

**CITY OF YORK GENERAL AUTHORITY
(A Component Unit of the City of York, Pennsylvania)**

ANNUAL FINANCIAL REPORT

Years Ended December 31, 2014 and 2013



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CITY OF YORK GENERAL AUTHORITY

(A Component Unit of the City of York, Pennsylvania)

YEARS ENDED DECEMBER 31, 2014 AND 2013

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Independent Auditors' Report

To the Members of the Board
City of York General Authority
York, Pennsylvania

We have audited the accompanying financial statements of the City of York General Authority (a component unit of the City of York, Pennsylvania), which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The City of York General Authority's 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

To the Members of the Board
City of York General Authority
York, Pennsylvania

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of York General Authority as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Maillie LLP

Oaks, Pennsylvania
March 7, 2016

CITY OF YORK GENERAL AUTHORITY

(A Component Unit of the City of York, Pennsylvania)

STATEMENTS OF NET POSITION

DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and cash equivalents	\$ 107,297	\$ 58,267
Cash and cash equivalents - restricted under trust indentures	1,874,595	1,624,850
Accrued interest receivable	5,776	5,776
Accounts receivable	6,174	1,736
Note receivable	75,364	107,233
Capital assets, net of accumulated depreciation of \$8,813,136 for 2014 and \$8,332,591 for 2013	<u>6,356,353</u>	<u>6,635,832</u>
Total Assets	<u>8,425,559</u>	<u>8,433,694</u>
Liabilities		
Due to the City of York	820,893	732,717
Accounts payable	14,974	6,247
Accrued interest payable	14,916	30,827
Funds collected in advance	423,900	461,580
Unearned revenue	75,364	107,233
Arbitrage rebate liability	18,937	18,937
Notes payable:		
Due within one year	205,300	130,500
Due in more than one year	<u>4,174,200</u>	<u>4,379,500</u>
Total Liabilities	<u>5,748,484</u>	<u>5,867,541</u>
Net Position		
Net investment in capital assets	1,976,853	2,125,832
Unrestricted	<u>700,222</u>	<u>440,321</u>
Total Net Position	<u>\$ 2,677,075</u>	<u>\$ 2,566,153</u>

See accompanying notes to basic financial statements.

CITY OF YORK GENERAL AUTHORITY

(A Component Unit of the City of York, Pennsylvania)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
<u>Parking fees</u>	<u>\$ 1,822,370</u>	<u>\$ 1,739,070</u>
Total operating revenues	<u>1,822,370</u>	<u>1,739,070</u>
Operating Expenses:		
<u>System expenses</u>	<u>927,036</u>	<u>917,610</u>
City of York administrative fee	141,000	141,000
Administration	71,079	50,207
Depreciation	<u>480,545</u>	<u>478,417</u>
Total operating expenses	<u>1,619,660</u>	<u>1,587,234</u>
Operating Income	<u>202,710</u>	<u>151,836</u>
Non-Operating Revenues (Expenses):		
<u>Interest income</u>	<u>6,683</u>	<u>4,268</u>
Other revenue	25,153	-
Interest expense	(123,624)	(258,233)
Amortization of financing costs and discount	<u>-</u>	<u>(1,608)</u>
Total non-operating revenues (expenses)	<u>(91,788)</u>	<u>(255,573)</u>
Change in Net Position	110,922	(103,737)
Net Position:		
<u>Beginning of year</u>	<u>2,566,153</u>	<u>2,669,890</u>
End of year	<u><u>\$ 2,677,075</u></u>	<u><u>\$ 2,566,153</u></u>

See accompanying notes to basic financial statements.

CITY OF YORK GENERAL AUTHORITY

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STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities:		
Cash received from customers	\$ 1,780,252	\$ 1,987,438
Cash paid to suppliers and City of York	(1,042,212)	(1,104,198)
Net cash provided by operating activities	738,040	883,240
Cash Flows From Investing Activities:		
Interest received	6,683	4,268
Cash Flows From Capital and Related Financing Activities:		
Proceeds from issuance of note payable	-	4,510,000
Proceeds from conduit debt settlement	25,153	-
Principal paid on note payable	(130,500)	(4,558,824)
Interest paid	(139,535)	(203,282)
Capital asset additions	(201,066)	(61,063)
Net cash used in capital and related financing activities	(445,948)	(313,169)
Net Increase in Cash and Cash Equivalents	298,775	574,339
Cash and Cash Equivalents:		
Beginning of year	1,683,117	1,108,778
End of year	\$ 1,981,892	\$ 1,683,117
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 202,710	\$ 151,836
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	480,545	478,417
Changes in assets and liabilities:		
Accounts receivable	(4,438)	3,048
Note receivable	31,869	25,975
Due from other governments	-	283,000
Funds collected in advance	(37,680)	(37,680)
Due to the City of York	88,176	722
Accounts payable	8,727	3,897
Unearned revenue	(31,869)	(25,975)
Total adjustments	535,330	731,404
Net cash provided by operating activities	\$ 738,040	\$ 883,240

See accompanying notes to basic financial statements.

