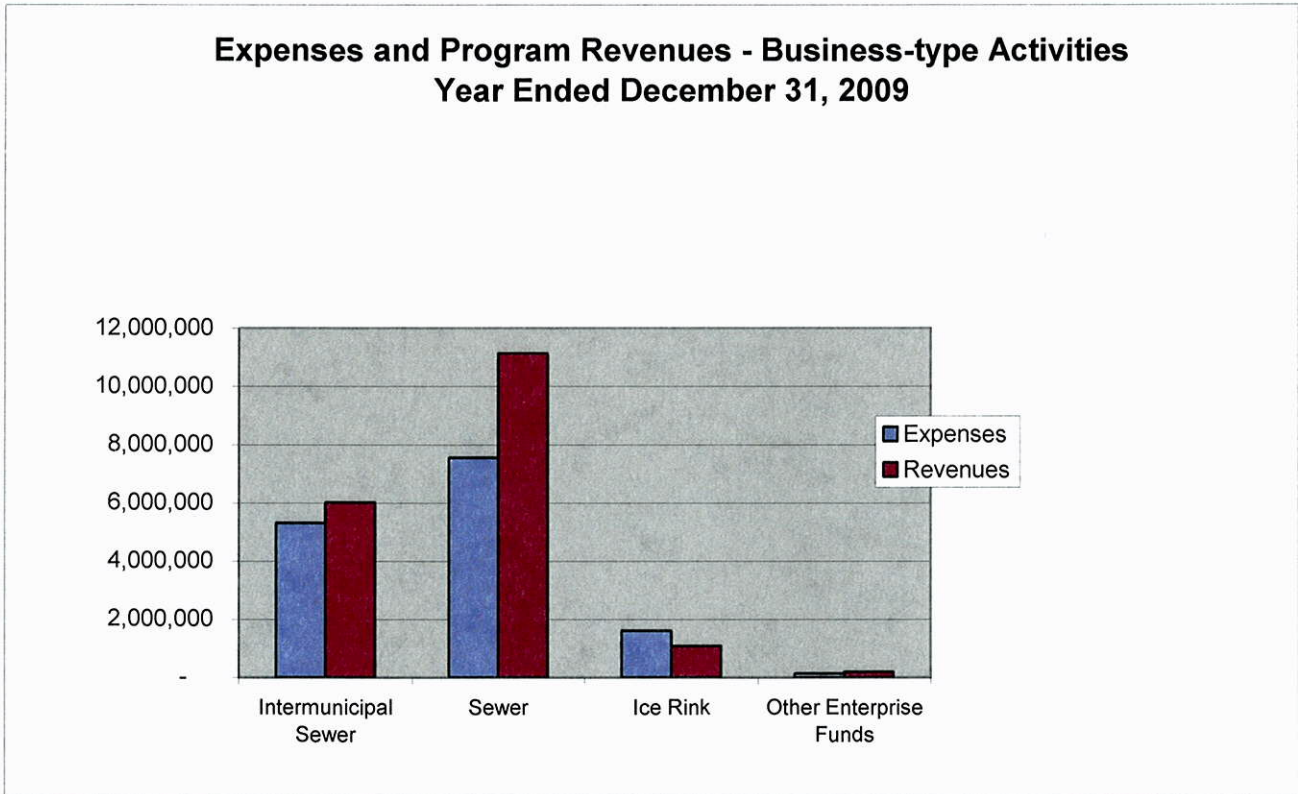
In November 2003, the YCRC notified the City that it was unable to meet its bond payment obligation. The City honored the loan guarantee and transferred resources into the debt service account at M&T Bank to make the bond payments. The City has exercised its remedies under the lease and loan agreement 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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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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.



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, 2009 and 2008, the City's governmental funds reported combined ending fund balances of \$(1,146,017) and \$227,904. The City's unreserved fund balance (deficit), which is available for spending at the government's discretion, was \$(1,605,408) and \$(62,365) at December 31, 2009 and 2008. The remainder of the fund balance at December 31, 2009 and 2008 is reserved to indicate that it is not available for new spending because it has already been committed 1) to hold in

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perpetuity for health initiatives in the amount of \$125,571 and \$153,594, respectively, and 2) for a community development in the amount of \$333,820 and \$136,675, respectively.

The general fund is the chief operating fund of the City. At December 31, 2009 and 2008, unreserved fund balance of the general fund was \$(1,021,098) and \$669,049.

The fund balance of the City's general fund decreased by \$1,690,147 during the year ended December 31, 2009. Key factors in this decrease are as follows:

- Accrual of \$383,389 for interest on 2009 minimum municipal obligation late payment.
- Rising wages and rising health care costs for all City employees.
- \$500,000 shortfall in earned income tax revenue due to the economic conditions.
- Antiquated tax structure

The fund balance of the City's general fund decreased by \$1,745,752 during the year ended December 31, 2008. Key factors in this decrease are as follows:

- Accrual of \$296,689 for interest on 2008 minimum municipal obligation late payment.
- Rising wages and rising health care costs for all City employees.
- Rising public safety pension costs
- Antiquated tax structure

The debt service fund has a total fund balance (deficit) of \$(58,196) and \$(105,271). The net increase in fund balance for the year ended December 31, 2009 and 2008 in the debt service fund was \$47,075 and \$10,287. The 2009 increase was due to the increase of the pension state aid grant.

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, 2009 amounted to \$-, \$7,659,450 and (\$588,243), respectively. Unrestricted net assets of the Intermunicipal Sewer Fund, the Sewer Fund and the Ice Rink Fund at December 31, 2008 amounted to \$-, \$13,274,125 and (\$393,871), respectively. The total increase/ (decrease) in net assets for these funds for the year ended December 31, 2009 was \$(66,690), \$2,706,184 and \$(98,711), respectively. The total increase/ (decrease) in net assets for these funds for the year ended December 31, 2008 was \$42,589, \$109,559 and \$7,992 respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

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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, 2009, the final revenue, including transfers-in, budget was \$36,064,963 and the final expenditure, including transfers-out, budget was \$35,910,239.

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 2009, the single largest revenue item in General Fund was taxes at \$18,127,675. Actual taxes included \$11,904,538 in real estate taxes, \$2,744,638 in business taxes, \$3,286,037 in income and emergency municipal service taxes. The second largest item includes charges for services which at \$7,746,503 includes sanitation fees of \$4,410,196. Grants and Contributions, at \$1,976,956, include \$434,838 of payments in lieu of taxes.

The City had a significant negative variance between final budget and actual in the taxes line item in the amount of \$490,300 due primarily to a shortfall in earned income tax revenue. The City also had a significant negative variance between final budget and actual in the grants and contributions line item in the amount of \$525,535. 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. A federal grant for Shot-spotter was budgeted in the amount of \$200,000, but was not received during 2009. Loan repayments were under budget by \$126,000, because the owner of a building stopped making payments to the City, when a tenant who occupied 60% of the property, vacated. The City has commenced legal action. Finally, interest income is \$145,250 less than budget, due to the overall decline in economic conditions.

Total General Fund expenditures were \$35,051,442 for the year ended December 31, 2009. The single most expensive activity in the general fund is public safety, which is comprised of police and fire-rescue services, which amount to \$24,793,550, or 70.73% of the General Fund actual expenditures for the year ended December 31, 2009.

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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, 2009 and 2008 amounts to \$113,605,891 and \$103,931,011, 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 8.50 percent (a 1.15 percent increase for governmental activities and a 16.47 percent increase for business-type activities).

Major capital asset events during the year ended December 31, 2009 included the following:

- The City purchased several vehicles, including a \$2,256,849 fire truck, streets and highways department truck in the amount of \$94,778, and police vehicles in the amount of \$176,783.
- The City completed the energy performance project and purchased equipment in the amount of \$133,287.
- The City improved parks and playgrounds totaling \$471,887.
- Various building and system additions and improvements were completed in the Sewer Fund's waste water treatment plant, including a re-roofing project, at a cost of \$11,017,856.
- Sewer infrastructure projects, including replacement of storm sewers, were completed at a cost of \$1,053,792.

Major capital asset events during the year ended December 31, 2008 included the following:

- Various infrastructure projects, including road and walkway improvements, were completed at a cost of \$2,080,392.
- The City purchased several vehicles, including a \$138,015 street sweeper, \$38,783 brush chipper, and police and fire vehicles in the amount of \$79,325 and \$49,833.
- The City purchased energy performance equipment and a shotspotter through capital leases totaling \$1,165,623 and \$573,340, respectively.
- The City improved two parks totaling \$227,979.
- Various building and system additions and improvements were completed in the Sewer Fund's waste water treatment plant, including a re-roofing project, at a cost of \$4,165,370.

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- Sewer infrastructure projects, including replacement of storm sewers, were completed at a cost of \$438,511.

Additional information on the City's capital assets can be found in note 10 on page 41 of this report.

Long-Term Debt

At December 31, 2009 and 2008, the City had total general obligation bonds and notes outstanding of \$43,317,582 and \$45,028,506, respectively. Revenue bonds in the amount of \$41,196,301 and \$39,505,429, respectively, represent bonds secured solely by specified revenue sources.

The City's total debt increased by \$2,995,367 during the year ended December 31, 2009. The City issued Series 2008 Revenue Bonds 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. The amount drawn down during 2009 on the 2008 Bonds totaled \$4,279,718. The City also entered into new capital leases during 2009, the largest of which was for the purchase of a fire truck in the amount of \$2,256,846. These increases, in addition to the issuance of a \$1,200,000 Section 108 loan and an increase of \$4 million in accretion of capital appreciation bonds, was offset by \$8.9 million in debt repayments.

The City's total debt decreased by \$1,589,704 during the year ended December 31, 2008. The City entered into several capital leases during 2008, to the acquire energy performance equipment, a hydraulic lift, a vehicle, a front end loader and a shotspotter, in the aggregate amount of \$2,505,470. This increase, in addition to \$4.1 million in accretion of capital appreciation bonds, was offset by \$8.6 million in debt repayments.

Additional information on the City's long-term debt can be found in note 12 on page 45 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES:

2008 and 2009 have been challenging years for the City of York's governmental funds. The continuing trend is for costs to increase, as impacted by international trends, and for revenue to remain steady, as impacted by local trends and the physical and legal conditions that prevail in Pennsylvania. The challenge is to find a way to make an antiquated revenue generating system yield adequate revenue to pay rising costs without further impoverishing the local population while, at the same time, struggling to wring every penny of savings from our expenditure obligations. Employee health care, public safety pensions, the Act 111 labor relations process, and the antiquated and inadequate methods by which revenue is raised to pay for municipal services work together to challenge the City officials' creativity in balancing revenue and expenditures.

In Mid October 2008, the City of York suspended payments to its pension funds for two reasons: 1. the freeze in the credit market spurred concerns that the City would be unable to obtain a tax anticipation loan in January to cover operating expenses for the first four months of the year, and 2. a

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concern about the cost of employee health care and the potential that the costs would significantly exceed budget. Fortunately, the City was able to obtain the loan in January and the City paid the amount due the pension fund by mid-January. Unfortunately, health care costs did exceed budget by over almost \$1.3 million dollars and the late payment of the MMO incurred an interest obligation of \$296,689.

In 2009, the full impact of the economic downturn became apparent early in the year. As a cash flow precautionary measure, the City withheld a portion of the 2009 MMO. The full 2009 MMO was paid by mid-February 2010. The delayed payment shored up the City cash flow, but cost the City \$383,389.

Public safety costs, particularly police and fire fighter labor costs, continue to rise greater than the rate of inflation. In 2001, public safety consumed 60% of the City's General Fund Budget and in 2010 it is projected to consume 68.5% of the General Fund Budget. If the trend continues, then by 2020 public safety will consume 80% of the General Fund Budget.

The Act 111 public safety arbitration process continues to contribute to the steep rise in public safety costs. Notwithstanding the \$27 million unfunded liability in the police pension fund, an arbitrator awarded enhanced pension benefits to police officers including a Deferred Retirement Option Plan and what is called a Pittsburgh Plan. The Pittsburgh Plan allows an officer with twenty years six months of service to leave the police force and continue to contribute to the fund the amount that would have been contributed if s/he continued to work. When s/he reaches the age of retirement, the pension benefit will be based upon what the officer would have been earning if s/he had remained on the force to age 50. Since the officers contributions are significantly less than the annual normal cost, the City is forced to fund a pension benefit for an employee who is no longer providing service to the City.

In 2005, the City contribution to the employee pension funds was \$2,034,131. In 2006, the obligation was \$4,863,063. In 2007, \$4,960,833 and in 2008, it was calculated to be \$5,069,057. 98% of this contribution comes from the General Fund. For 2009, the MMO was \$5.25 million and, in 2010, the MMO will be \$5.4 million. The 2010 MMO is based on the 2007 valuation. The 2011 MMO will be based upon the 2009 valuation, a time at which pension assets were at their lowest. Utilizing the 130% asset smoothing, the City's pension has been designated as moderately distressed. If the funds had been valued at market value, they would have been designated severely distressed. Using the market value of the fund assets, the 2011 MMO would be \$8,349,760, an increase of almost \$3,000,000. Using the 130% asset smoothing method reduces the 2011 MMO to \$6,620,000, an increase of \$1,200,000. The level of distress also provides a 75% MMO relief for years 2011-2014 for moderate distress level II. Using the smoothing method of valuation and taking advantage of the MMO relief, the City MMO for 2011 will be approximately \$4,965,000, a reduction from 2010 of about \$440,000. However, the City will owe \$680,000 for the budgeted portion of the MMO that was used to pay interest 2008 and 2009 and for interest on any part of the 2010 MMO not paid until after December 31, 2010. These are all, of course, mathematical devices to diverge from the reality. If the asset values do not come back to pre-2008 levels by the actuarial for January 1, 2011 we will eventually be compelled to make the contributions to meet the liabilities of the plans.

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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 suggestions and recommendations to reduce costs and increase revenue. Since that time, the City has made efforts and progress on implementing most of those suggestions and recommendations. A key recommendation was to reduce labor costs by modifying the employee health plan design and by limiting wage increases over the coming years.

The City hired Riverside Consulting to assist in developing a strategy to reduce the rate of increase in health care costs. After an in depth analysis of cost and usage trends and member demographics, Riverside developed a new employee health care plan, a true Preferred Provider Organization, that includes wellness programs and incentives. Riverside assisted the City in doing a request for proposals to hire a new third party administrator. Resulting from that process was the retention of Capital Blue Cross for three years, 2008-2010, as the City's TPA. Hiring CBC as the City's TPA gave the City access to the claims processing experience and infrastructure and the contractual service and product discounts of a major health care insurer while retaining the significant cost savings of self insurance. Finally, Riverside aided the City in the development of a pharmacy benefit program that included a three tier co-pay structure, mandatory generic usage, a step therapy program, and a direct contract with the pharmacy benefit administrator that resulted in bigger discounts and rebates than were previously enjoyed.

The new health care plan, including increases in premium sharing, has been implemented for non-union employees, the blue collar Teamsters bargaining unit, International Brotherhood of Electrical Workers, and the Fraternal Order of Police. It is anticipated that the IAFF and the Clerical union will be in the new PPO health care plan by the end of 2012. Because of the reluctance of Act 111 arbitrators to impose premium sharing on police, the health care plan for the FOP for the remainder of this contract term will likely see very few officers paying a premium for coverage.

From 2003 to 2008, total health care costs went from \$4 million to \$6.8 million. In 2008, health care was budgeted at \$5,595,000, but the actual costs were \$6,818,622, almost \$1,200,000 over budget. In 2009 health care costs were budgeted at \$6,275,000 and came in at \$6,313,480. While the actual came in about \$40,000 over budget, it was \$550,000 below the actual for 2008. For 2010, the City budgeted \$6,730,500 and is on target to end the year within 5% of the budget. The City anticipates that the health care changes that have been put into place will continue to slow the rate of growth over the next few years.

