

**CITY OF YORK, PENNSYLVANIA**  
**ANNUAL FINANCIAL REPORT**  
***Year Ended December 31, 2012***



*Certified Public Accountants and Business Consultants*

# **CITY OF YORK, PENNSYLVANIA**

YEAR ENDED DECEMBER 31, 2012

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**YEAR ENDED DECEMBER 31, 2012**

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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, 2012, and the related notes to the financial statements, which collectively comprise the City of York, Pennsylvania's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

For the year ended December 31, 2012, the City of York, Pennsylvania adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through xxvi, budgetary comparison information on pages 76 and 77, schedules of historical pension information on pages 78 through 80 and schedule of historical other post-employment benefits information on page 81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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 and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of York, Pennsylvania's internal control over financial reporting and compliance.

Maillie LLP

# **CITY OF YORK, PENNSYLVANIA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2012

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, 2012. Please read it in conjunction with the City's financial statements, which begin with the Statement of Net Position 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 exceeded its liabilities by \$63,876,527 (Net Position).
  - Net investment in capital assets, in the amount of \$92,107,933, includes all capital assets including infrastructure.
  - Restricted net position with external restrictions imposed by creditors or laws or regulations of other governments amounted to \$13,658,016.
  - Unrestricted net position, which is net position not restricted for any particular purpose, was (\$41,889,422).
- Over 2012, the City's net position decreased by \$822,374. The business-type activities net position increased by \$79,695. Governmental activities net position decreased by \$902,069 primarily due to the increase in other post-employment liability of \$2,363,838.
- At December 31, 2012, the fund balances of the City's governmental funds were \$(2,494,383). This was a decrease of \$1,753,455 from December 31, 2011.

### **OVERVIEW OF THE FINANCIAL STATEMENTS:**

The City's financial report consists of several sections. Taken together, they provide a comprehensive financial look at the City. The components of the report include the independent auditor's report, management's discussion and analysis, and the basic financial statements (government-wide financial statements, fund financial statements, and notes to the basic financial statements). This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

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

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

# **CITY OF YORK, PENNSYLVANIA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2012

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 Position 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 three major governmental funds: (1) the General Fund, which accounts for all financial resources of the general government except those accounted for in another fund; (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; and (3) the Capital Projects Fund, which accounts for the proceeds of debt issuances restricted for the acquisition and construction of capital facilities and other capital assets (excluding capital related costs financed by proprietary and fiduciary funds). Data from all the other governmental funds is combined into a single aggregated presentation. Individual fund



# **CITY OF YORK, PENNSYLVANIA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2012

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 position, the statement of revenue, expenses, and changes in net position, 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 enterprise 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 and other post-employment benefits to its employees.

# CITY OF YORK, PENNSYLVANIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2012

Other supplementary information, consisting of combining statements referred to earlier in connection with non-major governmental funds, trust funds, and agency funds, is 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 Position. 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 position 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, the City is divided 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, occupational 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 Position 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](http://www.yorkcity.org) under budget and finance.

# CITY OF YORK, PENNSYLVANIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2012

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

**TABLE 1**  
**CONDENSED STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012 AND 2011**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>						
Cash and investments	\$ 3,316,914	\$ 8,104,809	\$ 16,065,199	\$ 19,598,288	\$ 19,382,113	\$ 27,703,097
Other assets	13,629,872	9,682,277	38,874,315	39,503,196	52,504,187	49,185,473
Capital assets	51,872,250	51,748,315	92,324,874	93,246,387	144,197,124	144,994,702
Total Assets	68,819,036	69,535,401	147,264,388	152,347,871	216,083,424	221,883,272
<b>Liabilities:</b>						
Other liabilities	14,750,175	14,167,089	930,474	2,693,433	15,680,649	16,860,522
Long-term liabilities	73,573,360	73,970,742	62,952,888	66,353,107	136,526,248	140,323,849
Total Liabilities	88,323,535	88,137,831	63,883,362	69,046,540	152,206,897	157,184,371
<b>Net Position:</b>						
Net investment in capital assets	27,356,555	26,460,627	64,751,378	66,042,820	92,107,933	92,503,447
Restricted	1,429,818	2,376,241	12,228,198	12,427,020	13,658,016	14,803,261
Unrestricted	(48,290,872)	(47,439,298)	6,401,450	4,831,491	(41,889,422)	(42,607,807)
Total Net Position	<u>\$(19,504,499)</u>	<u>\$(18,602,430)</u>	<u>\$ 83,381,026</u>	<u>\$ 83,301,331</u>	<u>\$ 63,876,527</u>	<u>\$ 64,698,901</u>

Overall, total City assets and liabilities decreased by \$5,799,848 and \$4,977,474, respectively, for the year ended December 31, 2012. The decrease in the City's total assets is the result of the following: total decrease in cash and investments in the amount of \$8,320,984 (in association with capital asset acquisitions, as explained in "Capital Assets" section, as well as debt repayments, as described in "Long-Term Debt" section). The decrease in the City's total liabilities is the result of the following: total debt decrease in the amount of \$6,156,878 (as described in "Long-Term Debt" section) and the increase in other post-employment liability in the amount of \$2,418,390.

Cash and investments represent 4.83% and 11.66% of the City's total governmental activities assets at December 31, 2012 and 2011, respectively. Of this amount, 27.77% or \$921,050, at December 31, 2012, and 79.10% or \$6,410,927, at December 31, 2011, is restricted, primarily for financing the workers compensation and financing debt service payments. Additionally, the City operates and maintains the York City WWTP, 102 miles of sewer lines, and one pumping station which is reported in business-type activities. The City's waste-water treatment plant serves six municipalities in addition to the City. The \$13,121,127 and \$17,522,944 at December 31, 2012 and 2011, respectively, in cash and investments allows for future maintenance, repair and replacement as well as improvement to the City's sewer facilities.

# **CITY OF YORK, PENNSYLVANIA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2012

The governmental activities capital assets value is net of \$71,900,865, or 58.09% and \$68,242,320, or 56.87% of accumulated depreciation at December 31, 2012 and 2011, respectively. For the business-type activities, the capital asset value is net of \$62,380,135, or 40.32% and \$58,535,698, or 38.57% of accumulated depreciation at December 31, 2012 and 2011. 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.

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. The City's assets exceeded its liabilities by \$63,876,527 and \$64,698,901 for the years ending December 31, 2012 and 2011, respectively.

By far the largest portion of the City's net position, 144.20% at December 31, 2012 and 142.97% at December 31, 2011, is the City's investment in capital assets. (e.g., 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 position (21.38% and 22.88% at December 31, 2012 and 2011, respectively) represents resources that are subject to external restrictions on how they may be used. Of the \$13,658,016 that is restricted at December 31, 2012: \$8,136,289 is the value of bond related accounts held for debt service payments, while the remaining amount is restricted to use for public works, community planning and development, insurance, and construction. Of the \$14,803,261 that is restricted at December 31, 2011: \$9,533,498 is the value of bond related accounts held for debt service payments, while the remaining amount is restricted to use for community planning and development, insurance, and construction.

The City's unrestricted net position balance of (\$41,889,422) and (\$42,607,807) at December 31, 2012 and 2011, results from the recording of unfunded pension bonds, General Obligation Bonds, Series A of 1995 and Series B of 1998, in the amount of \$31,436,595 and \$32,338,721, respectively. Additionally, the unrestricted net position for the years ended December 31, 2012 and 2011 included unfunded other post-employment liabilities in the amount of \$14,758,672 and \$12,340,282, respectively.

# CITY OF YORK, PENNSYLVANIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2012

**TABLE 2**  
CONDENSED STATEMENT CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2012 AND 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenue:						
Charges for services	\$ 13,813,062	\$ 14,110,582	\$ 18,504,147	\$ 18,164,424	\$ 32,317,209	\$ 32,275,006
Operating grants and contributions	6,402,852	7,401,007	63,379	80,825	6,466,231	7,481,832
Capital grants and contributions	2,375,868	2,102,779	-	2,597,518	2,375,868	4,700,297
Property taxes	19,913,861	17,221,122	-	-	19,913,861	17,221,122
Payment in lieu of taxes	534,397	392,659	-	-	534,397	392,659
Business taxes	3,308,332	2,952,011	-	-	3,308,332	2,952,011
Personal taxes	2,958,738	3,449,975	-	-	2,958,738	3,449,975
Unrestricted grants	1,938,251	2,965,017	-	-	1,938,251	2,965,017
Unrestricted investment earnings	123,098	123,265	1,374,785	1,776,852	1,497,883	1,900,117
Total revenues	51,368,459	50,718,417	19,942,311	22,619,619	71,310,770	73,338,036
Expenses:						
General government	3,616,306	2,821,550	-	-	3,616,306	2,821,550
Sanitation	3,143,849	3,126,079	-	-	3,143,849	3,126,079
Public safety	28,364,190	29,017,318	-	-	28,364,190	29,017,318
Highways and streets	1,203,236	1,593,414	-	-	1,203,236	1,593,414
Public works	5,571,956	5,671,785	-	-	5,571,956	5,671,785
Parks and recreation	2,225,990	2,095,861	-	-	2,225,990	2,095,861
Community development and planning	4,677,708	4,491,079	-	-	4,677,708	4,491,079
Other departments and programs	1,675,881	2,300,353	-	-	1,675,881	2,300,353
Interest on long-term debt	3,766,163	3,295,371	-	-	3,766,163	3,295,371
Intermunicipal sewer	-	-	6,264,826	6,290,864	6,264,826	6,290,864
Sewer	-	-	10,012,896	9,715,709	10,012,896	9,715,709
Ice rink	-	-	1,451,119	1,570,199	1,451,119	1,570,199
Other enterprise funds	-	-	159,024	152,862	159,024	152,862
Total expenses	54,245,279	54,412,810	17,887,865	17,729,634	72,133,144	72,142,444
Change in net position before transfers	(2,876,820)	(3,694,393)	2,054,446	4,889,985	(822,374)	1,195,592
Transfers	1,974,751	(1,816,967)	(1,974,751)	1,816,967	-	-
Change in net position	(902,069)	(5,511,360)	79,695	6,706,952	(822,374)	1,195,592
Net position, beginning of year	(18,602,430)	(13,091,070)	83,301,331	76,594,379	64,698,901	63,503,309
Net position, end of year	\$ (19,504,499)	\$ (18,602,430)	\$ 83,381,026	\$ 83,301,331	\$ 63,876,527	\$ 64,698,901

# **CITY OF YORK, PENNSYLVANIA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2012

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 position 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 position of the governmental activities. Governmental funds report capital outlays as expenditures. However, in the governmental activities, the cost of capital assets is allocated over their estimated useful life and reported as depreciation expense.

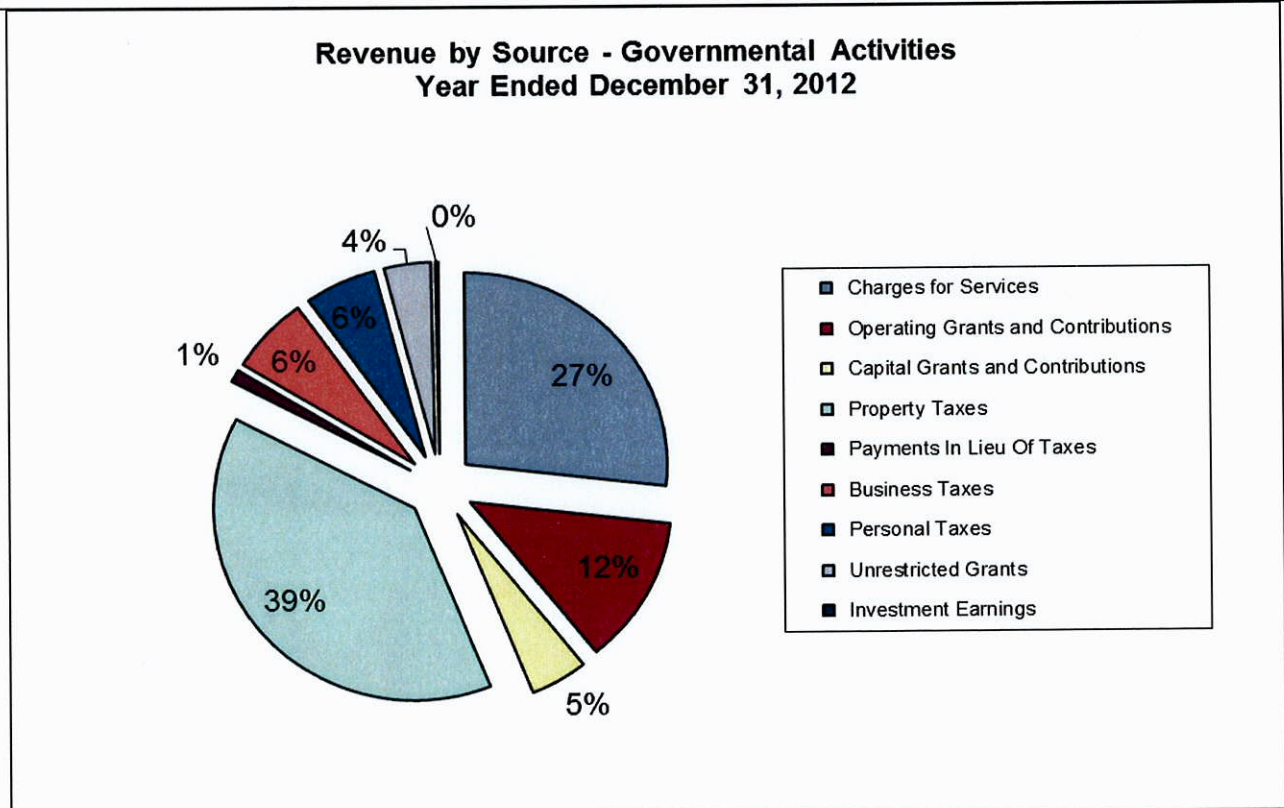
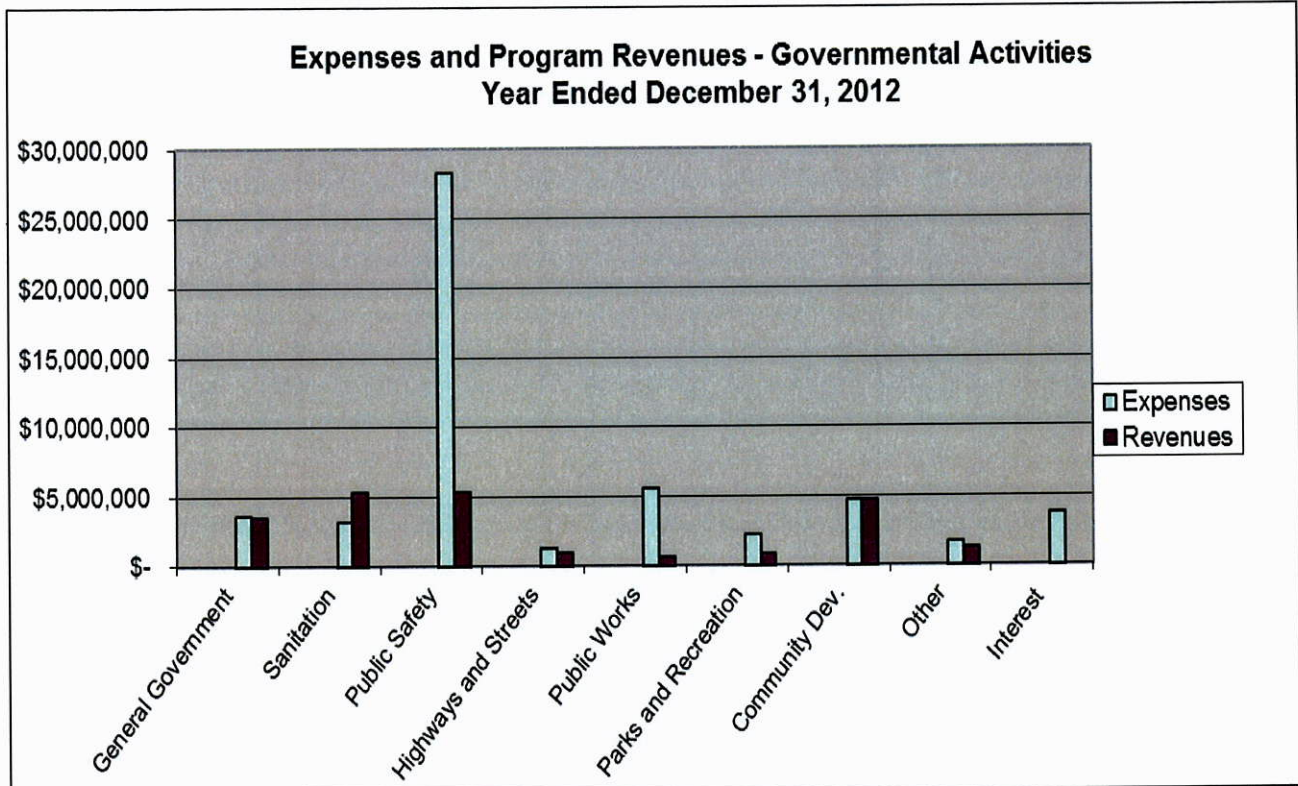
For the year ended December 31, 2012, the decrease in net position of governmental activities resulted primarily from the accrual of other post-employment liabilities in the amount of \$2,363,838 and the accrual of \$473,784 for interest on 2011 and 2012 minimum municipal obligation late payments. The other post-employment cost was allocated to all general government departments based on current employment. Personal taxes also decreased by \$491,237 from the prior year due to Act 32 and the method by which earned income tax collections were remitted to the City. These amounts were offset by the increase in property taxes in the amount of \$2,697,729, due to an increase in millage from 17.39 to 20.37.

For the year ended December 31, 2011, the decrease in net position of governmental activities resulted primarily from the accretion of capital appreciation debt in the amount of \$2,650,179 and issuance of debt in the amount of \$20,085,574, offset by principal payments on long-term debt of \$15,898,032; depreciation of capital assets in the amount of \$3,821,592, offset against purchases of capital assets of \$7,943,078; and the accrual of other post-employment liabilities in the amount of \$2,710,106. The other post-employment cost was allocated to all general government departments based on current employment.

# CITY OF YORK, PENNSYLVANIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2012



# **CITY OF YORK, PENNSYLVANIA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2012

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.

92.79% 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 Wastewater Treatment Plant (WWTP) and the costs of treatment of the wastewater. The costs of treatment are paid to the Intermunicipal Sewer Fund toward the cost of the operation of the WWTP and the debt service is paid to the Sewer Authority. Sewer rates last increased in January 2012.