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(A Component Unit of the City of York, Pennsylvania)

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose

The City of York General Authority (Authority) was incorporated on January 1, 1995, under the provisions of the Municipality Authorities Act of 1945, as amended, for all the purposes authorized by the Act and shall have and exercise all powers granted to such authorities under the Act. Through December 31, 2014, its operations have been primarily to operate and maintain a municipal parking system and issue conduit debt.

Reporting Entity

The Authority is a component unit of the City of York (City) reporting entity. Criteria considered in making this determination include appointment of the Authority's Board, financial interdependence, and the Authority's potential to provide specific financial benefits to, or impose specific financial burdens on, the City.

Basis of Accounting

The accounting records of the Authority are maintained on the accrual basis and its operations are accounted for as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenue of the Authority is parking fee income. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net position. Net position (i.e., total assets net of total liabilities) is segregated into "net investment in capital assets" and "unrestricted" components.

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NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

Nonrecourse Debt Issues

The Authority participates in several bond issues for which it has no liability. Acting solely in an agent capacity, the Authority serves as a tax-exempt financing conduit, bringing the ultimate borrower and the ultimate lender together. Although the Authority is a party to the trust indentures with the trustees, the agreements are structured such that there is no recourse against the Authority in the case of default. As such, the corresponding debt is not reported in the Authority's statements of net position, but is disclosed in Note 6.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Authority considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statements of net position because their use is limited by applicable trust indentures or other agreements.

Capital Assets

Capital assets are carried at cost or at estimated fair value, if donated. Depreciation has been provided using the straight-line method over the expected economic useful life of the assets (5 to 20 years). When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments. Donated capital assets are valued at their estimated fair value on the date received. Capital assets are defined by the Authority as assets with an initial, individual or aggregate cost of more than \$5,000 and an estimated useful life in excess of two years.

Funds Collected in Advance

Funds collected in advance represent funds collected for future period parking fees. Revenue is earned in the period in which services are provided.

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NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following components: net investment in capital assets and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation, and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Unrestricted consists of all other net position not included in the above category.

Restricted Resources

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

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 expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

2. DEPOSITS

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

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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 Authority does not have a deposit policy for custodial credit risk. As of December 31, 2014, the Authority's book balance was \$1,981,892 and the bank balance was \$1,963,177. Of the bank balance, \$250,000 covered by federal depository insurance, and \$1,713,177 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly (Act), 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.

3. NOTE RECEIVABLE

The Authority entered into a Note Receivable Agreement (Note) with a long-term tenant of the King Street Garage, whereby, the tenant will reimburse the Authority for the cost associated with a renovation project. Under the Note, the tenant will pay the 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 years ended December 31, 2014 and 2013, a total of \$31,869 and \$25,975, respectively, were recognized as revenue under terms of this agreement.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning of Year	Increases	Decreases	End of Year
Capital assets, being depreciated:				
Buildings and improvements	\$ 14,968,423	\$ 201,066	\$ -	\$ 15,169,489
Less accumulated depreciation	(8,332,591)	(480,545)	-	(8,813,136)
Capital assets, net	<u>\$ 6,635,832</u>	<u>\$ (279,479)</u>	<u>\$ -</u>	<u>\$ 6,356,353</u>

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YEARS ENDED DECEMBER 31, 2014 AND 2013

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning of Year	Increases	Decreases	End of Year
Capital assets, being depreciated:				
Buildings and improvements	\$ 14,907,360	\$ 61,063	\$ -	\$ 14,968,423
Less accumulated depreciation	(7,854,174)	(478,417)	-	(8,332,591)
Capital assets, net	<u>\$ 7,053,186</u>	<u>\$ (417,354)</u>	<u>\$ -</u>	<u>\$ 6,635,832</u>

5. NOTES PAYABLE

Series of 2008 Promissory Note

In 2008, the Authority issued the Series of 2008 Promissory Note in the amount of \$5,000,000, the proceeds of which were to be used to finance the renovation to the Market Street Garage, along with improvements to the Authority's other assets. The loan was interest-only for three years during the draw-down period, followed by seventeen years of amortization, maturing December 23, 2028.

Series of 2013 Revenue Note

In 2013, the 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. The current refunding decreased its total debt payments by \$223,753 through the year 2028 and resulted in an economic gain of \$383,119 (difference between the present values of the old and new debt service payments). 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 Authority, but in no event less than 2.20% or above 6.00% per annum. The loan matures on November 15, 2028.