The City has received a grant from the Department of Community and Economic Development to do a comprehensive update of that Study. The City of York and York Counts is partnering on the police portion of the study to be done by Police Executive Research Forum. The Fire/Rescue portion of the study will be conducted by Public Safety Solutions, Inc. of Baltimore and is just about completed. The remainder of the city study will be done by PFM. It is anticipated that the entire study will be completed by mid 2011.

The City is currently analyzing several capital projects that could result in the issuance of debt of up to \$18,000,000. The projects may include improvement to City facilities and acquisition of a new building to house City administration offices. Some capital projects are already underway and will

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require borrowing to pay back the General Fund for money advanced to the projects. These include new sewer lines for the Northwest Triangle and new sewer facilities being undertaken by the Sewer Authority. The new building acquisition should have no major impact on the financial obligations of the City as the money now devoted to rent will go to paying the mortgage on the building. The sewer projects will add about \$.26 per thousand gallons to residential sewer bills, about \$1.56 per month for the average family usage of 6,000 gallons. The remaining projects could add up to 1 mill of dedicated taxation or \$50.00 per year to the real estate tax bill of an average assessed residential structure of \$50,000.

It is difficult to determine the impact that the current economic recession will have on the City's financial health. Because real estate tax base re-assessments are not done often and because real estate values in the City did not soar to suburban heights, it is not likely that the real estate aspect of the recession will have as much impact in the city as without. In 2009, we saw a significant drop in the Earned Income tax revenue but no reduction of Business Privilege/Mercantile Tax revenue. While the City projected a 20-30% drop in the LST revenue in 2008 due to 2007 amendments to the law, the drop in revenue was closer to 35%. The shortfall in prediction may be due to inadequate data upon which to build the forecast, or the impact of the amendments could have been exacerbated by the recession. Time will tell when the economy has returned to normalcy.

To meet rising obligations, the City has increased fees, fines and taxes. Any revenue source of the City has been evaluated to determine whether the City can increase it. Some rates cannot be increased such as Business Privilege Tax and Mercantile Tax and LST and Earned Income tax, while others can be increased like real estate taxes and some fines and fees. The LST brought in almost \$1.6 million each in 2006 and 2007. In 2007, the Commonwealth adopted certain amendments for 2008 that reduced the revenue from what is now the LST by almost 35%.

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 2008 total millage of 14.67. This is a 29% 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 2009, the real estate tax rate was increased to 15.64, a 6.6% increase over the 2008 rate and held that rate steady for 2010. It is likely that the City will require a significant tax increase for 2011.

The antiquated tax structure of Pennsylvania continues to strangle its 3rd class cities. 37% of the real estate tax base value in the City is tax exempt. The exempt property includes county, state and federal real estate, hospitals, churches, colleges and social service agencies. Every one of these tax exempt entities serves a majority of clients/parishioners/students who are from outside the City, outside the county, outside the commonwealth and outside of the country. Why are the most impoverished of the Commonwealth's taxpayers being forced to subsidize services for people who have no real connection to the City?

Likewise the earned income tax structure is flawed. In Pennsylvania, the earned income tax is paid to the place you live and none to the place that you work. In 2008, 8,000 York City residents worked outside of the City and paid earned income tax on about \$345,000,000 of income. However, 38,000 commuters earned \$1,100,000,000 in the City and paid no earned income tax revenue to the City to

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help offset the cost of services and infrastructure that they use for their jobs and professions. Again, the less affluent members of the community are paying to provide services to the more affluent members of the community. It is regressive taxation at its worst.

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 and municipal services. The tax bases from which these revenues flow are highly local and based upon an antiquated concept of economic activity. 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, 2009

	Primary Government			Component Units	Total
	Governmental Activities	Business-type Activities	Total		
ASSETS					
Cash and cash equivalents	\$ 3,915,372	\$ 6,466,280	\$ 10,381,652	\$ 911,629	\$ 11,293,281
Receivables, net of allowance for uncollectible accounts:					
Taxes	5,575,244	-	5,575,244	-	5,575,244
Accounts	3,860,273	1,532,329	5,392,602	44,419	5,437,021
Loans	3,118,286	-	3,118,286	605,100	3,723,386
Interest	-	-	-	5,708	5,708
Internal balances	(1,248,304)	1,248,304	-	-	-
Due from component unit	70,344	-	70,344	-	70,344
Due from other governments	-	1,000,000	1,000,000	6,269,281	7,269,281
Inventory	-	6,720	6,720	-	6,720
Prepaid expenses	37,894	20,285	58,179	3,663	61,842
Restricted assets:					
Cash and cash equivalents	623,233	6,343,990	6,967,223	2,192,381	9,159,604
Investments, at fair value	-	2,941,694	2,941,694	-	2,941,694
Notes receivable - due from component unit	1,500,404	-	1,500,404	-	1,500,404
Lease rentals receivable	-	18,369,238	18,369,238	-	18,369,238
Capital assets, less accumulated depreciation and amortization	49,134,284	64,471,607	113,605,891	7,850,766	121,456,657
Land held for development	-	-	-	250,000	250,000
Deferred charges, net of accumulated amortization	-	-	-	138,801	138,801
Total assets	66,587,030	102,400,447	168,987,477	18,271,748	187,259,225
LIABILITIES					
Accounts payable and other current liabilities	3,716,990	1,332,768	5,049,758	474,621	5,524,379
Accrued liabilities	384,930	86,803	471,733	-	471,733
Due to primary government	-	-	-	70,344	70,344
Due to other governments	79,658	449,593	529,251	104,157	633,408
Due to City of York pension trust funds	4,953,426	-	4,953,426	-	4,953,426
Deferred revenue	4,883,944	59,962	4,943,906	428,018	5,371,924
Environmental remediation liabilities	-	-	-	539,492	539,492
Line of credit	-	-	-	6,124,687	6,124,687
Noncurrent liabilities:					
Due within one year	5,002,127	4,311,435	9,313,562	100,000	9,413,562
Due within one year - due to primary government	-	-	-	715,023	715,023
Due in more than one year	52,432,758	37,617,683	90,050,441	5,590,796	95,641,237
Due in more than one year - due to primary government	-	-	-	785,381	785,381
Total liabilities	71,453,833	43,858,244	115,312,077	14,932,519	130,244,596

See accompanying notes to basic financial statements.

	Primary Government			Component Units	Total
	Governmental Activities	Business-type Activities	Total		
NET ASSETS					
Invested in capital assets, net of related debt	32,456,668	41,236,895	73,693,563	1,618,186	75,311,749
Restricted for:					
Community development and planning	333,820	-	333,820	-	333,820
Health initiatives	125,571	-	125,571	-	125,571
Highways and streets	273,248	-	273,248	-	273,248
Workers' compensation	623,233	-	623,233	-	623,233
Debt service	-	2,963,348	2,963,348	16,710	2,980,058
Revolving loan	-	-	-	500,000	500,000
Construction	-	3,344,584	3,344,584	-	3,344,584
Unrestricted	(38,679,343)	10,997,376	(27,681,967)	1,204,333	(26,477,634)
Total net assets	<u>\$ (4,866,803)</u>	<u>\$ 58,542,203</u>	<u>\$ 53,675,400</u>	<u>\$ 3,339,229</u>	<u>\$ 57,014,629</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,417,159	\$ 2,331,551	\$ 96,241	\$ -
Sanitation	3,036,923	4,521,407	24,480	-
Public safety	27,699,760	4,224,121	1,270,242	100,000
Highways and streets	1,221,514	72,180	781,476	-
Public works	5,243,094	90,371	15,000	114,922
Parks and recreation	1,959,134	436,010	184,056	486,929
Community development and planning	7,361,148	1,004,273	5,857,484	-
Other departments and programs	1,718,674	723	1,437,814	-
Interest on long-term debt	2,978,286	-	-	-
Total governmental activities	53,635,692	12,680,636	9,666,793	701,851
Business-type activities:				
Intermunicipal sewer	5,307,439	6,008,481	-	-
Sewer	7,550,063	7,836,513	-	3,290,077
Ice rink	1,605,721	1,078,521	-	-
Other enterprise funds	127,112	146,189	44,295	-
Total business-type activities	14,590,335	15,069,704	44,295	3,290,077
Total primary government	\$ 68,226,027	\$ 27,750,340	\$ 9,711,088	\$ 3,991,928
Component units:				
Redevelopment Authority	\$ 1,842,114	\$ 289,631	\$ 2,106,155	\$ -
General Authority	1,588,107	1,909,340	-	-
Total component units	\$ 3,430,221	\$ 2,198,971	\$ 2,106,155	\$ -
General revenues:				
Property taxes				
Occupational privilege taxes				
Earned income taxes				
Business privilege taxes				
Franchise taxes				
Public utility realty taxes				
Beverage taxes				
Payments in lieu of taxes				
Grants and contributions not restricted to specific functions				
Miscellaneous revenue				
Unrestricted investment earnings				
Proceeds from sale of assets				
Transfers - internal activities				
Total general revenues and transfers				
Change in net assets (deficits)				
Net assets - beginning of year - restated				
Net assets - end of year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	Total
Governmental Activities	Business-type Activities	Total		
\$ 10,633	\$ -	\$ 10,633	\$ -	\$ 10,633
1,508,964	-	1,508,964	-	1,508,964
(22,105,397)	-	(22,105,397)	-	(22,105,397)
(367,858)	-	(367,858)	-	(367,858)
(5,022,801)	-	(5,022,801)	-	(5,022,801)
(852,139)	-	(852,139)	-	(852,139)
(499,391)	-	(499,391)	-	(499,391)
(280,137)	-	(280,137)	-	(280,137)
(2,978,286)	-	(2,978,286)	-	(2,978,286)
(30,586,412)	-	(30,586,412)	-	(30,586,412)
-	701,042	701,042	-	701,042
-	3,576,527	3,576,527	-	3,576,527
-	(527,200)	(527,200)	-	(527,200)
-	63,372	63,372	-	63,372
-	3,813,741	3,813,741	-	3,813,741
(30,586,412)	3,813,741	(26,772,671)	-	(26,772,671)
-	-	-	553,672	553,672
-	-	-	321,233	321,233
-	-	-	874,905	874,905
15,099,953	-	15,099,953	-	15,099,953
1,292,697	-	1,292,697	-	1,292,697
1,767,082	-	1,767,082	-	1,767,082
2,504,441	-	2,504,441	-	2,504,441
320,354	-	320,354	-	320,354
24,248	-	24,248	-	24,248
30,600	-	30,600	-	30,600
434,838	-	434,838	-	434,838
1,676,615	-	1,676,615	-	1,676,615
-	-	-	98,940	98,940
166,041	1,177,865	1,343,906	29,799	1,373,705
325,000	-	325,000	-	325,000
1,972,326	(1,972,326)	-	-	-
25,614,195	(794,461)	24,819,734	128,739	24,948,473
(4,972,217)	3,019,280	(1,952,937)	1,003,644	(949,293)
105,414	55,522,923	55,628,337	2,335,585	57,963,922
\$ (4,866,803)	\$ 58,542,203	\$ 53,675,400	\$ 3,339,229	\$ 57,014,629

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,673,596	\$ -	\$ 214,277	\$ 1,887,873
Receivables:				
Loans (less allowance for doubtful accounts of \$33,000 in the General Fund, \$1,670,794 in Other Governmental Funds)	370,847	-	2,747,439	3,118,286
Taxes (less allowance for doubtful accounts of \$1,061,871 in the General Fund, \$197,071 in the Debt Service Fund, \$93,788 in the Other Governmental Funds)	5,247,661	222,656	104,927	5,575,244
Accounts (less allowance for doubtful accounts of \$4,274,239 in the General Fund)	1,395,935	-	2,449,516	3,845,451
Notes receivable	-	1,500,404	-	1,500,404
Due from other funds	1,599,252	-	77,177	1,676,429
Due from component units	70,344	-	-	70,344
Total assets	<u>\$ 10,357,635</u>	<u>\$ 1,723,060</u>	<u>\$ 5,593,336</u>	<u>\$ 17,674,031</u>
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable and accrued expenses	\$ 636,043	\$ -	\$ 2,233,006	\$ 2,869,049
Accrued wages payable	271,026	-	24,791	295,817
Due to other funds	5,574,438	83,781	454,817	6,113,036
Due to other governments	-	-	79,658	79,658
Deferred revenues	4,897,226	1,697,475	2,867,787	9,462,488
Total liabilities	<u>11,378,733</u>	<u>1,781,256</u>	<u>5,660,059</u>	<u>18,820,048</u>
Fund balances (deficits):				
Reserved for:				
Health initiatives	-	-	125,571	125,571
Community development	-	-	333,820	333,820
Unreserved, reported in:				
General fund	(1,021,098)	-	-	(1,021,098)
Debt service fund	-	(58,196)	-	(58,196)
Special revenue funds	-	-	(325,577)	(325,577)
Capital projects funds	-	-	(200,537)	(200,537)
Total fund balances (deficits)	<u>(1,021,098)</u>	<u>(58,196)</u>	<u>(66,723)</u>	<u>(1,146,017)</u>
Total liabilities and fund balances (deficits)	<u>\$ 10,357,635</u>	<u>\$ 1,723,060</u>	<u>\$ 5,593,336</u>	<u>\$ 17,674,031</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, 2009

Fund balances - total governmental funds \$ (1,146,017)

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	\$ 110,052,982	
Less accumulated depreciation	<u>(60,918,698)</u>	49,134,284

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 4,578,544

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	(33,573,938)	
Notes payable	(8,803,431)	
Other post-employment liability	(5,962,553)	
Loans from other governmental entities	(2,400,000)	
Capitalized lease obligation	(4,534,292)	
Compensated absences	(1,132,504)	
Accrued interest payable	<u>(80,618)</u>	(56,487,336)

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	818,845	
Adjustment related to enterprise funds	<u>(1,765,123)</u>	<u>(946,278)</u>

Net assets of governmental activities \$ (4,866,803)

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, 2009

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 18,127,675	\$ 2,266,194	\$ 969,851	\$ 21,363,720
Licenses and permits	1,649,765	-	-	1,649,765
Fines and forfeits	1,697,043	-	-	1,697,043
Grants and contributions	1,976,956	1,676,615	8,619,375	12,272,946
Charges for services	7,746,503	-	607,722	8,354,225
Loan repayments	-	779,235	211,841	991,076
Interest	49,750	714	5,375	55,839
Miscellaneous	167,211	-	122,524	289,735
Total revenues	<u>31,414,903</u>	<u>4,722,758</u>	<u>10,536,688</u>	<u>46,674,349</u>
Expenditures:				
Current:				
General government	2,076,533	26,316	145,019	2,247,868
Sanitation	2,982,420	-	-	2,982,420
Public safety	24,793,550	-	587,646	25,381,196
Highways and streets	548,679	-	543,912	1,092,591
Public works	2,292,180	-	35,511	2,327,691
Parks and recreation	-	-	1,544,281	1,544,281
Community development and planning	2,241,515	-	5,164,444	7,405,959
Other departments and programs	116,565	-	1,429,935	1,546,500
Debt service:				
Principal retirements	-	4,005,000	521,289	4,526,289
Interest	-	346,693	218,855	565,548
Capital outlay	-	-	4,354,654	4,354,654
Total expenditures	<u>35,051,442</u>	<u>4,378,009</u>	<u>14,545,546</u>	<u>53,974,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,636,539)</u>	<u>344,749</u>	<u>(4,008,858)</u>	<u>(7,300,648)</u>
Other financing sources (uses):				
Proceeds from the issuance of debt	-	-	3,629,401	3,629,401
Proceeds from the sale of assets	-	-	325,000	325,000
Transfers in	2,450,172	324,584	674,927	3,449,683
Transfers out	(503,780)	(622,258)	(351,319)	(1,477,357)
Total other financing sources (uses)	<u>1,946,392</u>	<u>(297,674)</u>	<u>4,278,009</u>	<u>5,926,727</u>
Net change in fund balances (deficits)	<u>(1,690,147)</u>	<u>47,075</u>	<u>269,151</u>	<u>(1,373,921)</u>
Fund balances (deficits) - beginning of year - as restated	<u>669,049</u>	<u>(105,271)</u>	<u>(335,874)</u>	<u>227,904</u>
Fund balances (deficits) - end of year	<u>\$ (1,021,098)</u>	<u>\$ (58,196)</u>	<u>\$ (66,723)</u>	<u>\$ (1,146,017)</u>