The City operates a state of the art regional WWTP 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 wastewater 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 exercised its remedies under the lease and loan agreement with the YCRC and assumed control of the Ice Arena. The City assumed operational control of the York City Ice Arena in November 2003. The City operated the facility

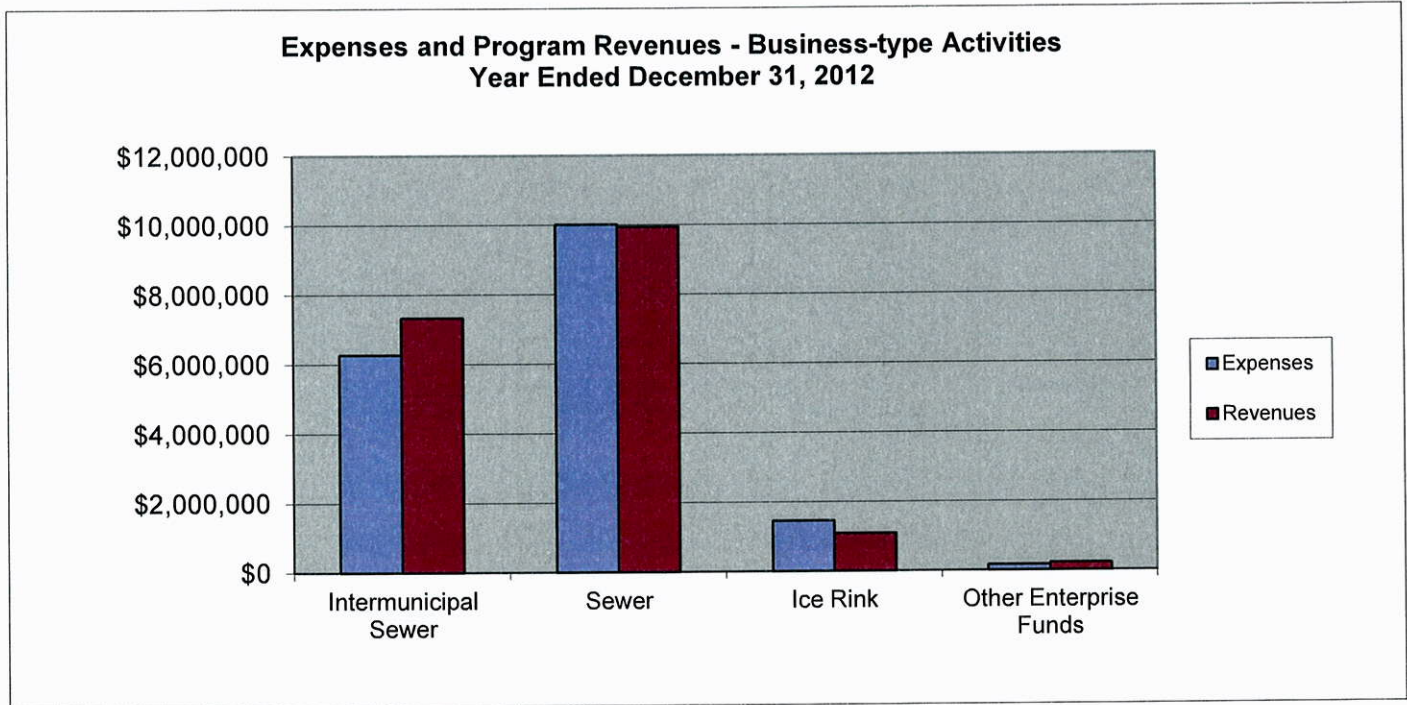


# CITY OF YORK, PENNSYLVANIA

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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, 2012 and 2011, the City's governmental funds reported combined ending fund balances of \$(2,494,383) and \$(740,928), respectively. The City's unassigned fund balance (deficit), which is available for spending at the government's discretion, was \$(6,168,929) and \$(7,150,597) at December 31, 2012 and 2011, respectively. The remainder of the fund balance at December 31, 2012 and 2011 is restricted for 1) public works in the amount of \$359,759 and \$369,411, respectively, 2) community development in the amount of \$128,899 and \$108,760, respectively, 3) debt service in the amount of \$483,552 and \$1,441,293, respectively, and 4) capital projects in the amount of \$2,702,336 and \$4,490,205, respectively.

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The general fund is the chief operating fund of the City. At December 31, 2012 and 2011, unassigned fund balance of the general fund was \$(4,948,629) and \$(5,576,043), respectively.

The fund balance of the City's general fund increased by \$627,414 during the year ended December 31, 2012. Key factors in this increase are as follows:

- Increase in real estate tax revenue of \$2,687,101 due to an increase in millage from 17.39 to 20.37.
- Accrual of \$473,784 for interest on 2011 and 2012 minimum municipal obligation late payments.
- Rising pension costs and rising health care costs for all City employees.

The fund balance of the City's general fund decreased by \$1,064,604 during the year ended December 31, 2011. Key factors in this decrease are as follows:

- Accrual of \$423,282 for interest on 2011 minimum municipal obligation late payment.
- Rising pension costs and rising health care costs for all City employees.
- Rising fuel costs
- Antiquated tax structure.

The debt service fund has a total fund balance of \$483,552 and \$1,441,293 for the years ended December 31, 2012 and 2011, respectively. The net increase (decrease) in fund balance for the year ended December 31, 2012 and 2011 in the debt service fund was \$(957,741) and \$1,401,395, respectively. This decrease is due to debt service payments increasing by \$824,241 in 2012. This increase in 2011 was because of the 2011 one-time increase in pension state aid distributed to the City from the Commonwealth of Pennsylvania.

### *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 position of the Intermunicipal Sewer Fund, the Sewer Fund, and the Ice Rink Fund at December 31, 2012 amounted to zero, \$4,365,878, and \$(779,444), respectively. Unrestricted net position of the Intermunicipal Sewer Fund, the Sewer Fund, and the Ice Rink Fund at December 31, 2011 amounted to zero, \$3,461,097, and \$(899,712), respectively. The total increase (decrease) in net position for these funds for the year ended December 31, 2012 was \$175,705, \$(957,958), and \$252,097, respectively. The total increase (decrease) in net position for these funds for the year ended December 31, 2011 was \$98,047, \$6,450,681, and \$(39,353), 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, community development and planning, and other departments and programs. For the year ended December 31, 2012, the final revenue budget, including transfers-in, was \$40,620,719 and the final expenditure budget, including transfers-out, was \$40,397,500.

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 2012, the single largest revenue item in General Fund was taxes at \$22,490,390. Actual taxes included \$16,410,047 in real estate taxes, \$2,815,133 in business taxes, \$3,033,606 in income and local service taxes. The second largest item includes charges for services, which at \$9,189,868 includes sanitation fees of \$4,943,546.

The City had a significant negative variance between final budget and actual in the grants and contributions line item in the amount of \$772,856 due to receiving approximately \$265,000 less of contributions in lieu of taxes than anticipated, as well as a shortfall of approximately \$280,000 in CDBG admin reimbursements. Fines and forfeits were under budget by \$270,762 due to shortfall in ticket notice fees and fines remitted by the magistrates. Taxes were under budget by \$234,196 due to shortfall of expected earned income tax collections.

Total General Fund expenditures were \$37,974,057 for the year ended December 31, 2012. The single most expensive activity in the general fund is public safety, which is comprised of police and fire-rescue services, which amount to \$26,984,324, or 71.06% of the General Fund actual expenditures for the year ended December 31, 2012.

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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, 2012 and 2011 amounts to \$144,197,124 and \$144,994,702, respectively. This investment in capital assets includes land, buildings, land improvements, equipment and furniture, and infrastructure. The total decrease in the City's investment in capital assets for the current fiscal year was 0.55% (a 0.24% percent increase for governmental activities and a 0.99% percent decrease for business-type activities).

Major capital asset events during the year ended December 31, 2012 included the following:

- 101 South George Street building renovations totaling \$2,343,117.
- 50 West King Street building renovations totaling \$356,306.
- Memorial Park improvements totaling \$260,824.
- White Rose Community Television equipment totaling \$120,452.
- South Pine Streetscape improvements totaling \$104,738.
- Roosevelt Avenue Channel totaling \$111,461.
- Various building and system addition and improvements were completed in the Sewer Fund's WWTP at a cost of \$1,853,953.
- Poorhouse Siphon replacement of sewer system totaling \$106,801.

Major capital asset events during the year ended December 31, 2011 included the following:

- 101 South George Street building acquisition and renovations totaling \$4,010,895.
- Acquisition of the Northwest Triangle land at a cost of \$550,000.
- Various vehicle purchases, including \$335,490 for a Camel Model 200 Vector Truck and \$172,124 for an International Dump Truck.
- Various building and system addition and improvements were completed in the Sewer Fund's WWTP at a cost of \$12,192,039.
- Poorhouse Siphon replacement of sewer system totaling \$4,007,013.

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- Co-Generation System replacement of sewer system totaling \$3,993,953.

Additional information on the City's capital assets can be found in note 11 on page 43 of this report.

#### **Long-Term Debt**

At December 31, 2012 and 2011, the City had total general obligation bonds and notes outstanding of \$51,508,736 and \$53,606,557, respectively. Revenue bonds in the amount of \$62,194,243 and \$65,479,600, respectively, represent bonds secured solely by specified revenue sources.

The City's total debt decreased by \$6,156,878 during the year ended December 31, 2012. The City entered into new capital leases during 2012 for ten Mitsubishi Outlanders for \$146,100. An increase of \$3,476,647 in accretion of capital appreciation bonds, was offset by \$9,779,625 in debt repayments.

The City's total debt increased by \$5,824,425 during the year ended December 31, 2011. The City issued General Obligation Bonds, Series of 2011, as well as Series A and Series B of 2011, in the aggregate amount of \$14,050,550 to be used for various capital projects and to currently refund the General Obligation Notes, Series A and B of 2010 (Series A and B 2010 Notes). The City also issued Guaranteed Sewer Revenue Bonds Series of 2011 in the amount of \$1,500,000. These Bonds were issued for the utilization, development, and construction of alternative lean energy projects. The City also entered into new capital leases during 2011, the largest of which was for the purchase of a Camel Model 200 in the amount of \$335,490. These increases, in addition to an additional drawdown in the amount of \$5,753,765 of the Series A and B 2010 Notes (prior to the current refunding) and an increase of \$3,936,072 in accretion of capital appreciation bonds, was offset by \$20.2 million in debt repayments (including the refunding of \$10.57 million, as explained previously).

Additional information on the City's long-term debt can be found in note 13 on page 47 of this report.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES:**

For decades, state, county and local municipal governments have elevated the preservation of farmland and open space to highest priority and have committed hundreds of millions of dollars to that cause. Concomitantly, the wisdom of channeling residential, commercial and industrial development into already developed areas has been unquestioned. Who could challenge the obvious, that directing development into areas already served by public water and sewer, with paved streets and sidewalks, traffic signals, street lights, and supportive private activities such as grocery stores, pharmacies, professional services, and auto repair is a *no brainer*. In many cases these already developed areas are the county seat and so government services, social services, police, fire prevention and suppression, courts, legal services, etc. are also ready to hand. What development management strategy could make more sense than directing development into densely populated areas already served by the public improvements that support human activities?

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But there is a downside to the concentration of residential, commercial and industrial activity in an urban environment, surrounded by suburban areas, especially in a state like Pennsylvania where the primary funding source to pay for public services is real estate tax. The more densely populated an area, the larger capacity of services are required. For example, a community of forty five thousand people with thirty eight thousand commuters will need more public safety resources, more waste water treatment capacity, more school facilities and resources than a community with half the population. But does a concentration of population translate into larger amounts of resources to pay for public services? If Pennsylvania is any guide, the answer is no.

A good example of the fiscal strains brought on by the reliance on real estate tax combined with urban density of population is a comparison of school district student populations and tax base. The York City School District tax base is about \$1 billion dollars and that tax base must support over 7,200 students. In contrast, the York Suburban tax base is approximately \$1.8 billion dollars and must support about 2,800 students. Likewise, Central York School District has about 5,600 students and a tax base of \$2.7 billion to pay for their education. Obviously, the York City School District suffers the burdens of fiscal imbalance that do not stress the surrounding suburban districts. The stress of the fiscal imbalance is exacerbated by the concentration of poverty in the City. The rate of poverty in the City approaches 40% but the rate of poverty amongst students in the York City School District approaches 90%. The rates of poverty continue to grow because of the concentration of low income housing, social services, public transportation, etc., in the City.

The same kind of fiscal imbalance plagues the City municipal government. Details of the imbalance are a little different and involve the City as the hub of the metropolitan area. Although the population of the City is a bit over forty three thousand, on any given business day there are one hundred thousand or more non-residents in the City. Over thirty thousand of the non-residents are commuters and the others are customers, clients, patients, citizens, etc. being served by the businesses, professionals, educational or government facilities located in the City and staffed by those commuters. Because the City is the county seat and the urban hub of the metropolitan area thirty seven percent of the real estate value in the City is tax exempt. The tax exempt real estate consists of post-secondary schools, county, state and federal government buildings, a hospital, churches, social service agencies, non-school educational venues and charities, etc. Moreover the agencies that occupy the tax exempt real estate serve large populations who do not live in the City. Every non-city resident who attends college, receives health care, uses state and county government services, attends religious services, receives social services, enjoys entertainment at certain venues, or receives charitable assistance has that service subsidized by the tax paying residents of the City of York.

A comparison of demographics from the 2010 census brings into stark relief the injustice of forcing city residents to subsidize the cost of benefits enjoyed by non-city residents. The minority population in York City is 64.6% compared to the minority population in the County of 9.3%. In the City 28.7% of the population is under 18 and 8.9% are over 65 while in the county at large the respective proportions are 23.1% and 14.6%. The per capita income in the City is \$14,669 while in the overall County it is \$28,042. Household income in the city is \$29,814 compared to \$58,556 in the whole County. Most telling of all is that the percentage of the city population below poverty is 35.5% while in the County it is 9.4%. Finally, and also telling, are the real estate values: the average value of owner occupied houses in the city is \$83,800 while in the county it is \$178,400. Sale prices in the City



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are even worse at about \$30,000. The total real estate tax base value of York City has remained at the same value since the last reassessment in 2006. Over the past two years hundreds of thousands of tax dollars have been lost through tax assessment appeals.

In 2008, York City residents received earned income of about \$340 million dollars while thirty eight thousand commuters earned \$1.1 billion dollars in the City. Each of the commuters paid \$1.00 per week to the City to aid with the costs of services that the commuters depend on, approximately \$38 thousand dollars per week in total. However, the cost of providing services such as public safety, traffic signals, street lights, storm water management, etc. costs \$750 thousand dollars per week. So, again, less affluent City residents, are forced to subsidize the conditions that the more affluent non-city residents rely upon for their livelihood. And, many of those thirty eight thousand commuters are employed by the very agencies that occupy the tax exempt real estate. Meanwhile the earned income tax base of the City declined to \$299 million dollars in 2011.

The City finished 2011 with a \$(5,576,043) accumulated deficit in the general fund. The deficit decreased by \$536,371 in 2012 resulting in an accumulated deficit at the end of 2012 of \$(5,039,672). In 2012 and 2013, the City budgeted to reduce the accumulated deficits. Since 2008, the City has maintained cash flow by delaying the payment of its pension minimum municipal obligation (MMO) to the subsequent year. However, as the shortfall approaches the full amount of the MMO, the ability of the City to continue unreduced operations becomes more tenuous. Eventually resources will be exhausted before the City reaches the end of the year and services will be drastically reduced.

Delaying the MMO payment also ends up costing the City in interest payments. Although the delayed payment of the 2011 MMO reduced stress on cash flow, that stress reduction came at a cost of almost \$500,000 in interest. The one saving benefit of the late payment of the MMO, as opposed to borrowing from an outside entity is that the 8% interest paid to the fund is sometimes the best performing fixed income investment. Additionally, the City pension funds are underfunded by approximately \$50 million and the interest payments are going to pay down that underfunding. The 2011 MMO was not fully paid until the beginning of 2013. The 2012 MMO was not fully paid until early 2014.

Like 2008-2011, 2012 was a challenging year for the City of York's governmental funds. The continuing trend is for costs to increase, 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 the City's 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 continue to work together to challenge the City officials' creativity in balancing revenue and expenditures.

Except for the real estate tax and the parking tax, tax rates are fixed by statute. The City may reduce the rates but may not increase the rates for earned income tax, the business privilege and mercantile taxes, and the municipal services tax. The City's current parking tax rate is 15% and has no limit.

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However, there are market limits and at about \$215,000 per year, it is a small part of the total general revenue of the City.

The current real estate tax rate is 20.37 mils. The current rate was set in 2012 and has remained the same for 2013 and 2014. From 2005 to 2012, the Real Estate Tax rate increased by almost 51%. Just from 2009 to 2012 the rate increased by 30.24%. These tax increases are driven by many different pressures but the fundamental issue is that there is no natural growth in the City tax base and so no natural growth in tax revenue. On the other hand, costs increase in response to local, state, national and international trends. While the City has been able to hold the rate steady for three years, cost pressures are going to make that very difficult in 2015.

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 was \$5.4 million. The 2010 MMO is based on the 2007 valuation. The 2011 MMO was 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 have been \$8,349,760, an increase of almost \$3,000,000. Using the 130% asset smoothing method reduced 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 was \$5,859,263 and, for 2012, the MMO was \$6,028,300. In 2013, the MMO dropped by \$300,000 to \$5,708,572. In 2014, the MMO increased by just under \$50,000 to \$5,753,071. With the expiration of the relief provided by Act 44 of 2010, the 2015 MMO is projected to rise by \$2.2 million dollars.

Public safety costs, particularly police and fire fighter labor costs, continue to rise faster than the rate of inflation. Between 2001 and 2014, the police department budget increased by an average 7.22% per year while the fire department budget increased by an average 7.32% per year. The general fund, however, only increased on average 6.2% per year and real estate taxes only increased by an average 6% per year. One result of this trend is that while in 2001 total taxes made up 56% of the general fund revenue, in the 2011 budget total taxes were only 46% of the general fund revenue. With the 2012 tax rate increase, the proportion of general fund revenue from taxes increased to 53.77%. Another result of the trends is that the share of resources devoted to other general fund activities has shrunk or remained stagnant: the Elected Appointed in 2001 was 4.9% of the general fund budget while in 2014 it is 3.49% of the general fund budget, Business Administration in 2001 was 6.1% while in 2014 it is 6.8%, Public Works in 2001 was 22% while in 2014 it is 16.62%, Economic and Community Development in 2001 was 6.6% while in 2014 it is 7.05%, In 2001, Public Safety consumed 60% of the City's general fund budget and in 2014 it consumed about 66.03% of the general fund budget. The 2014 reduction in the proportion of general fund resources supporting public safety resulted from the 2012 tax increase and not from a reduction in public safety costs. With the \$2.2 million dollar increase in the MMO for 2015, the City anticipates that the public safety share of general resources will rise to 72%. If this trend continues, then by 2020 Public Safety will consume more than 80% of the general fund budget.



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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 and, at the same time funding their replacement. A coalition of government and business organizations is working to convince the General Assembly to make changes to Act 111 but no legislation has resulted from those efforts yet.

Until recently, Act 47 was a tool for a municipality to consider in its efforts to avert fiscal distress. Two of the three most valuable tools in Act 47 are the recovery plan supremacy over collective bargaining and the ability to implement a commuter tax. These two tools are virtually unavailable now given the decision of the Supreme Court in the Scranton cases and the Legislature's actions in the Harrisburg Act 47 situation. The chronic common problems of the 3<sup>rd</sup> class cities in Pennsylvania include legacy costs such as pensions and retiree health care, a public safety labor relations process that is unfair to employers, and a revenue generating system that is antiquated, insufficient, and overly dependent upon the real estate tax. The commuter tax and collective bargaining provisions were aimed at addressing two of the chronic common problems of 3<sup>rd</sup> class city fiscal malaise. Under the current circumstances, these two tools are not available.