Notes payable activity for the year ended December 31, 2014 was as follows:

	Beginning of Year	Additions	Retirements	End of Year	Current Portion
Notes payable	<u>\$ 4,510,000</u>	<u>\$ -</u>	<u>\$ (130,500)</u>	<u>\$ 4,379,500</u>	<u>\$ 205,300</u>

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Notes payable activity for the year ended December 31, 2013 was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>End of Year</u>	<u>Current Portion</u>
Notes payable	\$ 4,558,824	\$ 4,510,000	\$ (4,558,824)	\$ 4,510,000	\$ 130,500

Debt service requirements to maturity for subsequent years using the fixed interest rate in effect at December 31, 2014 of 2.71% are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 205,300	\$ 118,684
2016	286,900	113,120
2017	294,700	105,346
2018	302,600	97,360
2019	277,600	122,388
2020-2024	1,550,800	449,142
2025-2028	1,461,600	138,414
	<u>\$ 4,379,500</u>	<u>\$ 1,144,454</u>

6. NONRECOURSE DEBT ISSUES

As discussed in Note 1, several nonrecourse debt issues were outstanding at December 31, 2014, as follows:

During 2002, the Authority issued Series of 2002, Variable Rate Demand Revenue Bonds, in the amount of \$8,000,000. Concurrently, the Authority entered into a loan agreement whereby the Authority lent the proceeds of the sale of the bonds to the Strand-Capitol Performing Arts Center, Inc. and Strand-Capitol Foundation for the purpose of acquisition, construction, and installation of a facility located at 38 through 50 North George Street. As of December 31, 2014, the total amount outstanding on these bonds amounted to \$1,160,000.

On May 1, 2001, the Authority issued Guaranteed Revenue Bonds Series 2001 in the amount of \$7,305,000 and entered into a loan agreement whereby the Authority will lend the proceeds of the sale of the bonds to the York Recreation Corporation for the purpose of building and operating a new twin-

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surface ice sports facility and to convert the existing ice rink into a multi-purpose recreation facility. In connection therewith, the City guaranteed the timely payment of the principal and interest on the bonds. The guaranty was a general obligation of the City, secured by the City's full faith and credit and taxing power.

During 2003, the York Recreation Corporation defaulted on their debt service requirements. Effective November 2003, the City assumed operations of the facility and, accordingly, the City is required to fund future payments of this obligation. The amount outstanding as of December 31, 2014 on the Guaranteed Revenue Bonds Series 2001 was \$3,625,000.

During 2014, the Authority issued Revenue Note, Series 2014, in the amount of \$10,000,000 on a draw down basis. Concurrently, the Authority entered into a loan agreement whereby the Authority lent the proceeds of the sale of the Note to Lutheran Social Services of South Central Pennsylvania for the purpose of acquisition, construction, furnishing and equipping alterations, renovation additions, and improvements to the residential living facilities known as "The Village at Sprenkle Drive." As of December 31, 2014, the total amount outstanding on this Note was \$160,169.

7. MANAGEMENT AGREEMENT WITH THE CITY OF YORK

The Authority entered into a management agreement with the City to operate the Authority's Parking System. The agreement continues indefinitely; however, the Authority can terminate the agreement with a thirty-day cancellation notice. The agreement requires that the Mayor prepare an operating expenses budget for adoption by the City Council, with final approval by the Authority and the inclusion of such budgeted operating expenses in the Authority's annual budget. During 2014 and 2013, the Authority incurred a total of \$1,037,508 and \$1,046,184, respectively, in expenses due to the City under this agreement. Of this amount, \$141,000 and \$141,000, respectively, for the years ended December 31, 2014 and 2013, were administrative fees to the City, and the remaining \$896,508 and \$905,184, respectively, were to pay other expenses of the Authority. At December 31, 2014 and 2013, the Authority recorded a due to City of York of \$820,893 and \$732,717, respectively, for the remainder of expenses due under the management agreement, and reimbursements for capital expenditures that the City paid on behalf of the Authority.

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Under the management agreement between the Authority and the City, the Authority is entitled to receive an adjustment to the management fee billed from the City if actual expenses were less than budgeted expenses. As of December 31, 2014, the Authority owed the City \$820,893, which included six monthly billed amounts from the City for the year ended December 31, 2012 that were not paid as of December 31, 2014. The City and the Authority are currently in discussions to determine if there will be adjustments made to the amounts due to the City from the Authority. As of the report date, the amount of any adjustment could not be determined.

8. ARBITRAGE REBATE LIABILITY

In connection with the Authority's 1996 Series Pool Bonds, there is a potential arbitrage rebate liability of an uncertain and unknown amount. Should this liability be asserted in the future, the minimum amount of this liability will likely be \$18,937. It is uncertain whether any additional liability will be imposed at such a time.