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, 2009

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

Net change in fund balances (deficits) - total governmental funds \$ (1,373,921)

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	\$ 4,556,664	
Loss on disposal of capital assets	(7,865)	
Depreciation expense	(3,991,746)	557,053

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (317,128)

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	(3,629,400)	
Principal repayments	4,526,289	896,889

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	(74,363)	
Change in accrued interest	66,443	
Other post-employment liability	(2,870,799)	
Amortization of bond discounts	(2,419,603)	(5,298,322)

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	971,566	
Adjustment related to enterprise funds	(408,354)	563,212

Change in net assets of governmental activities \$ (4,972,217)

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS (DEFICITS) - PROPRIETARY FUNDS
DECEMBER 31, 2009

	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	\$ 2,678,230	\$ 1,639,364	\$ -	\$ 2,148,686	\$ 6,466,280	\$ 2,027,499
Receivables:						
Lease rentals, current	-	1,212,119	-	-	1,212,119	-
Accounts receivable (less allowance for doubtful accounts of \$6,378,660)	182,680	1,284,852	49,626	15,171	1,532,329	14,822
Inventory	-	-	6,720	-	6,720	-
Prepaid expenses	-	-	20,285	-	20,285	37,894
Due from other governments	-	1,000,000	-	-	1,000,000	-
Due from other funds	538,764	-	-	-	538,764	-
Total current assets	3,399,674	5,136,335	76,631	2,163,857	10,776,497	2,080,215
Restricted assets:						
Cash and cash equivalents	-	6,343,990	-	-	6,343,990	623,233
Investments	-	2,941,694	-	-	2,941,694	-
Total restricted assets	-	9,285,684	-	-	9,285,684	623,233
Noncurrent assets:						
Lease rentals receivable, long-term	-	17,157,119	-	-	17,157,119	-
Capital assets, net of accumulated depreciation	-	59,858,887	4,600,268	12,452	64,471,607	-
Total noncurrent assets	-	77,016,006	4,600,268	12,452	81,628,726	-
Total assets	3,399,674	91,438,025	4,676,899	2,176,309	101,690,907	2,703,448
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	206,501	1,068,161	50,836	7,270	1,332,768	847,941
Accrued wages payable	28,747	6,139	3,007	1,410	39,303	8,495
Accrued interest	-	-	47,500	-	47,500	-
Due to other funds	-	538,764	516,819	-	1,055,583	-
Deferred revenue	-	13,250	46,712	-	59,962	-
Due to other governments	449,593	-	-	-	449,593	-
Total current liabilities	684,841	1,626,314	664,874	8,680	2,984,709	856,436
Current liabilities payable from restricted assets:						
Current portion of capitalized lease obligations	-	77,138	14,297	-	91,435	-
Current portion of bonds and notes payable	-	3,875,000	345,000	-	4,220,000	133,667
Total current liabilities payable from restricted resources	-	3,952,138	359,297	-	4,311,435	133,667
Noncurrent liabilities:						
Accrued compensated absences	139,520	27,278	-	-	166,798	36,711
Other post-retirement liability	132,616	31,623	-	6,583	170,822	51,243
Capitalized lease obligations	-	47,210	256,552	-	303,762	-
Bonds and notes outstanding	-	31,801,301	5,175,000	-	36,976,301	806,546
Total noncurrent liabilities	272,136	31,907,412	5,431,552	6,583	37,617,683	894,500
Total liabilities	956,977	37,485,864	6,455,723	15,263	44,913,827	1,884,603
Net Assets (Deficits)						
Invested in capital assets, net of related debt	-	42,427,476	(1,190,581)	-	41,236,895	-
Restricted:						
Debt service	-	2,963,348	-	-	2,963,348	-
Construction	2,442,697	901,887	-	-	3,344,584	-
Workers' compensation	-	-	-	-	-	623,233
Unrestricted	-	7,659,450	(588,243)	2,161,046	9,232,253	195,612
Total net assets (deficits)	\$ 2,442,697	\$ 53,952,161	\$ (1,778,824)	\$ 2,161,046	\$ 56,777,080	\$ 818,845
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					1,765,123	
Net assets of business-type activities					\$ 58,542,203	

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, 2009

Business-type Activities - Enterprise Funds						
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Funds	Total	Internal Services Fund
Operating revenues:						
Charges for services	\$ 5,979,546	\$ 6,872,037	\$ 575,107	\$ 61,929	\$ 13,488,619	\$ 10,185,966
Rental income	-	-	502,026	-	502,026	-
Revenue from other local governments	-	-	-	84,260	84,260	-
Miscellaneous income	28,935	133,476	1,388	-	163,799	-
Total operating revenues	6,008,481	7,005,513	1,078,521	146,189	14,238,704	10,185,966
Operating expenses;						
Personnel services	1,794,698	387,064	358,654	79,069	2,619,485	874,563
Utilities	838,326	-	156,124	-	994,450	-
Treatment costs	-	1,955,314	-	-	1,955,314	-
Contractual services	253,101	170,862	38,607	-	462,570	-
Professional services	155,308	243,721	60,672	8,549	468,250	208,837
Materials and supplies	352,372	54,129	202,646	5,439	614,586	152,902
Sludge	569,541	-	-	-	569,541	-
Administrative	480,174	591,695	172,151	30,384	1,274,404	343,239
Health insurance claims	-	-	-	-	-	5,770,649
Insurance premiums	-	-	25,816	-	25,816	898,817
Workers' compensation insurance	-	-	-	-	-	209,987
Depreciation	-	2,054,843	281,894	-	2,336,737	-
Miscellaneous	1,182,805	319,234	550	3,671	1,506,260	704,777
Total operating expenses	5,626,325	5,776,862	1,297,114	127,112	12,827,413	9,163,771
Operating income (loss)	382,156	1,228,651	(218,593)	19,077	1,411,291	1,022,195
Nonoperating revenue (expenses):						
Grants	-	1,000,000	-	22,845	1,022,845	-
Investment income	14,104	1,156,175	815	6,771	1,177,865	8,950
Contributions	-	-	-	21,450	21,450	-
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Interest expense	-	(1,862,669)	(308,607)	-	(2,171,276)	(59,579)
Total nonoperating revenue (expenses)	14,104	1,124,506	(307,792)	51,066	881,884	(50,629)
Change in net assets before transfers and contributed capital	396,260	2,353,157	(526,385)	70,143	2,293,175	971,566
Transfers in	-	462,950	427,674	-	890,624	-
Transfers out	(462,950)	(2,400,000)	-	-	(2,862,950)	-
Change in net assets before contributed capital	(66,690)	416,107	(98,711)	70,143	320,849	971,566
Contributed capital	-	2,290,077	-	-	2,290,077	-
Change in net assets (deficits)	(66,690)	2,706,184	(98,711)	70,143	2,610,926	971,566
Net assets (deficits) - beginning of year	2,509,387	51,245,977	(1,680,113)	2,090,903	2,090,903	(152,721)
Net assets (deficits) - end of year	\$ 2,442,697	\$ 53,952,161	\$ (1,778,824)	\$ 2,161,046	\$ 2,161,046	\$ 818,845
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					408,354	
Change in net assets (deficits) of business-type activities					\$ 3,019,280	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2009

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	\$ 5,754,844	\$ 7,017,521	\$ 1,093,530	\$ 167,181	\$ 14,033,076	\$ 10,259,882
Payments to suppliers	(3,820,545)	(2,613,214)	(461,232)	(56,653)	(6,951,644)	(8,804,355)
Payments to employees	(1,828,771)	(395,124)	(372,205)	(76,422)	(2,672,522)	(864,434)
Net cash provided by operating activities	105,528	4,009,183	260,093	34,106	4,408,910	591,093
Cash flows from noncapital financing activities:						
Transfers in	-	462,950	427,674	-	890,624	-
Transfers out	(462,950)	(2,400,000)	-	-	(2,862,950)	-
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Net cash provided by (used in) noncapital financing activities	(462,950)	(1,106,050)	427,674	-	(1,141,326)	-
Cash flows from capital and related financing activities:						
Capital outlays	-	(11,190,090)	(39,778)	(12,452)	(11,242,320)	-
Contributions	-	-	-	21,450	21,450	-
Proceeds from the issuance of debt	-	4,279,718	-	-	4,279,718	-
Principal receipts on lease rentals receivable	-	1,131,620	-	-	1,131,620	-
Principal payments on bonds and notes	-	(3,875,000)	(330,000)	-	(4,205,000)	(125,527)
Principal payments on capital lease	-	(84,915)	(7,777)	-	(92,692)	-
Interest paid	-	(462,833)	(311,027)	-	(773,860)	(67,719)
Net cash provided by (used in) capital and related financing activities	-	(10,201,500)	(688,582)	8,998	(10,881,084)	(193,246)
Cash flows from investing activities:						
Proceeds from sale of investment securities	-	8,717,341	-	-	8,717,341	-
Investment income	14,104	1,177,907	815	6,771	1,199,597	8,950
Net cash provided by investing activities	14,104	9,895,248	815	6,771	9,916,938	8,950
Net increase (decrease) in cash and cash equivalents	(343,318)	2,596,881	-	49,875	2,303,438	406,797
Cash and cash equivalents - beginning of year	3,021,548	5,386,473	-	2,098,811	10,506,832	2,243,935
Cash and cash equivalents - end of year	<u>\$ 2,678,230</u>	<u>\$ 7,983,354</u>	<u>\$ -</u>	<u>\$ 2,148,686</u>	<u>\$ 12,810,270</u>	<u>\$ 2,650,732</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 382,156	\$ 1,228,651	\$ (218,593)	\$ 19,077	\$ 1,411,291	\$ 1,022,195
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	-	2,054,843	281,894	-	2,336,737	-
Grants	-	-	-	22,845	22,845	-
Loss on disposal of capital assets	-	4,074	-	-	4,074	-
(Increase) decrease in:						
Accounts receivable	(9,629)	(1,242)	866	(1,853)	(11,858)	73,916
Inventory	-	-	(866)	-	(866)	-
Prepaid expenses	-	-	(6,866)	-	(6,866)	3,887
Due from other funds	10,556	-	-	-	10,556	-
Increase (decrease) in:						
Accounts payable and accrued expenses	11,082	728,223	3,634	(8,610)	734,329	(519,034)
Accrued wages payable	(61,481)	(13,309)	(13,551)	(1,264)	(89,605)	(17,322)
Other post-employment liabilities	27,353	5,076	-	3,911	36,340	20,917
Accrued compensated absences	55	173	-	-	228	6,534
Deferred revenue	-	13,250	14,143	-	27,393	-
Due to other funds	-	(10,556)	199,432	-	188,876	-
Due to other governments	(254,564)	-	-	-	(254,564)	-
Net cash provided by operating activities	<u>\$ 105,528</u>	<u>\$ 4,009,183</u>	<u>\$ 260,093</u>	<u>\$ 34,106</u>	<u>\$ 4,408,910</u>	<u>\$ 591,093</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2009

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
<hr/>		
Cash and cash equivalents	\$ -	\$ 426,179
Investments, at fair value	69,184,770	-
Due from City of York	4,953,426	-
	<u> </u>	<u> </u>
Total assets	<u>74,138,196</u>	<u>426,179</u>
Liabilities		
<hr/>		
Accounts payable and accrued expenses	-	426,179
Total liabilities	<u> </u>	<u>\$ 426,179</u>
Net assets		
<hr/>		
Held in trust for pension benefits	<u>\$ 74,138,196</u>	

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, 2009

Additions:	
Contributions	
Employee contributions	\$ 663,273
Employer contributions	<u>5,249,508</u>
Total contributions	<u>5,912,781</u>
Investment income:	
Interest and dividend income	1,726,653
Net appreciation of investments	<u>11,466,923</u>
	13,193,576
Less investment expense	<u>(261,829)</u>
Net investment income	<u>12,931,747</u>
Total additions	<u>18,844,528</u>
Deductions:	
Benefit payments	<u>6,124,370</u>
Total deductions	<u>6,124,370</u>
Net increase	12,720,158
Net assets held in trust for pension benefits, beginning of year - as restated	<u>61,418,038</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 74,138,196</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS - COMPONENT UNITS
DECEMBER 31, 2009

	Redevelopment Authority	General Authority	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 788,210	\$ 123,419	\$ 911,629
Loans receivable, net of allowance	605,100	-	605,100
Due from other governments	6,269,281	-	6,269,281
Restricted cash and cash equivalents	-	2,192,381	2,192,381
Accounts receivable	43,515	904	44,419
Accrued interest	-	5,708	5,708
Prepaid expenses	3,663	-	3,663
Total current assets	<u>7,709,769</u>	<u>2,322,412</u>	<u>10,032,181</u>
Noncurrent assets:			
Capital assets (net of accumulated depreciation of \$987,021 and \$6,744,785)	2,538,044	5,312,722	7,850,766
Land held for development	250,000	-	250,000
Capitalized bond costs (net of accumulated amortization of \$32,968 and \$454,044)	70,545	68,256	138,801
Total noncurrent assets	<u>2,858,589</u>	<u>5,380,978</u>	<u>8,239,567</u>
Total assets	<u>10,568,358</u>	<u>7,703,390</u>	<u>18,271,748</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	114,583	360,038	474,621
Due to primary government	2,000	68,344	70,344
Due to other governments	104,157	-	104,157
Deferred revenues	43,218	384,800	428,018
Environmental remediation liability	539,492	-	539,492
Line of credit	6,124,687	-	6,124,687
Current portion of bonds payable	100,000	-	100,000
Current portion of note payable	-	715,023	715,023
Total current liabilities	<u>7,028,137</u>	<u>1,528,205</u>	<u>8,556,342</u>
Noncurrent liabilities:			
Bonds payable	3,065,000	-	3,065,000
Note payable	-	3,311,177	3,311,177
Total noncurrent liabilities	<u>3,065,000</u>	<u>3,311,177</u>	<u>6,376,177</u>
Total liabilities	<u>10,093,137</u>	<u>4,839,382</u>	<u>14,932,519</u>
Net Assets			
Invested in capital assets, net of related debt	(556,411)	2,174,597	1,618,186
Restricted:			
Debt service	16,710	-	16,710
Revolving loan	500,000	-	500,000
Unrestricted	514,922	689,411	1,204,333
Total net assets	<u>\$ 475,221</u>	<u>\$ 2,864,008</u>	<u>\$ 3,339,229</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF ACTIVITIES - COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Redevelopment Authority	General Authority	Total
Redevelopment Authority	\$ 1,842,114	\$ 289,631	\$ 2,106,155	\$ 553,672	\$ -	\$ 553,672
General Authority	1,588,107	1,909,340	-	-	321,233	321,233
Total component units	\$ 3,430,221	\$ 2,198,971	\$ 2,106,155	553,672	321,233	874,905
General revenues:						
Miscellaneous revenue				78,420	20,520	98,940
Unrestricted investment earnings				28,862	937	29,799
Total general revenues				107,282	21,457	128,739
Change in Net Assets				660,954	342,690	1,003,644
Net assets - beginning of year				(185,733)	2,521,318	2,335,585
Net assets - end of year				\$ 475,221	\$ 2,864,008	\$ 3,339,229

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

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 criteria used by the City to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the City reviews the applicability of the following criteria.

The City is financially accountable for:

- Organizations that make up the legal City entity.
- Legally separate organizations if City officials appoint a voting majority of the organization's governing body and the City is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the City as defined below.

Impose its Will – If the City can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

Financial Benefit or Burden – Exists if the City (1) is entitled to the organization's resources, or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.