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. In 2010, the City hired PFM to update the study and develop a new 5 year projection for the non-public safety departments. That new report was delivered, with revisions, on November 1, 2011. The analysis and recommendations were reviewed and many of them were implemented in 2011 and 2012. The report included strong recommendations that the growth in the City's personnel costs should be slowed. However, a comparison of the growth in the City's personnel costs are not out of line with either the CPI, nor with household growth trends in the surrounding region. Indeed, City employee compensation in both public safety and non-public safety personnel is beneath that in the surrounding municipalities. So the recommendation begs the question of how the City is to remain competitive in the employment market if it is to hold the growth of wages down.

The City hired Public Safety Solutions Inc. (PSSI) in 2009 to conduct a study of the York City Fire Department. The City studied the recommendations and has implemented many of them. As a result of the study, the City has joined with North York to provide fire protection services for an annual fee and the City has taken a piece of apparatus out of service with the expectation of saving about

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\$400,000 per year in overtime costs. In 2002, the City employed 75 fire fighters. In 2014 the City employs 58 fire fighters, a 23% reduction.

The City hired the Police Executive Research Forum with York Counts, a local grass roots strategic planning group, to study the potential to create a Metro York Police Department. The study included recommendations for individual departments to enhance efficiency. The study was completed in mid-2012 and the recommendations are under review by the City Police Department. York Counts has taken over responsibility to promote regionalization of the Metro York police departments and has met with quite a bit of resistance from neighboring communities.

Employee health care continues to be one of the key drivers of the increases in the cost of the delivery of municipal services. 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 \$6,547,500 and finished the year at \$6,472,871, about \$75,000 under budget. In 2011, the City budgeted \$6,784,600 and spent \$8,401,106. In 2012, the City budgeted \$7,350,750 and spent \$8,521,888. The expenditures in excess of budget are due to several high cost participant health issues. Twelve high cost claimants alone incurred \$2,260,000 in expenses and the top four claimants cost \$1,300,000. The City received a payment from the Stop Loss carrier of \$905,345. In 2013, the City budgeted \$7,971,900 for health care and spent \$7,526,727 finishing almost \$450,000 under budget. Our 2013 experience allowed the City to budget \$7,700,000 for 2014 health care, almost \$300,000 less than was budgeted in 2013. The City anticipates that the health care changes that have been put into place will slow the rate of growth over the next few years.

In 2007, the City hired Riverside Consulting, now Evolution Benefits Consulting, EBC, 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, EBC developed a new employee health care plan, a true Preferred Provider Organization, that includes wellness programs and incentives. EBC 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 two 3-year terms from 2008-2010, and 2011-2013, as the City's TPA. After an RFP process and consideration of three finalists, the City again retained Capital Blue Cross for the period 2014-2016. Hiring CBC as the City's TPA has given 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, EBC 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. In 2014, the City moved to participate with a coalition of employers for our pharmacy benefit program and will realize substantial savings from the new contractual terms including higher rebates and lower prices.

At this time, all of the employee groups are in the City's PPO plan started in 2008. The FOP continues to be the only group that does not pay a premium for coverage. New contracts were negotiated with the AFSCME, Teamster, and IBEW bargaining units that took effect January 1, 2013.

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The contracts provide for higher premiums, significant increases in co-pays, and modifications to plan structure, all of which are aimed at controlling costs for the City while at the same time providing world class health care to our employees, their families and our retirees. The City is currently reviewing the plan to identify other cost saving measures.

In 2011, a ten-year effort resulted in the City acquiring the old York Federal Savings and Loan building at 101 South George Street to be used for a new City Hall. Agreement to purchase the building was reached with the win/win strategy of offering Sovereign Bank the ability to enter into a long term lease with the City so they could stay at their present location. In addition to the acquisition of the building, renovations were undertaken to fit the building to the use of the City for City Hall. The move from Marketway and 50 West King Street to 101 South George was completed by March 2012. Renovations continued after the move. This move will have minimal financial impact on operating costs of the City, since the money previously spent on rent plus the new revenue from the lease of part of the building to Sovereign Bank will be adequate to pay the debt service on the new building.

The City also undertook an energy savings project in partnership with Johnson Controls. A \$2.8 million dollar project, which included a new boiler for the building, systems controls to maximize fuel efficiency, insulation and many other physical improvements to the building.

In 2001, the City's IT infrastructure was brand new: new servers, new personal computers, printers, and copiers throughout the City's many locations. The software was all new: Great Plains was purchased in 1999 and upgraded to e-Enterprise in 2000. All of the PCs were loaded with the latest Microsoft Office Suite, the latest version of GroupWise email and calendar. Over the years this infrastructure has aged and much of the software has not been upgraded. The renovations to 101 South George included rewiring the building for data and voice communications with all lines leading to a new server room in the first level of the building. A fully modern and state of the art data center has been installed in the server room using racks and blades along with software to maximize the performance of the network. The installation and switch over from a Centranet Phone system to Voice over Internet Protocol (VoIP) PRI service is about complete. The switch is expected to generate savings of approximately \$60 thousand dollars per year, along with providing the greater array of services and capacity available with a VoIP phone system. The City IS department replaced all of the desk top work stations through a lease with Dell. The Citrix technology being used by the City requires the user to have only a communications device, monitor and keyboard on their desk while the software and functions operate on the server. This arrangement improves the efficiency of the IS staff so that a once required trip to a user's work site can now be accomplished from the work station of an IS technician. As 2012 came to a close, the City partnered with Comcast Business Class to construct a new Metro E Network. When completed, sixteen City sites will be connected by fiber optic cable to each other and to the Comcast cloud and out to the Internet. The speed and performance of this network infrastructure will far surpass anything that the City workforce has experienced. In addition to enhancing efficiency and effectiveness throughout the City operations, this enhanced infrastructure will cost about the same that the City is already paying for inferior connections. The City will be able to eliminate frame relay, T-1, VPN, and copper point to point connections that currently serve the sixteen City sites. Moreover, the fiber infrastructure will serve as the backbone for the next generation of VoIP, which will be much more cost effective than what the City currently is using.

# **CITY OF YORK, PENNSYLVANIA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2012

In 2004, the Cable Franchise Customer Satisfaction Committee made a report to the Mayor and the Council of the City of York. The report included a recommendation for a new fifteen year Cable Television Franchise agreement between the City of York and Susquehanna Communications known as Suscom. The Franchise Agreement was adopted as an ordinance in February 2005. The new Franchise Agreement provided for significant increase in the support provided by Suscom to the City's Public, Education and Government Cable Television Station. At this same time, the non-profit entity known as York Cable Access Television, YCAT, dissolved its corporation, leaving the City to salvage and maintain the PEG television programming extant at the time. Thus was born White Rose Community Television. Soon thereafter, Comcast Communications acquired the assets of Susquehanna Communications.

The new franchise agreement provided that the channel assignment would increase from one to two channels with an option to acquire a third channel. Also provided, was an option to use six megahertz of the digital bandwidth of the company's digital cable TV infrastructure. The Agreement provided for a \$150 thousand dollar capital contribution from the Company for the acquisition of equipment for the PEG Station and bi annual contributions toward the upkeep and renewal of the capital needs of the station. In 2009-2010, the Company agreed to accelerate the biannual payments and to pay the full amount in a lump sum to assist the City in the construction of a PEG studio to enhance the ability of WRCT to serve the Community.

The City selected the Rotary Kranich building on Albemarle Street to house the new studio, primarily due to its underutilization by the City and because of its proximity to the Comcast building that was next door. Construction began in 2011. A new HVAC system was installed, a new roof, sound proofing, new electrical service. The studio was built within the structure with state of the art video recording and cable casting equipment. The studio was completed in September 2012 and is now open for use. The WRCT infrastructure and expertise helps to make York City government processes transparent. Citizens need not rely on third party interpretations of what happens in government. Citizens who are unable to attend government meetings are able to watch them live on TV and on the internet and can then go to the website and watch past programs using the stations on demand video library. They can participate knowledgably in the government process and deliberation by sending emails and letters to the Mayor and/or City Council. The ability to provide community interest programming on the channels allows the City to offset the cost of providing city government transparency.

In 2010, the City established a \$14 million dollar line of credit with Fulton Bank for the purpose of commencing public infrastructure improvement projects, infrastructure acquisition, and economic development initiatives. These included the acquisition and renovation of 101 South George Street, acquisition of the Ohio Blenders Site that was the final piece in the Northwest Triangle, installation of a new sewer line in the Northwest Triangle, pay for the City's share of the Poor House Run Interceptor, address deferred maintenance and perform capital improvements to several community facilities including Sylvia Newcomb Center, Yorktown Center, Princess Street Center and Rotary Kranich Center, construct the WRCT Studio. In December 2011, the City issued bonds to establish long term financing. The \$14 million dollar interim financing was retired. The City was awarded a \$5 million dollar RACP grant to pay for the renovation of the former City Hall into a state of the art

# **CITY OF YORK, PENNSYLVANIA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2012

modern police station. An additional \$5 million dollar bond was issued, with deferred drawdown, to provide interim financing for the renovation of 50 West King Street, the former City Hall, into a state of the art Police Station. That bond matures December 31, 2014. The City has not drawn down any of the funds and has financed the project thus far on cash flow. However, the Office of the Budget, that administers the RACP grants, has made many ad hoc changes to the special conditions of the grant and the ways in which the City can meet those special conditions. Although the City has spent more than one hundred percent of the required match, the City has yet to receive any grant funds. If the City does not receive the grant funds by the end of the year, the City will be forced into borrowing additional money to hold us over till the grant money is received.

Although the City struggles with its financial limitations it has, through the commitment, intelligence and creativity of its employees, been able to implement economic and community development initiatives. Closure of Gus's, a nuisance bar on West Princess Street, was a satisfying completion of a project that the Department of Economic and Community Development and the Police Department worked on diligently for years. The Mayor's Zero Tolerance for Blight initiative resulted in 90 parcels being certified as blighted, 89 Declarations of Taking, 11 acquisitions of blighted property, and demolition of five structures. And the list goes on:

- Closure of nuisance bar at 119 E. Princess St.
- Northwest Triangle Redevelopment Project Rebid of remaining 5.2 acres for residential development
  - 1. Bids received 3/31
- George St. Commons Affordable Housing Project
- Thackston Park Affordable Housing Project
  - 1. Procurement of PHFA LIHTC
- Central Market Renovation Project - \$2.7M
- Farmer's Market Renovation Project - \$500K
- Marketview Arts Center Project - \$2.8M
  - 1. Closure/YCP signed lease
- Pullman Apartment Building – Negotiated transfer of real estate in lieu of foreclosure on debt forgiveness
- Management of \$5M RACP Municipal Investment Grant
- YBA – Graduated over 35 students entrepreneurs

**CITY OF YORK, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
DECEMBER 31, 2012

- Blight Task Force (Mayor's Zero Tolerance for Blight Initiative) - (90) Certified (89) DOT's (33) Acquisitions (11) Demolitions (5)
- YMCA Salem Square Neighborhood Project Sale of first homes (1 newly constructed & 1 renovated unit)
- Bond Sanitation Building purchase and reposition for redevelopment on the edge of CBD
- York Habitat for Humanity – Prospect Street Build (2 RDA properties utilized) – Company Street Veterans Build (1 RDA property utilized)
- Citywide E-Newsletter distribution
- Fiscal Freedom website
- Gus's Bar Reuse Committee
  1. Procured an architect via public bid to perform an envisioning study
  2. Committee field trip to tour Harrisburg Old Uptown redevelopment project
- Revised and amended City Plan Review and Inspection process for PP&Z
- Amended Certificate of Occupancy process - Adopted 'No Change of Use, No Change of Owner' policy
- 1<sup>st</sup> Time Homebuyer Program – 12 to date
- MBE/WBE Summit
- Latino Summit
- Business Resource Manual: English & Spanish versions
- York City Living publication
- York City E-newsletter – 19 and counting
- First Boutique Week and Fashion Show

# **CITY OF YORK, PENNSYLVANIA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2012

- York City's very first booth at the YCEA Business Expo
- 210 York St. "Think Loud" Adaptive Reuse project is underway
- Ribbon Lofts – 600 S. Pine Street. market rate housing is underway
- Linden Lofts market rate residential phase I

The antiquated tax structure of Pennsylvania continues to strangle its 3<sup>rd</sup> 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? This dysfunctional system caused a combined tax rate increase of 30.25%. This is a further burden on a population that has been bearing a crushing tax burden disproportionate to other municipalities in the region.

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 2012, York City residents had a combined taxable earned income of \$299,000,000 while 38,000 commuters earned more than \$1,100,000,000 in the City and paid no earned income tax revenue to the City to 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. Even more disheartening is that from 2007-2011, earned income of City residents declined by 12.06%, while earned income of suburban residents in all contiguous municipalities rose by as much as 20%.

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, mercantile, and municipal services taxes. 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.

Ironically the financial challenges of the City grow more burdensome at the same time that many businesses in the City flourish. The non-city resident employees of these businesses flourish too: medical professionals, lawyers, bank executives, police officers, teachers, college professors, and others, deliver their earned income tax to their communities of residence, while the residents of the City pay for the public infrastructure that supports the economic activity that pays the non-residents' salaries.

# **CITY OF YORK, PENNSYLVANIA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2012

So long as Pennsylvania's structure for providing and paying for municipal services remains rooted in a colonial era governmental and tax structure, City leadership will be challenged to maintain the level of services necessary to a healthy community while City residents are crushed by a tax burden made heavy by the compulsion to pay for services provided to non-residents. Notwithstanding the obstacles, City officials will continue to strive to provide City residents with the best quality of life, safety and public amenities possible with the resources available.



**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

	Primary Government			Component Units	Total
	Governmental Activities	Business-type Activities	Total		
<b>Assets</b>					
Cash and cash equivalents	\$ 2,395,864	\$ 2,944,072	\$ 5,339,936	\$ 1,102,923	\$ 6,442,859
Receivables, net of allowance for uncollectible accounts:					
Taxes	4,695,699	-	4,695,699	-	4,695,699
Accounts	4,382,587	2,459,186	6,841,773	47,809	6,889,582
Loans	3,701,606	-	3,701,606	1,034,340	4,735,946
Interest	-	-	-	5,776	5,776
Note	-	-	-	133,208	133,208
Internal balances	(3,173,995)	3,173,995	-	-	-
Due from component unit	733,995	-	733,995	-	733,995
Due from other governments, net of allowance	2,880,793	1,939,268	4,820,061	2,015,931	6,835,992
Inventory	-	8,283	8,283	-	8,283
Prepaid expenses	28,203	35,986	64,189	1,240	65,429
Restricted assets:					
Cash and cash equivalents	921,050	11,391,342	12,312,392	1,049,941	13,362,333
Investments, at fair value	-	1,729,785	1,729,785	-	1,729,785
Lease rentals receivable	-	30,452,493	30,452,493	-	30,452,493
Capital assets, less accumulated depreciation and amortization	51,872,250	92,324,874	144,197,124	9,168,221	153,365,345
Debt issuance costs, net of accumulated amortization	380,984	805,104	1,186,088	83,854	1,269,942
Total assets	68,819,036	147,264,388	216,083,424	14,643,243	230,726,667
<b>Liabilities</b>					
Accounts payable and other current liabilities	2,995,242	735,785	3,731,027	34,336	3,765,363
Accrued liabilities	582,160	99,989	682,149	-	682,149
Due to primary government	-	-	-	733,995	733,995
Due to other governments	79,331	-	79,331	104,157	183,488
Due to City of York pension trust funds	7,098,679	-	7,098,679	-	7,098,679
Unearned revenue	3,994,763	94,700	4,089,463	674,468	4,763,931
Line of credit	-	-	-	19,169	19,169
Noncurrent liabilities:					
Due within one year	6,077,804	4,537,969	10,615,773	2,717,059	13,332,832
Due in more than one year	67,495,556	58,414,919	125,910,475	7,636,765	133,547,240
Total liabilities	88,323,535	63,883,362	152,206,897	11,919,949	164,126,846

	Primary Government			Component Units	Total
	Governmental Activities	Business-type Activities	Total		
<b>Net Position</b>					
Net investment in capital assets	27,356,555	64,751,378	92,107,933	2,108,580	94,216,513
Restricted for:					
Public works	359,759	-	359,759	-	359,759
Community development and planning	128,899	-	128,899	-	128,899
Workers' compensation	457,608	-	457,608	-	457,608
Debt service	483,552	7,652,737	8,136,289	20,001	8,156,290
Revolving loan	-	-	-	1,000,000	1,000,000
Construction	-	4,575,461	4,575,461	-	4,575,461
Unrestricted	(48,290,872)	6,401,450	(41,889,422)	(405,287)	(42,294,709)
Total net position	<u>\$ (19,504,499)</u>	<u>\$ 83,381,026</u>	<u>\$ 63,876,527</u>	<u>\$ 2,723,294</u>	<u>\$ 66,599,821</u>

See accompanying notes to basic financial statements.

# CITY OF YORK, PENNSYLVANIA

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,616,306	\$ 1,878,893	\$ 46,451	\$ 1,603,083
Sanitation	3,143,849	5,347,661	39,382	-
Public safety	28,364,190	4,636,554	493,979	243,116
Highways and streets	1,203,236	136,797	808,274	-
Public works	5,571,956	140,065	155,448	328,817
Parks and recreation	2,225,990	487,838	150,351	200,852
Community development and planning	4,677,708	1,185,148	3,502,979	-
Other departments and programs	1,675,881	106	1,205,988	-
Interest on long-term debt	3,766,163	-	-	-
Total governmental activities	54,245,279	13,813,062	6,402,852	2,375,868
Business-type activities:				
Intermunicipal sewer	6,264,826	7,328,737	-	-
Sewer	10,012,896	9,939,054	-	-
Ice rink	1,451,119	1,079,448	-	-
Other enterprise funds	159,024	156,908	63,379	-
Total business-type activities	17,887,865	18,504,147	63,379	-
Total primary government	\$ 72,133,144	\$ 32,317,209	\$ 6,466,231	\$ 2,375,868
Component units:				
Redevelopment Authority	\$ 939,688	\$ 307,529	\$ 149,596	\$ -
General Authority	1,769,657	1,727,329	-	-
Total component units	\$ 2,709,345	\$ 2,034,858	\$ 149,596	\$ -
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				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning of year, restated				
Net position - end of year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	Total
Governmental Activities	Business-type Activities	Total		
\$ (87,879)	\$ -	\$ (87,879)	\$ -	\$ (87,879)
2,243,194	-	2,243,194	-	2,243,194
(22,990,541)	-	(22,990,541)	-	(22,990,541)
(258,165)	-	(258,165)	-	(258,165)
(4,947,626)	-	(4,947,626)	-	(4,947,626)
(1,386,949)	-	(1,386,949)	-	(1,386,949)
10,419	-	10,419	-	10,419
(469,787)	-	(469,787)	-	(469,787)
(3,766,163)	-	(3,766,163)	-	(3,766,163)
(31,653,497)	-	(31,653,497)	-	(31,653,497)
-	1,063,911	1,063,911	-	1,063,911
-	(73,842)	(73,842)	-	(73,842)
-	(371,671)	(371,671)	-	(371,671)
-	61,263	61,263	-	61,263
-	679,661	679,661	-	679,661
(31,653,497)	679,661	(30,973,836)	-	(30,973,836)
-	-	-	(482,563)	(482,563)
-	-	-	(42,328)	(42,328)
-	-	-	(524,891)	(524,891)
19,913,861	-	19,913,861	-	19,913,861
1,180,182	-	1,180,182	-	1,180,182
1,778,556	-	1,778,556	-	1,778,556
2,943,774	-	2,943,774	-	2,943,774
312,176	-	312,176	-	312,176
35,252	-	35,252	-	35,252
17,130	-	17,130	-	17,130
534,397	-	534,397	-	534,397
1,938,251	-	1,938,251	-	1,938,251
-	-	-	44,721	44,721
123,098	1,374,785	1,497,883	33,163	1,531,046
1,974,751	(1,974,751)	-	-	-
30,751,428	(599,966)	30,151,462	77,884	30,229,346
(902,069)	79,695	(822,374)	(447,007)	(1,269,381)
(18,602,430)	83,301,331	64,698,901	3,170,301	67,869,202
\$ (19,504,499)	\$ 83,381,026	\$ 63,876,527	\$ 2,723,294	\$ 66,599,821

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2012**

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 789,261	\$ 789,261
Cash and cash equivalents - restricted	-	463,442	-	-	463,442
Receivables:					
Loans (less allowance for doubtful accounts of \$33,000 in the General Fund and \$1,072,477 in the Other Governmental Funds)	370,847	-	-	3,330,759	3,701,606
Taxes (less allowance for doubtful accounts of \$1,477,917 in the General Fund, \$201,593 in the Debt Service Fund, and \$122,452 in the Other Governmental Funds)	4,342,272	220,907	-	132,520	4,695,699
Accounts (less allowance for doubtful accounts of \$3,913,142 in the General Fund)	2,653,646	-	75,828	1,530,007	4,259,481
Due from other funds	341,493	-	5,657	199,202	546,352
Due from component units	733,995	-	-	-	733,995
Due from other governments	-	67,125	2,813,668	-	2,880,793
Total assets	<u>\$ 8,442,253</u>	<u>\$ 751,474</u>	<u>\$ 2,895,153</u>	<u>\$ 5,981,749</u>	<u>\$ 18,070,629</u>
<b>Liabilities and Fund Balances (Deficits)</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 1,047,178	\$ 66,329	130,651	\$ 716,356	\$ 1,960,514
Accrued wages payable	402,815	-	-	36,459	439,274
Due to other funds	6,906,971	-	62,166	2,389,115	9,358,252
Due to other governments	-	-	-	79,331	79,331
Unearned revenues	5,033,918	201,593	-	3,492,130	8,727,641
Total liabilities	<u>13,390,882</u>	<u>267,922</u>	<u>192,817</u>	<u>6,713,391</u>	<u>20,565,012</u>
Fund balances (deficits):					
Restricted for:					
Public works	-	-	-	359,759	359,759
Community development	-	-	-	128,899	128,899
Debt service	-	483,552	-	-	483,552
Capital projects	-	-	2,702,336	-	2,702,336
Unassigned	(4,948,629)	-	-	(1,220,300)	(6,168,929)
Total fund balances (deficits)	<u>(4,948,629)</u>	<u>483,552</u>	<u>2,702,336</u>	<u>(731,642)</u>	<u>(2,494,383)</u>
Total liabilities and fund balances (deficits)	<u>\$ 8,442,253</u>	<u>\$ 751,474</u>	<u>\$ 2,895,153</u>	<u>\$ 5,981,749</u>	<u>\$ 18,070,629</u>

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

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Fund balances - total governmental funds \$ (2,494,383)

Amounts reported for governmental activities in the statement of net position 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	\$ 123,773,115	
Less accumulated depreciation	<u>(71,900,865)</u>	51,872,250

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unearned in the funds.		4,732,878
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Debt issuance costs are not recorded as assets in the governmental funds; however, these items are capitalized and amortized in the government-wide financial statements.		380,984
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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	(45,487,145)	
Notes payable	(5,508,326)	
Other post-employment liability	(14,280,624)	
Loans from other governmental entities	(3,150,000)	
Capitalized lease obligation	(3,256,595)	
Compensated absences	(1,180,401)	
Accrued interest payable	<u>(128,577)</u>	(72,991,668)

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 position.

Internal service fund net position	1,954,329	
Adjustment related to enterprise funds	<u>(2,958,889)</u>	<u>(1,004,560)</u>

Net position of governmental activities		<u><u>\$ (19,504,499)</u></u>
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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, 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 22,490,390	\$ 2,098,781	\$ -	\$ 1,220,650	\$ 25,809,821
Licenses and permits	1,907,766	-	-	-	1,907,766
Fines and forfeits	1,706,138	-	-	-	1,706,138
Grants and contributions	1,585,745	1,938,251	2,371,634	5,141,535	11,037,165
Charges for services	9,280,911	-	-	677,981	9,958,892
Loan repayments	-	-	-	223,751	223,751
Interest	-	-	-	511	511
Miscellaneous	199,731	-	-	179,869	379,600
Total revenues	<u>37,170,681</u>	<u>4,037,032</u>	<u>2,371,634</u>	<u>7,444,297</u>	<u>51,023,644</u>
Expenditures:					
Current:					
General government	2,057,212	22,664	515,998	310,615	2,906,489
Sanitation	3,107,220	-	-	-	3,107,220
Public safety	26,984,324	-	-	8,397	26,992,721
Highways and streets	635,335	-	-	428,160	1,063,495
Public works	2,798,438	-	-	32,998	2,831,436
Parks and recreation	-	-	-	1,558,646	1,558,646
Community development and planning	2,174,681	-	-	2,574,884	4,749,565
Other departments and programs	203,397	-	-	1,373,226	1,576,623
Debt service:					
Principal retirements	11,095	4,315,000	472,569	332,969	5,131,633
Interest	2,355	859,144	217,954	141,205	1,220,658
Capital outlay	-	-	3,607,303	152,161	3,759,464
Total expenditures	<u>37,974,057</u>	<u>5,196,808</u>	<u>4,813,824</u>	<u>6,913,261</u>	<u>54,897,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(803,376)</u>	<u>(1,159,776)</u>	<u>(2,442,190)</u>	<u>531,036</u>	<u>(3,874,306)</u>
Other financing sources (uses):					
Transfers in	2,363,257	825,800	696,651	130,952	4,016,660
Transfers out	(1,078,567)	(623,765)	(42,330)	(297,247)	(2,041,909)
Capital lease	146,100	-	-	-	146,100
Total other financing sources (uses)	<u>1,430,790</u>	<u>202,035</u>	<u>654,321</u>	<u>(166,295)</u>	<u>2,120,851</u>
Net change in fund balances (deficits)	<u>627,414</u>	<u>(957,741)</u>	<u>(1,787,869)</u>	<u>364,741</u>	<u>(1,753,455)</u>
Fund balances (deficits) - beginning of year	<u>(5,576,043)</u>	<u>1,441,293</u>	<u>4,490,205</u>	<u>(1,096,383)</u>	<u>(740,928)</u>
Fund balances (deficits) - end of year	<u>\$ (4,948,629)</u>	<u>\$ 483,552</u>	<u>\$ 2,702,336</u>	<u>\$ (731,642)</u>	<u>\$ (2,494,383)</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, 2012**

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

Net change in fund balances (deficits) - total governmental funds		\$ (1,753,455)
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	\$ 4,064,648	
Depreciation expense	<u>(3,823,119)</u>	241,529
In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change differs by the net book value of the capital assets disposed of.		(117,594)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		344,583
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 position.		
Amortization of debt issuance costs	(19,752)	
Issuance of capital lease	(146,100)	
Principal repayments	<u>5,131,633</u>	4,965,781
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	(4,089)	
Change in accrued interest	(124,816)	
Other post-employment liability	(2,346,872)	
Amortization of bond discounts	<u>(2,368,323)</u>	(4,844,100)
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 position	809,775	
Adjustment related to enterprise funds	<u>(548,588)</u>	261,187
Change in net position of governmental activities		<u>\$ (902,069)</u>

See accompanying notes to basic financial statements.



**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**DECEMBER 31, 2012**

	Business-type Activities - Enterprise Funds					
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Funds	Total	Internal Service Fund
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 1,727,770	\$ 1,216,302	\$ -	\$ -	\$ 2,944,072	\$ 1,606,603
Receivables:						
Lease rentals, current	-	1,558,349	-	-	1,558,349	-
Accounts receivable (less allowance for doubtful accounts of \$6,201,798)	180,896	2,171,691	44,691	61,908	2,459,186	123,106
Inventory	-	-	8,283	-	8,283	-
Prepaid expenses	-	-	35,986	-	35,986	28,203
Due from other governments	1,898,227	41,041	-	-	1,939,268	-
Due from other funds	-	1,139,805	-	-	1,139,805	2,337,644
Total current assets	3,806,893	6,127,188	88,960	61,908	10,084,949	4,095,556
Restricted assets:						
Cash and cash equivalents	-	9,667,943	-	1,723,399	11,391,342	457,608
Investments	-	1,729,785	-	-	1,729,785	-
Total restricted assets	-	11,397,728	-	1,723,399	13,121,127	457,608
Noncurrent assets:						
Lease rentals receivable, long-term	-	28,894,144	-	-	28,894,144	-
Capital assets, net of accumulated depreciation	-	88,532,427	3,779,995	12,452	92,324,874	-
Debt issuance costs (net of accumulated amortization of \$194,249)	-	805,104	-	-	805,104	-
Total noncurrent assets	-	118,231,675	3,779,995	12,452	122,024,122	-
Total assets	3,806,893	135,756,591	3,868,955	1,797,759	145,230,198	4,553,164
<b>Liabilities</b>						
Current liabilities:						
Accounts payable and accrued expenses	393,199	193,197	147,671	1,718	735,785	1,034,728
Accrued wages payable	41,856	10,006	6,731	2,233	60,826	14,309
Accrued interest	-	-	39,163	-	39,163	-
Due to other funds	165,079	-	580,139	179,481	924,699	839,529
Unearned revenue	-	-	94,700	-	94,700	-
Total current liabilities	600,134	203,203	868,404	183,432	1,855,173	1,888,566
Current liabilities payable from restricted assets:						
Current portion of capitalized lease obligations	-	111,267	16,320	-	127,587	-
Current portion of bonds and notes payable	-	4,015,382	395,000	-	4,410,382	160,633
Total current liabilities payable from restricted resources	-	4,126,649	411,320	-	4,537,969	160,633
Noncurrent liabilities:						
Accrued compensated absences	81,335	30,233	-	3,962	115,530	70,424
Other post-employment liability	273,362	59,719	-	18,387	351,468	126,580
Capitalized lease obligations	-	289,250	209,676	-	498,926	-
Bonds and notes outstanding	-	53,408,995	4,040,000	-	57,448,995	352,632
Total noncurrent liabilities	354,697	53,788,197	4,249,676	22,349	58,414,919	549,636
Total liabilities	954,831	58,118,049	5,529,400	205,781	64,808,061	2,598,835
<b>Net Position</b>						
Net investment in capital assets	-	65,619,927	(881,001)	12,452	64,751,378	-
Restricted:						
Debt service	-	7,652,737	-	-	7,652,737	-
Construction	2,852,062	-	-	1,723,399	4,575,461	-
Workers' compensation	-	-	-	-	-	457,608
Unrestricted	-	4,365,878	(779,444)	(143,873)	3,442,561	1,496,721
Total net position	\$ 2,852,062	\$ 77,638,542	\$ (1,660,445)	\$ 1,591,978	\$ 80,422,137	\$ 1,954,329
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					2,958,889	
Net position of business-type activities					\$ 83,381,026	

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2012**

	Business-type Activities - Enterprise Funds					
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Funds	Total	Internal Service Fund
Operating revenues:						
Charges for services	\$ 7,282,379	\$ 9,107,307	\$ 641,410	\$ 60,349	\$ 17,091,445	\$ 13,536,367
Rental income	-	-	432,369	-	432,369	-
Revenue from other local governments	-	-	-	93,226	93,226	-
Miscellaneous income	46,358	747	5,669	3,333	56,107	-
Total operating revenues	7,328,737	9,108,054	1,079,448	156,908	17,673,147	13,536,367
Operating expenses:						
Personnel services	1,971,810	458,177	348,641	99,323	2,877,951	1,498,702
Utilities	809,717	-	175,419	-	985,136	-
Treatment costs	-	2,315,184	-	-	2,315,184	-
Contractual services	870,893	167,279	28,138	-	1,066,310	-
Professional services	144,343	171,943	57,600	8,145	382,031	457,720
Materials and supplies	411,214	56,725	184,226	14,210	666,375	128,182
Sludge	512,759	-	-	-	512,759	-
Administrative	615,237	723,016	105,125	32,503	1,475,881	325,115
Health insurance claims	-	-	-	-	-	7,991,026
Insurance premiums	-	-	24,755	-	24,755	874,683
Workers' compensation insurance	-	-	-	-	-	702,321
Depreciation	-	3,569,474	274,963	-	3,844,437	-
Miscellaneous	1,453,884	304,912	485	4,843	1,764,124	716,503
Total operating expenses	6,789,857	7,766,710	1,199,352	159,024	15,914,943	12,694,252
Operating income (loss)	538,880	1,341,344	(119,904)	(2,116)	1,758,204	842,115
Nonoperating revenue (expenses):						
Grants	-	-	-	56,667	56,667	-
Investment income	32	1,374,750	3	-	1,374,785	274
Contributions	-	-	-	6,712	6,712	-
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Interest expense	-	(2,269,743)	(251,767)	-	(2,521,510)	(32,614)
Total nonoperating revenue (expenses)	32	(63,993)	(251,764)	63,379	(252,346)	(32,340)
Change in net position before transfers	538,912	1,277,351	(371,668)	61,263	1,505,858	809,775
Transfers in	-	363,207	623,765	-	986,972	-
Transfers out	(363,207)	(2,598,516)	-	-	(2,961,723)	-
Change in net position	175,705	(957,958)	252,097	61,263	(468,893)	809,775
Net position - beginning of year	2,676,357	78,596,500	(1,912,542)	1,530,715		1,144,554
Net position - end of year	\$ 2,852,062	\$ 77,638,542	\$ (1,660,445)	\$ 1,591,978		\$ 1,954,329
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					548,588	
Change in net position of business-type activities					\$ 79,695	

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2012**

	Business-type Activities - Enterprise Funds					
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Funds	Total	Internal Service Fund
Cash flows from operating activities:						
Receipts from customers and users	\$ 7,354,759	\$ 9,361,778	\$ 1,081,981	\$ 187,529	\$ 17,986,047	\$ 13,865,251
Payments to suppliers	(4,597,125)	(3,939,409)	(863,203)	(33,449)	(9,433,186)	(11,309,938)
Payments to employees	(1,992,478)	(446,705)	(346,718)	(95,851)	(2,881,752)	(1,476,155)
Net cash provided by (used in) operating activities	765,156	4,975,664	(127,940)	58,229	5,671,109	1,079,158
Cash flows from noncapital financing activities:						
Transfers in	-	363,207	623,765	-	986,972	-
Transfers out	(363,207)	(2,598,516)	-	-	(2,961,723)	-
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Net cash provided by (used in) noncapital financing activities	(363,207)	(1,404,309)	623,765	-	(1,143,751)	-
Cash flows from capital and related financing activities:						
Capital outlays	-	(4,333,078)	(11,177)	-	(4,344,255)	-
Grants and contributions	-	-	-	6,712	6,712	-
Principal receipts on lease rentals receivable	-	2,960,570	-	-	2,960,570	-
Principal payments on bonds and notes	-	(4,013,681)	(380,000)	-	(4,393,681)	(151,144)
Principal payments on capital lease	-	(123,690)	(15,615)	-	(139,305)	-
Interest paid	-	(1,769,206)	(254,696)	-	(2,023,902)	(42,102)
Net cash provided by (used in) capital and related financing activities	-	(7,279,085)	(661,488)	6,712	(7,933,861)	(193,246)
Cash flows from investing activities:						
Sales of investment securities	-	418,104	-	-	418,104	-
Investment income	32	(126,621)	3	-	(126,586)	274
Net cash provided by investing activities	32	291,483	3	-	291,518	274
Net increase (decrease) in cash and cash equivalents	401,981	(3,416,247)	(165,660)	64,941	(3,114,985)	886,186
Cash and cash equivalents - beginning of year	1,325,789	14,300,492	165,660	1,658,458	17,450,399	1,178,025
Cash and cash equivalents - end of year	\$ 1,727,770	\$ 10,884,245	\$ -	\$ 1,723,399	\$ 14,335,414	\$ 2,064,211
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 538,880	\$ 1,341,344	\$ (119,904)	\$ (2,116)	\$ 1,758,204	\$ 842,115
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	-	3,569,474	274,963	-	3,844,437	-
Grants	-	-	-	56,667	56,667	-
(Increase) decrease in:						
Accounts receivable	73,751	155,554	(41,065)	(26,046)	162,194	328,884
Inventory	-	-	(387)	-	(387)	-
Prepaid expenses	-	-	(16,653)	-	(16,653)	(4,758)
Due from other governments	(951,676)	98,170	-	-	(853,506)	-
Due from other funds	903,947	442,063	-	-	1,346,010	(240,171)
Increase (decrease) in:						
Accounts payable and accrued expenses	55,843	261,534	20,299	(2,591)	335,085	113,493
Accrued wages payable	3,621	1,951	1,923	399	7,894	2,536
Other post-employment liability	41,439	10,419	-	2,694	54,552	16,966
Accrued compensated absences	(65,728)	(898)	-	379	(66,247)	3,045
Unearned revenue	-	-	43,598	-	43,598	-
Due to other funds	165,079	(903,947)	(290,714)	28,843	(1,000,739)	17,048
Net cash provided by (used in) operating activities	\$ 765,156	\$ 4,975,664	\$ (127,940)	\$ 58,229	\$ 5,671,109	\$ 1,079,158

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2012**

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	Pension Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 649,674
Investments, at fair value	83,505,177	-
Due from City of York	7,098,679	-
Total assets	90,603,856	649,674
<b>Liabilities</b>		
Accounts payable and accrued expenses	-	649,674
Total liabilities	-	\$ 649,674
<b>Net Position</b>		
Restricted for pension benefits	\$ 90,603,856	

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUNDS****YEAR ENDED DECEMBER 31, 2012**

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## Additions:

## Contributions

Employee contributions \$ 662,211

Employer contributions 6,028,300Total contributions 6,690,511

## Investment income:

Interest and dividend income 1,584,576

Net appreciation of investments 8,287,985

9,872,561

## Less investment expense

(335,871)Net investment income 9,536,690Total additions 16,227,201

## Deductions:

Benefit payments 7,032,495Total deductions 7,032,495

## Change in net position

9,194,706

Net position restricted for pension benefits,  
beginning of year81,409,150Net position restricted for pension benefits,  
end of year\$ 90,603,856

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF NET POSITION - COMPONENT UNITS**  
**DECEMBER 31, 2012**

	Redevelopment Authority	General Authority	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,044,086	\$ 58,837	\$ 1,102,923
Loans receivable, net of allowance	1,034,340	-	1,034,340
Note receivable	-	133,208	133,208
Due from other governments (net of allowance of \$644,643 and zero)	1,732,931	283,000	2,015,931
Restricted cash and cash equivalents	-	1,049,941	1,049,941
Accounts receivable	43,025	4,784	47,809
Accrued interest	-	5,776	5,776
Prepaid expenses	1,240	-	1,240
Total current assets	3,855,622	1,535,546	5,391,168
Noncurrent assets:			
Capital assets (net of accumulated depreciation of \$1,410,030 and \$7,854,174)	2,115,035	7,053,186	9,168,221
Financing costs (net of accumulated amortization of \$45,391 and \$496,568)	58,122	25,732	83,854
Total noncurrent assets	2,173,157	7,078,918	9,252,075
Total assets	6,028,779	8,614,464	14,643,243
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	13,049	21,287	34,336
Due to primary government	2,000	731,995	733,995
Due to other governments	104,157	-	104,157
Unearned revenues	42,000	632,468	674,468
Line of credit	19,169	-	19,169
Current portion of loan payable	2,450,000	-	2,450,000
Current portion of bonds payable	120,000	-	120,000
Current portion of note payable	-	147,059	147,059
Total current liabilities	2,750,375	1,532,809	4,283,184
Noncurrent liabilities:			
Bonds payable	2,725,000	-	2,725,000
Note payable	500,000	4,411,765	4,911,765
Total noncurrent liabilities	3,225,000	4,411,765	7,636,765
Total liabilities	5,975,375	5,944,574	11,919,949
<b>Net Position</b>			
Net investment in capital assets	(671,843)	2,780,423	2,108,580
Restricted:			
Debt service	20,001	-	20,001
Revolving loan	1,000,000	-	1,000,000
Unrestricted	(294,754)	(110,533)	(405,287)
Total net position	\$ 53,404	\$ 2,669,890	\$ 2,723,294

See accompanying notes to basic financial statements.