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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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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, constructing, improving, and leasing the sewer systems and sewer treatment works to the City. The five-member board is nominated by the Mayor and appointed by City Council (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 Council. The General Authority's primary operations to date have been to operate and maintain a municipal parking system and issue conduit debt. 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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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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). A five-member board administers the Redevelopment Authority, all of who are appointed by the City Mayor. The Redevelopment Authority strategically acquires underutilized, blighted, and vacant parcels throughout the City for the purpose of promoting residential, commercial, and industrial redevelopment projects in the municipality. The Redevelopment Authority, in January of 2002, issued debt for the purpose of constructing the Susquehanna Commerce Center Parking Garage. The Redevelopment Authority publishes separate financial statements which are available in the City's Accounting Office.

Related Organization

The City Council is also responsible for appointing the members of the Housing Authority of the City of York, but the City's accountability for this organization does not extend beyond making such appointments.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges to external parties for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

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.

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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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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:

Intermunicipal Sewer Fund - The Intermunicipal 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 or Services 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, City officers, and employees. The City sponsors and administers these plans, which are defined benefit plans covering substantially all employees.

Agency Funds - Accounts for situations where the City's role is purely custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

CITY OF YORK, PENNSYLVANIA

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Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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.

Cash and investments in the Internal Services Fund that are reserved for workers' compensation claims are restricted to the purposes set forth in the City's workers' compensation insurance binder.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

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.

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.

CITY OF YORK, PENNSYLVANIA

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

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

Because the mission of the Redevelopment Authority is to acquire blighted residential, commercial, and former industrial properties for the City to land bank, rehabilitate, or strategically purchase for future redevelopment projects ranging from for sale low-to moderate income home buyers or market rate mixed use development projects, which it does at little or no profit, such 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. An additional agreement was entered into on December 15, 2009 to sell additional property acquisitions for \$125,000. Therefore, the Redevelopment Authority has reported the acquisition prices as an asset in the amount of \$250,000, which is presented on the statement of net assets as land held for development.

Capitalization of Interest

Interest expense that relates to the cost of acquiring or constructing capital assets by the City is capitalized. Interest is capitalized in the enterprise fund financial statements. The total interest capitalized during the year ended December 31, 2009 was \$216,318.

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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the related obligation using the effective interest method. Debt is reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related obligation.

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

Accretion of Interest

Discounts on principal-only treasury strip investments are accreted over the lives of the investments as an adjustment to yield using the effective interest method. Discounts on 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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

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

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

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

Self-insurance

The City is primarily self-insured for health insurance. Various governmental funds and the proprietary funds are assessed charges based on historical loss experience with premiums being treated as quasi-external transactions. The City funds loss claims when incurred based upon the evaluation of an independent third-party administrator, together with claims incurred but not reported. The Internal Services 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 for the Redevelopment Authority is unavailable at December 31, 2009. The amount of nonrecourse debt issues for the General Authority is \$91,775,000 at December 31, 2009.

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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Pending Pronouncements

In February 2009, GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*." This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the City's 2011 financial statements.

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/her 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. 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 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.
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CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

7. The proposed budget ordinance must be available for public inspection in the Office of the City Clerk between the first and second readings.
8. Prior to December 31, Council adopts the final budget by enacting an appropriate ordinance.

The Business Administrator has the authority to approve the transfer of unexpended funds between accounts except in the following instances:

1. Transfers of more than 5% of an appropriation item within that fund.
2. Transfers of more than 5% of a department's appropriated budget in that fund.

In those instances and when additional unappropriated funds are needed, Council's approval is required. Council has approved all expenditures in excess of the original budget as a result of the adoption of the subsequent year's budget document.

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

1. General Fund.
2. Special Revenue Funds as follows: Recreation Fund, State Liquid Fuels Tax, Community Development Block Grant Fund, and the State Health 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, 2009, six funds each had a deficit fund balance or net assets. The City's management has addressed this situation and has prepared the following action plan to eliminate these deficits in a timely manner:

General Fund - The fund deficit, at December 31, 2009, is \$1,021,098. As a result of declining revenues due to the national economic recession, deferred revenues from unpaid invoices, and State budget cuts, the City has been evaluating the revenue and expenditure history and the operations structure of the city to develop a long term strategy for deficit reduction. Potential strategies

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

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include rate increases for taxes, fees and fines, workforce reduction, and workforce consolidation. In the short term, the City is closely monitoring cash flow projections, operational expenditures, and is allowing the work force to shrink through attrition.

Debt Service Fund - The fund deficit, at December 31, 2009, of \$58,196, is financed by loans from the General Fund as a result of revenue falling short of the budget.

Recreation Fund - The fund deficit, at December 31, 2009, of \$874,158, is financed by loans from the General Fund as a result of revenue falling short of the budget.

Weyer Trust Fund - The fund deficit, at December 31, 2009, of \$7,719, is financed by loans from the General Funds as a result of revenue falling short of budget.

Capital Projects Fund - The fund deficit, at December 31, 2009, of \$200,537, 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, 2009, of \$1,778,824, 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 2009, the City overspent available funds in several of its funds resulting in large cash deficits. The City's General Fund had sufficient funds to cover the cash overdrafts.

Early Intervention Program

In 2005, the City participated in the Commonwealth of Pennsylvania's Early Intervention Program (EIP). The EIP was established by the Commonwealth of Pennsylvania, and administered by the Department of Community and Economic Development (DCED), 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'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,

CITY OF YORK, PENNSYLVANIA

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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.

The City received a grant from DCED in 2010 to update the EIP report. The City is partnering with York County for a study by the Police Executive Research Fellowship to complete a study on the City and regional police departments and the possible creation of a regional department. The City has retained Public Safety Solutions, Inc for a comprehensive study of the Department of Fire-Rescue Services and is awaiting the final report. The City is retaining Public Financial Management to study and report on all other aspects of the City government.

4. PROPERTY TAXES

The City is permitted by the Third Class City Code of the Commonwealth 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 15.64 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 2009 was as follows:

February 17, 2009	–	levy date
February 17 – April 15, 2009	–	2% discount period
April 16 – June 15, 2009	–	face payment period
June 16 – December 31, 2009	–	10% penalty period
January 1, 2010	–	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.

CITY OF YORK, PENNSYLVANIA

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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. 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 may invest. Any investment authorized by 20 Pa. C.S. Ch. 73 (relating to fiduciaries' investments) shall be an authorized investment for any pension fund.

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, 2009, the City's book balance was \$10,809,251 and the bank balance was \$11,344,547. Of the bank balance, \$527,914 was covered by federal depository insurance, \$10,813,213 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 \$3,420 was uncollateralized.

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Cash and cash equivalents per financial statement:

Governmental activities:	
Unrestricted	\$ 3,915,372
Restricted	623,233
Business-type activities:	
Unrestricted	6,466,280
Restricted	6,343,990
Fiduciary funds:	
Agency funds	426,179
	<u>17,775,054</u>
Less money market funds	(6,965,803)
Total deposits	<u>\$ 10,809,251</u>

B. Investments

The fair value of the investments of the City at December 31, 2009, was as follows:

	<u>Fair Value</u>
Governmental activities:	
Unrestricted - Money market funds	\$ 2,000
Restricted - Money market funds	623,233
Total governmental activities	<u>625,233</u>
Business-type activities:	
Restricted:	
Money market funds	6,340,570
U.S. Government obligations	2,941,694
Total business-type activities	<u>9,282,264</u>
Fiduciary funds:	
Pension trust funds:	
Fixed income mutual funds	20,857,850
Other investments	1,602,842
Collective investment trusts	4,179,131
Equity mutual funds	39,531,970
Common stock	3,012,977
Total fiduciary funds	<u>69,184,770</u>
Total investments	<u>\$ 79,092,267</u>

CITY OF YORK, PENNSYLVANIA

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In addition, at December 31, 2009, the City had \$119,000 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. The City's investment in U.S. Government obligations and common stock are held by the counterparty's trust department or agent not in the City's name. The City's remaining investments are not exposed to custodial credit risk because they are not evidenced by securities in book entry or paper form.

The U.S. government obligations of the business-type activities are comprised of U.S. Treasury bills, 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, 2009 was \$2,791,787 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, 2009, there were no investments held by the City that exceeded five percent of the City's total portfolio.

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, 2009:

	<u>Fair Value</u>	<u>Rating</u>
Money market funds	\$ 7,084,803	AAA
Fixed income mutual funds	\$ 10,241,125	AAA
Fixed income mutual funds	\$ 3,400,864	A1+
Fixed income mutual funds	\$ 7,215,861	AA
Other investments	\$ 1,602,842	Unrated
Collective investment trusts	\$ 4,179,131	Unrated

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

	Fair Value	Investment Maturity			
		2010	2011-2015	2016-2020	2021+
Money market funds	\$ 7,084,803	\$ 7,084,803	\$ -	\$ -	\$ -
U.S. Government obligations	2,941,694	584,979	2,009,060	347,655	-
Fixed income mutual funds	20,857,850	3,400,864	-	17,456,986	-
	<u>\$ 30,884,347</u>	<u>\$ 11,070,646</u>	<u>\$ 2,009,060</u>	<u>\$ 17,804,641</u>	<u>\$ -</u>

Component Units

General Authority

The deposit and investment policy of the General Authority adheres to state statutes, prudent business practices, and the applicable trust indentures. The General 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 General Authority does not have a deposit policy for custodial credit risk. As of December 31, 2009, the General Authority's book balance was \$176,843 and the bank balance was \$518,761. Out of the bank balance, \$373,419 was covered by federal depository insurance and \$145,342 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, 2009, the fair value of the General Authority's investment in money market funds was \$2,138,957.

Credit risk - The General Authority does not have a formal policy that would limit its investment choices with regard to credit risk. At December 31, 2009, the money market funds were rated AAA by Standard & Poor's.

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Interest rate risk – The General 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 General Authority's money market funds had a weighted average maturity of less than one year.

Redevelopment Authority

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

Deposits

Custodial Credit Risk - The Redevelopment Authority does not have a deposit policy for custodial credit risk. As of December 31, 2009, the Redevelopment Authority's book balances were \$771,499 and the bank balances were \$880,510. The entire bank balance was covered by federal depository insurance.

Investments

At December 31, 2009, the fair value of the Redevelopment Authority's investment in money market funds was \$16,711.

Credit risk – The Redevelopment Authority does not have a formal policy that would limit its investment choices with regard to credit risk. At December 31, 2009, the money market funds were rated AAA by Standard & Poor's.

Interest rate risk – The Redevelopment 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 Redevelopment Authority's money market funds had a weighted average maturity of less than one year.

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6. DUE FROM OTHER GOVERNMENTS

Due from other governments in the amount of \$7,269,281 is composed of the following:

Contract for Industrial Sites Reuse (ISR) Program Environmental Assessment Fund - Commonwealth of Pennsylvania Department of Community and Economic Development (DCED)	\$ 109,448
Brownfield Growing Greener II Grant – Commonwealth of Pennsylvania Department of Environmental Protection	251,700
H2O Pennsylvania Program - DCED	1,000,000
Redevelopment Assistance Capital Program – Renovation and Construction of Northwest Triangle Project – Commonwealth of Pennsylvania	<u>5,908,133</u>
Total Due from Other Governments	<u>\$ 7,269,281</u>

Grants received are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City and the Authority expects such amounts, if any, to be immaterial.

Redevelopment Assistance Capital Program Renovation – Northwest Triangle Project

The Northwest Triangle (Triangle) project is an urban revitalization project that covers more than 45 acres. The Triangle encompasses an underutilized, largely heavy industrial zoning district within a rail corridor. The goal of the project is to acquire, assemble, remediate, and make 'shovel ready' land within the redevelopment area. Once this separate and distinct project is complete, the City's hope is that it will be revitalized into a mixed-use neighborhood development that will include residential, recreation, and commercial office space components.

The Redevelopment Authority has entered into a Redevelopment Assistance Capital Project (RACP) grant agreement with the Commonwealth to provide assistance for the acquisition of land and related infrastructure improvements that are required to get the land ready for future reuse. The discrete horizontal portion of the project has an approximate estimated cost of \$14,650,000 of which \$7,000,000 is earmarked as RACP assistance and the remaining portion is to be provided from a local match.

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The grant receivable currently recorded for the period ending December 31, 2009, in the amount of \$5,908,133, is based on the costs incurred to date which are expected to be reimbursed under the RACP grant. In order for the Redevelopment Authority to receive the full amount of the reimbursement, the local match requirement must be satisfied in accordance with the grant agreement. The matching fund requirement for the Redevelopment Authority is \$7,000,000, as outlined in the grant guidelines. As of the report date, the Redevelopment Authority believes they have secured the local match fund commitments required to meet the conditions of the grant. The City currently has a planned local match of \$7,650,000.

No receipts have been received on this RACP grant as of the report date. Reimbursements under the grant are based upon the satisfaction of various special conditions of the grant and the Commonwealth of Pennsylvania's approval of the reimbursement requests.

Grants received or amounts expected to be received are subject to audit and adjustment by the Commonwealth of Pennsylvania. Any disallowed claims may constitute a liability or reduction of a receivable. The amount, if any, of expenditures that may be disallowed by the Commonwealth of Pennsylvania cannot be determined at this time, although the Redevelopment Authority expects such amounts, if any, to be immaterial, since there will be an excess of \$7,000,000 spent in matching funds for the project.

The Redevelopment Authority has incurred cost on behalf of this project and utilized a non revolving line of credit to fund the costs. This line of credit has a balance of \$6,124,687 as of December 31, 2009. It is the Authority's intention to use the reimbursement from the RACP grant to pay the outstanding balance on the line of credit.

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

In September of 2001, the City entered into a promissory note agreement to lend \$1,000,000 to a local non-profit corporation for the purpose of rehabilitating, 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

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payment, they may elect one of two options, which include the right of first refusal to purchase the property or to extend the loan for an additional 15 years. If the City elects to extend the loan for an additional 15 years, the entire principal amount and any accrued interest will be forgiven at the end of the 15-year period. The loan receivable is recorded within the particular fund from which the funds were disbursed. Accordingly, \$522,750 is recorded within the Community Development Block Grant Fund and \$327,250 is recorded in the Home Fund, net of an allowance of \$150,000. The entire loan balance has been recorded as deferred revenue in the fund financial statements as of December 31, 2009.

In September of 2001, the City entered into a promissory note agreement to lend \$335,000 to a Pennsylvania limited partnership for the purpose of rehabilitating six 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 in the fund financial statements as of December 31, 2009.

In September of 2001, the City entered into a promissory note agreement to lend \$220,000 to a local non-profit corporation for the purpose of rehabilitating six 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 in the fund financial statements as of December 31, 2009.

Historic Fairmount Project Loan

In November of 2002, the City 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. The loan bears no interest and the principal shall be due and payable December 31, 2035. As of December 31, 2009, 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,

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net of an allowance of \$107,368. The entire loan balance has been recorded as deferred revenue in the fund financial statement as of December 31, 2009.

Shady Oak Apartments Limited Partnership

In November of 1993, the City entered into a promissory note agreement with a Pennsylvania limited partnership in which the City has agreed to lend \$600,000 of funds from the Home Program for the purpose of rehabilitation, preservation, and enhancement of primarily rental residential real property containing 35 dwelling units for rent or lease to tenants. The loan is secured by a mortgage, with interest charged at 1% per annum. The full amount of the note, plus accrued interest, was originally due and payable December 1, 2009. This loan has been extended for an additional 15 years, and the full amount of the note, plus accrued interest, is due and payable on December 1, 2024. An allowance of the full amount of the loan is recorded within the Home Fund as of December 31, 2009.

8. DUE TO/FROM AND INTERFUND TRANSFERS

Individual due to/from other fund balances at December 31, 2009 were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ 1,599,252	\$ 5,574,438
Debt service fund	-	83,781
Other governmental funds	77,177	454,817
Intermunicipal sewer fund	538,764	-
Sewer fund	-	538,764
Ice rink fund	-	516,819
Pension trust funds	<u>4,953,426</u>	<u>-</u>
Total primary government	<u>\$ 7,168,619</u>	<u>\$ 7,168,619</u>

Primarily, interfund balances represent short term borrowings between funds for the purpose of eliminating negative cash. Additionally, the amount due to the pension trust funds from the general fund is for a portion of the 2009 minimum municipal obligation plus accrued interest and the participants' December 2009 contributions that had not been transferred to the pension trust funds at December 31, 2009.