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - COMPONENT UNITS**  
**YEAR ENDED DECEMBER 31, 2012**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Redevelopment Authority	General Authority	Total
Redevelopment Authority	\$ 939,688	\$ 307,529	\$ 149,596	\$ (482,563)	\$ -	\$ (482,563)
General Authority	1,769,657	1,727,329	-	-	(42,328)	(42,328)
Total component units	<u>\$ 2,709,345</u>	<u>\$ 2,034,858</u>	<u>\$ 149,596</u>	<u>(482,563)</u>	<u>(42,328)</u>	<u>(524,891)</u>
General revenues:						
Miscellaneous revenue				44,721	-	44,721
Unrestricted investment earnings				30,334	2,829	33,163
Total general revenues				<u>75,055</u>	<u>2,829</u>	<u>77,884</u>
Change in net position				(407,508)	(39,499)	(447,007)
Net position - beginning of year, restated				460,912	2,709,389	3,170,301
Net position - end of year				<u>\$ 53,404</u>	<u>\$ 2,669,890</u>	<u>\$ 2,723,294</u>

See accompanying notes to basic financial statements.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### 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.

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



# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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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's) operations and so data from these units are combined with data of the City. The component unit which meets these 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 these 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 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.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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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 whom 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*

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 position 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 are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges to external parties for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### *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, employer pension contributions, and other post-employment benefits are reported to the extent that they mature each period.

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

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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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 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.

*Capital Projects Fund* – The Capital Projects Fund is used to account for the proceeds of debt issuances restricted for the acquisition and construction of capital facilities and other capital assets (excluding capital related costs financed by proprietary and fiduciary funds).

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 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* – Account 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* – Account 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.

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

# **CITY OF YORK, PENNSYLVANIA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

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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 Sewer Transportation Fund, which is included in other enterprise funds, that are surcharges imposed on municipalities connected to the City's system are restricted for future upgrades to the system.

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.

### ***Investments***

Investments are stated at fair value.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### *Allowance for Doubtful Accounts*

The City's policy is to provide an allowance for loans, taxes, and accounts receivable based on past collection experience. The Redevelopment Authority has estimated the allowance for uncollectible amounts based upon currently known facts and circumstances.

### *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 cost of more than \$5,000, individually or in the aggregate, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend lives are not capitalized.

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

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

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

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# **CITY OF YORK, PENNSYLVANIA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

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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.

### ***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, 2012 was \$725,276.

### ***Vested Compensated Absences***

Vested compensated absences represent vested portions of accumulated unpaid vacation, sick pay, and other employee benefit amounts. It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, sick pay, and other employee benefit amounts, which will be paid to employees upon separation from City service. All compensated absences are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### ***Long-term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as debt issuance costs, are amortized over the life of the related obligation using the effective interest method. Debt is reported net of the applicable bond premium or discount. Debt issuance costs are reported as assets 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 debt 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. Debt issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### ***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 Position***

In the government-wide financial statements, net position is classified in the following categories:

***Net Investment in Capital Assets*** – This category groups all capital assets, including infrastructure, into one component of net position. 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 Position*** – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

***Unrestricted Net Position*** – This category represents the net position of the City, which is not restricted for any project or other purpose.

In the fund financial statements, governmental funds report fund balance in categories based on the level of constraint placed upon the funds. These levels are as follows:

***Restricted Fund Balance*** – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties.

***Unassigned Fund Balance*** – This category represents all other funds not otherwise defined.

The City's policy is to use funds in the order of the most restrictive to the least restrictive.



# **CITY OF YORK, PENNSYLVANIA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

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### ***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 position. The amount of nonrecourse debt issues for the Redevelopment Authority is unavailable at December 31, 2012. The amount of nonrecourse debt issues for the General Authority is \$11,800,000 at December 31, 2012.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### ***Pending Pronouncements***

Governmental Accounting Standards Board (GASB) Statement No. 61, "*The Financial Reporting Entity*." The objective of this Statement is to have financial reporting entity financial statements be more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This Statement will become effective for the City's calendar year 2013.

GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*." Statement No. 65 reclassifies certain items currently being reported as assets and liabilities as deferred

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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outflows of resources and deferred inflows of resources. This Statement will become effective for the City's calendar year 2013.

In June of 2012, the GASB issued Statements No. 67 and 68, "*Financial Reporting for Pension Plans*" and "*Accounting and Financial Reporting for Pensions*." In addition, in November of 2013, the GASB issued Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*." These Statements revise and establish reporting requirements for most governments that provide their employees with pension benefits. The provisions of GASB Statement 67 are effective for the City's December 31, 2014 financial statements, and GASB Statements 68 and 71 are effective for the City's December 31, 2015 financial statements.

GASB Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*." Statement No. 70 improves accounting and financial reporting by governments that extend and receive nonexchange financial guarantees. This Statement will become effective for the City's calendar year 2014.

The effect of implementation of these Statements has not yet been determined.

## **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.

# **CITY OF YORK, PENNSYLVANIA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

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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.
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, 2002, and 2011 Debt Service Funds.
4. Capital Projects Fund.
5. All proprietary funds.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### 3. FUND DEFICITS/DEFICIT NET POSITION

As of December 31, 2012, six funds each had a deficit fund balance or net position. 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, 2012, is \$4,948,629. As a result of stagnant revenues due to the antiquated tax structure, national economic recession, unearned 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 include rate increases for taxes, fees and fines, workforce reduction, and workforce consolidation. In the short-term, the City has closely monitored cash flow projections, operational expenditures, and is allowing the work force to shrink through attrition. For 2011, the City raised tax rates by more than 11% and raised sewer rates by a similar proportion. The real estate tax rate for 2012 was raised by 17.2%. The City has undertaken three studies of General Fund Departments: A regional study of the Police Department is underway and studies of the Fire Department and the non-Police General Fund Departments have been completed. The Fire Department Study was completed by Public Safety Solutions, Inc. As a result of that study, the City has reduced overtime expenditures, closed a fire station, and taken a piece of apparatus out of service. The City is also undertaking a study to find a more efficient method of enforcing tenant occupied structure licensing. The City commissioned a study by Public Financial Management in 2010. The study was completed and delivered to the City in mid-October 2011. The City reviewed the study and has implemented many of the recommendations including raising the parking tax rate to 15% and implementing admissions tax enforcement.

**Recreation Fund** - The fund deficit, which is included in other governmental funds at December 31, 2012, of \$671,476, is financed by loans from the General Fund as a result of revenue falling short of the budget. The City adopted a .25 mill tax increase in 2011 and has dedicated the revenue from that levy to reduce the deficit in the Recreation Fund.

**State Liquid Fuels Tax Fund** - The fund deficit, which is included in other governmental funds at December 31, 2012, of \$67,639, is financed by loans from the General Fund as a result of revenue falling short of the budget. This deficit will be eliminated by expending less from that fund than the revenue that is received in subsequent years.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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***State Grant Health Funds*** - The fund deficit, which is included in other governmental funds at December 31, 2012, of \$481,185, is financed by loans from the General Fund as a result of revenue falling short of the budget. The budget was based on state communications about the amount of the grant to be received, but the actual received was less than the original communication. The deficit will be eliminated by expending less than the revenue received in that fund in future budgets.

***Ice Rink Fund*** - The fund deficit, at December 31, 2012, of \$1,660,445, is a result of assuming the capital assets and debt of the York Recreation Corporation and continuing losses. Although the ice rink has generated adequate revenue to pay the operating expenses and to make a contribution to the debt service, it has not generated adequate revenue to cover the full debt service. To assist in reducing the deficit, the City has hired a private company with expertise in operating public ice skating rinks nationally.

***White Rose Cable TV Fund*** - The fund deficit, which is included in other enterprise funds at December 31, 2012, of \$177,779, is financed by loans from the General Fund as a result of revenue falling short of budget. Efforts are underway to establish an independent funding source for this fund. In 2011, a single benefactor donated \$48,000 to keep the White Rose Cable TV on the air. When an independent source of funding is established, the deficit will be eliminated.

During 2012, the City overspent available cash in several of its funds, resulting in large cash deficits. Some of these overdrafts have been carried from prior years. The City's Internal Services Fund and Sewer Fund had sufficient funds to cover the cash overdrafts.

### ***Early Intervention Program***

In 2005, the City participated in the Commonwealth of Pennsylvania's (Commonwealth) Early Intervention Program (EIP). The EIP was established by the Commonwealth, 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 projected that if no changes were made, by 2010 the City would be confronted by annual budget deficits in excess of \$4.9 million. The report includes a list of options to increase revenue and decrease the rate of growth in expenses. If all of the options listed were implemented and the projections included in the report were realized, the annual budgetary deficits would be tenuously balanced through 2009 and would fall out of balance again in 2010.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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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. Moreover, the recession has aggravated the deficits.

The City received a grant from DCED in 2010 to update the EIP report. The City is partnered with the York County Community Foundation 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 retained Public Safety Solutions, Inc. for a comprehensive study of the Department of Fire-Rescue Services. The City retained Public Financial Management (PFM) to study and report on all other aspects of the City government.

The Fire Department Study was delivered in the beginning of 2011. As a result of that study, the City closed a station and took a piece of apparatus out of service. It is projected that this will save over \$400,000 dollars in overtime expense. The PFM report was delivered in mid-October 2011 and the recommendations therein are under consideration. The Police Study is not anticipated to be complete until the first half of 2012. The study was to focus on opportunities for the creation of a metro York police department and potential improvements and opportunities for cooperation amongst various departments in the region. The police department command staff is studying the recommendations for departmental efficiencies. York Counts, a grassroots strategic planning organization managed by the York Community Foundation, has taken on the responsibility to promote regionalization of the metro York area police departments. York Counts funded the local match for the police study.

#### 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 20.37 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 2012 was as follows:

February 15, 2012	—	levy date
February 15 – April 16, 2012	—	2% discount period
April 17 – June 15, 2012	—	face payment period
June 16 – December 31, 2012	—	10% penalty period
January 1, 2013	—	lien date

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

### 5. DEPOSITS AND INVESTMENTS

The deposit and investment policy of the City adheres to the Pennsylvania Third Class City Code and prudent business practices. City deposits must be held in insured, federally regulated banks or financial institutions and must be fully collateralized in accordance with state statutes. Except for investments in the pension trust funds, permissible investments include direct obligations of the U.S. Treasury and U.S. Government agencies; certificates of deposit issued by insured banks, bank and trust companies, and savings and loan associations; repurchase agreements with maturities not to exceed 30 days, secured by U.S. Government obligations with collateral to be delivered to a third-party custodian; shares of registered investment companies whose portfolios consist solely of government securities; general obligation bonds of any state, Pennsylvania subdivisions, or any of its agencies or instrumentalities backed by the full faith and credit of the issuing entity and having the highest rating of a recognized bond rating agency; and pooled funds of public agencies of the Commonwealth. The types of 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, 2012, the City's book balance was \$8,236,683 and the bank balance was \$8,679,751. Of the bank balance, \$609,680 was covered by federal depository insurance, \$8,009,839 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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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 and \$60,232 was uncollateralized.

Cash and cash equivalents per financial statement:

Governmental activities:

Unrestricted	\$ 2,395,864
Restricted	921,050

Business-type activities:

Unrestricted	2,944,072
Restricted	11,391,342

Fiduciary funds:

Agency funds	649,674
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18,302,002

Less money market funds

(10,065,319)

Total deposits

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\$ 8,236,683

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# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### ***B. Investments***

The fair value of the investments of the City at December 31, 2012 was as follows:

	Fair Value
Governmental activities:	
Restricted - Money market funds	\$ 397,376
Total governmental activities	<u>397,376</u>
Business-type activities:	
Restricted:	
Money market funds	9,667,943
U.S. Government obligations	<u>1,729,785</u>
Total business-type activities	<u>11,397,728</u>
Fiduciary funds:	
Pension trust funds:	
Fixed income mutual funds	22,754,385
Collective investment trusts	6,146,053
Equity mutual funds	50,657,686
Common stock	<u>3,947,053</u>
Total fiduciary funds	<u>83,505,177</u>
Total investments	<u><u>\$ 95,300,281</u></u>

In addition, at December 31, 2012, the City had \$105,000 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 and U.S. Treasury principal-only STRIPS. These particular STRIPS have little credit and legal risk while the market risk is significant as principal-only STRIPS are more sensitive to fluctuations in interest rates than other traditional investments. The carrying

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

amount of these STRIPS at December 31, 2012 was \$1,729,782 and is reported as part of restricted investments on the statement of net position.

**Concentration of credit risk.** The City places no limit on the amount the City may invest in any one issuer. At December 31, 2012, 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, 2012:

	Fair Value	Rating
Money market funds	\$ 10,170,319	AAA
Fixed income mutual funds	12,201,652	AAA
Fixed income mutual funds	252,605	A1
Fixed income mutual funds	5,167,228	AA
Fixed income mutual funds	5,132,900	A
Collective investment trusts	6,146,053	Unrated

**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		
		2013	2014-2018	2019-2023
Money market funds	\$ 10,170,319	\$ 10,170,319	\$ -	\$ -
U.S. Government obligations	1,729,785	435,594	1,294,191	-
Fixed income mutual funds	22,754,385	252,605	7,221,453	15,280,327
	<u>\$ 34,654,489</u>	<u>\$ 10,858,518</u>	<u>\$ 8,515,644</u>	<u>\$ 15,280,327</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.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### 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, 2012, the General Authority's book balance was \$87,083 and the bank balance was \$153,095. The full bank balance was covered by federal depository insurance.

### Investments

At December 31, 2012, the fair value of the General Authority's investment in money market funds was \$1,021,695.

*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, 2012, the money market funds were rated AAA by Standard & Poor's.

*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, 2012, the Redevelopment Authority's book and bank balances were \$1,024,085. A total of \$801,741 of the bank balance was covered by federal depository insurance at December 31, 2012, and the remaining \$222,344 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.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### Investments

At December 31, 2012, the fair value of the Redevelopment Authority's investment in money market funds was \$20,001.

*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, 2012, the money market funds were rated AAAm 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.

## 6. DUE FROM OTHER GOVERNMENTS – COMPONENT UNITS

Due from other governments in the amount of \$2,015,931 is composed of the following:

County of York	\$ 283,000
Redevelopment Assistance Capital Program – Renovation and Construction of Northwest Triangle Project – Commonwealth of Pennsylvania, net of allowance of \$644,643	<u>1,732,931</u>
Total Due from Other Governments	<u>\$ 2,015,931</u>

Grants received are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. The Redevelopment Authority has used its best estimate to report an allowance based on currently known facts and circumstances.

### ***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.

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# **CITY OF YORK, PENNSYLVANIA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

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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.

The grant receivable currently recorded at December 31, 2012, in the net amount of \$1,732,931, 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 will secure the local match fund commitments required to meet the conditions of the grant. The City and the Redevelopment Authority currently have a planned local match of \$7,650,000.

At December 31, 2012, an allowance in the amount of \$644,643 was established for costs incurred under the RACP project, but not yet recognized as reimbursable by the Commonwealth of Pennsylvania. Total amounts received under the RACP grant during the year ended December 31, 2012 amounted to \$1,046,561.

Reimbursements under the grant are based upon the satisfaction of various special conditions of the grant and the Commonwealth's approval of the reimbursement requests.

Grants received or amounts expected to be received are subject to audit and adjustment by the Commonwealth. 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 cannot be determined at this time. However, the Redevelopment Authority has used its best estimate to report an allowance based on currently known facts and circumstances.

The Redevelopment Authority has incurred costs on behalf of this project and utilized a non-revolving line of credit to fund the costs. During the year ended December 31, 2012, this line of credit was paid in full with loan proceeds borrowed in the form of a non-revolving time loan, which has a balance of \$2,450,000 as of December 31, 2012. It is the Redevelopment Authority's intention to use future reimbursements from the RACP grant to pay the outstanding balance on the loan.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### 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 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 unearned revenue in the fund financial statements as of December 31, 2012.

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 unearned revenue in the fund financial statements as of December 31, 2012.

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 unearned revenue in the fund financial statements as of December 31, 2012.

# **CITY OF YORK, PENNSYLVANIA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

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### ***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, 2012, 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 \$317,127 is recorded within the Section 108 Fund, net of an allowance of \$107,368. The entire loan balance has been recorded as unearned revenue in the fund financial statement as of December 31, 2012.

### ***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, 2012.

### ***George Street Commons Loan***

In April of 2012, the City entered into a loan agreement with a Pennsylvania limited partnership in which the City has agreed to lend \$750,000 of funds from the Home Program for the purpose of the construction of 28 town homes. The loan is secured by a mortgage, with interest charged at 2% per annum. The full amount of the loan plus accrued interest is due April 2, 2042. The loan receivable, in the amount of \$637,500, net of an allowance of \$112,500, is recorded within the Home Fund and the entire loan balance has been recorded as unearned revenue in the fund financial statements as of December 31, 2012.

### ***Homes at Thackston Park Loan***

In September of 2012, the City entered into a loan agreement with a Pennsylvania limited partnership in which the City has agreed to loan a maximum of \$750,000 of funds from the

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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Home Fund for the purpose of the construction of 39 town homes. The loan is secured by a mortgage, with interest charged at 1% per annum. The full amount of the loan plus accrued interest is due September 24, 2042. As of December 31, 2012, a total amount of \$275,500 has been advanced on this loan. The loan receivable, in the amount of \$234,175, net of an allowance of \$41,325, is recorded within the Home Fund and the entire loan balance has been recorded as unearned revenue in the fund financial statements as of December 31, 2012.

### Component Units

#### *Redevelopment Authority*

Loans receivable in the amount of \$1,034,340 at December 31, 2012 are composed of:

The following loans were made utilizing funds received from the Commonwealth of Pennsylvania Department of Community and Economic Development (DCED) for Housing and Redevelopment and Assistance program (HRA):

HRA 2009 loan bearing interest at 5% per annum with interest only paid annually until maturity date in 2018, at which time the entire \$500,000 is due	\$ 500,000
HRA 2010 loan bearing interest at rates varying from 1% to 3% per annum paid annually until maturity date in 2020, at which time the entire \$500,000 is due	500,000
Multiple revolving loans made under a United States Department of Agriculture grant program with varying terms	<u>34,340</u>
Total loans receivable	<u>\$ 1,034,340</u>

## **8. NOTE RECEIVABLE**

The General Authority entered into a Note Receivable Agreement (Note) with a long-term tenant of the King Street Garage, whereby, the tenant will reimburse the General Authority for the cost associated with a renovation project. Under the Note, the tenant will pay the General Authority \$2,741 per month including interest at 3.75% and principal, commencing on July 1, 2012 and monthly thereafter until June 1, 2017. A corresponding unearned revenue has been recorded for the amount of the Note, which will be amortized over the life of the renovations as payments are received. For the year ended December 31, 2012, a total of \$16,537 was recognized as revenue under terms of this agreement.



# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

### 9. DUE TO/FROM AND INTERFUND TRANSFERS

Individual due to/from other fund balances at December 31, 2012 were as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 341,493	\$ 6,906,971
Capital Projects Fund	5,657	62,166
Other governmental funds	199,202	2,389,115
Intermunicipal Sewer Fund	-	165,079
Sewer Fund	1,139,805	-
Ice Rink Fund	-	580,139
Other enterprise funds	-	179,481
Internal Service Fund	2,337,644	839,529
Pension Trust Funds	7,098,679	-
Total primary government	<u>\$ 11,122,480</u>	<u>\$ 11,122,480</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 2011 and 2012 minimum municipal obligation plus accrued interest.

A reconciliation of the interfund transfers for the year ended December 31, 2012 is as follows:

	Transfers In	Transfers Out
General Fund	\$ 2,363,257	\$ 1,078,567
Debt Service Fund	825,800	623,765
Capital Projects Fund	696,651	42,330
Other governmental funds	130,952	297,247
Intermunicipal Sewer Fund	-	363,207
Sewer Fund	363,207	2,598,516
Ice Rink Fund	623,765	-
Total primary government	<u>\$ 5,003,632</u>	<u>\$ 5,003,632</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.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

### 10. 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 2008, Series of 2010, Series 2010A, and Series 2011, and pay a service charge based on usage for the express purpose of maintenance, repair, and replacement of the existing interceptor system. This service charge is accounted for in the Sewer Fund.

Minimum lease rentals receivable as of December 31, 2012 are:

<u>Years Ending December 31,</u>	<u>Amount</u>
2013	\$ 2,960,685
2014	3,003,627
2015	3,023,626
2016	3,021,339
2017	2,865,571
2018	2,867,444
2019	2,627,010
2020	855,053
2021	826,907
2022	2,202,000
2023	5,006,894
2024	5,010,874
2025	3,823,600
2026	2,796,122
2027	<u>1,227,533</u>
Total minimum lease rentals receivable	42,118,285
Less amount representing interest (at an average rate of 3.2%)	<u>(11,665,792)</u>
Present value of minimum lease rentals receivable	30,452,493
Less current installments of lease rentals	<u>(1,558,349)</u>
Lease rentals, excluding current installments	<u>\$ 28,894,144</u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

### 11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

#### *Primary Government*

	<u>Beginning of Year</u>	<u>Additions/ Transfers In</u>	<u>Retirements and Dispositions/ Transfers Out</u>	<u>End of Year</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 6,035,381	\$ -	\$ (108,224)	\$ 5,927,157
Construction in progress	<u>1,706,014</u>	<u>2,478,008</u>	<u>(1,138,879)</u>	<u>3,045,143</u>
Total capital assets, not being depreciated	<u>7,741,395</u>	<u>2,478,008</u>	<u>(1,247,103)</u>	<u>8,972,300</u>
Capital assets, being depreciated:				
Buildings	12,071,961	1,120,204	-	13,192,165
Land improvements	4,630,708	309,592	-	4,940,300
Equipment and furniture	18,790,342	1,020,364	(173,944)	19,636,762
Infrastructure	<u>76,756,229</u>	<u>275,359</u>	<u>-</u>	<u>77,031,588</u>
Total capital assets, being depreciated	<u>112,249,240</u>	<u>2,725,519</u>	<u>(173,944)</u>	<u>114,800,815</u>
Less accumulated depreciation for:				
Buildings	(4,059,078)	(262,812)	-	(4,321,890)
Land improvements	(2,601,101)	(166,231)	-	(2,767,332)
Equipment and furniture	(13,255,320)	(982,255)	164,574	(14,073,001)
Infrastructure	<u>(48,326,821)</u>	<u>(2,411,821)</u>	<u>-</u>	<u>(50,738,642)</u>
Total accumulated depreciation	<u>(68,242,320)</u>	<u>(3,823,119)</u>	<u>164,574</u>	<u>(71,900,865)</u>
Total capital assets, being depreciated, net	<u>44,006,920</u>	<u>(1,097,600)</u>	<u>(9,370)</u>	<u>42,899,950</u>
Governmental activities capital assets, net	<u>\$51,748,315</u>	<u>\$ 1,380,408</u>	<u>\$ (1,256,473)</u>	<u>\$51,872,250</u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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	Beginning of Year	Additions	Retirements and Dispositions	End of Year
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 17,445	\$ -	\$ -	\$ 17,445
Construction in progress	17,276,435	2,579,229	-	19,855,664
Total capital assets, not being depreciated	17,293,880	2,579,229	-	19,873,109
Capital assets, being depreciated:				
Buildings	112,405,202	158,900	-	112,564,102
Land improvements	22,145	-	-	22,145
Equipment and furniture	4,279,794	175,825	-	4,455,619
Infrastructure	17,781,064	8,970	-	17,790,034
Total capital assets being depreciated	134,488,205	343,695	-	134,831,900
Less accumulated depreciation for:				
Buildings	(46,884,214)	(3,260,944)	-	(50,145,158)
Land improvements	(9,207)	(1,107)	-	(10,314)
Equipment and furniture	(2,741,932)	(303,789)	-	(3,045,721)
Infrastructure	(8,900,345)	(278,597)	-	(9,178,942)
Total accumulated depreciation	(58,535,698)	(3,844,437)	-	(62,380,135)
Total capital assets, being depreciated, net	75,952,507	(3,500,742)	-	72,451,765
Business-type activities capital assets, net	<u>\$93,246,387</u>	<u>\$ (921,513)</u>	<u>\$ -</u>	<u>\$92,324,874</u>

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# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 41,172
Sanitation	24,671
Public safety	642,141
Highways and streets	142,208
Public works	2,620,278
Parks and recreation	260,224
Community development and planning	64,831
Other departments and programs	<u>13,037</u>

Total depreciation expense – governmental activities	3,808,562
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Internal services fund depreciation expense allocated to governmental activities	<u>14,557</u>
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Total depreciation expense for governmental activities	<u><u>\$ 3,823,119</u></u>
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Business-type activities:

Sewer	\$ 3,569,474
Ice rink	<u>274,963</u>

Total depreciation and amortization expenses – enterprise funds	<u><u>\$ 3,844,437</u></u>
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# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

### *Component Units*

	Beginning of Year	Additions/ Transfers In	Retirements and Distributions/ Transfers Out	End of Year
Redevelopment Authority:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,525,065	\$ -	\$ -	\$ 3,525,065
Less accumulated depreciation	(1,269,027)	(141,003)	-	(1,410,030)
Redevelopment Authority:				
Capital assets, net	<u>\$ 2,256,038</u>	<u>\$ (141,003)</u>	<u>\$ -</u>	<u>\$ 2,115,035</u>
General Authority:				
Capital assets, not being depreciated				
Construction in progress	\$ 1,205,485	\$ -	\$ (1,205,485)	\$ -
Total capital assets, not being depreciated	<u>1,205,485</u>	<u>-</u>	<u>(1,205,485)</u>	<u>-</u>
Capital assets, being depreciated:				
Buildings and improvements	13,608,029	1,299,331	-	14,907,360
Less accumulated depreciation	(7,445,335)	(408,839)	-	(7,854,174)
Total capital assets, being depreciated, net	<u>6,162,694</u>	<u>890,492</u>	<u>-</u>	<u>7,053,186</u>
General Authority:				
Capital assets, net	<u>\$ 7,368,179</u>	<u>\$ 890,492</u>	<u>\$ (1,205,485)</u>	<u>\$ 7,053,186</u>

## 12. TAX ANTICIPATION NOTE OF 2012

In January of 2012, the City borrowed \$9,480,000 in the form of a Tax and Revenue Anticipation Note, Series of 2012, bearing interest at a fixed rate of 4.81% per annum, to cover the shortfall of revenues in excess of expenditures from January 1 through mid-April, when real estate tax revenues become available. Total interest paid during the year was \$221,661. The entire balance of the note was paid in full by the City during the year ended December 31, 2012.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Tax anticipation note transactions for the year ended December 31, 2012 were as follows:

Outstanding at December 31, 2011	\$ -
New borrowings	9,480,000
Repayments	<u>(9,480,000)</u>
Outstanding at December 31, 2012	<u>\$ -</u>

### 13. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2012 was as follows:

#### *Primary Government*

Governmental Activities:	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Loans from other governmental entities	\$ 3,390,000	\$ -	\$ -	\$ (240,000)	\$ 3,150,000	\$ 240,000
General Obligation Notes	7,217,286	-	255,449	(1,451,144)	6,021,591	1,145,633
General Obligation Bonds	46,389,271	-	2,112,874	(3,015,000)	45,487,145	4,185,550
Capitalized lease obligation	3,687,128	146,100	-	(576,633)	3,256,595	506,621
Vested compensated absences	1,243,691	7,134	-	-	1,250,825	-
Other post-employment liability	12,043,366	5,024,397	-	(2,660,559)	14,407,204	-
	<u>\$ 73,970,742</u>	<u>\$ 5,177,631</u>	<u>\$ 2,368,323</u>	<u>\$ (7,943,336)</u>	<u>\$ 73,573,360</u>	<u>\$ 6,077,804</u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Business-type Activities:	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Sewer Revenue						
Bonds	\$ 60,664,600	\$ -	\$ 1,108,324	\$ (4,013,681)	\$ 57,759,243	\$ 4,015,382
Unamortized discount	(371,004)	-	-	36,138	(334,866)	-
Recreation						
Revenue Bonds	4,815,000	-	-	(380,000)	4,435,000	395,000
Capitalized lease obligations	765,818	-	-	(139,305)	626,513	127,587
Vested compensated absences	181,777	-	-	(66,247)	115,530	-
Other post-employment liability	296,916	115,952	-	(61,400)	351,468	-
	<u>\$ 66,353,107</u>	<u>\$ 115,952</u>	<u>\$ 1,108,324</u>	<u>\$ (4,624,495)</u>	<u>\$ 62,952,888</u>	<u>\$ 4,537,969</u>

### Component Units

	Beginning of Year	Additions	Retirements	End of Year	Current Portion
Redevelopment Authority:					
Revenue bonds	\$ 2,960,000	\$ -	\$ (115,000)	\$ 2,845,000	\$ 120,000
Promissory note	\$ -	\$ 500,000	\$ -	\$ 500,000	\$ -
Non-revolving RACP loan	\$ -	\$ 2,450,000	\$ -	\$ 2,450,000	\$ 2,450,000
General Authority:					
Notes payable	\$ 5,000,000	\$ -	\$ (441,176)	\$ 4,558,824	\$ 147,059

### 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, 2012, was \$900,000. In December 2013, the City refinanced



# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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the remaining balance of this fixed interest rate loan to a variable interest rate based on the LIBOR rate plus 0.20%. The loan matures on August 1, 2020.

In 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 were 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 balance due, as of December 31, 2012, was \$2,250,000.

The annual principal and interest requirements for amounts due from the City under loans from other governmental entities as of December 31, 2012 are as follows:

Years Ending December 31,	Principal	Interest
2013	\$ 240,000	\$ 126,442
2014	240,000	119,276
2015	240,000	111,326
2016	240,000	102,686
2017	240,000	93,292
2018-2022	1,104,000	305,688
2023-2027	705,000	118,962
2028	141,000	6,135
	<u>\$ 3,150,000</u>	<u>\$ 983,807</u>

### ***General Obligation Notes***

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

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

General obligation notes payable at December 31, 2012 is comprised of:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
General Obligation Refunding Notes, Series D of 1998	\$ 7,634,459	Through 2023	0.00%	\$ 7,195,000
General Obligation Notes, Series of 2002	5,285,000	Through 2013	3.00% - 3.80%	620,000
General Obligation Notes, Series of 2006	1,337,500	Through 2015	6.25%	513,265
General Obligation Notes at December 31, 2012				8,328,265
Less unamortized discount on zero coupon notes				(2,306,674)
General Obligation Notes, net of discount, at December 31, 2012				<u>\$ 6,021,591</u>

The annual principal and interest requirements for amounts due from the City under general obligation notes at December 31, 2012 are as follows:

Years Ending December 31,	Principal	Interest
2013	\$ 1,145,633	\$ 44,394
2014	1,025,901	22,346
2015	691,731	11,516
2016	360,000	-
2017	200,000	-
2018-2022	645,000	-
2023	4,260,000	-
	<u>8,328,265</u>	<u>78,256</u>
Unamortized discount	<u>(2,306,674)</u>	<u>-</u>
	<u>\$ 6,021,591</u>	<u>\$ 78,256</u>

### ***General Obligation Bonds***

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

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

The following is a summary of general obligation bond issues as of December 31, 2012:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
1995A	\$ 76,030,000	Through 2022	0.00% - 6.50%	\$ 39,940,000
1998B	4,440,000	Through 2024	0.00%	4,440,000
2011	11,265,000	Through 2041	7.25%	11,265,000
2011A	585,550	Through 2013	Variable (2.709% at December 31, 2012)	585,550
2011B	2,200,000	Through 2027	9.00%	2,200,000
General Obligation Bonds at December 31, 2012				58,430,550
Less unamortized discount on zero coupon notes				
(Series A of 1995)				(10,908,372)
(Series B of 1998)				(2,035,033)
General Obligation Bonds, net of discount, at December 31, 2012				<u>\$ 45,487,145</u>

The annual principal and interest requirements for amounts due from the City under general obligation bonds at December 31, 2012 are as follows:

Years Ending December 31,	Principal	Interest
2013	\$ 4,185,550	\$ 1,028,775
2014	3,750,000	995,200
2015	4,115,000	974,962
2016	4,285,000	953,100
2017	4,460,000	929,700
2018-2022	23,010,000	4,244,714
2023-2027	7,050,000	3,387,826
2028-2032	1,905,000	2,488,564
2033-2037	2,710,000	1,690,338
2038-2041	2,960,000	555,347
	<u>58,430,550</u>	<u>17,248,526</u>
Unamortized discount	(12,943,405)	-
	<u>\$ 45,487,145</u>	<u>\$ 17,248,526</u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### *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, 2012, the following defeased debt was outstanding:

	Escrowed as of December 31, 2012	Outstanding as of December 31, 2012
General Obligation Bonds, Series A of 1995	<u>\$ 10,422,045</u>	<u>\$ 6,364,062</u>

### *Guaranteed Sewer Revenue Bonds*

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

Guaranteed sewer revenue bonds payable at December 31, 2012 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
Guaranteed Sewer Revenue Bonds - Series of 1990	\$ 69,775,000	Through 2016	0.00%	\$ 15,490,000
Guaranteed Sewer Revenue Bonds - Series of 2008	10,000,000	Through 2022	4.04%	10,000,000
Guaranteed Sewer Revenue Bonds - Series of 2010	22,745,000	Through 2027	4.50-5.00%	22,745,000
Guaranteed Sewer Revenue Bonds - Series A of 2010	10,540,000	Through 2019	2.50-4.00%	10,540,000
Guaranteed Sewer Revenue Bonds - Series of 2011	1,500,000	Through 2021	1.00%	1,309,600
Guaranteed Sewer Revenue Bonds at December 31, 2012				60,084,600
Less unamortized discount on zero coupon bonds				(2,325,357)
Guaranteed Sewer Revenue Bonds, net of discount, at December 31, 2012				<u>\$ 57,759,243</u>

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# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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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, 2012 are as follows:

Years Ending December 31,	Principal	Interest
2013	\$ 4,015,382	\$ 1,760,075
2014	4,096,843	1,758,614
2015	4,138,318	1,754,514
2016	4,139,808	1,748,999
2017	3,611,313	1,743,894
2018-2022	10,012,936	7,513,530
2023-2027	30,070,000	3,316,325
	60,084,600	19,595,951
Unamortized discount	(2,325,357)	-
	<u>\$ 57,759,243</u>	<u>\$ 19,595,951</u>

### ***Economic Defeasance of Guaranteed Sewer Revenue Bonds***

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

### ***York City Recreation Corporation Guaranteed Revenue Bonds, Series of 2001***

The York Recreation Corporation was unable to make its required interest payment 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.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

York City Recreation Corporation Guaranteed Revenue Bonds (recreation revenue bonds) payable at December 31, 2012 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	Through 2021	4.10-5.15%	<u>\$ 4,435,000</u>

The annual principal and interest requirements for amounts due from the City under the guaranteed recreation revenue bonds at December 31, 2012 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 395,000	\$ 225,596
2014	415,000	204,803
2015	440,000	181,290
2016	465,000	156,402
2017	490,000	130,140
2018-2021	2,230,000	236,265
	<u>\$ 4,435,000</u>	<u>\$ 1,134,496</u>

### ***Capitalized Lease Obligations***

The City leases certain equipment under long-term lease agreements which are classified as capital leases. As of December 31, 2012, the governmental activities and the business-type activities include equipment and furniture under capital leases with a net book value of \$3,028,999 and \$705,689, respectively.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

The future minimum payments under capital leases and the present value of the future minimum lease payments at December 31, 2012 are as follows:

Year ending December 31,	Governmental Activities	Business-type Activities	Total
2013	\$ 644,728	\$ 150,168	\$ 794,896
2014	541,988	145,741	687,729
2015	505,364	141,568	646,932
2016	442,710	96,957	539,667
2017	429,259	26,219	455,478
2018-2022	1,204,890	131,095	1,335,985
2023	128,012	26,218	154,230
Total minimum lease payments	3,896,951	717,966	4,614,917
Less amount representing interest	(640,356)	(91,453)	(731,809)
Present value of future minimum lease payments	<u>\$ 3,256,595</u>	<u>\$ 626,513</u>	<u>\$ 3,883,108</u>

### ***Redevelopment Authority Series of 2002 Revenue Bonds***

In January of 2002, the Redevelopment Authority issued the Series of 2002 Variable Rate Demand/Fixed Rate Revenue Bonds for the amount of \$3,725,000. The Bonds were issued for the purpose of financing the Susquehanna Commerce Center Garage Project.