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A reconciliation of the interfund transfers for the year ended December 31, 2009, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 2,450,172	\$ 503,780
Debt service fund	324,584	622,258
Other governmental funds	674,927	351,319
Intermunicipal sewer fund	-	462,950
Sewer fund	462,950	2,400,000
Ice rink fund	427,674	-
Total primary government	<u>\$ 4,340,307</u>	<u>\$ 4,340,307</u>

Transfers are used to (1) reimburse funds for expenses incurred on behalf of other funds, (2) move receipts for payment of debt service, and (3) fulfill budgetary transfer requirements.

9. 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 2007, and Series of 2008, and pay a service charge based on usage for the express purpose of maintenance, repair, and replacement of the existing interceptor system. This service charge is accounted for in the Sewer Fund.

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Minimum lease rentals receivable as of December 31, 2009 are:

<u>Years Ending December 31,</u>	<u>Amount</u>
2010	\$ 2,271,123
2011	2,271,123
2012	2,268,314
2013	2,268,314
2014	2,271,123
2015	2,271,123
2016	2,268,314
2017	2,114,472
2018	2,114,322
2019	2,466,340
2020	693,257
2021	693,257
2022	<u>693,257</u>
Total minimum lease rentals receivable	24,664,339
Less amount representing interest (at an average rate of 5.6%)	<u>(6,295,101)</u>
Present value of minimum lease rentals receivable	18,369,238
Less current installments of lease rentals	<u>(1,212,119)</u>
Lease rentals, excluding current installments	<u>\$ 17,157,119</u>

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10. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 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
Total capital assets, not being depreciated	5,485,381	-	-	5,485,381
Capital assets, being depreciated:				
Buildings	8,824,303	16,074	-	8,840,377
Land improvements	3,887,709	400,133	-	4,287,842
Equipment and furniture	15,543,790	3,026,731	(272,820)	18,297,701
Infrastructure	72,027,955	1,113,726	-	73,141,681
Total capital assets, being depreciated	100,283,757	4,556,664	(272,820)	104,567,601
Less accumulated depreciation for:				
Buildings	(3,537,929)	(160,707)	-	(3,698,636)
Land improvements	(2,065,203)	(192,691)	-	(2,257,894)
Equipment and furniture	(10,981,561)	(953,169)	264,955	(11,669,775)
Infrastructure	(40,607,214)	(2,685,179)	-	(43,292,393)
Total accumulated depreciation	(57,191,907)	(3,991,746)	264,955	(60,918,698)
Total capital assets, being depreciated, net	43,091,850	564,918	(7,865)	43,648,903
Governmental activities capital assets, net	\$ 48,577,231	\$ 564,918	\$ (7,865)	\$ 49,134,284

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	<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	<u>2,353,699</u>	<u>10,783,835</u>	<u>-</u>	<u>13,137,534</u>
Total capital assets, not being depreciated	<u>2,371,144</u>	<u>10,783,835</u>	<u>-</u>	<u>13,154,979</u>
Capital assets, being depreciated:				
Buildings	83,372,467	614,714	(3,741)	83,983,440
Land improvements	22,145	-	-	22,145
Equipment and furniture	3,871,465	71,525	(175,032)	3,767,958
Infrastructure	<u>16,522,071</u>	<u>29,630</u>	<u>(41,064)</u>	<u>16,510,637</u>
Total capital assets being depreciated	<u>103,788,148</u>	<u>715,869</u>	<u>(219,837)</u>	<u>104,284,180</u>
Less accumulated depreciation for:				
Buildings	(40,466,468)	(1,814,858)	1,995	(42,279,331)
Land improvements	(5,886)	(1,107)	-	(6,993)
Equipment and furniture	(2,215,788)	(265,734)	171,472	(2,310,050)
Infrastructure	<u>(8,117,370)</u>	<u>(255,038)</u>	<u>1,230</u>	<u>(8,371,178)</u>
Total accumulated depreciation	<u>(50,805,512)</u>	<u>(2,336,737)</u>	<u>174,697</u>	<u>(52,967,552)</u>
Total capital assets, being depreciated, net	<u>52,982,636</u>	<u>(1,620,868)</u>	<u>(45,140)</u>	<u>51,316,628</u>
Business-type activities capital assets, net	<u>\$ 55,353,780</u>	<u>\$ 9,162,967</u>	<u>\$ (45,140)</u>	<u>\$ 64,471,607</u>

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Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 28,442
Sanitation	32,672
Public safety	580,370
Highways and streets	143,432
Public works	2,898,656
Parks and recreation	267,939
Community development and planning	25,682
Other departments and programs	<u>10,530</u>
Total depreciation expense – governmental activities	3,987,723
Internal services fund depreciation expense allocated to governmental activities	<u>4,023</u>
Total depreciation expense for governmental activities	<u>\$ 3,991,746</u>
Business-type activities:	
Sewer	\$ 2,054,843
Ice rink	<u>281,894</u>
Total depreciation and amortization expenses – enterprise funds	<u>\$ 2,336,737</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

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Component Units

	Beginning of Year	Increases	Decreases	End of Year
Redevelopment Authority:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,525,065	\$ -	\$ -	\$ 3,525,065
Less accumulated depreciation	(846,018)	(141,003)	-	(987,021)
Redevelopment Authority:				
Capital assets, net	\$ 2,679,047	\$ (141,003)	\$ -	\$ 2,538,044
General Authority:				
Capital assets, not being depreciated				
Construction in progress	\$ 209,788	\$ 2,817,512	\$ -	\$ 3,027,300
Total capital assets, not being depreciated	209,788	2,817,512	-	3,027,300
Capital assets, being depreciated:				
Buildings and improvements	9,030,207	-	-	9,030,207
Less accumulated depreciation	(6,441,364)	(303,421)	-	(6,744,785)
Total capital assets, being depreciated, net	2,588,843	(303,421)	-	2,285,422
General Authority:				
Capital assets, net	\$ 2,798,631	\$ 2,514,091	\$ -	\$ 5,312,722

11. TAX ANTICIPATION NOTE OF 2009

In January of 2009, the City borrowed \$7,000,000 in the form of a Tax and Revenue Anticipation Note, Series of 2009, bearing interest at a variable rate of interest equal to 1.961% plus 65% of 30 day LIBOR, not to exceed 10% nor be less than 2%, 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 \$86,262. The entire balance of the note was paid in full by the City in December of 2009.

Tax anticipation note transactions for the year ended December 31, 2009 were as follows:

Outstanding at December 31, 2008	\$ -
New borrowings	7,000,000
Repayments	(7,000,000)
Outstanding at December 31, 2009	\$ -

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12. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31 2009, was as follows:

Primary Government

Governmental Activities:	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Loans from other governmental entities	\$ 1,300,000	\$ 1,200,000	\$ -	\$ (100,000)	\$ 2,400,000	\$ 100,000
General Obligation Notes	11,087,458	-	366,713	(1,710,527)	9,743,644	1,603,667
General Obligation Bonds	33,941,048	-	2,052,890	(2,420,000)	33,573,938	2,720,000
Capitalized lease obligation	2,526,181	2,429,400	-	(421,289)	4,534,292	578,460
Vested compensated absences	1,088,318	80,897	-	-	1,169,215	-
Other post-employment liability	3,122,080	4,697,277	-	(1,805,561)	6,013,796	-
	<u>\$ 53,065,085</u>	<u>\$ 8,407,574</u>	<u>\$ 2,419,603</u>	<u>\$ (6,457,377)</u>	<u>\$ 57,434,885</u>	<u>\$ 5,002,127</u>

Business-type Activities:	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Sewer Revenue Bonds	\$ 33,655,429	\$ 4,279,718	\$ 1,616,154	\$ (3,875,000)	\$ 35,676,301	\$ 3,875,000
Recreation Revenue Bonds	5,850,000	-	-	(330,000)	5,520,000	345,000
Capitalized lease obligations	487,889	-	-	(92,692)	395,197	91,435
Vested compensated absences	166,570	228	-	-	166,798	-
Other post-employment liability	134,482	59,030	-	(22,690)	170,822	-
	<u>\$ 40,294,370</u>	<u>\$ 4,338,976</u>	<u>\$ 1,616,154</u>	<u>\$ (4,320,382)</u>	<u>\$ 41,929,118</u>	<u>\$ 4,311,435</u>

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DECEMBER 31, 2009

Component Units

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>End of Year</u>	<u>Current Portion</u>
Redevelopment Authority:					
Revenue bonds	<u>\$ 3,260,000</u>	<u>\$ -</u>	<u>\$ (95,000)</u>	<u>\$ 3,165,000</u>	<u>\$ 100,000</u>
General Authority:					
Notes payable	<u>\$ 2,216,153</u>	<u>\$ 2,493,756</u>	<u>\$ (683,709)</u>	<u>\$ 4,026,200</u>	<u>\$ 715,023</u>

Loans from Other Governmental Entities

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, 2009, was \$1,200,000.

During the year ended December 31, 2009, 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 are to be used for the paving of City streets and various improvements to City owned-buildings. The City has pledged its full faith and credit towards the repayment of the Section 108 loan obligation, should the City's Community Development Block Grant funds be insufficient to meet the debt service requirements of the Section 108 loan. The full amount of \$2,530,000 of the Section 108 loan must be drawn down and disbursed by the City for approved activities by June 30, 2011. As of December 31, 2009, a total of \$1,200,000 was drawn down on the loan.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

The annual principal and interest requirements for amounts due from the City under loans from other governmental entities as of December 31, 2009 are as follows:

Years Ending December 31,	Principal	Interest
2010	\$ 100,000	\$ 71,478
2011	240,000	66,649
2012	240,000	61,160
2013	240,000	55,532
2014	240,000	49,604
2015 - 2019	1,140,000	154,732
2020	200,000	12,000
	\$ 2,400,000	\$ 471,155

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, 2009 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%	\$ 9,650,000
General Obligation Notes, Series of 2002	\$ 5,285,000	Thru 2013	3.00% - 3.80%	2,345,000
General Obligation Notes, Series of 2006	\$ 1,337,500	Thru 2015	6.25%	940,213
General Obligation Notes at December 31, 2009				12,935,213
Less unamortized discount on zero coupon notes				(3,191,569)
General Obligation Notes, net of discount, at December 31, 2009				\$ 9,743,644

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DECEMBER 31, 2009

The annual principal and interest requirements for amounts due from the City under general obligation notes at December 31, 2009 are as follows:

Years Ending December 31,	Principal	Interest
2010	\$ 1,603,667	\$ 133,623
2011	1,552,137	106,012
2012	1,451,144	76,446
2013	1,145,633	44,397
2014	1,025,901	22,346
2015 - 2019	1,571,731	11,516
2020 - 2023	4,585,000	-
	12,935,213	394,340
Unamortized discount	(3,191,569)	-
	\$ 9,743,644	\$ 394,340

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, 2009:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
1995A	\$ 76,030,000	Thru 2022	0.00% - 6.5%	\$ 48,560,000
1998B	\$ 4,440,000	Thru 2024	0.00%	4,440,000
General Obligation Bonds at December 31, 2009				53,000,000
Less unamortized discount on zero coupon notes				
(Series A of 1995)				(17,045,337)
(Series B of 1998)				(2,380,725)
General Obligation Bonds, net of discount, at December 31, 2009				\$ 33,573,938

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The annual principal and interest requirements for amounts due from the City under general obligation bonds at December 31, 2009 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 2,720,000	\$ 88,400
2011	2,885,000	-
2012	3,015,000	-
2013	3,355,000	-
2014	3,495,000	-
2015-2019	20,360,000	-
2020-2024	17,170,000	-
	<u>53,000,000</u>	<u>88,400</u>
Unamortized discount	<u>(19,426,062)</u>	<u>-</u>
	<u>\$ 33,573,938</u>	<u>\$ 88,400</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, 2009, the following defeased debt was outstanding:

	<u>Funds Escrowed as of December 31, 2009</u>	<u>Defeased Debt Outstanding as of December 31, 2009</u>
General Obligation Bonds, Series A of 1995	<u>\$ 6,750,634</u>	<u>\$ 5,171,286</u>

CITY OF YORK, PENNSYLVANIA

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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, 2009 are comprised of the following individual bond issue:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Guaranteed Sewer Revenue Bonds - Series of 1990	\$ 69,775,000	2016	0.00%	\$ 27,110,000
Guaranteed Sewer Revenue Bonds - Series of 2007	\$ 10,000,000	2019	4.20%	10,000,000
Guaranteed Sewer Revenue Bonds - Series of 2008	\$10,000,000 - as of December 31, 2009, \$4,741,232 has been drawn down on the bond issue.	2022	4.04%	<u>4,741,232</u>
Guaranteed Sewer Revenue Bonds at December 31, 2009				41,851,232
Less unamortized discount on zero coupon bonds				<u>(6,174,931)</u>
General Sewer Revenue Bonds, net of discount, at December 31, 2009				<u>\$ 35,676,301</u>

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The annual principal and interest requirements for amounts due from the City under the guaranteed sewer revenue bonds at December 31, 2009 are as follows:

Years Ending December 31,	Principal	Interest
2010	\$ 3,875,000	\$ 611,546
2011	3,875,000	611,546
2012	3,870,000	611,546
2013	3,870,000	611,546
2014	3,875,000	611,546
2015 - 2019	18,860,170	2,619,858
2020 - 2022	3,626,062	260,633
	<u>41,851,232</u>	<u>5,938,221</u>
Unamortized discount	<u>(6,174,931)</u>	<u>-</u>
	<u>\$ 35,676,301</u>	<u>\$ 5,938,221</u>

Economic Defeasance of Guaranteed Sewer Revenue Bonds

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

Guaranteed Sewer Revenue Bonds Debt Service Reserve Fund Deficiency

As of December 31, 2008, the fair market value of the investments held within the debt service reserve fund was less than the amount required under the bond indentures. The Authority addressed this issue and in June of 2009 transferred a balance of approximately \$131,000 from the Bond Redemption and Improvement Fund to the Debt Service Reserve Fund in order to bring the Debt Service Reserve Fund to the required balance in compliance with the bond indentures.

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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, 2009 are comprised of the following individual bond issue:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
2001	\$ 7,305,000	Thru 2021	4.10% - 5.15%	<u>\$ 5,520,000</u>

The annual principal and interest requirements for amounts due from the City under the guaranteed recreation revenue bonds at December 31, 2009 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 345,000	\$ 277,235
2011	360,000	261,013
2012	380,000	243,765
2013	395,000	225,597
2014	415,000	204,803
2015-2019	2,465,000	644,100
2020-2021	<u>1,160,000</u>	<u>59,998</u>
	<u>\$ 5,520,000</u>	<u>\$ 1,916,511</u>

Capitalized Lease Obligations

The City leases certain equipment under long-term lease agreements which are classified as capital leases. As of December 31, 2009, the governmental activities and the business-type activities include equipment and furniture under capital leases with a net book value of \$4,589,193 and \$514,391, respectively.

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NOTES TO BASIC FINANCIAL STATEMENTS

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The future minimum payments under capital leases and the present value of the future minimum lease payments at December 31, 2009 are as follows:

Year ending December 31,	Governmental Activities	Business-type Activities	Total
2010	\$ 775,104	\$ 108,241	\$ 883,345
2011	765,121	59,378	824,499
2012	624,820	38,035	662,855
2013	513,172	30,648	543,820
2014	410,430	26,219	436,649
2015 - 2019	2,052,150	131,095	2,183,245
2020 - 2023	512,040	104,876	616,916
Total minimum lease payments	5,652,837	498,492	6,151,329
Less amount representing interest	(1,118,545)	(103,295)	(1,221,840)
Present value of future minimum lease payments	\$ 4,534,292	\$ 395,197	\$ 4,929,489

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.

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

The Redevelopment Authority entered into a management agreement with Creekside Investors L.P. (Manager), whereby Creekside Investors, L.P. managed and operated the parking facilities on behalf of the Redevelopment Authority. Under the agreement, the Manager, on behalf of the Redevelopment Authority, collected all parking fees, rents, charges, and other income attributable to the parking facilities. The Manager deposited 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 Redevelopment Authority, pays amounts due to the trustee. Effective February 2009, Creekside Investors, L.P. submitted a Parking Assignment Agreement to the Redevelopment Authority since Creekside Investors, L.P. dissolved. The assignment is to Susquehanna Commerce Center Condominium

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Association, Inc. The management agreement term ends January 1, 2016 or such earlier time as mutually agreeable to both the Manager and the Authority.

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

The Redevelopment Authority bonds payable at December 31, 2009 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
2002 Revenue Bonds	\$ 3,725,000	Thru 2027	Variable (0.42% at 12-31-09)	\$ 3,165,000

The annual principal and interest requirements for amounts due from the Redevelopment Authority under the 2002 Revenue Bonds using the 0.42% interest rate in effect at December 31, 2009 are as follows:

Years Ending December 31,	Principal	Interest
2010	\$ 100,000	\$ 13,206
2011	105,000	12,781
2012	115,000	12,331
2013	120,000	11,844
2014	130,000	11,331
2015 - 2019	775,000	47,727
2020 - 2024	1,035,000	29,103
2025 - 2027	785,000	6,054
	\$ 3,165,000	\$ 144,377

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NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

General Authority Parking System Revenue Note Payable

In 1998, the General Authority issued a Parking System Revenue Note, Series of 1998 for \$7,634,455 at 4.38% to the City. Payments of the note are due semiannually from May 15, 1999 through November 15, 2011. This note was issued to secure the general obligation note issued in connection with the City's refunding of the General Authority's outstanding debt. Maturities of the refunding debt, 1998 Series D, are from 2001 through 2023. The remaining balance on the note at December 31, 2009 is \$1,500,404 and is recorded as a receivable in the City's Debt Service Fund.

General Authority Series of 2008 Promissory Note

In 2008, the General Authority issued the Series of 2008 Promissory Note in the amount of \$5,000,000, the proceeds of which are to be used to finance the renovation to the Market Street Garage, along with improvements to the General Authority's other assets. The loan is interest-only for three years during the draw-down period, followed by seventeen years of amortization, maturing December 23, 2028. Quarterly payment of interest-only is due during the draw-down period. Upon amortization, quarterly interest and semi-annual principal will be required. At December 31, 2009, the General Authority had drawn-down \$2,525,796 on the Series of 2008 Promissory Note.

Interest is payable at an initial rate of 4.65% per annum until December 15, 2015. Thereafter, the rate changes to 75% of the Bank's prime rate as in effect from time to time, but in no event less than 2.75% or above 12% per annum, and may adjust as often as daily, provided that the General Authority may elect to pay interest at a fixed rate offered by the Bank for such additional term or terms as the General Authority and the Bank may agree.

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The annual principal and interest requirements for amounts due from the General Authority under the Parking System Revenue Note and Promissory Note at December 31, 2009 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 715,023	\$ 185,486
2011	785,381	154,171
2012	99,893	115,338
2013	104,639	110,593
2014	109,609	105,622
2015 - 2019	631,278	444,881
2020 - 2024	796,156	280,002
2025 - 2028	784,221	76,635
	<u>\$ 4,026,200</u>	<u>\$ 1,472,728</u>

13. REDEVELOPMENT AUTHORITY LINE OF CREDIT

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 million. Fixed interest of 6.4% is payable monthly. On December 21, 2009, a loan modification agreement was approved to extend the maturity date of the line of credit to December 5, 2012 and to reduce the interest rate to 5.4%, commencing the day after the bank receives a payment of no less than \$1 million from the RACP grant proceeds. As of December 31, 2009, no such proceeds were received. The line of credit has been paying the expenses associated with the Redevelopment Authority's RACP grant funded by the Commonwealth. It is the Redevelopment Authority's intention to use the reimbursement from the RACP grant to pay the outstanding balance on the line of credit. As of December 31, 2009, the balance outstanding on the line of credit was \$6,124,687.

On January 16, 2009, the Authority entered into a \$750,000 revolving line of credit agreement with a local bank through June 30, 2010. In June 2010, a modification agreement was approved, which extended the maturity date to June 30, 2011. Variable interest of prime plus 0.50%, not to exceed 5.75%, is payable monthly. The line of credit has been paying for expenses associated with construction costs relative to the environmental remediation of the Northwest Triangle Project. The amount drawn shall never exceed the amount remaining under the Redevelopment Authority's \$1,050,000

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Growing Greener II Grant (Growing Greener), funded by the Commonwealth. As of December 31, 2009, there is no outstanding balance on the line of credit.

The Redevelopment Authority's line of credit activity for the year ended December 31, 2009 was as follows:

	Beginning of Year	Additions	Retirements	End of Year
Lines of credit	\$ 4,833,640	\$ 1,660,807	\$ (369,760)	\$ 6,124,687

14. EMPLOYEE RETIREMENT PLANS (PENSION TRUST FUNDS)

Description of the Plans

The City maintains single-employer defined benefit plans (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 financial statements.

The plans are governed by the Third Class City Code of the Commonwealth of Pennsylvania, as amended. At January 1, 2009, 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 Firefighters Pension Plan
Retirees and beneficiaries			
currently receiving benefits	79	115	80
Terminated employees entitled to deferred benefits	27	1	-
Active employees:			
Vested	112	53	12
Partially vested	81	52	56
Total	299	221	148

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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 and six months of service. 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.

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 2009, state aid of \$1,676,615 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 77 to 79 of this report provide six-year historical trend information on the contributions to the pension plans as well as an analysis of funding progress.

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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 Firefighters Pension Plan
Annual pension cost	\$ 344,088	\$ 3,120,389	\$ 1,785,031
Contributions made by December 31, 2009	\$ 344,088	\$ 417,160	\$ 238,752
Contributions made subsequent to December 31, 2009	\$ -	\$ 2,703,229	\$ 1,546,279
Interest accrued on 2009 MMO payment	\$ -	\$ 243,884	\$ 139,505
Contributions receivable: Portion of 2009 MMO funded subsequent to December 31, 2009	\$ -	\$ 2,703,229	\$ 1,546,279
Accumulated interest on MMO payment unfunded as of December 31, 2009	-	435,887	244,191
Employee withholding not deposited in trust as of December 31, 2009	<u>5,772</u>	<u>11,182</u>	<u>6,886</u>
Total contributions receivable as of December 31, 2009	<u>\$ 5,772</u>	<u>\$ 3,150,298</u>	<u>\$ 1,797,356</u>

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	Officers and Employees Pension Plan	Police Pension Plan	Paid Firefighters Pension Plan
Actuarial valuation date	1/1/2009	1/1/2009	1/1/2009
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed, Level percentage of projected payroll for COLA amendment closed	Level dollar closed, Level percentage of projected payroll for COLA amendment closed
Remaining amortization period	20 years	26 years	26 years
Asset valuation method	Five year smoothed method with the value of assets at a maximum of 130% and a minimum of 70% of market value	Five year smoothed method with the value of assets at a maximum of 130% and a minimum of 70% of market value	Five year smoothed method with the value of assets at a maximum of 130% and a minimum of 70% of 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%

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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	2009	\$ 344,088	100%	-
	2008	\$ 335,270	100%	-
	2007	\$ 331,360	100%	-
Police Pension Plan	2009	\$ 3,120,389	100%	-
	2008	\$ 3,052,400	100%	-
	2007	\$ 2,988,309	100%	-
Paid Firefighters Pension Plan	2009	\$ 1,785,031	100%	-
	2008	\$ 1,681,387	100%	-
	2007	\$ 1,641,164	100%	-

Funding Status and Schedule of Funding Progress

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
Officers and Employees Pension Plan:						
1/1/2009	\$ 19,756,874	\$ 22,301,395	\$ 2,544,521	88.6%	\$ 7,387,463	34.4%
Police Pension Plan:						
1/1/2009	\$ 36,453,921	\$ 71,734,278	\$ 35,280,357	50.8%	\$ 6,218,166	567.4%
Paid Firefighters Pension Plan:						
1/1/2009	\$ 23,246,959	\$ 42,684,783	\$ 19,437,824	54.5%	\$ 3,800,645	511.4%

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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 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 money market funds, mutual funds, and common stocks.

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 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 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

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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.

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 increased approximately \$1.3 million, excluding annual normal costs, for the year ended December 31, 2006. 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 Firefighters Pension Plan
Investments	\$ 18,063,001	\$ 31,226,019	\$ 19,895,750
Due from City of York	<u>5,772</u>	<u>3,150,298</u>	<u>1,797,356</u>
Total assets	<u>\$ 18,068,773</u>	<u>\$ 34,376,317</u>	<u>\$ 21,693,106</u>
Net assets	<u>\$ 18,068,773</u>	<u>\$ 34,376,317</u>	<u>\$ 21,693,106</u>

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

	Officers and Employees Pension Plan	Police Pension Plan	Paid Firefighters Pension Plan
Additions:			
Contributions:			
Employee contributions	\$ 153,710	\$ 316,579	\$ 192,984
Employer contributions	344,088	3,120,389	1,785,031
Total contributions	497,798	3,436,968	1,978,015
Investment income:			
Interest and dividend income	352,093	846,553	528,007
Net appreciation of investments	3,016,172	5,117,521	3,333,230
	3,368,265	5,964,074	3,861,237
Less investment expenses	(68,630)	(117,472)	(75,727)
Net investment income	3,299,635	5,846,602	3,785,510
Total additions	3,797,433	9,283,570	5,763,525
Deductions:			
Benefit payments	926,255	3,140,734	2,057,381
Total deductions	926,255	3,140,734	2,057,381
Net increase	2,871,178	6,142,836	3,706,144
Net assets, beginning of year - as restated	15,197,595	28,233,481	17,986,962
Net assets, end of year	\$ 18,068,773	\$ 34,376,317	\$ 21,693,106

15. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Descriptions

In addition to the retirement benefits described in Note 14, the City provides single-employer health care benefits for all retired employees and their spouses under the various union contracts and City policy for non-organized employees. These benefit provisions and all other requirements are established under the various union contracts and City policy for non-organized employees. The retired employees are required to pay monthly to the City, one-half of the actual cost subject to annual co-payment limitation established in each of the union contracts and by Council for non-organized employees. The plan does not issue separate financial statements

CITY OF YORK, PENNSYLVANIA

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Non-Organized Employees and Supervisory Personnel Plan, York Public Employee Association Plan, and Electrical Workers Plan:

Benefits are payable for members who retire from the City after attainment of age 60 and completion of five years of service or upon completion of 40 years of service, regardless of age. Benefits are also payable for members who suffer a permanent disability before age 55 after completion of 15 years of service.

Eligible retirees may participate in the City's group medical plan. The group medical plan includes medical, prescription drug, dental, and vision benefits. At age 65 and greater, the plan becomes secondary to Medicare and has a \$5,000 lifetime maximum. There are no prescription drug, dental, and vision benefits after age 65. Spouses are covered under the plan indefinitely.

Police Plan:

Benefits are payable for members who retire from the City after attainment of age 50 and completion of 20 (or 20.5 if hired after January 1, 1978) years of service. Benefits are also payable for members who suffer a permanent disability after completion of 15 years of service.

Eligible retirees may participate in the City's group medical plan. The group medical plan includes medical, prescription drug, dental, and vision benefits. At age 65 and greater, the plan becomes secondary to Medicare. Spouses are covered under the plan indefinitely.

Teamsters Plan:

Benefits are payable for members who retire from the City after attainment of combined age and service totaling 80 years. Benefits are also payable for members who suffer a permanent disability before age 55 after completion of 15 years of service.

Eligible retirees may participate in the City's group medical plan. The group medical plan includes medical, prescription drug, dental, and vision benefits. At age 65 and greater, the plan becomes secondary to Medicare and has a \$5,000 lifetime maximum. There are no prescription drug, dental and vision benefits after age 65. Spouses are covered under the plan indefinitely.

Firefighters Plan:

Benefits are payable for members who retire from the City after attainment of age 50 and completion of 20 (or 20.5 if hired after January 1, 1978) years of service. Benefits are

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

also payable for members who suffer a permanent disability after completion of 15 years of service.

Eligible retirees may participate in the City's group medical plan. The group medical plan includes medical, prescription drug, dental, and vision benefits. At age 65 and greater, the plan becomes secondary to Medicare and has a lifetime maximum on major medical. Prescription drug, dental, and vision coverage are available for the lifetime of the member or spouse. Spouses are covered under the plan indefinitely.

The York Public Employee Association, Police, Teamsters, Electrical Workers, and Firefighter union labor contracts for the uniformed and nonuniformed employees establish the post-employment health care plan provisions. Such union contracts may be amended through future negotiations. The post-employment health care plan provisions for non-union employees are established by Council.

Funding Policy and Annual OPEB Costs

The City's contribution is based on projected pay-as-you-go financing requirements through the Internal Service Fund. For the year ended December 31, 2009, the City's net cost of providing full health care benefits for retired employees was \$1,828,251. Plan members receiving benefits contributed \$180,708, through their contributions as required by the cost sharing provisions of the plans.

Union labor contracts and City Council establish and amend the obligations of the plan members and the City to contribute to the plans.

Eligible retirees may participate in the City's group medical plan. In order to maintain coverage, retirees must make the following annual contributions in accordance with the Plans:

Non-Organized Employees and Supervisory Personnel Plan - For retirees under the age of 65, the annual contributions are \$700 for the retiree and \$700 for spouses/dependents. For retirees over the age of 65, the annual contributions are \$103.32 for retirees and \$103.32 for spouses/dependents.

York Public Employee Association Plan - For retirees under the age of 65, the annual contributions are \$900 for the retiree and \$700 for spouses/dependents. For retirees over the age of 65, the annual contributions are \$103.32 for retirees and \$103.32 for spouses/dependents.

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Electrical Workers Plan - For retirees under the age of 65, the annual contributions are \$750 for the retiree and \$750 for spouses/dependents. For retirees over the age of 65, the annual contributions are \$103.32 for retirees and \$103.32 for spouses/dependents.

Police Plan - For retirees under the age of 65, the annual contributions are \$700 for the retiree and \$700 for spouses/dependents. For retirees over the age of 65, the annual contributions are \$103.32 for retirees and \$103.32 for spouses/dependents.

Teamsters Plan - For retirees under the age of 65, the annual contributions are \$900 for the retiree and \$700 for spouses/dependents. For retirees over the age of 65, the annual contributions are \$103.32 for retirees and \$103.32 for spouses/dependents.

Firefighters Plan - For retirees under the age of 65, the annual contributions are \$700 for the retiree and \$700 for spouses/dependents. For retirees over the age of 65, the annual contributions are \$405.36 for retirees and \$469.44 for spouses/dependents.

The City's annual OPEB costs (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of the valuation and on the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are

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NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculation. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Information as of the latest actuarial valuation follows:

Valuation date	1/1/2007
Actuarial cost method	Entry age normal, level dollar
Actuarial assumptions	
Interest rate	4.5%
Salary increases	5% per year.
Medical inflation	9% in 2007, gradually decreasing by 0.5% per year to an ultimate rate of 5% in 2015 and later.
Amortization period	30 years, open period

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB costs and net OPEB obligations to the plan for the year ended December 31, 2009 were as follows:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 4,748,865	\$ 59,679	\$ 4,808,544
Interest on net OPEB obligation	141,633	1,779	143,412
Adjustment to annual required contribution	(193,221)	(2,428)	(195,649)
Annual OPEB Cost	4,697,277	59,030	4,756,307
Contribution made	(1,805,561)	(22,690)	(1,828,251)
Change in Net OPEB obligation	2,891,716	36,340	2,928,056
Net OPEB obligation, beginning	3,536,847	134,482	3,671,329
Restatement to beginning net OPEB obligation	(414,767)	-	(414,767)
Net OPEB Obligation, ending	\$ 6,013,796	\$ 170,822	\$ 6,184,618

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

Three-Year Trend Information

Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
2009	\$ 4,756,307	38.44%	\$ 6,184,618
2008	4,808,544	23.65%	3,671,329
2007	N/A	N/A	N/A

N/A - Not Applicable; 2008 was implementation year.