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 Association, Inc. The management agreement

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

term ends January 1, 2016 or such earlier time as mutually agreeable to both the Manager and the Redevelopment 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, 2012 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
2002 Revenue Bonds	\$ 3,725,000	Through 2027	Variable (0.20% at December 31, 2012)	<u>\$ 2,845,000</u>

The annual principal and interest requirements for amounts due from the Redevelopment Authority under the 2002 Revenue Bonds using the 0.20% interest rate in effect at December 31, 2012 are as follows:

Years Ending December 31,	Principal	Interest
2013	\$ 120,000	\$ 5,640
2014	130,000	5,396
2015	135,000	5,134
2016	145,000	4,860
2017	155,000	4,565
2018-2022	925,000	17,715
2023-2027	1,235,000	7,195
	<u>\$ 2,845,000</u>	<u>\$ 50,505</u>

### ***Redevelopment Authority 2012 Note and Loan Payables***

In May 2012, the Redevelopment Authority entered into a promissory note agreement whereby the Redevelopment Authority borrowed \$500,000 with interest at 5% per annum, with interest only paid annually until the maturity date in 2018, at which time the entire



# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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\$500,000 is due. The note payable is secured by a pledge of installment payments of principal and interest for which the Redevelopment Authority is owed under the 2009 HRA loan, as referenced in Note 7. \$500,000 remains outstanding as of December 31, 2012.

In October of 2012, the Redevelopment Authority borrowed \$2,450,000 in the form of a non-revolving time loan, for a period of 12 months, with the option to extend for one additional 12-month period, bearing interest at an annual rate of 3.75%, to be repaid with RACP grant funding. The loan proceeds were utilized to pay off the original non-revolving line of credit agreement entered in November 2006 to finance the Northwest Triangle Project, as indicated in Note 14. \$2,450,000 remains outstanding as of December 31, 2012 and it is the Redevelopment Authority's intention to use the future reimbursements from the RACP grant to pay the outstanding balance on the loan.

### ***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. As of December 31, 2011, the General Authority had fully drawn-down 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.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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The annual principal and interest requirements for amounts due from the General Authority under the Promissory Note using the fixed rate in effect at December 31, 2012 are as follows:

Years Ending December 31,	Principal	Interest
2013	\$ 147,059	\$ 157,890
2014	294,118	199,078
2015	294,118	185,349
2016	294,118	171,619
2017	294,118	157,890
2018-2022	1,470,590	583,505
2023-2027	1,470,590	240,267
2028	294,113	6,865
	<u>\$ 4,558,824</u>	<u>\$ 1,702,463</u>

### 14. 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% was 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. Payments received in 2012 amounted to \$1,046,561. The line of credit has paid the expenses associated with the Redevelopment Authority's RACP grant funded by the Commonwealth. During the year ended December 31, 2012, the line of credit was paid in full as indicated in Note 13.

On January 16, 2009, the Redevelopment 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. During 2011, the local bank allowed an extension of the maturity date, although no modification agreements were officially approved by the bank. 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 Growing Greener II Grant (Growing Greener), funded by the

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Commonwealth. As of December 31, 2012, there was an outstanding balance of \$19,169 on the line of credit.

The Redevelopment Authority's line of credit activity for the year ended December 31, 2012 was as follows:

	Beginning of Year	Issued	Redeemed	End of Year
RACP Line of Credit	\$ 3,424,135	\$ -	\$ (3,424,135)	\$ -
Growing Greener Line of Credit	38,577	599	(20,007)	19,169
Total	<u>\$ 3,462,712</u>	<u>\$ 599</u>	<u>\$ (3,444,142)</u>	<u>\$ 19,169</u>

### 15. 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, 2011, 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	89	111	77
Terminated employees entitled to deferred benefits	27	9	-
Active employees:			
Vested	99	54	14
Partially vested	92	45	53
Total	<u>307</u>	<u>219</u>	<u>144</u>

# **CITY OF YORK, PENNSYLVANIA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

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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 after completion of 20 years and six months of service. Paid Firefighters are eligible for normal retirement at age 50, after completion of 20 years of 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, after completion of 20 years of service if hired before January 1, 1978, or completion of 5 years of service if hired on or after January 1, 1978, or after 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, 5% of salary if hired on or after January 1, 1988, and 6% of salary if hired on or after January 1, 2007. 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 2012, state aid of \$1,938,251 was deposited into the Debt Service Fund to pay the debt service payments for the 1995 general obligation bonds issued to help fund the pension plan. Pages 78 to 80 of this report provide six-year historical trend information on the contributions to the pension plans as well as an analysis of funding progress.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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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	\$ 762,020	\$ 3,509,807	\$ 1,756,473
Contributions made by December 31, 2012	-	-	10,243
Annual pension cost due at December 31, 2012	<u>\$ 762,020</u>	<u>\$ 3,509,807</u>	<u>\$ 1,746,230</u>
Due from City of York:			
Portion of 2011 minimum municipal obligation funded subsequent to December 31, 2012	\$ -	\$ 128,712	\$ -
Portion of 2012 minimum municipal obligation funded subsequent to December 31, 2012	762,020	3,509,807	1,746,230
Accumulated interest on minimum municipal obligation funded subsequent to December 31, 2012	<u>69,259</u>	<u>737,715</u>	<u>144,936</u>
Total due from City of York as of December 31, 2012	<u>\$ 831,279</u>	<u>\$ 4,376,234</u>	<u>\$ 1,891,166</u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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	Officers and Employees Pension Plan	Police Pension Plan	Paid Firefighters Pension Plan
Actuarial valuation date	1/1/2011	1/1/2011	1/1/2011
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar closed, Level percentage of projected payroll for Initial Base 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	19 years	24 years	24 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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# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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	2012	\$ 762,020	100%	\$ -
	2011	759,447	100%	-
	2010	376,684	100%	-
Police Pension Plan	2012	\$ 3,509,807	100%	\$ -
	2011	3,384,038	100%	-
	2010	3,244,828	100%	-
Paid Firefighters Pension Plan	2012	\$ 1,756,473	100%	\$ -
	2011	1,715,778	100%	-
	2010	1,805,386	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)	Overfunded (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
<b>Officers and Employees Pension Plan:</b>						
1/1/2011	\$ 21,366,032	\$ 24,567,150	\$ (3,201,118)	87.0%	\$ 7,600,411	-42.1%
<b>Police Pension Plan:</b>						
1/1/2011	\$ 42,073,130	\$ 76,631,555	\$ (34,558,425)	54.9%	\$ 6,250,388	-552.9%
<b>Paid Firefighters Pension Plan:</b>						
1/1/2011	\$ 26,159,700	\$ 43,362,544	\$ (17,202,844)	60.3%	\$ 3,869,316	-444.6%

# **CITY OF YORK, PENNSYLVANIA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

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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 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 an amendment to



# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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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, at fair value	\$ 20,291,022	\$ 39,271,202	\$ 23,942,953
Due from City of York	<u>831,279</u>	<u>4,376,234</u>	<u>1,891,166</u>
Total assets	<u>\$ 21,122,301</u>	<u>\$ 43,647,436</u>	<u>\$ 25,834,119</u>
Net position	<u>\$ 21,122,301</u>	<u>\$ 43,647,436</u>	<u>\$ 25,834,119</u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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	Officers and Employees Pension Plan	Police Pension Plan	Paid Firefighters Pension Plan
Additions:			
Contributions:			
Employee contributions	\$ 150,814	\$ 333,355	\$ 178,042
Employer contributions	762,020	3,509,807	1,756,473
Total contributions	912,834	3,843,162	1,934,515
Investment income:			
Interest and dividend income	299,559	834,882	450,135
Net appreciation of investments	2,017,910	3,889,652	2,380,423
	2,317,469	4,724,534	2,830,558
Less investment expenses	(82,132)	(156,911)	(96,828)
Net investment income	2,235,337	4,567,623	2,733,730
Total additions	3,148,171	8,410,785	4,668,245
Deductions:			
Benefit payments	1,203,750	3,496,879	2,331,866
Total deductions	1,203,750	3,496,879	2,331,866
Change in net position	1,944,421	4,913,906	2,336,379
Net position, beginning of year	19,177,880	38,733,530	23,497,740
Net position, end of year	\$ 21,122,301	\$ 43,647,436	\$ 25,834,119

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### 16. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

#### Plan Descriptions

In addition to the retirement benefits described in Note 15, 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

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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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 55 or upon completion of 40 years of service, regardless of age.

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 completion of 20 (or 20.5 if hired after January 1, 1978) 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.

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, 1988) 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. Prescription drug, dental, and vision coverage are

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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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, 2012, the City's net cost of providing full health care benefits for retired employees was \$2,721,959. Plan members receiving benefits contributed \$189,338, 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 were \$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* – Before January 1, 2013, the annual contributions for retirees under the age of 65 were \$900 for the retiree and \$700 for spouses/dependents. After January 1, 2013, the retiree must contribute 50% of the cost up to the following annual maximums:

<u>Date of Retirement</u>	<u>Retirees</u>	<u>Dependents</u>
1/1/90-12/31/03	\$ 700	\$ 700
1/1/04 and later	900	700

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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# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

*Electrical Workers Plan* – For retirees under the age of 65, the annual contributions are as follows:

<u>Date of Hire</u>	<u>Date of Retirement</u>	<u>Retirees</u>	<u>Spouses/ Dependents</u>
Prior to 9/1/08	Prior to 9/1/08	\$ 750	\$ 750
Prior to 9/1/08	9/1/08 - 12/31/08	900	700
Prior to 9/1/08	1/1/09 - 12/31/09	1,000	800
Prior to 9/1/08	1/1/10 - 12/31/10	1,100	900
Prior to 9/1/08	1/1/11 - 12/31/11	1,200	1,000
Prior to 9/1/08	1/1/12 - 12/31/12	1,300	1,100
9/1/08 and later		COBRA rate	COBRA rate

For retirees over the age of 65, the annual contributions are \$103.32 for retirees and \$103.32 for spouses/dependents.

*Police Plan* – For all retirees, the annual contributions are as follows:

<u>Date of Retirement</u>	<u>Retirees</u>	<u>Spouses/ Dependents</u>
Prior to 1/1/07	\$ 700	\$ 700
7/1/07 and later	1,100	1,100

*Teamsters Plan* – For retirees under the age of 65, the annual contributions are as follows:

<u>Date of Hire</u>	<u>Date of Retirement</u>	<u>Retirees</u>	<u>Spouses/ Dependents</u>
Prior to 7/25/08	Prior to 12/31/08	\$ 900	\$ 700
Prior to 7/25/08	1/1/09 - 12/31/09	1,000	800
Prior to 7/25/08	1/1/10 - 12/31/10	1,100	900
Prior to 7/25/08	1/1/11 - 12/31/11	1,200	1,000
Prior to 7/25/08	1/1/12 - 12/31/12	1,300	1,100
7/25/08 and later		COBRA rate	COBRA rate

For retirees over the age of 65, the annual contributions are \$103.32 for retirees and \$103.32 for spouses/dependents.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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*Firefighters Plan* – For retirees under the age of 65 who retired prior to January 1, 2007, the annual contributions are \$700 for the retiree and \$700 for spouses/dependents. After October 2, 2009, the annual contributions were to be \$1,100 for the retiree and \$1,100 for spouses/dependents; however, the City did not begin enacting these contributions until November 1, 2013. For retirees under the age of 65 who retired on or after January 1, 2007, the annual contributions for the retiree and spouse are determined at the time of retirement. An independent audit will be performed each year to determine the average cost per participant incurred in the plan and the third previous year. The retiree and spouse will be responsible to contribute 25% of the cost determined in the audit. The contribution for the retiree and spouse determined at the time of retirement can be no more than 10% higher than the contribution determined for a participant that retired in the previous year.

For all 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 determined. 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 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.

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Information as of the latest actuarial valuation follows:

Actuarial valuation date	1/1/2011
Actuarial cost method	Entry age normal, level dollar
Amortization period	30 years, open period
Actuarial assumptions:	
Interest rate	4.5%
Salary increases	5% per year
Medical inflation	8% in 2011, decreasing by 0.5% per year to to 5.5% in 2016; rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model

### 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, 2012 were as follows:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 5,231,520	\$ 120,732	\$ 5,352,252
Interest on net OPEB obligation	568,622	13,122	581,744
Adjustment to annual required contribution	(775,745)	(17,902)	(793,647)
Annual OPEB Cost	5,024,397	115,952	5,140,349
Contribution made	(2,660,559)	(61,400)	(2,721,959)
Change in Net OPEB obligation	2,363,838	54,552	2,418,390
Net OPEB obligation, beginning	12,043,366	296,916	12,340,282
Net OPEB obligation, ending	<u>\$ 14,407,204</u>	<u>\$ 351,468</u>	<u>\$ 14,758,672</u>

# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

### Three-Year Trend Information

Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2012	\$ 5,140,349	52.95%	\$ 14,758,672
2011	5,185,901	46.67%	12,340,282
2010	5,243,228	35.35%	9,574,394

### 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)	Accrued Liability (AAL) - Entry Age (b)	Overfunded (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((a-b)/c)
1/1/2011	\$ -	\$ 56,035,277	\$ (56,035,277)	0.00%	\$ 17,946,883	-312.23%

## 17. RISK MANAGEMENT

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 \$175,000. 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 claim settlement trends as determined by the City's independent third-party administrator.



# CITY OF YORK, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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Changes in the balances of claims liability (net of excess insurance) during the past three years ended December 31, 2012 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>
2010	\$ 437,636	\$ 6,299,592	\$ 6,338,476	\$ 398,752
2011	398,752	7,824,885	7,792,762	430,875
2012	430,875	7,991,026	8,069,484	352,417

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, 2012, 2011, and 2010 with the exception of the pension litigation disclosed in Note 15.

### 18. 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. This lease continued on a month-to-month basis with monthly payments of \$12,164 through March 2012, when the lease was terminated. Rent expenditures under this agreement totaled \$36,492 for the year ended December 31, 2012.

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

The City has also entered into several noncancelable operating leases for office equipment. The future minimum commitments for these leases are not material to the City's operations.

#### *Grants*

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

# **CITY OF YORK, PENNSYLVANIA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

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any, to be immaterial. However, the Redevelopment Authority has used its best estimate to report an allowance based on currently known facts and circumstances.

### ***Contract Commitment***

During 2012, the City, through the Capital Projects Fund, entered into contracts with construction contractors totaling \$4,662,305. At December 31, 2012, \$50,213 was included in accounts payable. The commitment remaining on the contracts at December 31, 2012 was \$4,306,000.

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 \$38,036,861. At December 31, 2012, \$131,235 was included in accounts payable. The commitment remaining on the contracts at December 31, 2012 was \$132,393.

### ***General Authority***

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. The General Authority has expended approximately \$558,459 as of December 31, 2012 towards the Northwest Triangle Initiative.

## **19. 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 \$690,655 in operating expenses and received \$966,142 in fees under the management agreement in 2012. The City received \$141,000 in administrative fees under an administration agreement in 2012. A

# **CITY OF YORK, PENNSYLVANIA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

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receivable of \$731,995 is recorded in the General Fund for fees that were earned under these agreements, but unpaid at December 31, 2012.

### **20. 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 15.

The Redevelopment Authority is involved with litigation regarding a property that was condemned and obtained by eminent domain. The owner is challenging the valuation of the property. As the case is under appeals and a final valuation has not been decided, no liability has been recorded at this time.

### **21. SUBSEQUENT EVENTS**

In February of 2013, the City borrowed \$5,700,000 in the form of a Tax and Revenue Anticipation Note, Series of 2013, bearing interest at an annual rate of 0.95% until June 2013, and thereafter at a variable rate equal to LIBOR plus 0.75%.

In January of 2014, the City borrowed \$5,700,000 in the form of a Tax and Revenue Anticipation Note, Series of 2014, bearing interest at an annual rate of 1.00% until June 2014, and thereafter.

In September 2013, the General Authority issued the Series of 2013 Revenue Note, in the amount of \$4,510,000, for the current refunding of the Series of 2008 Promissory Note and to pay costs of issuance. Interest is payable semi-annually at an initial rate of 2.71% per annum until November 15, 2018. Thereafter, the rate changes to 60% of the bank's prime rate or a fixed rate for a period of time mutually agreed upon by the bank and the General Authority, but in no event less than 2.20% or above 6.00% per annum.

### **22. RESTATEMENT**

During the year ended December 31, 2012, the General Authority determined that parking fees revenue was understated by \$14,000, and unearned revenue was understated by \$199,500. The beginning of year General Authority net position has been decreased from \$2,908,889 to \$2,709,389. Had the parking fees revenue and unearned revenue been properly stated, the change in net position for the General Authority would have been \$9,935 for the year ended December 31, 2011, \$14,000 more than originally reported.

## **Required Supplementary Information**

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 23,927,446	\$ 22,724,586	\$ (1,202,860)	\$ 22,490,390	\$ (234,196)
Licenses and permits	1,634,716	1,634,716	-	1,907,766	273,050
Fines and forfeits	1,976,900	1,976,900	-	1,706,138	(270,762)
Grants and contributions	2,358,601	2,358,601	-	1,585,745	(772,856)
Charges for services	9,049,508	9,049,508	-	9,280,911	231,403
Interest	5,000	5,000	-	-	(5,000)
Miscellaneous	59,575	59,575	-	199,731	140,156
Total revenues	39,011,746	37,808,886	(1,202,860)	37,170,681	(638,205)
Expenditures:					
Current:					
General government	3,041,240	3,061,830	(20,590)	2,057,212	1,004,618
Sanitation	3,222,048	3,222,048	-	3,107,220	114,828
Public safety	27,263,686	27,097,255	166,431	26,984,324	112,931
Highways and streets	641,694	641,694	-	635,335	6,359
Public works	2,725,360	2,792,897	(67,537)	2,798,438	(5,541)
Community development and planning	2,316,467	2,263,490	52,977	2,174,681	88,809
Other departments and programs	202,071	203,192	(1,121)	203,397	(205)
Debt service	-	-	-	13,450	(13,450)
Total expenditures	39,412,566	39,282,406	130,160	37,974,057	1,308,349
Excess (deficiency) of revenues over (under) expenditures	(400,820)	(1,473,520)	(1,072,700)	(803,376)	670,144
Other financing sources (uses):					
Transfers in	2,811,833	2,811,833	-	2,363,257	(448,576)
Transfers out	(984,931)	(1,115,094)	(130,163)	(1,078,567)	36,527
Capital lease	-	-	-	146,100	146,100
Total other financing sources (uses)	1,826,902	1,696,739	(130,163)	1,430,790	(265,949)
Net change in fund balance	\$ 1,426,082	\$ 223,219	\$ (1,202,863)	\$ 627,414	\$ 404,195

**CITY OF YORK, PENNSYLVANIA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2012**

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**1. BUDGETARY DATA**

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

**2. BUDGET TO ACTUAL COMPARISONS**

The General Fund's budget comparison is presented in the Required Supplementary Information section. The budgeted nonmajor funds 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>
Public works	\$ 2,792,897	\$ 2,798,438
Other departments and programs	203,192	203,397
Debt service	-	13,450

Funds 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)
1/1/02	\$ 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%)
1/1/11	21,366,032	24,567,150	(3,201,118)	87.0%	7,600,411	(42.1%)

**Schedule of Contributions from the Employer**

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
2007	\$ 331,360	\$ 331,360	100%
2008	335,270	335,270	100%
2009	344,088	344,088	100%
2010	376,684	376,684	100%
2011	(2) 759,447	759,447	100%
2012	(3) 762,020	762,020	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.