Funded Status and Schedule of Funding Progress

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2007	\$ -	\$ 48,995,002	\$ 48,995,002	0.00%	\$ 15,047,604	325.60%

Note: Valuations as of 1/1/2007 represent the initial valuations for the plans.

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 \$150,000 up to a maximum of \$850,000. 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

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

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, 2009, were as follows:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2008	\$ 504,904	\$ 5,825,678	\$ 5,669,031	\$ 661,551
2009	\$ 661,551	\$ 5,770,649	\$ 5,994,564	\$ 437,636

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, 2009, 2008, and 2007 with the exception of the pension litigation disclosed in Note 14.

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 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, 2009. 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.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

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.

In 2009, the City entered into a grant agreement with the Commonwealth of Pennsylvania for redevelopment assistance projects for up to \$2,750,000. The City entered into a sub-grant agreement with Crispus Attucks Association of York Pennsylvania, who will be responsible for the development and execution of the projects. As of December 31, 2009, no amounts have been received and passed through to the Crispus Attucks Association. However, a total of \$1,690,446 was recorded as a receivable and corresponding payable in the Conduit Fund for allowable expenses incurred.

Contract Commitment

During 2009, the City entered into two contracts for the construction of the Northwest Triangle Interceptor Replacement Project in the amount of \$902,933. The full amount of the construction commitment was remaining at December 31, 2009.

During 2009, the City entered into a three year purchase commitment for lamps and sleeves for the ultraviolet disinfection system in the amount of \$110,754. The commitment remaining on the contract at December 31, 2009 was \$65,436.

During 2008, the Sewer Authority began upgrading projects to the waste water treatment plant. As a result, the Sewer Authority entered into contracts with several construction contractors totaling \$10,913,078. At December 31, 2009, \$855,559 was included in accounts payable. The commitment remaining on the contracts at December 31, 2009 was \$1,254,435.

Redevelopment Authority

During 2007, the Redevelopment Authority assumed and acquired the title of four properties and an additional block of properties in 2008, which required environmental remediation. These properties were acquired by the Redevelopment Authority to be sold for residential use. In order to sell the properties with a clean title, the Redevelopment Authority is required to remediate the properties and intends to do so to the highest standards.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

The \$539,492 ending balance of the contamination liability is estimated based upon several vendor contracts approved by the Board and the two DCED approved grants that will be used to finance the project. The Redevelopment Authority does not expect to receive insurance recoveries that have the potential to reduce the recorded liability. The estimated liability may potentially change due to factors such as price increases or changes in technology.

As of February 2010, the preliminary estimate to remediate one of the properties in accordance with the planned full scope of services was approximately \$216,000 more than the liability amount recorded as of December 31, 2009. The Redevelopment Authority is currently exploring limited options of remediation and is in negotiations with the State in order to request additional funding for this project.

The Redevelopment Authority has completed the first and second stage of the remediation process is expected to begin the third and final stage during 2010.

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 first payment, in the amount of \$35,000, was paid during 2008. During 2009, three quarterly payments of \$8,750 were paid, and the fourth quarterly payment of \$8,750 was included in accounts payable at December 31, 2009. The remaining \$35,000 will be paid in 2010.

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 (RACP) to the Redevelopment Authority. Under the RACP 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; 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. As of December 31, 2009, the General Authority had expended approximately \$111,000 towards the Northwest Triangle Initiative.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

During February 2009, the General Authority entered into contracts with construction contractors totaling \$3,874,540 for the rehabilitation of the Market Street Parking Garage. At December 31, 2009, \$268,003 was included in accounts payable. The commitment remaining on the contracts at December 31, 2009 was \$1,216,872.

18. MANAGEMENT'S AGREEMENT WITH THE GENERAL AUTHORITY

The City has entered into a management and an administration agreement with the General Authority to operate, manage, and administer the General Authority's parking system. The management agreement requires that the General Authority pay the City a management fee to the General Fund in twelve equal installments. The City incurred \$755,181 in operating expenses and received \$859,569 in fees under the management agreement in 2009. The City received \$141,000 in administrative fees under an administration agreement in 2009. A receivable of \$68,344 is recorded in the general fund for fees which were earned under these agreements, but unpaid at December 31, 2009.

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 February of 2010, the City borrowed \$8,250,000 in the form of a Tax and Revenue Anticipation Note, Series of 2010, bearing interest at an annual rate of 2.05%.

In April 2010, the Sewer Authority approved the issuance of Guaranteed Sewer Revenue Bonds, Series of 2010, in the aggregate amount of \$22,745,000. The Series of 2010 Bonds are guaranteed by the City. Bond proceeds are to be used to finance projects of the Sewer Authority, fund a deposit to the debt service reserve fund, capitalize interest on the Bonds through December 1, 2010, and pay the costs and expenses related to the issuance of the Bonds. The Bonds bear interest at rates ranging from 4.75% to 5.00%.

In August 2010, the Sewer Authority approved the issuance of Guaranteed Sewer Revenue Bonds, Series A of 2010, in the aggregate amount not to exceed \$12,000,000.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

Bond proceeds are to be used to currently refund the Guaranteed Sewer Revenue Bonds, Series of 2007, fund a debt service reserve fund, and pay costs of issuance.

21. RESTATEMENT

During 2009, the City determined that the amount accrued as a liability for other employment benefits was overstated at December 31, 2008 by \$414,767. The beginning of year governmental activities net assets has been increased by \$414,767.

During 2009, the City determined that the amount accrued as a liability for amounts due to the Police Pension Fund and the Paid Firefighters Pension Fund for interest earned on delinquent minimum municipal obligation payments was understated at December 31, 2008 by \$296,689. The beginning of year General Fund fund balance and governmental activities net assets has been decreased by \$296,689 and the Pension Trust Fund net assets have been increased by \$296,689.

Had the liabilities been properly stated, the net assets and change in net assets for governmental activities and pension trust funds and the fund balance and change in fund balance for the general fund as of and for the year ended December 31, 2008 would have been as follows:

	Governmental Activities	General Fund	Pension Trust Funds
Net assets/fund balance at			
December 31, 2008 - as originally reported	\$ (12,664)	\$ 965,738	\$ 61,121,349
Post-employment benefits	414,767	-	-
Interest on minimum municipal obligation	(296,689)	(296,689)	296,689
Net assets/fund balance at			
December 31, 2009 - as restated	\$ 105,414	\$ 669,049	\$ 61,418,038
Change in net assets/fund balance			
for the year ended December 31,			
2008 - as originally reported	\$ (4,815,081)	\$ (1,449,063)	\$ (28,807,615)
Post-employment benefits	414,767	-	-
Interest on minimum municipal obligation	(296,689)	(296,689)	296,689
Change in net assets/fund balance			
for the year ended December 31,			
2008 - as restated	\$ (4,697,003)	\$ (1,745,752)	\$ (28,510,926)

**Required Supplementary
Information**

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2009

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 18,555,763	\$ 18,620,975	\$ 65,212	\$ 18,127,675	\$ (493,300)
Licenses and permits	1,590,580	1,590,620	40	1,649,765	59,145
Fines and forfeits	1,740,750	1,740,750	-	1,697,043	(43,707)
Grants and contributions	2,308,158	2,502,491	194,333	1,976,956	(525,535)
Charges for services	8,743,474	8,743,474	-	7,746,503	(996,971)
Loan repayments	126,000	126,000	-	-	(126,000)
Interest	195,000	195,000	-	49,750	(145,250)
Miscellaneous	79,945	80,295	350	167,211	86,916
Total revenues	33,339,670	33,599,605	259,935	31,414,903	(2,184,702)
Expenditures:					
General government	2,108,584	2,061,127	47,457	2,076,533	(15,406)
Sanitation	3,190,748	3,008,058	182,690	2,982,420	25,638
Public safety	23,997,256	24,975,349	(978,093)	24,793,550	181,799
Highways and streets	552,177	563,329	(11,152)	548,679	14,650
Public works	2,428,776	2,331,289	97,487	2,292,180	39,109
Community development and planning	2,379,682	2,348,223	31,459	2,241,515	106,708
Other departments and programs	117,595	118,195	(600)	116,565	1,630
Total expenditures	34,774,818	35,405,570	(630,752)	35,051,442	354,128
Excess (deficiency) of revenues over (under) expenditures	(1,435,148)	(1,805,965)	(370,817)	(3,636,539)	(1,830,574)
Other financing sources (uses):					
Transfers in	2,400,270	2,465,358	65,088	2,450,172	(15,186)
Transfers out	(781,764)	(504,669)	277,095	(503,780)	889
Total other financing sources (uses)	1,618,506	1,960,689	342,183	1,946,392	(14,297)
Net change in fund balance	\$ 183,358	\$ 154,724	\$ (28,634)	\$ (1,690,147)	\$ (1,844,871)

See notes to required supplementary information.

CITY OF YORK, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2009

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.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

	<u>Appropriation</u>	<u>Expenditure</u>
General government	\$ 2,061,127	\$ 2,076,533

Fund sufficient to provide for the excess expenditures were made available from other functions within the fund.

CITY OF YORK, PENNSYLVANIA
REQUIRED SUPPLEMENTARY DATA
SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM THE EMPLOYER
OFFICERS' AND EMPLOYEES' PENSION PLAN
(UNAUDITED - SEE ACCOMPANYING AUDITORS' 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)
1/1/01	\$ 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%
1/1/09	19,756,874	22,301,395 (1)	(2,544,521)	88.6%	7,387,463	(34.4%)

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
2004	\$ 295,282	\$ 295,282	100%
2005	316,290	316,290	100%
2006	291,572	291,572	100%
2007	331,360	331,360	100%
2008	335,270	335,270	100%
2009	344,088	344,088	100%

(1) The actuarial accrued liability increase on the January 1, 2009 actuarial valuation is due to a change in the asset valuation method from the market value method to the five-year smoothing method.

CITY OF YORK, PENNSYLVANIA
REQUIRED SUPPLEMENTARY DATA
SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM THE EMPLOYER
POLICE PENSION PLAN
(UNAUDITED - SEE ACCOMPANYING AUDITORS' 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)
1/1/01	\$ 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 (1)	(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%)
1/1/09	36,453,921	71,734,278 (2)	(35,280,357)	50.8%	6,218,166	(567.4%)

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
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%
2008	(3) 3,052,400	3,052,400	100%
2009	(4) 3,120,389	3,120,389	100%

- (1) The actuarial accrued liability increase on the January 1, 2005 actuarial valuation is due to a change in the postretirement cost of living benefit.
- (2) The actuarial accrued liability increase on the January 1, 2009 actuarial valuation is due to a change in the asset valuation method from the market value method to the five-year smoothing method.
- (3) \$1,066,251 was funded as of December 31, 2008 and \$1,986,149 was funded in 2009, amount of the total required contribution was accrued as of December 31, 2008.
- (4) \$417,160 was funded as of December 31, 2009 and \$2,703,229 was funded in 2010, amount of the total required contribution was accrued as of December 31, 2009.

CITY OF YORK, PENNSYLVANIA
REQUIRED SUPPLEMENTARY DATA
SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM THE EMPLOYER
PAID FIREFIGHTERS' PENSION PLAN
(UNAUDITED - SEE ACCOMPANYING AUDITORS' 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)
1/1/01	\$ 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 (1)	(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%)
1/1/09	23,246,959	42,684,783 (2)	(19,437,824)	54.5%	3,800,645	(511.4%)

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
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%
2008	(3) 1,681,387	1,681,387	100%
2009	(4) 1,785,031	1,785,031	100%

- (1) The actuarial accrued liability increase on the January 1, 2005 actuarial valuation is due to a change in the postretirement cost of living benefit.
- (2) The actuarial accrued liability increase on the January 1, 2009 actuarial valuation is due to a change in the asset valuation method from the market value method to the five-year smoothing method.
- (3) \$598,479 was funded as of December 31, 2008 and \$1,082,908 was funded in 2009, amount of the total required contribution was accrued as of December 31, 2008.
- (4) \$238,752 was funded as of December 31, 2009 and \$1,546,279 was funded in 2010, amount of the total required contribution was accrued as of December 31, 2009.

CITY OF YORK, PENNSYLVANIA
 REQUIRED SUPPLEMENTARY DATA
 SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM THE EMPLOYER
 OTHER POST-EMPLOYMENT BENEFITS (OPEB)
 (UNAUDITED - SEE ACCOMPANYING AUDITORS' REPORT)

Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/07	\$ -	\$ 48,995,002	\$ 48,995,002	0.00%	\$ 15,047,604	325.60%

Schedule of Contributions from the Employer

Calendar Year	Annual Required Contribution	Percentage Contributed
2008	\$ 4,808,544	23.65%
2009	4,808,544	38.02%

Supplementary Information

CITY OF YORK, PENNSYLVANIA
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2009

<u>Assets</u>	<u>Recreation Fund</u>	<u>Community Development Loan Fund</u>	<u>Community Development Block Grant</u>	<u>Conduit Fund</u>	<u>Section 108 Fund</u>	<u>Section 108 - Rebuild York Fund</u>
Cash and cash equivalents	\$ (920,891)	\$ 129,586	\$ 25,109	\$ 167,919	\$ 13,743	\$ 273,548
Receivables:						
Loans (less allowance for doubtful accounts of \$275,549 in CD Loan, \$626,616 in CDBG, \$106,213 in Section 108 and \$662,416 in HOME)	-	885,866	901,243	-	606,638	-
Taxes (less allowance for doubtful accounts of \$93,788 in recreation)	104,927	-	-	-	-	-
Accounts, notes, and grants	13,859	30	177,733	1,742,514	1,193	-
Due from other funds	60,000	-	-	-	-	-
Total assets	\$ (742,105)	\$ 1,015,482	\$ 1,104,085	\$ 1,910,433	\$ 621,574	\$ 273,548
Liabilities and Fund Balances (Deficits)						
Liabilities:						
Accounts payable and accrued expenses	\$ 29,064	\$ 107	\$ 102,842	\$ 1,881,144	\$ -	\$ 3,628
Accrued wages payable	9,201	-	-	-	-	-
Due to other funds	-	-	100,000	965	-	-
Due to other governments	-	8,902	-	3,568	-	-
Deferred revenues	93,788	885,866	901,243	11,624	621,574	-
Total liabilities	132,053	894,875	1,104,085	1,897,301	621,574	3,628
Fund balances (deficits):						
Reserved for health initiatives	-	-	-	-	-	-
Reserved for community development	-	120,607	-	-	-	-
Unreserved, reported in:						
Special revenue funds	(874,158)	-	-	13,132	-	269,920
Capital projects funds	-	-	-	-	-	-
Total fund balances (deficits)	(874,158)	120,607	-	13,132	-	269,920
Total liabilities and fund balances (deficits)	\$ (742,105)	\$ 1,015,482	\$ 1,104,085	\$ 1,910,433	\$ 621,574	\$ 273,548

Special Revenue						Total Nonmajor Governmental Funds	
State Liquid Fuels Tax Fund	Special Projects Fund	HOME Fund	State Grant Health Funds	Weyer Trust	Total	Capital Projects	
\$ 344,719	\$ 254,123	\$ 67,188	\$ (134,071)	\$ (6,696)	\$ 214,277	\$ -	\$ 214,277
-	-	353,692	-	-	2,747,439	-	2,747,439
-	-	-	-	-	104,927	-	104,927
433	9,516	10,854	320,884	-	2,277,016	172,500	2,449,516
-	-	-	-	-	60,000	17,177	77,177
<u>\$ 345,152</u>	<u>\$ 263,639</u>	<u>\$ 431,734</u>	<u>\$ 186,813</u>	<u>\$ (6,696)</u>	<u>\$ 5,403,659</u>	<u>\$ 189,677</u>	<u>\$ 5,593,336</u>
\$ 69,001	\$ 50,426	\$ 10,854	\$ 49,578	\$ -	\$ 2,196,644	\$ 36,362	\$ 2,233,006
2,903	-	-	11,664	1,023	24,791	-	24,791
-	-	-	-	-	100,965	353,852	454,817
-	-	67,188	-	-	79,658	-	79,658
-	-	353,692	-	-	2,867,787	-	2,867,787
<u>71,904</u>	<u>50,426</u>	<u>431,734</u>	<u>61,242</u>	<u>1,023</u>	<u>5,269,845</u>	<u>390,214</u>	<u>5,660,059</u>
-	-	-	125,571	-	125,571	-	125,571
-	213,213	-	-	-	333,820	-	333,820
273,248	-	-	-	(7,719)	(325,577)	-	(325,577)
-	-	-	-	-	-	(200,537)	(200,537)
<u>273,248</u>	<u>213,213</u>	<u>-</u>	<u>125,571</u>	<u>(7,719)</u>	<u>133,814</u>	<u>(200,537)</u>	<u>(66,723)</u>
<u>\$ 345,152</u>	<u>\$ 263,639</u>	<u>\$ 431,734</u>	<u>\$ 186,813</u>	<u>\$ (6,696)</u>	<u>\$ 5,403,659</u>	<u>\$ 189,677</u>	<u>\$ 5,593,336</u>