(2) \$759,447 was funded in 2012; amount of the total required contribution was accrued as of December 31, 2011.

(3) \$762,020 was funded in 2013; amount of the total required contribution was accrued as of December 31, 2012.

**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)
1/1/02	\$ 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%)
1/1/11	42,073,130	76,631,555	(34,558,425)	54.9%	6,250,388	(552.9%)

**Schedule of Contributions from the Employer**

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
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%
2010	(5) 3,244,828	3,244,828	100%
2011	(6) 3,384,038	3,384,038	100%
2012	(7) 3,509,807	3,509,807	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.
- (5) \$400,480 was funded as of December 31, 2010 and \$2,844,348 was funded in 2011; amount of the total required contribution was accrued as of December 31, 2010.
- (6) \$3,255,326 was funded in 2012 and \$128,712 was funded in 2013; amount of the total required contribution was accrued as of December 31, 2011.
- (7) \$2,959,247 was funded in 2013; amount of the total required contribution was accrued as of December 31, 2012.



**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 Firefighters 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)
1/1/02	\$ 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%)
1/1/11	26,159,700	43,362,544	(17,202,844)	60.3%	3,869,316	(444.6%)

**Schedule of Contributions from the Employer**

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
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%
2010	(5) 1,805,386	1,805,386	100%
2011	(6) 1,715,778	1,715,778	100%
2012	(7) 1,756,473	1,756,473	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.

(5) \$222,836 was funded as of December 31, 2010 and \$1,582,550 was funded in 2011; amount of the total required contribution was accrued as of December 31, 2010.

(6) \$1,715,778 was funded in 2012 ; amount of the total required contribution was accrued as of December 31, 2011.

(7) \$10,243 was funded as of December 31, 2012 and \$1,746,230 was funded in 2013; amount of the total required contribution was accrued as of December 31, 2012.

**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**

<b>Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Overfunded (Unfunded) AAL (a-b)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>Overfunded (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)</b>
1/1/07	\$ -	\$ 48,995,002	\$ (48,995,002)	0.00%	\$ 15,047,604	(325.60%)
1/1/09	-	52,664,914	(52,664,914)	0.00%	17,256,761	(305.18%)
1/1/11	-	56,035,227	(56,035,227)	0.00%	17,946,883	(312.23%)

**Schedule of Contributions from the Employer**

<b>Calendar Year</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2008	\$ 4,808,544	23.65%
2009	4,808,544	38.02%
2010	5,344,602	34.68%
2011	5,344,602	45.28%
2012	5,352,252	50.86%

## **Supplementary Information**

**CITY OF YORK, PENNSYLVANIA**  
**COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2012**

	Recreation Fund	Community Development Loan Fund	Community Development Block Grant	Conduit Fund	Section 108 Fund
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 239,240	\$ 26,259	\$ 35,914	\$ -
Receivables:					
Loans (less allowance for doubtful accounts of \$150,023 in Community Development Block Grant Fund, \$106,213 in Section 108 Fund, and \$816,241 in HOME Fund)	-	616,606	886,909	-	601,877
Taxes (less allowance for doubtful accounts of \$122,452 in recreation)	132,520	-	-	-	-
Accounts, notes, and grants	29,460	-	375,804	-	-
Due from other funds	60,000	-	130,952	-	-
<b>Total assets</b>	<b>\$ 221,980</b>	<b>\$ 855,846</b>	<b>\$ 1,419,924</b>	<b>\$ 35,914</b>	<b>\$ 601,877</b>
<b>Liabilities and Fund Balances (Deficits)</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 28,284	\$ -	\$ 433,015	\$ -	\$ -
Accrued wages payable	13,654	-	-	-	-
Due to other funds	729,066	130,952	100,000	-	-
Due to other governments	-	8,902	-	-	-
Unearned revenues	122,452	616,606	886,909	25,764	601,877
<b>Total liabilities</b>	<b>893,456</b>	<b>756,460</b>	<b>1,419,924</b>	<b>25,764</b>	<b>601,877</b>
Fund balances (deficits):					
Restricted for:					
Public works	-	-	-	-	-
Community development	-	99,386	-	10,150	-
Unassigned	(671,476)	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>(671,476)</b>	<b>99,386</b>	<b>-</b>	<b>10,150</b>	<b>-</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 221,980</b>	<b>\$ 855,846</b>	<b>\$ 1,419,924</b>	<b>\$ 35,914</b>	<b>\$ 601,877</b>

Special Revenue						Total
Section 108 - Rebuild York Fund	State Liquid Fuels Tax Fund	Special Projects Fund	HOME Fund	State Grant Health Funds	Weyer Trust	Nonmajor Governmental Funds
\$ -	\$ -	\$ 396,724	\$ 70,429	\$ -	\$ 20,695	\$ 789,261
-	-	-	1,225,367	-	-	3,330,759
-	-	-	-	-	-	132,520
-	772,690	92,751	57,457	201,845	-	1,530,007
-	-	8,250	-	-	-	199,202
<u>\$ -</u>	<u>\$ 772,690</u>	<u>\$ 497,725</u>	<u>\$ 1,353,253</u>	<u>\$ 201,845</u>	<u>\$ 20,695</u>	<u>\$ 5,981,749</u>
\$ -	\$ 66,443	\$ 124,811	\$ 57,457	\$ 6,324	\$ 22	\$ 716,356
-	4,548	-	-	16,947	1,310	36,459
-	769,338	-	-	659,759	-	2,389,115
-	-	-	70,429	-	-	79,331
-	-	13,155	1,225,367	-	-	3,492,130
-	840,329	137,966	1,353,253	683,030	1,332	6,713,391
-	-	359,759	-	-	-	359,759
-	-	-	-	-	19,363	128,899
-	(67,639)	-	-	(481,185)	-	(1,220,300)
-	(67,639)	359,759	-	(481,185)	19,363	(731,642)
<u>\$ -</u>	<u>\$ 772,690</u>	<u>\$ 497,725</u>	<u>\$ 1,353,253</u>	<u>\$ 201,845</u>	<u>\$ 20,695</u>	<u>\$ 5,981,749</u>

**CITY OF YORK, PENNSYLVANIA**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**
**BALANCES (DEFICITS) - OTHER GOVERNMENTAL FUNDS**
**YEAR ENDED DECEMBER 31, 2012**

	Recreation Fund	Community Development Loan Fund	Community Development Block Grant	Conduit Fund	Section 108 Fund
Revenues:					
Taxes	\$ 1,220,650	\$ -	\$ -	\$ -	\$ -
Grants and contributions	1,275	-	1,111,644	367,777	-
Charges for services	536,055	-	1,151	-	-
Loan repayments	-	223,751	-	-	-
Interest	-	3	-	-	-
Miscellaneous	48,915	-	-	-	-
Total revenues	1,806,895	223,754	1,112,795	367,777	-
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	4,556	-
Highways and streets	-	-	-	-	-
Public works	-	-	-	-	-
Parks and recreation	1,469,359	-	-	-	-
Community development and planning	-	12,789	874,892	350,037	-
Other departments and programs	-	-	-	-	-
Debt service:					
Principal retirements	-	-	240,000	-	-
Interest	-	-	128,855	-	-
Capital outlay	-	-	-	-	-
Total expenditures	1,469,359	12,789	1,243,747	354,593	-
Excess (deficiency) of revenues over (under) expenditures	337,536	210,965	(130,952)	13,184	-
Other financing sources (uses):					
Transfers in	-	-	130,952	-	-
Transfers out	(80,022)	(213,262)	-	(3,963)	-
Total other financing sources (uses)	(80,022)	(213,262)	130,952	(3,963)	-
Net change in fund balances (deficits)	257,514	(2,297)	-	9,221	-
Fund balances (deficits) - beginning of year	(928,990)	101,683	-	929	-
Fund balances (deficits) - end of year	\$ (671,476)	\$ 99,386	\$ -	\$ 10,150	\$ -

Special Revenue						Total Nonmajor Governmental Funds
Section 108 - Rebuild York Fund	State Liquid Fuels Tax Fund	Special Projects Fund	HOME Fund	State Grant Health Funds	Weyer Trust	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,220,650
-	806,166	328,564	1,197,766	1,205,988	122,355	5,141,535
-	-	140,775	-	-	-	677,981
-	-	-	-	-	-	223,751
508	-	-	-	-	-	511
-	3,108	127,794	-	52	-	179,869
508	809,274	597,133	1,197,766	1,206,040	122,355	7,444,297
-	-	310,615	-	-	-	310,615
-	-	3,841	-	-	-	8,397
-	428,160	-	-	-	-	428,160
-	-	32,998	-	-	-	32,998
-	-	89,287	-	-	-	1,558,646
-	-	30,260	1,197,766	-	109,140	2,574,884
-	-	-	-	1,373,226	-	1,373,226
-	92,969	-	-	-	-	332,969
3,781	8,569	-	-	-	-	141,205
-	8,285	136,511	-	7,365	-	152,161
3,781	537,983	603,512	1,197,766	1,380,591	109,140	6,913,261
(3,273)	271,291	(6,379)	-	(174,551)	13,215	531,036
-	-	-	-	-	-	130,952
-	-	-	-	-	-	(297,247)
-	-	-	-	-	-	(166,295)
(3,273)	271,291	(6,379)	-	(174,551)	13,215	364,741
3,273	(338,930)	366,138	-	(306,634)	6,148	(1,096,383)
\$ -	\$ (67,639)	\$ 359,759	\$ -	\$ (481,185)	\$ 19,363	\$ (731,642)

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND - MAJOR GOVERNMENTAL FUND**  
**YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 874,623	\$ 2,077,482	\$ 1,202,859	\$ 2,098,781	\$ 21,299
Grants and contributions	1,780,000	1,780,000	-	1,938,251	158,251
Loan repayments	574,000	574,000	-	-	(574,000)
Total revenues	<u>3,228,623</u>	<u>4,431,482</u>	<u>1,202,859</u>	<u>4,037,032</u>	<u>(394,450)</u>
Expenditures:					
Current:					
General government	13,783	13,783	-	22,664	(8,881)
Debt service	<u>5,343,078</u>	<u>5,343,078</u>	<u>-</u>	<u>5,174,144</u>	<u>168,934</u>
Total expenditures	<u>5,356,861</u>	<u>5,356,861</u>	<u>-</u>	<u>5,196,808</u>	<u>160,053</u>
Excess (deficiency) of revenues (under) expenditures	<u>(2,128,238)</u>	<u>(925,379)</u>	<u>1,202,859</u>	<u>(1,159,776)</u>	<u>(234,397)</u>
Other financing sources (uses):					
Transfers in	994,734	994,734	-	825,800	(168,934)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(623,765)</u>	<u>(623,765)</u>
Total other financing sources (uses)	<u>994,734</u>	<u>994,734</u>	<u>-</u>	<u>202,035</u>	<u>(792,699)</u>
Net change in fund balance	<u>\$ (1,133,504)</u>	<u>\$ 69,355</u>	<u>\$ 1,202,859</u>	<u>\$ (957,741)</u>	<u>\$ (1,027,096)</u>



**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND - MAJOR GOVERNMENTAL FUND**  
**YEAR ENDED DECEMBER 31, 2012**

	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	\$ 5,416,915	\$ 6,596,750	\$ 1,179,835	\$ 2,371,634	\$ (4,225,116)
Total revenues	5,416,915	6,596,750	1,179,835	2,371,634	(4,225,116)
Expenditures:					
Current:					
General government	-	-	-	515,998	(515,998)
Debt service	336,420	336,420	-	690,523	(354,103)
Capital outlay	5,735,209	7,198,232	(1,463,023)	3,607,303	3,590,929
Total expenditures	6,071,629	7,534,652	(1,463,023)	4,813,824	2,720,828
Excess (deficiency) of revenues over (under) expenditures	(654,714)	(937,902)	(283,188)	(2,442,190)	(1,504,288)
Other financing sources (uses):					
Transfers in	746,443	784,043	37,600	696,651	(87,392)
Transfers out	-	-	-	(42,330)	(42,330)
Total other financing sources (uses)	746,443	784,043	37,600	654,321	(129,722)
Net change in fund balance	\$ 91,729	\$ (153,859)	\$ (245,588)	\$ (1,787,869)	\$ (1,634,010)

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**RECREATION FUND - OTHER GOVERNMENTAL FUND**  
**YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues:					
Taxes	\$ 1,230,881	\$ 1,230,881	\$ -	\$ 1,220,650	\$ (10,231)
Grants and contributions	-	-	-	1,275	1,275
Charges for services	577,000	577,000	-	536,055	(40,945)
Miscellaneous	67,900	67,900	-	48,915	(18,985)
Total revenues	<u>1,875,781</u>	<u>1,875,781</u>	<u>-</u>	<u>1,806,895</u>	<u>(68,886)</u>
Expenditures:					
Current:					
Parks and recreation	<u>1,843,501</u>	<u>1,795,759</u>	<u>47,742</u>	<u>1,469,359</u>	<u>326,400</u>
Total expenditures	<u>1,843,501</u>	<u>1,795,759</u>	<u>47,742</u>	<u>1,469,359</u>	<u>326,400</u>
Excess (deficiency) of revenues (under) expenditures	<u>32,280</u>	<u>80,022</u>	<u>47,742</u>	<u>337,536</u>	<u>257,514</u>
Other financing sources (uses):					
Transfers out	<u>(32,280)</u>	<u>(80,022)</u>	<u>(47,742)</u>	<u>(80,022)</u>	<u>-</u>
Total other financing sources (uses)	<u>(32,280)</u>	<u>(80,022)</u>	<u>(47,742)</u>	<u>(80,022)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257,514</u>	<u>\$ 257,514</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, 2012**

	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	\$ 2,248,234	\$ 2,276,250	\$ 28,016	\$ 1,111,644	\$ (1,164,606)
Charges for services	-	-	-	1,151	1,151
Total revenues	2,248,234	2,276,250	28,016	1,112,795	(1,163,455)
Expenditures:					
Current:					
Community development and planning	1,694,234	1,722,250	(28,016)	874,892	847,358
Debt service	554,000	554,000	-	368,855	185,145
Total expenditures	2,248,234	2,276,250	(28,016)	1,243,747	1,032,503
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(130,952)	(130,952)
Other financing sources (uses):					
Transfers in	-	-	-	130,952	130,952
Total other financing sources (uses)	-	-	-	130,952	130,952
Change in net assets	\$ -	\$ -	\$ -	\$ -	\$ -

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**STATE LIQUID FUELS TAX FUND - OTHER GOVERNMENTAL FUND**  
**YEAR ENDED DECEMBER 31, 2012**

	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	\$ 790,878	\$ 790,878	\$ -	\$ 806,166	\$ 15,288
Interest	1,000	1,000	-	-	(1,000)
Miscellaneous	-	-	-	3,108	3,108
Total revenues	<u>791,878</u>	<u>791,878</u>	<u>-</u>	<u>809,274</u>	<u>17,396</u>
Expenditures:					
Current:					
Highways and streets	678,800	678,800	-	428,160	250,640
Debt service	106,000	106,000	-	101,538	4,462
Capital outlay	<u>28,000</u>	<u>28,000</u>	<u>-</u>	<u>8,285</u>	<u>19,715</u>
Total expenditures	<u>812,800</u>	<u>812,800</u>	<u>-</u>	<u>537,983</u>	<u>274,817</u>
Net change in fund balance	<u>\$ (20,922)</u>	<u>\$ (20,922)</u>	<u>\$ -</u>	<u>\$ 271,291</u>	<u>\$ 292,213</u>

**CITY OF YORK, PENNSYLVANIA**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**STATE HEALTH GRANT FUND - OTHER GOVERNMENTAL FUND**  
**YEAR ENDED DECEMBER 31, 2012**

	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	\$ 1,597,375	\$ 1,597,375	\$ -	\$ 1,205,988	\$ (391,387)
Miscellaneous	6,500	6,500	-	52	(6,448)
Total revenues	<u>1,603,875</u>	<u>1,603,875</u>	<u>-</u>	<u>1,206,040</u>	<u>(397,835)</u>
Expenditures:					
Current:					
Other departments and programs	1,594,890	1,594,887	3	1,373,226	221,661
Capital outlay	-	-	-	7,365	(7,365)
Total expenditures	<u>1,594,890</u>	<u>1,594,887</u>	<u>3</u>	<u>1,380,591</u>	<u>214,296</u>
Net change in fund balance	<u>\$ 8,985</u>	<u>\$ 8,988</u>	<u>\$ 3</u>	<u>\$ (174,551)</u>	<u>\$ (183,539)</u>

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

DECEMBER 31, 2012

	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total
<b>Assets</b>				
Investments, at fair value	\$ 20,291,022	\$ 39,271,202	\$ 23,942,953	\$ 83,505,177
Due from City of York	831,279	4,376,234	1,891,166	7,098,679
Total assets	21,122,301	43,647,436	25,834,119	90,603,856
<b>Net Position</b>				
Restricted for pension benefits	\$ 21,122,301	\$ 43,647,436	\$ 25,834,119	\$ 90,603,856

**CITY OF YORK, PENNSYLVANIA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS**  
**DECEMBER 31, 2012**

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	Fire Escrow	Escrow Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 349,091	\$ 300,583	\$ 649,674
Total assets	349,091	300,583	649,674
<b>Liabilities</b>			
Accounts payable and accrued expenses	349,091	300,583	649,674
Total liabilities	\$ 349,091	\$ 300,583	\$ 649,674

**CITY OF YORK, PENNSYLVANIA****COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUNDS**  
**YEAR ENDED DECEMBER 31, 2012**

	Officers and Employees Pension Fund	Police Pension Fund	Paid Firefighters Pension Fund	Total
Additions:				
Contributions:				
Employee contributions	\$ 150,814	\$ 333,355	\$ 178,042	\$ 662,211
Employer contributions	762,020	3,509,807	1,756,473	6,028,300
Total contributions	912,834	3,843,162	1,934,515	6,690,511
Investment income:				
Interest and dividend income	299,559	834,882	450,135	1,584,576
Net appreciation of investments	2,017,910	3,889,652	2,380,423	8,287,985
	2,317,469	4,724,534	2,830,558	9,872,561
Less investment expenses	(82,132)	(156,911)	(96,828)	(335,871)
Net investment income	2,235,337	4,567,623	2,733,730	9,536,690
Total additions	3,148,171	8,410,785	4,668,245	16,227,201
Deductions:				
Benefit payments	1,203,750	3,496,879	2,331,866	7,032,495
Total deductions	1,203,750	3,496,879	2,331,866	7,032,495
Change in net position	1,944,421	4,913,906	2,336,379	9,194,706
Net position restricted for pension benefits, beginning of year	19,177,880	38,733,530	23,497,740	81,409,150
Net position restricted for pension benefits, end of year	\$ 21,122,301	\$ 43,647,436	\$ 25,834,119	\$ 90,603,856