CITY OF YORK, PENNSYLVANIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES (DEFICITS) - OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2009

	Recreation Fund	Community Development Loan Fund	Community Development Block Grant	Conduit Fund	Section 108 Fund	Section 108 - Rebuild York Fund
Revenues:						
Taxes	\$ 969,851	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and contributions	4,832	-	1,724,193	2,446,378	105,894	-
Charges for services	466,887	-	115,557	-	-	-
Loan repayments	-	211,841	-	-	-	-
Interest	-	672	-	-	-	649
Miscellaneous	57,280	-	-	-	-	-
Total revenues	1,498,850	212,513	1,839,750	2,446,378	105,894	649
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Parks and recreations	1,501,772	-	-	10,000	-	-
Public safety	-	-	-	549,769	-	-
Public works	-	-	-	-	-	10,700
Community development and planning	-	93,916	1,902,616	1,822,255	-	-
Other departments and programs	-	-	-	-	-	-
Debt service:						
Principal retirements	-	-	47,734	-	52,266	-
Interest	-	-	18,585	-	53,628	-
Capital outlays	-	-	5,480	-	-	920,029
Total expenditures	1,501,772	93,916	1,974,415	2,382,024	105,894	930,729
Excess of revenues over (under) expenditures	(2,922)	118,597	(134,665)	64,354	-	(930,080)
Other financing sources (uses):						
Proceeds from the issuance of debt	-	-	-	-	-	1,200,000
Proceeds from the sale of assets	-	-	-	-	-	-
Transfers in	-	-	134,665	-	-	-
Transfers out	(166,482)	(134,665)	-	(50,172)	-	-
Total other financing sources (uses)	(166,482)	(134,665)	134,665	(50,172)	-	1,200,000
Net change in fund balance	(169,404)	(16,068)	-	14,182	-	269,920
Fund balances (deficits) - beginning of year	(704,754)	136,675	-	(1,050)	-	-
Fund balances (deficits) - end of year	\$ (874,158)	\$ 120,607	\$ -	\$ 13,132	\$ -	\$ 269,920

Special Revenue						Total	Total
State Liquid Fuels Tax Fund	Special Projects Fund	HOME Fund	State Grant Health Funds	Weyer Trust	Total	Capital Projects	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 969,851	\$ -	\$ 969,851
778,376	221,183	1,174,788	1,437,814	101,117	7,994,575	624,800	8,619,375
-	21,642	3,636	-	-	607,722	-	607,722
-	-	-	-	-	211,841	-	211,841
2,412	1,532	-	-	110	5,375	-	5,375
3,100	57,269	-	886	-	118,535	3,989	122,524
<u>783,888</u>	<u>301,626</u>	<u>1,178,424</u>	<u>1,438,700</u>	<u>101,227</u>	<u>9,907,899</u>	<u>628,789</u>	<u>10,536,688</u>
-	62,549	-	-	-	62,549	82,470	145,019
543,912	-	-	-	-	543,912	-	543,912
-	32,509	-	-	-	1,544,281	-	1,544,281
-	37,877	-	-	-	587,646	-	587,646
-	24,811	-	-	-	35,511	-	35,511
-	27,901	1,178,424	-	139,332	5,164,444	-	5,164,444
-	-	-	1,429,935	-	1,429,935	-	1,429,935
119,890	-	-	-	-	219,890	301,399	521,289
18,427	-	-	-	-	90,640	128,215	218,855
225,060	202,937	-	6,402	-	1,359,908	2,994,746	4,354,654
<u>907,289</u>	<u>388,584</u>	<u>1,178,424</u>	<u>1,436,337</u>	<u>139,332</u>	<u>11,038,716</u>	<u>3,506,830</u>	<u>14,545,546</u>
<u>(123,401)</u>	<u>(86,958)</u>	<u>-</u>	<u>2,363</u>	<u>(38,105)</u>	<u>(1,130,817)</u>	<u>(2,878,041)</u>	<u>(4,008,858)</u>
147,898	-	-	-	-	1,347,898	2,281,503	3,629,401
-	325,000	-	-	-	325,000	-	325,000
-	-	-	-	-	134,665	540,262	674,927
-	-	-	-	-	(351,319)	-	(351,319)
<u>147,898</u>	<u>325,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,456,244</u>	<u>2,821,765</u>	<u>4,278,009</u>
24,497	238,042	-	2,363	(38,105)	325,427	(56,276)	269,151
248,751	(24,829)	-	123,208	30,386	(191,613)	(144,261)	(335,874)
<u>\$ 273,248</u>	<u>\$ 213,213</u>	<u>\$ -</u>	<u>\$ 125,571</u>	<u>\$ (7,719)</u>	<u>\$ 133,814</u>	<u>\$ (200,537)</u>	<u>\$ (66,723)</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
DEBT SERVICE FUND - MAJOR GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2009

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 2,260,349	\$ 2,260,349	\$ -	\$ 2,266,194	\$ 5,845
Grants and contributions	1,650,000	1,650,000	-	1,676,615	26,615
Loan repayments	779,235	779,235	-	779,235	-
Interest	-	-	-	714	714
Total revenues	<u>4,689,584</u>	<u>4,689,584</u>	<u>-</u>	<u>4,722,758</u>	<u>33,174</u>
Expenditures:					
Current					
General government	27,159	27,159	-	26,316	843
Debt service	<u>4,351,693</u>	<u>4,351,693</u>	<u>-</u>	<u>4,351,693</u>	<u>-</u>
Total expenditures	<u>4,378,852</u>	<u>4,378,852</u>	<u>-</u>	<u>4,378,009</u>	<u>843</u>
Excess (deficiency) of revenues (under) expenditures	<u>310,732</u>	<u>310,732</u>	<u>-</u>	<u>344,749</u>	<u>34,017</u>
Other financing sources (uses):					
Transfers in	324,584	324,584	-	324,584	-
Transfers out	<u>(622,258)</u>	<u>(622,258)</u>	<u>-</u>	<u>(622,258)</u>	<u>-</u>
Total other financing sources (uses)	<u>(297,674)</u>	<u>(297,674)</u>	<u>-</u>	<u>(297,674)</u>	<u>-</u>
Net change in fund balance	<u>\$ 13,058</u>	<u>\$ 13,058</u>	<u>\$ -</u>	<u>\$ 47,075</u>	<u>\$ 34,017</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
RECREATION FUND - OTHER GOVERNMENTAL FUND.
YEAR ENDED DECEMBER 31, 2009

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 960,783	\$ 974,351	\$ 13,568	\$ 969,851	\$ (4,500)
Grants and contributions	10,000	10,000	-	4,832	(5,168)
Charges for services	648,750	648,753	3	466,887	(181,866)
Miscellaneous	56,500	56,500	-	57,280	780
Total revenues	<u>1,676,033</u>	<u>1,689,604</u>	<u>13,571</u>	<u>1,498,850</u>	<u>(190,754)</u>
Expenditures:					
Current:					
Parks and recreation	<u>1,507,094</u>	<u>1,520,665</u>	<u>(13,571)</u>	<u>1,501,772</u>	<u>18,893</u>
Total expenditures	<u>1,507,094</u>	<u>1,520,665</u>	<u>(13,571)</u>	<u>1,501,772</u>	<u>18,893</u>
Excess (deficiency) of revenues (under) expenditures	<u>168,939</u>	<u>168,939</u>	<u>-</u>	<u>(2,922)</u>	<u>(171,861)</u>
Other financing sources (uses):					
Transfers out	<u>(166,482)</u>	<u>(166,482)</u>	<u>-</u>	<u>(166,482)</u>	<u>-</u>
Total other financing sources (uses)	<u>(166,482)</u>	<u>(166,482)</u>	<u>-</u>	<u>(166,482)</u>	<u>-</u>
Net change in fund balance	<u>\$ 2,457</u>	<u>\$ 2,457</u>	<u>\$ -</u>	<u>\$ (169,404)</u>	<u>\$ (171,861)</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2009

	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	\$ 2,481,422	\$ 2,915,495	\$ 434,073	\$ 1,724,193	\$ (1,191,302)
Charges for services	-	-	-	115,557	115,557
Total revenues	<u>2,481,422</u>	<u>2,915,495</u>	<u>434,073</u>	<u>1,839,750</u>	<u>(1,075,745)</u>
Expenditures:					
Current:					
Community development and planning	2,413,553	2,671,398	(257,845)	1,902,616	768,782
Debt service	-	-	-	66,319	(66,319)
Capital outlay	67,869	244,097	(176,228)	5,480	238,617
Total expenditures	<u>2,481,422</u>	<u>2,915,495</u>	<u>(434,073)</u>	<u>1,974,415</u>	<u>941,080</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(134,665)</u>	<u>(134,665)</u>
Other financing sources (uses):					
Transfers in	-	-	-	134,665	134,665
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,665</u>	<u>134,665</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
STATE LIQUID FUELS TAX FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2009

	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	\$ 774,000	\$ 774,000	\$ -	\$ 778,376	\$ 4,376
Interest	12,500	12,500	-	2,412	(10,088)
Miscellaneous	-	-	-	3,100	3,100
Total revenues	<u>786,500</u>	<u>786,500</u>	<u>-</u>	<u>783,888</u>	<u>(2,612)</u>
Expenditures:					
Highways and streets	627,722	626,189	1,533	543,912	82,277
Debt service	-	-	-	138,317	(138,317)
Capital outlay	169,250	170,783	(1,533)	225,060	(54,277)
Total expenditures	<u>796,972</u>	<u>796,972</u>	<u>-</u>	<u>907,289</u>	<u>(110,317)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,472)</u>	<u>(10,472)</u>	<u>-</u>	<u>(123,401)</u>	<u>(112,929)</u>
Other financing sources (uses):					
Proceeds from issuance of debt	-	-	-	147,898	147,898
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,898</u>	<u>147,898</u>
Changes in net assets	<u>\$ (10,472)</u>	<u>\$ (10,472)</u>	<u>\$ -</u>	<u>\$ 24,497</u>	<u>\$ 34,969</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
STATE HEALTH GRANT FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2009

	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	\$ 1,511,344	\$ 1,571,576	\$ 60,232	\$ 1,437,814	\$ (133,762)
Miscellaneous	6,500	6,500	-	886	(5,614)
Total revenues	<u>1,517,844</u>	<u>1,578,076</u>	<u>60,232</u>	<u>1,438,700</u>	<u>(139,376)</u>
Expenditures:					
Other departments and programs	1,485,765	1,564,314	(78,549)	1,429,935	134,379
Capital outlay	-	-	-	6,402	(6,402)
Total expenditures	<u>1,485,765</u>	<u>1,564,314</u>	<u>(78,549)</u>	<u>1,436,337</u>	<u>127,977</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,079</u>	<u>13,762</u>	<u>138,781</u>	<u>2,363</u>	<u>(11,399)</u>
Other financing sources (uses):					
Transfers out	<u>(13,818)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 18,261</u>	<u>\$ 13,762</u>	<u>\$ 138,781</u>	<u>\$ 2,363</u>	<u>\$ (11,399)</u>

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND -
OTHER GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2009

	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	\$ 1,700,000	\$ 1,800,000	\$ 100,000	\$ 624,800	\$ (1,175,200)
Miscellaneous	-	-	-	3,989	3,989
Total revenues	<u>1,700,000</u>	<u>1,800,000</u>	<u>100,000</u>	<u>628,789</u>	<u>(1,171,211)</u>
Expenditures:					
General government	-	-	-	82,470	(82,470)
Debt service	-	-	-	429,614	(429,614)
Capital outlay	2,544,791	4,627,104	(2,082,313)	2,994,746	1,632,358
Total expenditures	<u>2,544,791</u>	<u>4,627,104</u>	<u>(2,082,313)</u>	<u>3,506,830</u>	<u>1,120,274</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(844,791)</u>	<u>(2,827,104)</u>	<u>(1,982,313)</u>	<u>(2,878,041)</u>	<u>(50,937)</u>
Other financing sources (uses):					
Proceeds from the issuance of debt	-	1,944,299	1,944,299	2,281,503	337,204
Transfers in	844,791	867,850	23,059	540,262	(327,588)
Total other financing sources (uses)	<u>844,791</u>	<u>2,812,149</u>	<u>1,967,358</u>	<u>2,821,765</u>	<u>9,616</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (14,955)</u>	<u>\$ (14,955)</u>	<u>\$ (56,276)</u>	<u>\$ (41,321)</u>

CITY OF YORK, PENNSYLVANIA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - PENSION TRUST FUND
DECEMBER 31, 2009

	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total
Assets				
Investments, at fair value	\$ 18,063,001	\$ 31,226,019	\$ 19,895,750	\$ 69,184,770
Due from City of York	5,772	3,150,298	1,797,356	4,953,426
Total assets	<u>18,068,773</u>	<u>34,376,317</u>	<u>21,693,106</u>	<u>74,138,196</u>
Net Assets				
Held in trust for pension benefits	<u>\$ 18,068,773</u>	<u>\$ 34,376,317</u>	<u>\$ 21,693,106</u>	<u>\$ 74,138,196</u>

CITY OF YORK, PENNSYLVANIA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
DECEMBER 31, 2009

	Fire Escrow	Escrow Fund	Total
<hr/> Assets <hr/>			
Cash and cash equivalents	\$ 354,840	\$ 71,339	\$ 426,179
Total assets	<u>354,840</u>	<u>71,339</u>	<u>426,179</u>
<hr/> Liabilities <hr/>			
Accounts payable and accrued expenses	<u>354,840</u>	<u>71,339</u>	<u>426,179</u>
Total liabilities	<u>\$ 354,840</u>	<u>\$ 71,339</u>	<u>\$ 426,179</u>

CITY OF YORK, PENNSYLVANIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUNDS
YEAR ENDED DECEMBER 31, 2009

	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total
Additions:				
Contributions:				
Employee contributions	\$ 153,710	\$ 316,579	\$ 192,984	\$ 663,273
Employer contributions	344,088	3,120,389	1,785,031	5,249,508
Total contributions	497,798	3,436,968	1,978,015	5,912,781
Investment income:				
Interest and dividend income	352,093	846,553	528,007	1,726,653
Net appreciation of investments	3,016,172	5,117,521	3,333,230	11,466,923
	3,368,265	5,964,074	3,861,237	13,193,576
Less investment expenses	(68,630)	(117,472)	(75,727)	(261,829)
Net investment income	3,299,635	5,846,602	3,785,510	12,931,747
Total additions	3,797,433	9,283,570	5,763,525	18,844,528
Deductions:				
Benefit payments	926,255	3,140,734	2,057,381	6,124,370
Total deductions	926,255	3,140,734	2,057,381	6,124,370
Net increase	2,871,178	6,142,836	3,706,144	12,720,158
Net assets held in trust for pension benefits, beginning of year	15,197,595	28,233,481	17,986,962	61,418,038
Net assets held in trust for pension benefits, end of year	\$ 18,068,773	\$ 34,376,317	\$ 21,693,106	\$ 74,138,196